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

FORM 10-Q

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

For the quarterly period ended December 31, 2000

OR

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

Commission file number 0-15701

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

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

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

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

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

Yes [X] No [ ]

5,777,289

(Number of shares of common stock of the registrant outstanding, net of treasury shares held, as of February 5, 2001

NATURAL ALTERNATIVES INTERNATIONAL, INC.
PART I - FINANCIAL INFORMATION
CONSOLIDATED BALANCE SHEETS

ASSETS

(Amounts in thousands except share data)	December 31 2000	June 30 2000

	December 31 2000 (unaudited)	June 30 2000 (audited)
Current Assets:		
Cash and cash equivalents	$ 987	$ 815
Accounts receivable - less allowance for doubtful accounts of $211 at December 31, 2000 and $330 at June 30, 2000	3,886	4,097
Inventories (Note 2)	7,868	7,627
Income tax refund receivable	1,500	1,500
Deferred income taxes	1,467	1,467
Related parties notes receivable - current portion (Note 7)	11	815
Prepaid expenses	881	635
Deposits	492	390
Other current assets	146	110
Total Current Assets	17,238	17,456
Property and equipment, net	14,162	15,037
Other Assets:		
Deferred income taxes	1,635	1,592
Investments	44	232
Related parties notes receivable, less current portion (Note 7)	480	444
Investments in and advances to a related party (Notes 8 and 9)	1,141	--
Other noncurrent assets, net	114	114
Total Other Assets	3,414	2,382
TOTAL ASSETS	$ 34,814	$ 34,875

See accompanying notes to unaudited financial statements.

NATURAL ALTERNATIVES INTERNATIONAL, INC.
PART I - FINANCIAL INFORMATION
CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

(Amounts in thousands except share data)	December 31 2000	June 30 2000
	(unaudited)	(audited)
Current Liabilities:		
Accounts payable	$ 4,736	$ 4,422
Lines of credit and notes payable (Note 5)	2,628	4,544
Current installments of long-term debt (Note 5)	833	490
Income taxes payable	31	--
Accrual for loss on lease obligation	--	50
Accrued compensation and employee benefits	477	355
Total Current Liabilities	8,705	9,861
Deferred income taxes	766	766
Long-term debt, less current installments (Note 5)	3,966	3,345
Long-term pension liability	223	417
Total Liabilities	13,660	14,389

Stockholders' Equity (Note 6):		
Preferred stock; $.01 par value; 500,000 shares authorized; none issued or outstanding	--	--
Common stock; $.01 par value; 8,000,000 shares authorized, issued and outstanding 6,039,789 at December 31, 2000 and 6,024,380 at June 30, 2000	60	60
Additional paid-in capital	11,292	11,272
Retained earnings	11,146	10,498
Treasury stock, at cost, 262,500 shares	(1,283)	(1,283)
Accumulated other comprehensive loss	(61)	(61)
Total Stockholders' Equity	21,154	20,486
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 34,814	$ 34,875

See accompanying notes to unaudited financial statements.

NATURAL ALTERNATIVES INTERNATIONAL, INC.
PART I - FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

(Dollars in thousands except share data)	Three months ended December 31,		Six months ended December 31,	
	2000	1999	2000	1999
Net sales	$ 11,240	$ 12,064	$ 21,463	$ 27,328
Cost of goods sold	8,395	10,586	16,607	22,661
Inventory write-off	--	2,000	--	2,000
Total cost of goods sold	8,395	12,586	16,607	24,661
GROSS PROFIT (LOSS)	2,845	(522)	4,856	2,667
Selling, general & administrative expenses	2,171	3,219	3,907	6,054
INCOME (LOSS) FROM OPERATIONS	674	(3,741)	949	(3,387)
Other income (expense):				
Interest income	37	17	68	45
Interest expense	(199)	(75)	(383)	(105)
Equity in loss of unconsolidated joint venture	(18)	--	(38)	--
Foreign exchange loss	(104)	--	(65)	--
Other, net	110	(48)	104	(56)
	(174)	(106)	(314)	(116)
EARNINGS (LOSS) BEFORE INCOME TAXES	500	(3,847)	635	(3,503)
Provision (benefit) for income taxes	57	(1,436)	(13)	(1,179)
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ 443	$ (2,411)	$ 648	$ (2,324)

NET EARNINGS (LOSS) PER COMMON SHARE:

Basic	$ 0.08	$ (0.42)	$ 0.11	$ (0.40)
Diluted	$ 0.08	$ (0.42)	$ 0.11	$ (0.40)
Weighted average common shares outstanding:				
Basic shares	5,761,880	5,758,734	5,761,880	5,767,055
Diluted shares	5,803,039	5,758,734	5,783,465	5,767,055

See accompanying notes to unaudited financial statements

NATURAL ALTERNATIVES INTERNATIONAL, INC.
PART I - FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollars in thousands)	Six months ended December 31 2000	1999
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Net earnings (loss)	$ 648	$ (2,324)
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Bad debt provision	(64)	180
Write-off of inventory	--	2,000
Write-off of notes receivable and accrued interest	--	72
Depreciation and amortization	1,259	913
Deferred income taxes	(43)	--
Pension expense, net of contributions	(194)	--
Loss on disposal of assets	(4)	--
Loss on unconsolidated joint venture	38	--
Accrued interest - notes receivable	(49)	
Other	--	(16)
Foreign exchange gains - notes payable	(31)	--
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	168	83
Inventories	(241)	1,208
Tax refund receivable	--	(517)
Prepaid expenses	(246)	(65)
Deposits	(102)	(196)
Other current assets	(36)	986
Accounts payable	285	(3,160)
Income taxes payable	31	--
Accrued compensation and employee benefits	122	(217)
Accrual for loss on lease obligation	(50)	--
Net Cash Provided by Operating Activities	$ 1,491	$ (1,053)

(continued)

NATURAL ALTERNATIVES INTERNATIONAL, INC.

PART 1 - FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(UNAUDITED)

	Six months ended December 31	
	2000	1999
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	$ (380)	$ (3,113)
Repayment of notes receivable	12	30
Issuance of notes receivable	(50)	(791)
Net Cash Used in Investing Activities	(418)	(3,874)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on lines of credit and notes payable	5,126	4,529
Payments on lines of credit and notes payable	(6,047)	(58)
Issuance of common stock	20	--
Treasury stock acquisitions	--	(167)
Net Cash (Used in) Provided by Financing Activities	(901)	4,304
Net Increase (Decrease) in Cash and Cash Equivalents	172	(623)
Cash and Cash Equivalents at Beginning of Period	815	1,063
Cash and Cash Equivalents at End of Period	$ 987	$ 440
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 391	$ 79

See accompanying notes to unaudited financial statements.

NATURAL ALTERNATIVES INTERNATIONAL, INC.
PART I - FINANCIAL INFORMATION
NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - Interim Financial Information

The unaudited consolidated financial statements of Natural Alternatives International, Inc. and subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles and with Article 10 of the Securities and Exchange Commission's Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the Company's financial information as of and for the three and six months ended December 31, 2000 and 1999.

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make certain estimates

and assumptions that may affect the reported amounts of assets, liabilities, revenues and expenses during the reporting periods. Actual results may differ from such estimates. The consolidated results of operations for the interim periods ended December 31, 2000 and 1999 are not necessarily indicative of the consolidated operating results for the full year. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended June 30, 2000.

Principles of Consolidation

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

NOTE 2 - Inventories

Inventories are comprised of the following:

(Dollars in thousands)	December 31 2000	June 30 2000
Raw materials	$ 4,026	$ 4,187
Work in progress	1,968	2,409
Finished goods	1,874	1,031
	$ 7,868	$ 7,627

NOTE 3 - Net Earnings Per Share

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

For the Three and Six months Ended December 31, 2000, and 1999
(Amounts in thousands except share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2000	1999	2000	1999
NUMERATOR:				
Net earnings (loss) - Numerator for basic and diluted earnings (loss) per share - earnings available to common shareholders	$ 443	$ (2,411)	$ 648	$ (2,324)
DENOMINATOR:				
Denominator for basic earnings (loss) per share - weighted average shares	5,761,880	5,758,734	5,761,880	5,767,055
Effect of dilutive securities - employee stock options	41,159	--	21,585	--

Denominator for diluted earnings (loss) per share - adjusted weighted average shares with assumed conversions	5,803,039	5,758,734	5,783,465	5,767,055
Basic earnings (loss) per share	$ 0.08	$ (0.42)	$ 0.11	$ (0.40)
Diluted earnings (loss) per share	$ 0.08	$ (0.42)	$ 0.11	$ (0.40)

For the three and six months ended December 31, 2000, there were outstanding options to purchase 193,000 and 223,000, respectively, shares of common stock, that were not included in the computation of diluted net earnings per share as their effect would have been anti-dilutive.

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

NOTE 4 - Major Customers

The Company had substantial sales to five separate customers during one or more of the periods shown in the following table. The loss of any of these customers could have a material adverse impact on the Company's revenues and earnings. Sales by customer, representing 9% or more of the respective period's total net sales, are shown below.

	Three months ended December 31,				Six months ended December 31,			
	2000		1999		2000		1999	
(Dollars in thousands) Customer	Sales by Customer	%(a)	Sales by Customer	%(a)	Sales by Customer	%(a) (c)	Sales by Customer	%(a)
Customer 1	$ 5,809	52%	$ 3,638	30%	$ 11,034	51%	$ 8,612	32%
Customer 2	1,042	9%	2,000	17%	1,969	9%	4,643	17%
Customer 3	(b)		1,115	9%	(b)		4,209	15%
Customer 4	(b)		2,152	18%	(b)		3,239	12%
Customer 5	975	9%	1,172	10%	2,233	10%	2,094	8%
	$ 7,826	70%	$ 10,077	84%	$ 15,236	71%	$ 22,797	83%

(a) Percent of total sales
(b) Sales for the period were less than 9% of total sales.
(c) Total does not foot due to rounding.

Accounts receivable from these customers totaled $2,715 and $3,399 at December 31, 2000 and June 30, 2000, respectively.

NOTE 5 - Debt

On December 20, 2000, the Company replaced an existing credit agreement with $9.35 million in new financing. The new financing consists of a two year $7.0 million working capital line of credit, a $1.6 million five-year equipment term note, and a line of credit of up to $750,000 for new capital equipment financing. Interest accrues at an annual rate of prime plus 0.5%. At December 31, 2000 the effective interest rate was 10%. As of December 31, 2000, amounts outstanding under the line of credit and equipment term note were $2.2 million and $1.6 million, respectively. Borrowings under the working capital line of credit are collateralized by eligible accounts receivable and inventory, as defined in the agreement; proceeds are to be used to support ongoing operating requirements. Financial covenants associated with this facility obligate the Company to comply with specified financial ratios and tests, including minimum working capital and tangible net worth requirements, maximum leverage ratios,

and minimum earnings levels. As of December 31, 2000, the Company was in compliance with all financial covenant provisions of the credit agreement.

The Company also has a term note secured by a building due June 2011 with annual interest at 8.25%. The note provides for principal and interest payable in monthly installments of $11,000. As of December 31, 2000, the outstanding amount is $900,000.

The Company's wholly owned subsidiary in Switzerland has a line of credit agreement permitting borrowings up to CHF 1.0 million, or approximately $620,000 at December 31, 2000 at an annual interest rate of 5.5%. The line of credit requires minimum annual principal payments of CHF 250,000, or $155,000, due annually on December 31; management expects this line to be renewed in the normal course of business. The agreement contains no financial covenants. As of December 31, 2000, the Company has converted borrowings under the line of credit of approximately $248,000 into various unsecured term notes with maturities from six to twelve months at interest rates ranging from 5.5% to 6.0%. The amount outstanding under the line of credit is approximately $469,000 at December 31, 2000. Availability under the line includes cash on hand, which was approximately $640,000 at December 31, 2000.

On November 9, 1999, the Company entered into a term note agreement for $2.5 million, secured by equipment, at an annual interest rate of 9.2%. The note has a five-year term that provides for principal and interest payable in monthly installments of $52,000; proceeds have been used to support working capital requirements. As of December 31, 2000 the outstanding amount is $2.05 million.

As of December 31, 2000, the composite interest rate on all outstanding debt was 9.1%.

NOTE 6 - Stockholders' Equity

On August 28, 2000, under the 1999 Omnibus Equity Incentive Plan, the Company granted to various officers and employees, stock options to purchase 130,200 shares of the Company's common stock at $2.00 per share.

NOTE 7 - Related Party Transactions

During the current quarter, the Company made a further advance on a non-interest bearing loan to the Chairperson of the Board of Directors, in the amount of $50,000. Amounts owed on this loan, which is secured by proceeds from a life insurance policy, were $350,000 and $300,000 at December 31, 2000 and June 30, 2000, respectively.

NOTE 8 - Custom Nutrition Joint Venture

In March 1999, the Company entered into a letter of intent to form a joint venture with FitnessAge Incorporated, a privately held development stage company based in San Diego, CA ("FitnessAge"). In connection therewith, on March 30, 1999 the Company purchased 300,000 shares of FitnessAge common stock for $150,000. On or about the same date, the family limited partnership of the Chief Executive Officer and the Chairperson of the Board of Directors and Secretary purchased 200,000 shares of the Common Stock of FitnessAge for $100,000.

During December 1999, the Company and FitnessAge formalized the joint venture by forming a new company named Custom Nutrition, LLC, a Delaware limited liability company ("Custom Nutrition") in which the Company has a 40% ownership. Custom Nutrition was formed for the purpose of developing, merchandising, selling and distributing customized nutritional and related products to health and fitness clubs, as well as over the internet. Under terms of a 10-year Exclusive Manufacturing Agreement, the Company is the exclusive manufacturer of all nutritional supplements for Custom Nutrition. In addition, Custom Nutrition obtained an exclusive royalty free license to FitnessAge's proprietary software technology, including their physical fitness assessments known as the FitnessAge System, as well as, software under development designed to provide customized nutritional assessments. In accordance with the Custom Nutrition LLC Operating Agreement, the Company was required to make an initial capital contribution of $100,000, which was funded during the fourth quarter of fiscal 2000. Income and losses are to be allocated and any additional capital contribution requirements of Custom Nutrition are to be made 60% to FitnessAge and 40% to the Company.

In addition, in November and December 1999, the Company loaned FitnessAge a total of $750,000 (the "Loan"). The Loan is secured by all rights, title, and interest of FitnessAge in Custom Nutrition and FitnessAge's allocable share of gross revenues which at the time could have been received by Custom Nutrition from a major customer and includes interest accruing at an annual rate of 12%. The principal together with all accrued and unpaid interest on the Loan was due November 10, 2000. The Company has the right at any time to convert all or any portion of the amount due on the Loan into the common stock of FitnessAge at a conversion price of $0.75 per share. As of December 31, 2000, the balance of the Loan, including all accrued and unpaid interest, was $830,000, and the Company's direct aggregate investment in FitnessAge was approximately $980,000. The Company is currently accounting for this investment under the cost method of accounting. (See Note 9 - Subsequent Events)

In conjunction with the Loan, the Company received a three-year Warrant (the "Warrant") to purchase up to 150,000 shares of Common Stock of FitnessAge for $0.75 per share. The Company may exercise the Warrant at any time up to and including November 1, 2002. The Company was issued two additional warrants to purchase common stock as additional consideration for providing a short-term loan to FitnessAge which was repaid prior to June 30, 2000. One warrant provides for the purchase of 80,000 shares of FitnessAge common stock for $1.25 per share and the other warrant provides for the purchase of 80,000 shares of FitnessAge common stock for $2.00 per share. The Company may exercise these two Warrants at any time up to and including June 12, 2003. As of December 31, 2000, the Company had not exercised any portion of these Warrants. The Company also obtained the right to designate one representative of the Company to be a member of FitnessAge's Board of Directors, which consists of five board members, and registration rights and certain other rights as defined by the loan documents and by an Investor Rights Agreement. If the Company converted the Loan and exercised the Warrants, the

Company would own less than five percent, on an as converted basis, of FitnessAge's common stock.

As of November 10, 2000, the Company agreed with FitnessAge to extend the maturity of the Loan (the "Extension"). Pursuant to the Extension, the Company capitalized all accrued and unpaid interest owing on the Loan and agreed to a revised payment schedule requiring payments of $150,000 in February 2001, $150,000 in March 2001, $225,000 in June 2001 and complete pay-off of any outstanding principal and accrued interest by September 2001. In consideration of the Extension, FitnessAge provided the Company with additional collateral in the form of a perpetual, irrevocable, nonexclusive, royalty-free worldwide license to FitnessAge's proprietary physical assessment software technology together with all upgrades and enhancements thereto.

The Company believes these assets have future commercial value based on the alternatives that may be available including those described below. The Company reclassified its interests in FitnessAge and Custom Nutrition under the balance sheet caption Investments in and Advances to a Related Party as of December 31, 2000. (See Note 9 - Subsequent Events)

NOTE 9 - Subsequent Events - FitnessAge Foreclosure Notice

FitnessAge was unable to meet its payment obligation on February 1, 2001 pursuant to the Extension. As a result, the Company notified FitnessAge on February 2, 2001 of its decision to accelerate the maturity of the Loan and its intention to retain the Loan collateral in satisfaction of FitnessAge's obligations. The Company is evaluating the actions it may take, including but not limited to, moving forward to commercialize the assets alone, or with others, restructuring the joint venture with FitnessAge, abandoning its investment, or other alternatives.

NATURAL ALTERNATIVES INTERNATIONAL, INC.
PART I - FINANCIAL INFORMATION

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

Certain Forward-Looking Information

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

RESULTS OF OPERATIONS

SECOND QUARTER OF FISCAL 2001 AND 2000

Net sales for the second quarter of fiscal 2001 of $11.2 million decreased approximately $900,000, or 7%, compared to net sales of $12.1 million for the second quarter of fiscal 2000. The sales decline was primarily due to the loss of two of our larger customers (NuSkin Enterprises Inc. and Bally Total Fitness) with combined sales of $3.3 million during the second quarter of fiscal 2000 and $200,000 during the same quarter in fiscal 2001. NuSkin informed the Company in December 1999 that its production needs have been transitioned to other vendors. Sales to our second largest customer in the second quarter of fiscal 2001, decreased by $1.0 million from $2.0 million for the second quarter of fiscal 2000. We believe fiscal 2000 sales were higher because this customer acquired large quantities of product to support an inventory build for a major product introduction, while fiscal 2001 sales volumes have stabilized at lower levels. The loss of these major customers were offset by an increase in sales to our largest customer coupled with sales from our direct-to-consumer natural products sold under the Dr. Cherry physicians branded label which was first introduced during the third quarter of fiscal year 2000. Sales to our largest customer of $5.8 million for the second quarter of fiscal 2001, increased by $2.2 million from $3.6 million for the same period last year, while the direct-to-consumer sales volume of the Dr. Cherry brand totaled $1.2 million during the second quarter of fiscal 2001.

Gross profit for the second quarter of fiscal 2001 increased to $2.8 million, representing 25% of net sales, an increase of $3.4 million over the loss of $522,000 for the second quarter of fiscal 2000. Direct and indirect manufacturing expenses were comparable from period to period at 26% of net sales. Material costs decreased to $5.4 million for the current period, 48% of net sales, from $9.4 million, 78% of net sales, for the same period last year. During the fourth quarter of fiscal 2000, the Company began packaging most of its finished goods internally. Prior to this independent 3rd-party packaging vendors performed all packaging of the Company's products. Savings from bringing this function in-house have been significant. Cost of outside packaging during the second quarter of fiscal 2000 were approximately $1.5 million or 12% of net sales, compared with $319,000, or 3%, for the same period of fiscal 2001. During the second quarter of fiscal 2000, the Company wrote-off inventory of $2.0 million, 17% of net sales, which included $735,000 for deposits on inventory. The analysis of inventory balances and subsequent write-off in fiscal 2000 related primarily to the loss of a major customer, a decline in market share and continuing competitive pressures, which caused the Company to re-evaluate all product lines and reduce or slow production of products with limited future value.

Selling, general and administrative expenses were as a percentage of net sales

19% and 27% for the quarters ended December 31, 2001 and 2000, respectively. In absolute dollars the expenses decreased by $1.0 million to $2.2 million as reported for the second quarter of fiscal 2001. The reduction was primarily the result of (i) the continuing benefits of the cost containment program, discussed further below, (ii) the non-recurring nature of certain costs incurred in the second quarter of fiscal 2000 associated with the start-up of our Swiss manufacturing subsidiary and (iii) training and implementation expenses associated with the installation of our integrated manufacturing and accounting computer software system in May 1999.

The Company is a plaintiff in an anti-trust lawsuit against several manufacturers of vitamins and other raw materials purchased by the Company. Other income for the quarter ended December 31, 2000 includes receipt of approximately $110,000 in settlement of the claims made against one of the defendants in the suit. See Part II - Item 1. Legal Proceedings.

SIX MONTHS ENDED DECEMBER 31, 2000 AND 1999

Net sales for the six months ended December 31, 2000 of $21.5 million decreased $5.8 million, or 21%, compared to net sales of $27.3 million for the same period of fiscal 2000. The sales decline was primarily due to the loss of two of our larger customers (NuSkin Enterprises Inc. and Bally Total Fitness) with combined sales of $7.4 million during the first six months ended December 31, 1999 and $219,000 during the same period in fiscal 2001. NuSkin informed the Company in December 1999 that its production needs have been transitioned to other vendors. Sales to our third largest customer in the first six months of fiscal 2001 decreased by $2.7 million from $4.6 million for the first six months ended December 31, 1999. Fiscal 2000 sales were higher as this customer acquired large quantities of product to support an inventory build for a major product introduction, while fiscal 2001 sales volumes have stabilized at lower levels. The loss of these major customers were offset by an increase in sales to our largest customer coupled with sales from our direct-to-consumer natural products sold under the Dr. Cherry physicians branded label which was first introduced during the third quarter of fiscal year 2000. Sales to our largest customer of $11.0 million for the first six months of fiscal 2001, increased by $2.4 million from $8.6 million for the same period last year, while the direct-to-consumer sales volume of the Dr. Cherry brand totaled $2.3 million during the first six months of fiscal 2001.

Gross profit for the first six months ended December 31, 2000 increased to $4.9 million, representing 23% of net sales, an increase of approximately $2.2 million over the gross profit of $2.7 million, or 10% of net sales, for the same period of fiscal 2000. Direct and indirect manufacturing expenses decreased by $350,000 for the first six months ended December 31, 2000, versus the same period of the previous year. This reduction is directly related to our continuing cost containment program partially offset by the internal operating costs for in-house packaging. Material costs decreased to $10.9 million for the current period, 51% of net sales, from $18.6 million, 68% of net sales, for the same period last year. During the fourth quarter of fiscal 2000, the Company began packaging most of its finished goods internally. Prior to this independent 3rd-party packaging vendors performed all packaging of the Company's products. Savings from bringing this function in-house have been significant. Cost of outside packaging during the first six months ended December 31, 1999 were approximately $3.5 million or 13% of net sales, compared with $500,000, or 2%, for the same period of fiscal 2001. During the second quarter of fiscal 2000, the Company wrote-off inventory of $2.0 million, 7% of sales, which included $735,000 for deposits on inventory. The analysis of inventory balances and subsequent write-off in fiscal 2000, related primarily to the loss of the major customers, a decline in market share and continuing competitive pressures, which caused the Company to re-evaluate all product lines and reduce or slow production of products with limited future value.

Selling, general and administrative expenses were as a percentage of net sales 18% and 22% for the first six months ended December 31, 2000 and 1999, respectively. In absolute dollars the expenses decreased by $2.2 million to $3.9 million as reported for the first six months of fiscal 2001. The reduction was primarily the result of (i) the continuing benefits of the cost containment program, discussed below, (ii) the non-recurring nature of certain costs incurred in the second quarter of fiscal 2000 associated with the start-up of our Swiss manufacturing subsidiary and (iii) training and implementation expenses associated with the installation of our integrated manufacturing and accounting computer software system in May 1999.

The Company is a plaintiff in an anti-trust lawsuit against several manufacturers of vitamins and other raw materials purchased by the Company. Other income for the six months ended December 31, 2000 includes receipt of approximately $110,000 in settlement of the claims made against one of the defendants in the suit. See Part II - Item 1. Legal Proceedings.

COST CONTAINMENT PROGRAM

In January 2000, the Company announced a cost containment program designed to reduce future operating expenses. The program initiated expense control measures intended to counteract the loss of a major customer and streamline business processes to improve future operating performance. The program included an immediate reduction of approximately 27% in the Company workforce, consisting of both permanent and temporary personnel.

In May 2000, the Company took additional steps, which were completed by the end of June 2000, as follows:

(i) Substantial reduction of outside packaging services, as a result of the capital expansion initiative to invest in the integration of in-house finished goods packaging capabilities and to substantially eliminate future outside packaging services.

(ii) An additional reduction in force of 25% effective May 2000, including reductions in executive compensation and benefits.

(iii) Successfully terminating the long-term lease obligation related to the Carlsbad facility in June 2000. Initially the Company entered into two sublease agreements for the entire premises for approximately five years. Shortly thereafter, the Company completed a buyout of the fifteen-year lease obligation from the landlord. The buyout agreement provided for the sale of the Company's leasehold interests and obligations to the landlord for essentially the same cost of performing its obligations pursuant to the sublease agreements, resulting in the Company paying a $3.0 million settlement fee to the landlord.

Management is committed to the restoration of net earnings by maintaining its operating cost structures with current operating levels.

The Company will continue to concentrate its efforts on improving operational efficiencies, resource requirements, and core business processes to improve operating performance. In addition, the Company will continue to focus on existing customers and realizing the returns from the strategies implemented to diversify and expand geographical and distribution channels through its Swiss manufacturing operations, Custom Nutrition joint venture and Dr. Cherry physician branding direct to consumer initiatives.

INCOME TAXES

Our effective tax rates were benefits of 2% and 34% for the six months of fiscal 2001 and 2000, respectively. The rate for fiscal 2001 reflects the five-year tax holiday, which applies, at the Swiss federal level, a zero tax rate to pretax earnings of our Swiss subsidiary, which was profitable in fiscal 2001. Earnings of our Swiss subsidiary are taxed at the local level. The effective Swiss tax rate is approximately 4% and resulted in $31,000 of tax expense for the six months ended December 31, 2000.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically financed its operations through cash flow from operations, its working capital credit facility and equipment financing arrangements.

At December 31, 2000, the Company has cash of approximately $987,000, versus $815,000 at June 30, 2000. Net cash provided by operations during the first six months of fiscal 2001 amounted to $1.5 million, which was used primarily to fund our investing activities including the acquisition of capital equipment and to reduce outstanding debt.

Capital expenditures for the first six months ended December 31, 2000 amounted to $380,000. These expenditures relate primarily to the acquisition of production equipment in both our U.S. and Swiss manufacturing facilities.

During the first six months of fiscal 2001, the Company's consolidated outstanding debt decreased approximately $1 million to $7.4 million from approximately $8.4 million at June 30, 2000. The net decrease reflects borrowings of $1.4 million offset by payments of $2.3 million. These amounts reflect normal borrowing activity and exclude the $3.8 million associated with the establishment our new financing, the initial proceeds, from which, were used to extinguish existing debt. See Note 5 to the Unaudited Financial Statements. The composite interest rate on all outstanding debt at December 31, 2000 was approximately 9.1%.

The Company has access to approximately $8.4 million of funds from existing working capital credit facilities to support future operating requirements, net of borrowings outstanding under these facilities as of December 31, 2000 of approximately $2.9 million. The working capital line of credit facilities are subject to eligibility requirements for current accounts receivable and inventory balances. As of December 31, 2000 total excess borrowing capacity based on eligible working capital balances was approximately $2.3 million. One or more of the Company's loan agreements contain a number of covenants that restrict the operations of the Company. Such restrictions include requiring the Company to comply with specified financial ratios and tests, including minimum tangible net worth requirements, maximum leverage ratios, debt coverage ratios, and minimum net income. As of December 31, 2000, the Company was in compliance with all restrictive covenants of these agreements.

The Company believes its available cash and existing credit facilities should be sufficient to fund near-term operating activities. However, the Company's ability to fund future operations and meet capital requirements will depend on many factors, including but not limited to: the ability to seek additional capital; the effectiveness of the Company's diversified growth strategy, cost containment program, vertical integration of packaging operations, the expansion of Swiss manufacturing operations, and the ability to establish additional customers or changes to existing customer's business.

RISK FACTORS THAT MAY AFFECT FUTURE OPERATING RESULTS

In addition to the other information included in this Report, the following factors should be considered in evaluating the Company's business and future prospects. The Company's business and results of operations could be seriously harmed by any of the following risks. In addition, the market price of our common stock could decline due to many factors, including but not limited to, any of these risks.

DECLINING SALES, INDETERMINATE PROFITS

The net earnings and net sales for the first six months of fiscal 2001 were $648,000 and $21.5 million, respectively, as compared with a loss of $2.3 million and sales of $27.3 million for the same period of fiscal 2000. The Company implemented a cost containment program and a return to profitability program in the prior fiscal year in an effort to reduce expenses to be consistent with current operating levels. The Company is experiencing continued difficulty in maintaining expenses consistent with operating levels and there can be no assurance it will be able to do so in the future. The Company cannot predict with any assurance whether the Company will be able to achieve profitability in future periods. In addition the Company expects operating results will fluctuate from period to period as a result of differences in when it incurs expenses and recognizes revenues from product sales. Some of these fluctuations may be significant.

RESULTS OF INVESTMENT IN JOINT VENTURE

In fiscal 2000 the Company loaned approximately $750,000 to a joint venture partner. The debt became due and payable and was extended and restructured in the second fiscal quarter of 2001. In the third fiscal quarter of 2001 the borrower was not able to meet its obligations under the restructured debt. As a result the Company has begun execution upon its security arrangements and

intends to acquire legal title to all Loan collateral as soon as possible. The Company is evaluating the actions it may take, including but not limited to, moving forward to commercialize the assets in future joint ventures or by sub-licenses to third parties. At the present time the Company has not completed this evaluation and has continuing discussions ongoing with its former partner. If the Company abandons its investment or is unable to salvage a reasonable business opportunity from its investment it will likely have a material adverse impact upon its operations and financial condition.

RELIANCE ON LIMITED NUMBER OF CUSTOMERS FOR MAJORITY OF REVENUE

For the first six months of fiscal 2001, the Company had three major customers, which together accounted for approximately 71% of the Company's net sales. The loss of any of these major customers, or any substantial reduction of their purchases from the Company, would have a material adverse impact on the business, operations and financial condition of the Company.

RESTRICTIVE FINANCING COVENANTS.

One or more of the Company's loan agreements contain a number of covenants that restrict the operations of the Company. Such restrictions include requiring the Company to comply with specified financial ratios and tests, including minimum tangible net worth requirements, maximum leverage ratios, debt coverage ratios, minimum net income and minimum Earnings before Interest, Depreciation and Amortization ("EBITDA") to cash interest expense ratios. The Company was not in compliance with certain of these ratios at June 30, 2000, which the lender has agreed to waive through June 30, 2000. As of December 31, 2000, the Company was in compliance with all financial covenant provisions of its various credit agreements, but there can be no assurance the Company will be able to maintain compliance with such requirements in the present or future periods. The Company's ability to comply with such covenants and other restrictions may be affected by events beyond its control, including prevailing economic, financial and industry conditions. The breach of any such covenants or restrictions could result in a default under the various loan agreements that would permit the lenders to declare all amounts outstanding there under to be immediately due and payable, together with accrued and unpaid interest, and to terminate their commitments to make further extensions of credit. Any such action could have a material adverse impact upon the business operations and financial condition of the Company.

DECLINE IN STOCK PRICE

The Company's stock price has experienced significant volatility at times during the past few years and is currently at or near historic lows. In view of the Company's difficulty in maintaining profitability there can be no assurance that the stock price will not continue to languish at the current level or decline further. Current market conditions in the vitamin and nutritional supplement industry including increased price competition, consolidation, oversupply of vitamin and supplement products, operating results of competitors, adverse publicity and other factors such as operating results lower than the expectations of analysts and investors, may have a continuing adverse affect on the price of the Company's stock.

LAWSUIT BY FORMER PRESIDENT, DIRECTOR AND CHIEF FINANCIAL OFFICER

The Company is a party to a lawsuit filed by its former President, Director and Chief Financial Officer, William P. Spencer. The Company terminated Mr. Spencer for cause in January 1999. The lawsuit includes various claims, and alleges damages in excess of six million dollars. The Company has responded to the lawsuit and has denied it has any liability associated with the claim. Management believes the claims against the Company are without merit. The Company filed a cross-complaint in the lawsuit against Mr. Spencer and Imagenetix, Inc., a corporation in which Mr. Spencer is currently a director, principal shareholder and chief executive, and three other individuals, two of whom are former employees of the Company and the other a former consultant to the Company. Both the Company's and the other parties' complaints have been amended, and additional parties have been added. Management believes the Company will not be found liable on any claim, and will prevail in its cross-complaint against each cross-defendant. The Company has expended considerable sums to date in connection with the ongoing litigation and anticipates continuing expenses in connection with the litigation to be significant in the present and future

periods. In the event the Company obtains a judgment in its favor there can be no assurance the Company will be able to collect all or any portion thereof. In the event a judgment is obtained against the Company in the amount of the damages alleged in the lawsuit or any significant portion thereof, it would have a material adverse impact upon the financial condition of the Company.

POTENTIAL FOR INCREASED COMPETITION

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

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

The Company purchases certain products it does not manufacture from a limited number of raw material suppliers. Although the Company currently has supply arrangements with several suppliers of these raw materials, and such materials are generally available from numerous sources, the termination of the supply relationship by any material supplier or an unexpected interruption of supply could materially adversely affect the Company's business, operations and financial condition.

The Company relies on a single supplier to process certain raw materials for a product line of the Company's largest customer. An unexpected interruption of supply of this service would materially adversely affect the Company's business, operations and financial condition.

EFFECT OF ADVERSE PUBLICITY

The Company's products consist primarily of dietary supplements (vitamins, minerals, herbs and other ingredients). The Company regards these products as safe when taken as suggested by the Company. In addition, various scientific studies have suggested the ingredients in some of the Company's products may involve health benefits. The Company believes the growth in the dietary supplements business of the last several years may, in part, be based on significant media attention and various scientific research that has suggested there may be potential health benefits from the consumption of certain vitamin products. The Company is indirectly dependent upon its customers' perception of the overall integrity of its business, as well as the safety and quality of its products and similar products distributed by other companies who may not adhere to the same quality standards as the Company. The business, operations, and financial condition of the Company could be adversely affected if any of the Company's products or any similar products distributed by other companies should prove or be asserted to be harmful to consumers, or should scientific studies provide unfavorable findings regarding the effect of products similar to those produced by the Company.

EXPOSURE TO PRODUCT LIABILITY CLAIMS

The Company, like other retailers, distributors and manufacturers of products that are ingested, faces a risk of exposure to product liability claims in the event that, among other things, the use of its products results in injury. The Company maintains product liability insurance coverage, including primary

product liability and excess liability coverage. There can be no assurance that product liability insurance will continue to be available at an economically reasonable cost or that the Company's insurance will be adequate to cover any liability the Company incurs in respect to all possible product liability claims. In addition, some of the ingredients included in one or more of the products manufactured by the Company are subject to controversy involving potential negative side effects or questionable health benefits. Some insurers have recently excluded certain of these ingredients from their product liability coverage. Although the Company's product liability insurance does not presently have any such limitations, the Company's insurer could require such exclusions or limitations on coverage in the future. In such event, the Company may have to cease utilizing the ingredients or may have to rely on indemnification or similar arrangements with its customers who wish to continue to include such ingredients in their products. In such an event, the consequential increase in product liability risk or the loss of customers or product lines could have a material adverse impact on the Company's business, operations, and financial condition.

RISKS ASSOCIATED WITH INTERNATIONAL MARKETS

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

GOVERNMENT REGULATION

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

promotion and advertising of vitamins, over-the-counter drugs, cosmetics and foods.

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

DSHEA provides for specific nutritional labeling requirements for dietary supplements. DSHEA permits substantiated, truthful and non-misleading statements of nutritional support to be made in labeling, such as statements describing general well being resulting from consumption of a dietary ingredient or the

role of a nutrient or dietary ingredient in affecting or maintaining a structure or function of the body. The Company anticipates the FDA will finalize manufacturing process regulations that are specific to dietary supplements and require at least some of the quality control provisions applicable to drugs. The Company currently manufactures its vitamins and nutritional supplement products in compliance with the food good manufacturing processes.

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

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

DISTRIBUTION AND MANAGEMENT OF OPERATIONS

In fiscal 1999, the Company leased and commenced operating three additional facilities. Two of these are adjacent facilities comprising 74,000 square feet in Vista, California used as a receiving, warehousing, weighing, blending, finished goods packaging, and distribution facility. The third new facility is an 18,000 square foot manufacturing facility in Lugano, Switzerland. All of these facilities were completed and became fully operational during fiscal 2000. During fiscal 1999, the Company also implemented an entirely new software system to manage its materials, manufacturing and accounting operations, and use of this system has continued to be refined in fiscal 2001. While the Company believes new facilities and operating systems will increase the Company's manufacturing and distribution capabilities, there can be no assurance they will result in improved sales, profit margins or earnings. A significant, unexpected disruption of these systems and facilities could have a material adverse effect on the Company's results of operations.

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

The Company's success is dependent in large part upon its continued ability to identify, hire, retain, and motivate highly skilled management employees. These types of qualified individuals are currently in great demand in the marketplace. Competition for these employees is intense, and the Company may not be able to hire additional qualified personnel in a timely manner and on reasonable terms. The majority of the Company's current corporate officers began their employment with the Company in fiscal years 1999 and 2000. The inability of the Company to retain competent professional management could adversely affect our ability to execute our business strategy.

CENTRALIZED LOCATION OF MANUFACTURING OPERATIONS

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

CONCENTRATION OF OWNERSHIP; CERTAIN ANTI-TAKEOVER CONSIDERATIONS

The Company's directors and executive officers beneficially own in excess of 24.9% of the outstanding Common Stock as of December 31, 2000. Accordingly, these shareholders will continue to have the ability to substantially influence the management, policies, and business operations of the Company. The Company's Board of Directors has the authority to approve the issuance of 500,000 shares of preferred stock and to fix the rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the Company's shareholders. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future. Certain provisions of Delaware law, as well as the issuance of preferred stock, and other "anti-takeover" provisions in the Company's Articles and Bylaws, could delay or inhibit the removal of incumbent directors and could delay, defer, make more difficult or prevent a merger, tender offer or proxy contest, or any change in control involving the Company, as well as the removal of management, even if such events would be beneficial to the interests of the Company's shareholders, and may limit the price certain investors may be willing to pay in the future for shares of Common Stock.

NATURAL ALTERNATIVES INTERNATIONAL, INC.
PART I - FINANCIAL INFORMATION

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks from adverse changes in interest rates, and foreign exchange rates affecting the return on our investments and the cost of our debt. The Company does not use derivative financial instruments to reduce the impact of changes in interest or foreign exchange rates.

At December 31, 2000, the Company's cash equivalents consisted of financial instruments with original maturities of three months or less.

The Company's debt as of December 31, 2000 totaled $7.4 million and was comprised of fixed rate loans of $3.6 million and variable rate loans of $3.8 million. The average composite interest rates at December 31, 2000 for fixed rate and variable rate loans were 8.1% and 10%, respectively.

The Company's wholly owned Swiss subsidiary has a line of credit denominated in Swiss Francs. The balance of borrowing under the line was CHF 1.2 million at December 31, 2000 ($717,000). The interest rate applied to the line is fixed, but the Company is exposed to movements in the exchange rate between the Swiss Franc and the U.S. Dollar. On December 31, 2000, the Swiss Franc closed at 1.61 to 1 U.S. dollar. The same rate was 1.64 Swiss Francs to 1 U.S. dollar at June 30, 2000. Foreign exchange loss for the first six months of fiscal 2001 was $65,000.

An immediate adverse change of one hundred basis points in interest rates would increase interest expense on an annual basis by $38,000. A 10% adverse change to the Swiss Franc exchange rate would decrease earnings by $80,000.

NATURAL ALTERNATIVES INTERNATIONAL, INC.
PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to a lawsuit filed by its former President, Director and Chief Financial Officer, William P. Spencer. The lawsuit was filed in January 2000, and was served upon the Company in March 2000. Mr. Spencer was terminated by the Company for cause in January 1999. The lawsuit alleges damages for wrongful termination, breach of option contract, conversion, breach of employment contract, discriminatory and retaliatory discharge, workplace harassment and slander. The lawsuit seeks damages in an amount to be proved at trial, and alleges damages in excess of six million dollars. The Company has responded to the lawsuit and has denied it has any liability. Management

believes the claims against the Company are without merit. The Company has filed a cross-complaint in the lawsuit against Mr. Spencer and Imagenetix, Inc., (a corporation in which Mr. Spencer is a director, principal shareholder and chief executive), and three other individuals, two of whom are former employees of the Company and the other a former consultant to the Company. The cross-complaint seeks damages and injunctive relief for breach of fiduciary duty; fraud-concealment of material facts; intentional interference with prospective economic advantage; negligent interference with prospective economic advantage; civil conspiracy; intentional interference with contract; trade libel; slander per se; breach of contract; conversion; misappropriation of trade secrets; breach of duty of loyalty; unlawful, unfair and/or fraudulent business acts or practices and an accounting. The additional defendants in NAI's cross-complaint subsequently filed cross-actions against NAI, alleging similar claims to those alleged by Mr. Spencer. The complaint against NAI was also amended to add Imagenetix, Inc. as a claimant. Management believes the additional claims are without merit, and the Company will prevail in its cross-complaint against each cross-defendant. The Company subsequently amended its complaint, adding additional claims against certain parties. In the event a judgment is obtained against the Company in the amount of the damages alleged in the lawsuit or any significant portion thereof, it would have a material adverse impact upon the financial condition of the Company.

The Company is a plaintiff in an anti-trust lawsuit against several manufacturers of vitamins and other raw materials purchased by the Company. Other similarly situated companies have filed a number of similar lawsuits against some or all of the same manufacturers. The Company's lawsuit has been consolidated with some of the others and is captioned In re: Vitamin Antitrust Litigation, and is pending in U.S. District Court in Washington D.C. One or more consumer class actions have also been filed against some or all of the same defendants, and at least one of these is presently in a settlement process. The Company brought its own action to insure it understood what actually occurred. To date the Company has received $110,000 in settlement payments from certain defendants. There can be no assurance the remaining claims will be resolved, or, if they are, that it will result in a material benefit to the Company.

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with its legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS BY THE COMPANY ON ITS SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

10.1 Second Amendment to Loan Agreement dated as of November 10, 2000, by and between FitnessAge Incorporated and Natural Alternatives International, Inc.

10.2 Software License Agreement dated as of November 10, 2000, by and between FitnessAge Incorporated and Natural Alternatives International, Inc.

10.3 Security Agreement dated as of November 10, 2000 between Natural Alternatives International, Inc. and FitnessAge Incorporated.

10.4 Source Code Escrow Agreement dated as of November 10, 2000 by and among Natural Alternatives International, Inc., FitnessAge Incorporated and The Chicago Trust Company of California as Escrow Agent.

10.5 Executive Employment dated as of November 15, 2000 between Natural Alternatives International, Inc. and Mark A. LeDoux.

10.6 Executive Employment dated as of November 15, 2000 between Natural Alternatives International, Inc. and Peter C. Wulff.

10.7 Executive Employment dated as of November 15, 2000 between Natural Alternatives International, Inc. and David A. Lough.

10.8 Executive Employment dated as of November 15, 2000 between Natural Alternatives International, Inc. and Douglas E. Flaker.

10.9 Executive Employment dated as of November 15, 2000 between Natural Alternatives International, Inc. and John A. Wise.

10.10 Amended and Restated Executive Employment dated as of October 9, 2000 between Natural Alternatives International, Inc. and Robert K. Clausen.

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

SIGNATURES

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

NATURAL ALTERNATIVES INTERNATIONAL, INC.

/s/ Peter C. Wulff   Date: February 14, 2001

Peter C. Wulff
Chief Financial Officer
and Treasurer

EXHIBIT 10.1

SECOND AMENDMENT TO

LOAN AGREEMENT

BY AND BETWEEN

FITNESSAGE INCORPORATED

AND

NATURAL ALTERNATIVES INTERNATIONAL, INC.

SECOND AMENDMENT
TO
LOAN AGREEMENT

This Second Amendment to Loan Agreement ("Second Amendment") effective this 10th day of November, 2000 amends that certain Loan Agreement dated November 11, 1999 (the "Initial Loan Agreement"), by and between FitnessAge Incorporated, a Nevada corporation ("Corporation") and Natural Alternatives International, Inc. a Delaware corporation ("Lender") as amended by that certain First Amendment to Loan Agreement and Security Agreement ("First Amendment") between the Corporation and the Lender dated December 6, 1999 (the Initial Loan Agreement as amended by the First Amendment and this Second Amendment is hereinafter referred to as the "Loan Agreement"). Unless otherwise defined in this Second Amendment, capitalized terms used herein shall have the meanings given them in the Initial Loan Agreement or the First Amendment, as the case may be.

SECTION 1. NEW NOTE

Section 1 of the Initial Loan Agreement is deleted in its entirety. The parties hereto agree that the indebtedness due and owing by the Corporation to Lender pursuant to the Loan Agreement as of the date hereof equals $855,778.40 (the "Consolidated Loan"). The Consolidated Loan shall be evidenced by the Consolidated Convertible Secured Promissory Note dated as of November 10, 2000 from the Corporation to the Lender in the form of Exhibit "A" attached hereto and incorporated herein by this reference (the "New Note"). The principal amount of the New Note shall consist of the sum of (i) the Loan of $750,000 made by Lender to the Corporation pursuant to the Initial Loan Agreement as amended by the First Amendment; plus (ii) accrued and unpaid interest on the Notes as of November 10, 2000 in the amount of $90,778.40; plus (iii) $15,000 in reimbursement for certain legal fees of Lender pursuant to Section 5 of this Second Amendment. Upon execution and delivery of the New Note, the Lender shall cancel the Notes and deliver the cancelled Notes to the Corporation. From and after the date hereof, each reference in Sections 4 through 13 of the Initial Loan Agreement to the Loan shall be deemed a reference to the New Loan and each reference in Sections 4 through 13 of the Initial Loan Agreement to the Note or the Notes shall be deemed a reference to the New Note.

SECTION 2. ADDITIONAL SECURITY

In addition to the security interest granted pursuant to the Security Agreement in the property therein defined, and as further security for the performance and payment of all obligations and indebtedness of the Corporation to the Lender now or hereafter existing, the parties shall execute and deliver (i) the Software License Agreement hereto as Exhibit "B" and incorporated herein by this reference (the "New License Agreement"); (ii) the Software Escrow Agreement as defined in the New License Agreement; and (iii) the Security Agreement attached hereto as Exhibit "C" and incorporated herein by this reference (the "New Security Agreement") pursuant to which the Corporation shall

grant to Lender a security interest in and to the New License Agreement and the Software Escrow Agreement. From and after the date hereof, each reference in Sections 4 through 13 of the Initial Loan Agreement to the Security Agreement shall be deemed to include a reference also to the New Security Agreement and each reference in Sections 4 through 13 of the Initial Loan

Agreement to the Collateral shall be deemed to include a reference also to the New License Agreement and the Software Escrow Agreement.

SECTION 3. THE BORROWING

Section 3 of the Initial Loan Agreement is deleted in its entirety.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

The Corporation represents and warrants to the Lender as follows:

(a) Except as otherwise disclosed on Schedule 4(a) hereto, each of the representations and warranties contained in Section 4 of the Initial Loan Agreement is true and correct as of the date hereof.

(b) Except as otherwise disclosed on Schedule 4(b) hereto, as of the date hereof there exists no Event of Default or condition which, with the passage of time, will become an Event of Default.

SECTION 5. LEGAL FEES OF LENDER

The Corporation agrees to reimburse Lender in the amount of $15,000 for fees and disbursements of legal counsel to Lender in connection with the execution and delivery of this Second Amendment and the agreements contemplated hereby.

All remaining terms of the Initial Loan Agreement and the First Amendment remain in full force and effect.

Corporation:	Lender:
FitnessAge Incorporated a Nevada corporation	Natural Alternatives International, Inc. a Delaware corporation
By: -----------------------------------	By: --
Brian L. Harcourt Vice Chairman	Peter C. Wulff Chief Financial Officer and Treasurer

EXHIBIT "A"

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

FITNESSAGE INCORPORATED
CONSOLIDATED CONVERTIBLE SECURED PROMISSORY NOTE

NOVEMBER 10, 2000

FOR VALUE RECEIVED, FitnessAge Incorporated, a Nevada corporation ("Company"), promises to pay to the order of Natural Alternatives International, Inc., a Delaware corporation, or any subsequent holder of this Consolidated Convertible Secured Promissory Note (the "Note") (hereinafter collectively referred to as the "Holder") payable at the Holder's offices at 1185 Linda Vista Drive, San Marcos, California 92069, or such other place as may be designated in writing by notice to the Company from the Holder, the sum of $855,778.40 (the "Principal") with interest thereon during the period that any portion of the Principal remains unpaid and outstanding at the rate of Twelve Percent (12%) per annum, compounded monthly. The Company and Holder agree and acknowledge that this Note consolidates the indebtedness (principal and accrued interest) of the Company to Holder owing and unpaid as of the date hereof and evidenced by (i) that certain Convertible Secured Promissory Note dated November 11, 1999 from the Company to Holder in the original principal amount of $400,000, and (ii) that certain Convertible Secured Promissory Note dated December 6, 1999 from the Company to Holder in the original principal amount of $350,000 (such two promissory notes being hereafter to as the "Prior Notes). In addition to such indebtedness evidenced by the Prior Notes, the Principal includes $15,000 otherwise owing by the Company to the Holder.

This Note is given pursuant to the Loan Agreement dated November 11,1999 between the Company and the Holder as amended by a First Amendment to Loan Agreement and Security Agreement dated December 6, 1999 and a Second Amendment to Loan Agreement dated November 10, 2000 (such loan agreement as so amended being hereinafter referred to the "Loan Agreement").The terms of the Loan Agreement are incorporated herein by this reference as if fully set forth including, without limitation, the remedies available to Holder in the event of any default in payment on this Note.

The Principal, together with all accrued and unpaid interest, shall be paid as follows: (i) $150,000 payable on February 1, 2001; (ii) $150,000 payable on March 30, 2001; (iii) $225,000 payable on June 30, 2001; and (iv) payment of all remaining principal plus accrued and unpaid

interest on September 15, 2001. Payments made pursuant to this Note shall be applied first to accrued interest and thereafter to principal.

1. WAIVER

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

2. COSTS OF COLLECTION

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

3. NO SUBORDINATION

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

(b) No payment on account of principal, premium, if any, or interest on any other indebtedness of the Company shall be made if, at the time of such

payment or immediately after giving effect thereto: (i) there shall exist a default in the payment of principal, premium, if any, or interest with respect to this Note, or (ii) there shall have occurred an event of default with respect to any other indebtedness, or in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity of such other indebtedness, and such event of default shall not have been cured or waived or shall not have ceased to exist.

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

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

4. VOLUNTARY CONVERSION

(a) The Holder shall have the right, at the Holder's option exercisable at any time to convert this Note into such number of fully paid and nonassessable shares of Common Stock (subject to adjustment as set forth below) as shall be obtained by dividing the principal amount outstanding hereunder, plus any accrued but unpaid interest, by the Conversion Price (as hereinafter defined). The Conversion Price shall be $0.75 per share.

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

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

(ii) In case the Company shall hereafter issue options, rights or warrants to holders of its outstanding shares of Common Stock generally entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase shares of Common Stock at a price per share less than the Conversion Price on the record date mentioned below, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of issuance of such options, rights or warrants by a fraction of which the numerator

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

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

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

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

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

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

(e) In the event (i) the Company shall issue any shares of Common Stock, options or rights to subscribe for shares of Common Stock, or any securities convertible into or exchangeable for shares of Common Stock, (ii) the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend payable otherwise than in cash or any other distribution in respect to the Common Stock pursuant to, without limitation, any spin-off, split-off or distribution of the Company's assets, or (iii) the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to subscribe for or purchase any shares of any class or to receive any other rights; or (iv) of any reclassification or other reorganization or recapitalization of the shares which the Company is authorized to issue,

consolidation or merger of the Company with or into another corporation, or conveyance of all of substantially all of the assets of the Company; then, and in such event, the Company shall send to the Holder, at least 30 days prior thereto, a notice stating the date or expected date on which such event is to take place. Such notice shall specify the date or expected date if any is to be fixed, as of which holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, reorganization, consolidation or merger, as the case may be.

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

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

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

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

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

5. OPTIONAL PREPAYMENT

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

6. AMENDMENT

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

7. SECURITY

This Note is secured by (i) all of the rights title and interest of the Corporation in Custom Nutrition, LLC, a Delaware limited liability company,

including without limitation any interest of the Company as a Manager, Member or creditor of Custom Nutrition, LLC and the Company's allocable share of all gross revenue received by Custom Nutrition, LLC from Bally Total Fitness Holding Corporation or its affiliates as set forth in the Loan Agreement between the parties hereto, dated November 11, 1999, and shall include the proceeds, products and accessories of any kind to any thereof, pursuant to and with the priorities referenced in the Security Agreement executed by the Company as of the November 11, 1999; and (ii) a Security Agreement dated as of November 10, 2000, granting to Holder a security interest in a license for the use of certain intellectual property of the Company as more specifically described therein.

8. APPLICABLE LAW

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

DATED: November 10, 2000

FitnessAge Incorporated,
a Nevada corporation

By:

Brian L. Harcourt, Vice Chairman

EXHIBIT "B"

NEW LICENSE AGREEMENT

EXHIBIT "C"

NEW SECURITY AGREEMENT

EXHIBIT 10.2

SOFTWARE LICENSE AGREEMENT

This License Agreement (the "Agreement") is entered into and effective as of November 10, 2000 (the "Effective Date") by and between Natural Alternatives International, Inc., a Delaware corporation with its principal place of business at 1185 Linda Vista Drive, San Marcos, California 92069 ("Licensee"), on the one hand, and FitnessAge Incorporated, a Nevada corporation with its principal place of business at 4250 Executive Square, Suite 101, La Jolla, CA 92037 ("Licensor"), on the other.

WHEREAS, Licensor owns and/or controls certain computer programs (the "Program" as defined below), along with certain related proprietary trade secrets, trademarks, patents, patent applications and other technological know-how, relating to the Program, all of which, including, without limitation, the Program, is collectively known herein as the Licensed Property;

WHEREAS, Licensor and Licensee have previously formed an LLC known as Custom Nutrition, LLC, which has, inter alia, received a license to and used the Licensed Property to assist in the exploitation of Licensee's products;

WHEREAS, Licensor is currently indebted to Licensee in an amount in excess of $750,000, the promissory notes for which became due and payable on November 10, 2000 (the "Loan Obligation"); and

WHEREAS, Licensor and Licensee have agreed in writing to extend the due date of the Loan Obligation in exchange for additional securitization thereof, including, without limitation, this Software License Agreement and a Security Agreement of even date herewith.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by each of the parties hereto, it is agreed as follows:

1. License: Licensor hereby grants to Licensee a perpetual, irrevocable, non-exclusive, royalty-free, worldwide license to use display, modify, sub-license, commercialize, and otherwise exploit the Licensed Property, subject to the terms and conditions hereinafter set forth (the "License"), and specifically excluding the rights licensed by Licensor to Custom Nutrition, LLC pursuant to the License Agreement dated as of November 11, 1999, by and between Licensor and Custom Nutrition LLC. It is understood and agreed by the parties hereto that this License is and shall be an element of the collateral for the secured Loan which is the subject of the Loan Documents, and, as such, is subject to the terms and conditions of the revised Security Agreement, entered into as of the Effective Date.

2. Consideration: As consideration for the performance by Licensor of all of its obligations and grant of all rights to Licensee herein, Licensee shall forego the immediate foreclosure of the Loan Obligation, and shall agree to extend the repayment of the same as set forth in the Second Amendment to Loan Agreement between Licensor and Licensee dated November 10, 2000 (the "Loan Agreement").

3. The Program: The Program shall consist of the modules or components, shall perform the functions and shall comply with the proposals and specifications, identified or set forth on Schedule "A" to the Source Code Escrow Agreement, executed concurrently herewith, a copy of which is annexed hereto as Exhibit "A" (the "Escrow Agreement"), which modules and/or components together comprise a system known as the FitnessAge Assessment Application System.

4. Documentation: The Documentation shall consist of all operator and user manuals, training materials, guides, listings, specifications, and other materials for use in conjunction with the Program, as set forth in Schedule "B" to the Escrow Agreement. Licensor shall deliver to the Escrow Agent, as specified below, five (5) complete copies of the Documentation. Licensee shall

have the right, as part of the license granted herein, to make as many additional copies of the Documentation for its own use as it may determine.

5. Source Code: No later than the full execution of this Agreement, Licensor shall place in escrow a fully commented and documented copy of the source code form of the Program, a listing thereof and all relevant Documentation, a listing thereof and Commentary pursuant to the Escrow Agreement (collectively the "Deposit"). Licensee shall be entitled to receive a copy of the Deposit under the circumstances set forth in the Escrow Agreement, and may then use any or all of the deposit for its own benefit. If Licensor corrects any defects in, or provides any revisions to, the Program under this Agreement, under any software maintenance agreement, or for any other reason, Licensor shall simultaneously furnish the Escrow Agent with a corrected or revised copy of the source code form of the Program, a revised listing thereof, and revised Documentation.

6. Term: This Agreement shall commence upon the Effective Date and shall continue until the last expiration of a term of any of the intellectual property transferred hereunder.

7. New Location: Licensee may, at any time, without prior notice to or consent of Licensor, transfer or copy the Program to an unlimited number of locations other than the site of initial installation for use on any other central processing unit ("CPU") which is owned or controlled by Licensee or by subsidiaries or other entities owned or controlled by Licensee.

8. Training: The License includes training of Licensee's employees on the use and operation of the Program, including instruction in any necessary conversion of Licensee's data for such use.

9. Licensor's Warranties: Licensor hereby warrants and represents to Licensee as follows:

(a) Ownership. Licensor is the owner of the Program or otherwise has the right to grant to Licensee the License without violating any rights of any third party, and there is currently no actual or threatened suit by any such third party based on an alleged violation of such right by Licensor;

(b) Intellectual Property Rights. The use, public display, public performance, reproduction, distribution, or modification of the Program and/or Documentation does not and will not violate the rights of any third parties, including, but not limited to, copyrights, trade secrets, trademarks, publicity, privacy, and patents;

(c) Functionality. The Program, and each module or component and function thereof, will be capable of operating fully and correctly in the same manner, with the same hardware and the same operating system as it has been operated by Custom Nutrition, LLC since the inception of its utilization by Custom Nutrition, LLC and as it is currently operating, and as it is contemplated to operate within the six (6) months following the Effective Date. The Program will be capable of adapting to current hardware and operating systems as reasonably contemplated by the parties currently utilizing the Program;

(d) Warranty Period. For a period of one (1) year from the Effective Date, as specified above (the "Warranty Period") and for the term of any Program Maintenance Contract, the Program shall (i) be free from defects in material and workmanship under normal use and remain in good working order, and (ii) function properly and in conformity with the warranties herein and in accordance with this Agreement and the uses of the Program contemplated by the parties hereto, including updates or new releases, and the Documentation shall completely and accurately reflect the operation of the Program;

(e) Capacity. During the Warranty Period and for the term of any Program Maintenance Contract, the Program can and shall maintain, use, update, and otherwise process the number of transactions reasonably required to perform to the expectations of Licensee and Custom Nutrition, LLC without adversely affecting its response time or other performance, and shall do so in acceptable time frames;

(f) Reliability. During the Warranty Period and for the term of

any Program Maintenance Contract, the Program, can maintain the uptime or reliability standards consistent with current standards in the relevant segment of the software industry;

(g) Remedies for Breach of Program Warranties. In the event that the Program does not meet the above warranties, Licensor shall provide at no charge during the Warranty Period or the term of any Program Maintenance Contract, the necessary software and services required to attain the levels or standards set forth in said warranties;

(h) Service and Maintenance. Licensor warrants that each of its employees or subcontractors assigned to perform any work hereunder, and under any Program Maintenance Contract, shall have the proper skill, training and background so as to be able to perform in a competent and professional manner and that all work will be so performed;

(i) Service Warranty. For the Warranty Period and the term of any Program Maintenance Contract, Licensor warrants that it shall maintain the Program in good working order, keep it free from defects in material and workmanship, and remedy any failure of the Program to perform in accordance with this Agreement (including the warranties set forth herein), any Exhibits hereto, or which impairs Licensee's use thereof, or any other malfunction,

defect or non-conformity in the Program, which shall be provided as follows: Licensor agrees to respond to any request for service due to a failure, malfunction, defect or non conformity by telephone response by a qualified and knowledgeable representative within four (4) hours of receipt of such request and such representative shall render continuous effort, via telecommunications, to remedy the failure, malfunction, defect or non-conformity. If such failure, malfunction, defect or non-conformity cannot be remedied by such means within twenty-four (24) hours of receipt of such request, Licensor shall immediately send at least one qualified and knowledgeable representative to Licensee's Site and said representative(s) will furnish continuous effort to remedy the failure, malfunction, defect or non-conformity.

10. Program Maintenance:

(a) During the warranty period, and for the term of any Program Maintenance Contract Licensor shall promptly notify Licensee of any defects or malfunctions in the Program or Documentation of which it learns from any source. Licensor shall promptly correct any defects or malfunctions in the Program or Documentation discovered during such warranty period and the term of any Program Maintenance Contract and provide Licensee with corrected copies of same, without additional charge. Licensor's obligation hereunder shall not affect any other liability which it may have to Licensee.

(b) Licensor shall provide to Licensee, without additional charge, copies of the Program and Documentation revised to reflect any enhancements to the Program made by Licensor during the warranty period and the term of any Program Maintenance Contract. Such enhancements shall include all modifications to the Program which increase the speed, efficiency or ease of operation of the Program System, or add additional capabilities to or otherwise improve the functions of the Program System.

11. Additional Support: During the warranty period and for the term of any Program Maintenance Contract, Licensor shall provide to Licensee, without additional charge, all reasonably necessary telephone, email or other written consultation requested by Licensee in connection with its use and operation of the Program or any problems therewith.

12. Program Maintenance Contract and Renewal Option: After expiration of the Warranty Period, if Licensee elects, Licensor shall provide maintenance, additional support and enhancements in connection with the Program, pursuant to the terms of a Program Maintenance Contract, the terms of which shall be at least as favorable to Licensee as any other Program Maintenance Contract in effect at the time of Licensee's election hereunder, pursuant to paragraph 18 below. Licensor grants to Licensee the option to renew the Program Maintenance Contract for seven (7) one-year terms after the initial one-year term. In addition to any rights otherwise granted to Licensee hereunder, as part of the Program Maintenance Contract, Licensor shall make available to Licensee all updates and enhancements to the Program. For each update or enhancement,

Licensor warrants and represents that the installation of such update or enhancement shall not give rise to any additional costs and the installation of the update or enhancement shall not adversely affect the Program performance as warranted herein. Licensee shall have the right to refuse to utilize any such update or enhancement, and such refusal shall not relieve Licensor of its obligations for support, warranty and maintenance of the Program.

Any additional services during the Warranty Period or the term of any Program Maintenance Contract shall be provided upon Licensee's request at Licensor's standard time and materials rates.

13. Licensee Modifications: Licensee shall have the right (subject to the rights of Custom Nutrition, LLC to the Program), in its own discretion, to independently modify and use the Program for its own purposes, through the services of its own employees or of independent contractors, provided that same agree not to disclose or distribute any part of the Program to any other person or entity or otherwise violate Licensor's proprietary rights therein. Licensee shall be the owner of any such modifications. Such modifications, if approved by Licensor, shall not affect Licensor's warranty or maintenance obligations hereunder. Licensor shall not incorporate any such modifications into its software for distribution to third parties unless it first agrees to pay Licensee a reasonable royalty, pursuant to mutually agreed upon terms.

14. Indemnity: Licensor, at its own expense, shall indemnify and hold harmless Licensee, its subsidiaries, affiliates or assignees, and their directors, officers, employees and agents and defend any action brought against same with respect to any claim, demand, cause of action, debt or liability, including attorneys' fees, to the extent that it is based upon a claim (1) that the Program used hereunder infringes or violates any patents, copyrights, trade secrets, licenses, or other property rights of any third party, (2) of any other breach or alleged breach of this Agreement, or (3) relating to the exploitation of this License. Licensee may, at its own expense, assist in such defense if it so chooses, provided that, as long as Licensor can demonstrate sufficient financial resources, Licensor shall control such defense and all negotiations relative to the settlement of any such claim. Licensee shall promptly provide Licensor with written notice of any claim which Licensee believes falls within the scope of this paragraph. In the event that the Program or any portion thereof is held to constitute an infringement and its use is enjoined, Licensor shall have the obligation to, at its expense: (i) modify the infringing Program without impairing in any material respect the functionality or performance thereof, so that it is non-infringing, (ii) procure for Licensee the right to continue to use the infringing Program, or (iii) replace said Program with equally suitable, non-infringing software. These remedies shall be in addition to, and not exclusive of all other remedies available to Licensee. Licensor agrees to indemnify Licensee for any liability or expense due to claims for personal injury or property damage either arising out of the furnishing or performance of the Program or the services provided hereunder or arising out of the fault or negligence of Licensor.

15. Confidentiality:

(a) Confidential Information. The terms of this Agreement, technical and marketing plans or other sensitive business information, including all materials containing said information, which are supplied by either of the parties hereto ("Disclosing Party") to the other ("Receiving Party") are the confidential information ("Confidential Information").

(b) Restrictions on Use. Receiving Party agrees that except as authorized in a writing signed by Disclosing Party: (i) Receiving Party will preserve and protect the confidentiality of all Confidential Information; (ii) Receiving Party will not disclose the

existence, source, content or substance of the Confidential Information to any third party, or make copies of Confidential Information; (iii) Receiving Party will not deliver Confidential Information to any third party, or permit the Confidential Information to be removed from Receiving Party's premises; (iv)

Receiving Party will not use Confidential Information in any way other than as provided in this Agreement; (v) Receiving Party will not disclose, use or copy any third party information or materials received in confidence by Receiving Party for purposes of work performed under this Agreement; and (vi) Receiving Party shall require that each of its employees and independent contractors who work on or have access to the Confidential Information maintain Disclosing Party's Confidential Information with the same care and security as they would their own.

(c) Limitations. Information shall not be considered to be Confidential Information if Receiving Party can demonstrate that it (i) is already known or otherwise becomes publicly known through no act of Receiving Party; (ii) is lawfully received from third parties subject to no restriction of confidentiality; (iii) can be shown by Receiving Party to have been independently developed by it without use of the Confidential Information; or (iv) is authorized in a writing signed by Disclosing Party to be disclosed, copied or used.

(d) Injunctive Relief. Each party acknowledges that any breach of the provisions of this Paragraph 15 may cause irreparable harm and significant injury to an extent that may be extremely difficult to ascertain. Accordingly, each party agrees that the other party will have, in addition to any other rights or remedies available to it at law or in equity, the right to seek injunctive relief to enjoin any breach or violation of this Paragraph 15.

16. Licensor's Proprietary Notices: Licensee agrees that any copies of the Program or Documentation which it makes pursuant to this Agreement shall bear all copyright, trademark and other proprietary notices included therein by Licensor and, except as expressly authorized herein, Licensee shall not distribute same to any third party without Licensor's prior written consent. Notwithstanding the preceding sentence, Licensee may add its own copyright or other proprietary notice to any copy of the Program or Documentation which contains modifications to which Licensee has ownership rights pursuant to this Agreement.

17. Most Favored Customer: Licensor agrees to treat Licensee as its most favored customer. Licensor represents that all of the prices, warranties, benefits and other terms being provided hereunder are equivalent to or better than the terms being offered by Licensor to its current customers, including, without limitation, the obligation to promptly provide Licensee with any updates Licensor generates relating to the Program. If, during the warranty period or Program Maintenance Contract, Licensor enters into an agreement with any other customer providing such customer with more favorable terms, then this Agreement shall be deemed appropriately amended to provide such terms to Licensee. Licensor shall promptly provide Licensee with any refund or credits thereby created.

18. Assignment: Licensee may assign this agreement at its sole discretion. Licensor shall not assign this Agreement without Licensee's prior written consent, which shall not be unreasonably withheld. An assignee of either party, if authorized hereunder, shall have all of the rights and obligations of the assigning party set forth in this Agreement.

19. Miscellaneous Provisions:

(a) Entire Agreement. This Agreement sets forth the entire understanding of the parties hereto relating to the subject matter hereof. No modification, amendment, waiver, termination or discharge of this Agreement or any of the terms or provisions hereof shall be binding upon either party hereto unless confirmed by a written instrument signed by both parties. No waiver by either party hereto of any term or provision of this Agreement or of any default hereunder shall affect either party's respective rights thereafter to enforce such term or provision or to exercise any right or remedy in the event of any other default, whether or not similar.

(b) Agency. Licensor is an independent contractor hereunder. Nothing contained herein shall be construed or interpreted as constituting an employer/employee, partnership, joint venture, or agency relationship between the Licensor and Licensee. No third party is intended to be a third party beneficiary hereof.

(c) Binding Agreement. This Agreement shall be binding on and inure to the benefit of the respective successors, assigns, licensees and representatives of each party hereto.

(d) Notice. The respective addresses of the parties hereto for all purposes of this Agreement are set forth on page 1 hereof, unless and until notice of a different address is received by the party notified of that different address. All notices shall be in writing and shall be either served by certified or registered mail (return receipt requested), by hand delivery, or by facsimile, in each case with all charges prepaid. Notices shall be deemed effective when mailed, hand delivered, or faxed, all charges prepaid, except for notices of change of address. A copy of each notice to Licensee shall be simultaneously sent to Michael Leventhal, Esq., Squadron, Ellenoff, Plesent & Sheinfeld, LLP, 2049 Century Park East, Suite 700, Los Angeles, CA 90067, and David A. Fisher, Esq., Fisher Thurber LLP, 4225 Executive Square, Suite 1600, La Jolla, CA 92037-1483.

(e) Severability. If any provision of this Agreement shall be held void, invalid, or inoperative, no other provision of this Agreement shall be affected as a result thereof, and, accordingly, the remaining provisions of this Agreement shall remain in full force and effect as though no such void, invalid, or inoperative provision had been contained herein.

(f) Attorney Fees. In the event of any action, suit, or proceeding arising from or based upon this agreement brought by either party hereto against the other, the prevailing party shall be entitled to recover from the other its reasonable attorneys' fees in connection therewith in addition to the costs of such action, suit, or proceeding.

(g) Governing Law. This Agreement has been entered into in the State of California and its validity, construction, interpretation and legal effect shall be governed by the laws of the State of California applicable to contracts entered into and performed entirely therein. The parties hereto agree that all legal proceedings relating to the subject matter of this Agreement shall be maintained in courts sitting within the State of California, and each party

consents and agrees that jurisdiction and venue for such proceedings shall lie exclusively with such courts.

(h) Remedies. The rights and remedies of Licensee set forth in this Agreement are not exclusive and are in addition to any other rights and remedies available to it in law or in equity.

IN WITNESS WHEREOF the parties have executed this agreement on the date first set forth above.

LICENSOR	LICENSEE
By: ---------------------------------	By: --------------------------
Brian L. Harcourt	Peter Wulff
Its: Vice Chairman	Its: CFO and Treasurer

EXHIBIT "A"

SOURCE CODE ESCROW AGREEMENT

EXHIBIT 10.3

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Agreement") is made as of November 10, 2000, between Natural Alternatives International, Inc., a Delaware corporation (referred to as "Secured Party") and FitnessAge Incorporated, a Nevada corporation (referred to as "Debtor").

NOW THEREFORE, the parties agree as follows:

1. Definitions of Terms Used Herein.

(i) "Event of Default" shall mean a failure by Debtor to perform any obligation or pay any indebtedness now or hereafter owing to Secured Party including, without limitation, any and all obligation or indebtedness arising out of (i) that certain Loan Agreement between Debtor and Secured Party dated November 11, 1999, as amended by a First Amendment to Loan Agreement and Security Agreement dated December 6, 1999 and a Second Amendment to Loan Agreement dated November 10, 2000 (such agreement as so amended the "Loan Agreement") and (ii) this Agreement.

(ii) "Collateral" shall mean (i) all rights conveyed or to be conveyed pursuant to the License Agreement attached to the Loan Agreement as Exhibit "B" and incorporated herein by reference; (ii) the Source Code and Documentation, as defined in the Source Code Escrow Agreement attached as Exhibit "A" to the License Agreement and incorporated herein by reference; and (iii) Proceeds from any of the foregoing.

(iii) "Liability" or "Liabilities" shall mean all obligations and indebtedness of the Debtor to the Secured Party now or hereafter existing including, without limitation, the indebtedness owing pursuant to the Loan Agreement.

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

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

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

3. Taxes; Financing Statements. At its option, the Secured Party may discharge taxes, liens or security interest or other encumbrances at any time levied or placed on the Collateral, and may pay for the maintenance and preservation thereof, and the Debtor agrees to reimburse the Secured Party on demand for any payment made or any expense incurred by the Secured Party on demand for any payment made or any expense incurred by the Secured Party pursuant to the foregoing authorization. The Debtor hereby authorizes the Secured Party to file a

financing statement or financing statements on Form UCC-1 and any amendments thereto without the signature of the Debtor. Such authorization is limited to the Security Interest granted by this Security Agreement.

4. Collections. Upon the occurrence of an Event of Default hereunder, the Secured Party shall have the right to receive, endorse, assign and/or

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

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

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

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

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

If the Collateral is sold at public sale, the Secured Party may purchase all or part of the Collateral at such sale. The Secured Party shall apply the proceeds of any such sale as follows:

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

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

agreement, instrument or paper, shall be cumulative and may be exercised singly or concurrently.

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

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

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

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

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

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

Process in any action or proceeding referred to in the proceeding sentence may be served on any party anywhere in the world.

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

SECURED PARTY:	DEBTOR:
Natural Alternatives International, Inc., a Delaware corporation	FitnessAge Incorporated, a Nevada corporation
By: ----------------------------------	By: -------------------------------------
Peter Wulff, Chief Financial Officer and Treasurer	Brian L. Harcourt Vice Chairman

EXHIBIT 10.4

SOURCE CODE ESCROW AGREEMENT

This Source Code Escrow Agreement (the "Escrow Agreement") is entered into and effective as of November 10, 2000 (the "Effective Date") by and among Natural Alternatives International, Inc., a Delaware corporation with its principal place of business at 1185 Linda Vista Drive, San Marcos, California 92069 ("Licensee"), FitnessAge Incorporated, a Nevada corporation with its principal place of business at 4250 Executive Square, Suite 101, La Jolla, CA 92037 ("Licensor"), and The Chicago Trust Company of California, with its principal place of business at 401 B Street, Suite 900, San Diego, CA 92101 ("Escrow Agent").

WHEREAS, Licensor is simultaneously granting a license to Licensee to, inter alia, use certain computer software (the "Program"), a description of which is attached hereto as Schedule "A" and incorporated herein by this reference, pursuant to the terms and conditions of a Software License Agreement (the "License Agreement"), to which this Escrow Agreement is annexed as Exhibit A;

WHEREAS, the License Agreement also provides, inter alia, for the deposit referenced in paragraph 1 thereof upon execution of the License Agreement and this Escrow Agreement;

WHEREAS, the uninterrupted availability of all forms of such computer software is critical to Licensee in the conduct of its business; and

WHEREAS, Licensor has agreed to deposit in escrow a copy of the source code form of the Program covered by the License Agreement, as well as any corrections or enhancements to such source code, to be held by Escrow Agent in accordance with the terms and conditions of this Escrow Agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree as follows:

1. Deposit: Licensor shall, upon execution of this Escrow Agreement deposit with Escrow Agent a copy of the source code form of the Program, a description of which is attached hereto as Schedule "A" and incorporated herein by this reference (the "Source Code"), including all relevant commentary, explanations, and other documentation of the Source Code, which documentation is attached hereto as Schedule "B" and incorporated herein by this reference (collectively, "Commentary") (The Source Code and Commentary are sometimes collectively referred to herein as the "Escrowed Property"). Licensor also agrees to deposit with Escrow Agent, at such times as they are made, a copy of all revisions to the Source Code or Commentary encompassing all corrections or enhancements made to the Program by Licensor pursuant to the License Agreement, any Software Maintenance Contract between the parties, or made for any other reason during the Term of this Escrow Agreement. Promptly after any such revision is deposited with Escrow Agent, both Licensor and Escrow Agent shall give written notice thereof to Licensee.

2. Term: This Escrow Agreement shall commence on the Effective Date and remain in effect during the term of the License Agreement and any Software Maintenance Contract between Licensee and Licensor. Termination hereof is automatic upon delivery of all of the deposited Source Code and Commentary to Licensee in accordance with the provisions hereof.

3. Default: A default by Licensor shall be deemed to have occurred under this Escrow Agreement upon the occurrence of any of the following:

(a) if Licensor has availed itself of, or been subjected to by any third party, a proceeding in bankruptcy in which Licensor is the named debtor, an assignment by Licensor for the benefit of its creditors, the appointment of a receiver for Licensor, or any other proceeding involving insolvency or the protection of, or from, creditors, and same has not been discharged or terminated without any prejudice to Licensee's rights or interests

under the License Agreement within thirty (30) days, or Licensor otherwise becomes insolvent; or

(b) if Licensor has ceased its on-going business operations, or sale, licensing, maintenance or other support of the Program; or

(c) if Licensor fails to pay the annual fee due to Escrow Agent hereunder; or

(d) an Event of Default, as defined in the Security Agreement, entered into as of November 10, 2000, by and between the parties hereto; or

(e) if any other event or circumstance occurs which demonstrates with reasonable certainty the inability or unwillingness of Licensor to fulfill its obligations to Licensee under the License Agreement, this Escrow Agreement or any Software Maintenance Contract between the parties, including, without limitation, the correction of defects in the Program.

4. Notice of Default: Licensee shall give written notice to Escrow Agent and Licensor of the occurrence of a default hereunder, except that Escrow Agent shall give notice of the default to Licensee and Licensor if same is based on the failure of Licensor to pay Escrow Agent's annual fee. Unless within seven (7) days thereafter Licensor files with the Escrow Agent its affidavit executed by a responsible executive officer stating that no such default has occurred or that the default has been cured, then the Escrow Agent shall upon the eighth (8th) day deliver to Licensee in accordance with Licensee's instructions the entire Source Code and Commentary with respect to the Program then being held by Escrow Agent. If Escrow Agent does receive such an affidavit from Licensor prior to the eighth (8th) day after such notice from Licensee, Escrow Agent shall not deliver a copy of the Source Code or Commentary to the Licensee, but shall continue to store the Source Code and Commentary until: (a) otherwise directed by the Licensor and Licensee by way of an agreement with authorized, notarized signatures of both Licensor and Licensee, authorizing the release of Source Code and Commentary to one of the parties hereto; (b) Escrow Agent has received notice of the resolution of the dispute by a court of competent jurisdiction, or (c) Escrow Agent has deposited the Source Code and Commentary with a trustee selected by a court of competent jurisdiction for the purpose of determination of its obligations under this Escrow Agreement.

5. Responsibilities: The responsibilities and liabilities of the Escrow Agent include:

(a) Escrow Agent shall hold and release the Source Code and Commentary in accordance with the terms of this Agreement and shall maintain the confidentiality of the Source Code and Commentary.

(b) Escrow Agent shall store all Source Code and Commentary in a dual controlled, fire-resistant safe cabinet. Escrow Agent shall provide the same degree of care for all Source Code and Commentary as it maintains for its valuable documents and those of its clients lodged in the same location with appropriate atmospheric or other safeguards. The parties hereto agree that Escrow Agent shall not be held liable for any loss of, destruction of, or damage to the property caused by anything other than its own gross negligence or willful misconduct. Among other things, Escrow Agent shall not be held liable for loss, destruction or damage caused by natural disasters including, but not limited to, fire, flood, earthquake and other acts of nature and acts of God.

(c) Except as required to carry out its duties hereunder, Escrow Agent shall use its best efforts to avoid unauthorized access to the Source Code and Commentary deposited with Escrow Agent hereunder by its employees or any other person.

6. Compensation: As compensation for the services to be performed by Escrow Agent hereunder, Licensor shall pay to Escrow Agent an initial fee of $2,000.00, payable at the time of execution of this Agreement, and an annual fee in the amount of $1,500.00 to be paid to Escrow Agent in advance on each anniversary date hereafter during the term of this Agreement.

7. Liability:

(a) Escrow Agent shall not, by reason of its execution of its Agreement, assume any responsibility or liability for any transaction between Licensor and Licensee, other than the performance of its obligations as Escrow Agent with respect to the Source Code and Commentary held by it in accordance with this Agreement.

(b) Escrow Agent shall be entitled to rely upon, and shall be fully protected from all liability, loss, cost, damage or expense in acting or omitting to act pursuant to, any instruction, order, judgment, certification, affidavit, demand, notice, opinion, instrument or other writing delivered to it hereunder without being required to determine the authenticity of such document, the correctness of any fact stated therein, the propriety of the service thereof or the capacity, identity or authority of any party purporting to sign or deliver such document.

(c) The duties of the Escrow Agent are only as herein specifically provided, and are purely ministerial in nature. The Escrow Agent shall neither be responsible for or under, nor chargeable with knowledge of, the terms and conditions of any other agreement, instrument or document in connection herewith, and shall be required to act in respect of the Escrowed Property only as provided in this Agreement. This Agreement sets forth all the obligations of the Escrow Agent with respect to any and all matters pertinent to the escrow contemplated hereunder and no additional obligations of the Escrow Agent shall be implied from the terms of this Agreement or any other agreement. The Escrow Agent shall incur no liability in connection with the discharge of its obligations under this Agreement or otherwise in connection therewith, except such liability as may arise from the willful misconduct of the Escrow Agent.

(d) Escrow Agent may consult with counsel of its choice and shall not be liable for any action taken or omitted to be taken by the Escrow Agent in accordance with the advice of such counsel.

(e) Escrow Agent shall not be bound by any modification, cancellation or rescission of this Agreement unless in writing and signed by the Escrow Agent.

(f) Escrow Agent is acting as a stakeholder only with respect to the Escrowed Property. If any dispute arises as to whether the Escrow Agent is obligated to deliver the Escrowed Property or as to whom the Escrowed Property is to be delivered or the amount thereof, the Escrow Agent shall not be required to make any delivery, but in such event the Escrow Agent may hold the Escrowed Property until receipt by the Escrow Agent of instructions in writing, signed by all parties which have, or claim to have, an interest in the Escrowed Property, directing the disposition of the Escrowed Property, or in the absence of such authorization, the Escrow Agent may hold the Escrowed Property until receipt of a certified copy of a final judgment of a court of competent jurisdiction providing for the disposition of the Escrowed Property. The Escrow Agent may require, as a condition to the disposition of the Escrowed Property pursuant to written instructions, indemnification and/or opinions of counsel, in form and substance satisfactory to the Escrow Agent, from each party providing such instructions. If such written instructions, indemnification and opinions are not received, or proceedings for such determination are not commenced, within thirty (30) days after receipt by the Escrow Agent of notice of any such dispute and diligently continued, or if the Escrow Agent is uncertain as to which party or parties are entitled to the Escrowed Property, the Escrow Agent may either (i) hold the Escrowed Property until receipt of (X) such written instructions and indemnification or (Y) a certified copy of a final judgment of a court of competent jurisdiction providing for the disposition of the Escrowed Property, or (ii) deposit the Escrowed Property in the registry of a court of competent jurisdiction; provided, however, that notwithstanding the foregoing, the Escrow Agent may, but shall not be required to, institute legal proceedings of any kind.

(g) Escrow Agent shall have the right at any time to resign for any reason and be discharged of its duties as Escrow Agent hereunder by giving written notice of its resignation to the parties at least thirty (30) days prior to the date specified for such resignation to take effect. The parties shall have the right at any time jointly to appoint a successor Escrow Agent, and in the event such appointment is made without the resignation of Escrow Agent,

shall be effective upon thirty (30) days written notice to Escrow Agent. All obligations of Escrow Agent hereunder shall cease and terminate on the earlier of the effective date of its resignation or the appointment of a successor Escrow Agent and its sole responsibility thereafter shall be to transfer any funds and documents held in escrow to the successor Escrow Agent or other party as described below. If a successor Escrow Agent shall have been appointed and written notice thereof shall have been given to the resigning or terminated Escrow Agent by the parties, then the resigning or terminated Escrow Agent shall deliver any funds, books, records and other items held under the Escrow Instructions to the successor Escrow Agent, or if a successor Escrow Agent shall not have been appointed, for any reason whatsoever, the resigning or terminated Escrow Agent shall deliver any funds, books, records and other items held under this Escrow Agreement to a court of competent jurisdiction and give written notice of the same to the Parties hereto. The resigning or terminated Escrow Agent shall be entitled to be reimbursed by the Parties for any expenses incurred in connection with its resignation, termination and transfer of any property or funds held in escrow.

8. Indemnification: Licensor and Licensee, jointly and severally, agree to reimburse the Escrow Agent on demand for, and to indemnify and hold the Escrow Agent harmless against and with respect to, any and all loss, liability, damage or expense (including, without limitation,

attorneys' fees and costs) that the Escrow Agent may suffer or incur in connection with the entering into of this Agreement or otherwise in connection therewith, except to the extent such loss, liability, damage or expense arises from the willful misconduct of the Escrow Agent. Without in any way limiting the foregoing, the Escrow Agent shall be reimbursed for the cost of all legal fees and costs incurred by it in acting as the Escrow Agent hereunder based on the normal hourly rates in effect at the time services are rendered. The Escrow Agent shall have the right at any time and from time to time to charge, and reimburse itself from, the Escrowed Property for all amounts to which it is entitled pursuant to this Agreement.

9. Tests: Upon written notice to Licensor and Escrow Agent, Licensee shall have the right to conduct tests of the Source Code held in escrow, under the supervision of Licensor, to confirm that it is the current Source Code for the Program specified in the License Agreement.

10. Confidentiality: Except as provided in this Agreement, Escrow Agent agrees that it shall not divulge or disclose or otherwise make available to any third person whatsoever, or make any use whatsoever, of the Source Code or Commentary, without the express prior written consent of Licensor.

11. Miscellaneous Provisions:

(a) Notices. Except as otherwise provided herein, any notice, demand, election or other communication (a "Notice") required or permitted to be given or delivered under this Agreement shall be in writing and shall be given by (a) mailing the same by certified mail, return receipt requested; (b) delivery of same to a recognized overnight express mail service or carrier; (c) personal hand delivery; or (d) electronic facsimile with "hard copy" original to follow as provided in clause (a), (b) or (c) above, addressed:

if to Licensor, to:

FitnessAge Incorporated
4250 Executive Square, Suite 101
La Jolla, CA 92037
Fax: (858) 625-4200
Attention: Ross Lyndon-James

if to Licensee, to:

Natural Alternatives International, Inc.
1185 Linda Vista Drive
San Marcos, California 92069
Fax: (760) 591-9637
Attention: Peter Wulff

with copies to:

Squadron, Ellenoff, Plesent & Sheinfeld, LLP
2049 Century Park East, Suite 700
Los Angeles, CA 90067
Fax: (310) 551-0364
Attention: Michael Leventhal, Esq.

and

Fisher Thurber LLP
4225 Executive Square, Suite 1600
La Jolla, CA 92037-1483
Fax: (858) 535-1616
Attention: David A. Fisher, Esq.

if to Escrow Agent, to:

The Chicago Trust Company of California
401 B Street, Suite 900
San Diego, CA 92101
Fax: (619) 238-4162
Attention: Kelly A. Torrey Pearl

(b) Assignment. Neither this Escrow Agreement, nor any rights, liabilities or obligations hereunder may be assigned by Escrow Agent without the prior written consent of Licensee and Licensor.

(c) Entire Agreement. This Agreement sets forth the entire understanding of the parties hereto relating to the subject matter hereof. No modification, amendment, waiver, termination or discharge of this Agreement or any of the terms or provisions hereof shall be binding upon either party hereto unless confirmed by a written instrument signed by both parties. No waiver by either party hereto of any term or provision of this Agreement or of any default hereunder shall affect either party's respective rights thereafter to enforce such term or provision or to exercise any right or remedy in the event of any other default, whether or not similar.

(d) Binding Agreement. This Agreement shall be binding on and inure to the benefit of the respective successors, assigns, licensees and representatives of each party hereto.

(e) Severability. If any provision of this Agreement shall be held void, invalid, or inoperative, no other provision of this Agreement shall be affected as a result thereof, and, accordingly, the remaining provisions of this Agreement shall remain in full force and effect as though no such void, invalid, or inoperative provision had been contained herein.

(f) Attorney Fees. In the event of any action, suit, or proceeding arising from or based upon this agreement brought by either party hereto against the other, the prevailing party

shall be entitled to recover from the other its reasonable attorneys' fees in connection therewith in addition to the costs of such action, suit, or proceeding.

(g) Governing Law. This Agreement has been entered into in the State of California and its validity, construction, interpretation and legal effect shall be governed by the laws of the State of California applicable to contracts entered into and performed entirely therein. Each party acknowledges and agrees that they have had the opportunity to be represented by independent legal counsel of their own choice in connection with the preparation, negotiation and implementation of this Agreement. If not, either party's failure to be represented by legal counsel was determined solely by that party and not

by the other party in whole or in part.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

ESCROW AGENT

The Chicago Trust Company of California

By: --------------------------------
William Exeter

Its: Executive Vice President

By: -------------------------------
Kelly A. Torrey Pearl

Its: Vice President

LICENSEE

Natural Alternatives International, Inc.

By: -------------------------------------
Peter C. Wulff

Its: CFO and Treasurer

LICENSOR

By: -------------------------------------
Brian L. Harcourt

Its: Vice Chairman

SCHEDULE "A"
TO SOURCE CODE ESCROW AGREEMENT

The FitnessAge Assessment Application System consists of the following major components:

1. Core FitnessAge Assessment Application System

   General Description -- A proprietary and patented (patent no. 6,010,452 US PTO) application program that measures the physiological age of an individual based on the four physical components of cardiovascular fitness; muscle and joint flexibility; body fat composition; and muscle strength. The assessment measures both the individual components as defined above as well as a composite figure to produce a physiological body age as opposed to your chronological age.

   THE APPLICABLE SOURCE CODE AND USER MANUALS INCLUDED IN THIS LICENSE ARRANGEMENT REFER TO IVID COMMUNICATIONS SOFTWARE DESIGN SPECIFICATIONS DOCUMENT -- SCHEDULE B

2. Vcustom Plug-in Application System -- PREVIOUSLY LICENSED EXCLUSIVELY TO CUSTOM NUTRITION

   General Description -- The components of the FitnessAge Assessment Application System are used to make an individual recommendation for use of nutritional supplements.

   NOT APPLICABLE TO THIS LICENSE AGREEMENT AS IT IS LICENSED EXCLUSIVELY TO CUSTOM NUTRITION.

3. Core Application Database tables

   General Description -- The database tables and fields are required to capture and report the individual measurements taken from the FitnessAge Assessment Application Software.

   REFER TO IVID COMMUNICATIONS SOFTWARE DESIGN SPECIFICATIONS DOCUMENT APPENDIX D -- SCHEDULE B

4. FitnessAge Web Applet

General Description -- A Java applet containing the same functionality as the assessment application used to calculate a fitnessage. This application can be run on any webserver and is treated as a "blackbox" fitnessage calculator tool.

5. Administration and Reporting System

General Description -As described on pp 36 to 49 of FitnessAge User's Guide-Schedule B.

Refer to FitnessAge User's Guide--Schedule B.

SCHEDULE "B"
TO SOURCE CODE ESCROW AGREEMENT

1. CD-ROM labeled "FitnessAge HTML Kiosk Setup Disk (VCustom)" by IVID Communications, Inc.

2. CD-ROM labeled "FitnessAge Web Site Files."

3. FitnessAge User's Guide dated April 14, 2000.

4. FitnessAge HTML Kiosk Program Software Design Specifications dated June 26, 2000 prepared by IVID Communications, Inc.

EXHIBIT 10.5

EXECUTIVE EMPLOYMENT AGREEMENT

Mark A. LeDoux ("Employee") hereby accepts the offer of Natural Alternatives International, Inc. ("NAI") for employment as Chief Executive Officer and President beginning November 15, 2000. Collectively, NAI and Employee will be referred to herein as the "Parties."

1. The Parties anticipate that Employee will be employed through June 30, 2001 (the "Term"). During the Term, Employee's employment will be at-will and may be terminated by either Employee or NAI at any time for any reason or no reason, with or without cause upon written notice to the other. The at-will status of the employment relationship may not be modified except in writing authorized in advance by the Board of Directors of NAI and signed by the Executive Vice President of NAI and Employee.

2. Employee and NAI further understand and agree that nothing in the NAI Employee Handbook is intended to be, and nothing in it should be construed to be, a limitation of NAI's right to terminate, transfer, demote, suspend and administer discipline at any time for any reason. Employee and NAI understand and agree nothing in the Handbook is intended to, and nothing in the Handbook should be construed to, create an implied or express contract of employment contrary to this agreement.

3. While Employee is employed by NAI, Employee's rate of compensation will be at a rate of $225,000 per year, payable no less frequently than monthly, which will be reviewed prior to the end of the term to determine, based upon Employee's performance and the performance of NAI, the amount of increase, (if any), in the rate of compensation. The compensation set forth in this Section 3 will be Employee's only compensation except standard employee benefits available to the level one executives of NAI or any other written compensation arrangement approved by the Board of Directors of NAI. NAI is currently evaluating a system of bonus compensation for certain of its employees. Employee will be entitled to participate in any such bonus compensation in a manner and at a level consistent with the level one executives of NAI. Currently the level one executives of NAI include all of the Corporate Officers of NAI, except for the Chief Executive Officer.

4. If Employee continues working for NAI past the end of the Term, and if NAI still desires Employee's services, then the following terms and conditions will apply:

(a) Employee shall be an at-will employee and either Employee or NAI will be entitled to terminate the employment relationship for any reason or for no reason, with or without cause and with or without notice.

(b) Employee will be compensated at the rate set forth in section 3 herein above unless another rate is mutually agreed upon; and

(c) As to benefits and other terms of employment, Employee shall be subject to the same policies and procedures as other employees of NAI in similar positions.

5. During the Term, and any extension thereof, Employee shall have such responsibilities, duties and authority as NAI through its Board of Directors may from time to time assign to Employee, and that are normal and customary duties of a Chief Executive Officer and President of a publicly held corporation. Employee's initial title shall be Chief Executive Officer and President.

6. In the event this Agreement is terminated by NAI without cause, whether during or at the end of the Term (and any renewals thereof), Employee shall be entitled to severance pay, including standard employee benefits available to the level one executives of NAI, in an amount equivalent to his then current compensation rate for the period set forth below opposite the

number of complete calendar months which have elapsed from the beginning date of Employee's employment by NAI at the time of termination. One half of such amount shall be paid upon termination and the balance shall be paid on a bi-weekly basis during said severance period:

MONTHS OF EMPLOYMENT	SEVERANCE PERIOD
1 through 6 months	2 months
7 through 12 months	6 months
13 through 24 months	9 months
more than 24 months	12 months

NAI may terminate this Agreement with cause, which shall be limited to the occurrence of one or more of the following events: (i) the Employee's commission of any fraud against NAI; (ii) Employee's intentional appropriation for his personal use or benefit the funds of the Company not authorized by the Board of Directors, (iii) Employee's conviction of any crime involving moral turpitude, (iv) Employee's conviction of a violation of any state or federal law which could result in a material adverse impact upon the business of NAI; or (v) Employee's material violation of this Agreement, provided that Employee shall be given written notice by NAI of any alleged material violation of the Agreement and an opportunity within 60 days, to cure the alleged breach, which Employee must diligently pursue to completion. No severance pay shall be due to Employee if Employee is terminated for cause.

7. In the event of any Change in Control, the following provisions will apply.

Any of the following shall constitute a "Change in Control" for the purposes of this Section 7:

A. A "person" (meaning an individual, a partnership, or other group or association as defined in sections 13(d) and 14(d) of the Securities Exchange Act of 1934) acquires fifty percent (50%) or more of the combined voting power of the outstanding securities of NAI having a right to vote in elections of directors; or

B. The members of the Board of Directors of the Company who were members of the Board of Directors on the commencement date hereof, shall for any reason cease to constitute a majority of the Board of Directors of the Company; or

C. All, or substantially all of the business of NAI is disposed of by NAI to a party or parties other than a subsidiary or other affiliate of NAI, in which NAI owns less than a majority of the equity, pursuant to a partial or complete liquidation of NAI, sale of assets (including stock of a subsidiary of NAI) or otherwise.

In the event of any such Change in Control, this Agreement shall continue in effect unless the Employee at his sole option, and at any time elects voluntarily to terminate this Agreement. In such case, NAI shall pay Employee as severance pay or liquidated damages, or both, a lump sum payment ("Change in Control Severance Payment") equal to one hundred fifty percent (150%) of the Employee's annual salary and bonus specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

In the event this Agreement is terminated following a Change in Control by NAI, and/or the surviving or resulting corporation, without cause, Employee shall be entitled to a Change in Control Severance Payment equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

Any Severance Payment shall be made not later than the fifteenth (15th) day following the effective date of the voluntary or involuntary termination of this Agreement in connection with a Change in Control; provided, however, that if the amount of such payments cannot be finally determined on or before such date, NAI shall pay to Employee on such date a good faith estimate of the minimum amount of such payments, and shall pay the remainder of such payments (together with interest at the rate provided in Internal Revenue Code Section 1274(b)(2)(B) of the Code), as soon as the amount thereof can be determined, but in no event later than the thirtieth (30th) day after the applicable termination date. In the event the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by NAI payable on the fifteenth (15th) day after receipt by Employee of a written demand for payment from NAI (together with interest calculated as above). The total of any payment pursuant to this Section 7 shall be limited to the extent necessary, in the opinion of legal counsel acceptable to Employee and NAI, to avoid the payment of an "excess parachute" payment within the meaning of Internal Revenue Code Section 280 G or any similar successor provision.

In the event of termination of this Agreement either by the Employee under paragraph 7(B) or by NAI under paragraph 7(C), NAI shall cause each stock option heretofore granted by NAI to the Employee to become fully exercisable and to remain exercisable for the term of the option.

8. Employee and NAI hereby agree to the Mutual Agreement to Arbitrate attached hereto and made a part hereof as Attachment #1.

9. Employee and NAI hereby agree to the Assignment of Inventions, Patents and Copyrights Agreement Regarding Confidential Information Covenant of Exclusivity and Not to Compete attached hereto and made a part hereof as Attachment #2.

10. This Agreement contains the entire agreement between the parties. It supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to Employee's employment by NAI. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein and acknowledges that no other agreement, statement or promise not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended by oral agreement or course of conduct, but only by an agreement in writing signed by the Executive Vice President of NAI and Employee.

11. This Executive Employment Agreement shall be construed and enforced in accordance with the laws of the State of California.

12. Should any part or provision of this Executive Employment Agreement be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining parts shall not be affected by such holding.

"EMPLOYEE"

Mark A. LeDoux

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

David Lough, Executive Vice President

ATTACHMENT #1

MUTUAL AGREEMENT TO ARBITRATE CLAIMS

This Mutual Agreement to Arbitrate Claims is entered into between Mark A. LeDoux ("Employee") and Natural Alternatives International, Inc. ("NAI").

1. Binding Arbitration of Disagreement and Claims

We each voluntarily promise and agree to arbitrate any claims covered by this Agreement. We further agree that such binding arbitration pursuant to this Agreement shall be the sole and exclusive remedy for resolving any such claims or disputes.

2. Claims Covered by this Agreement

A. Claims and disputes covered by this Agreement include all claims against NAI (as defined below) and all claims that NAI may have against the Employee, including, without limitation, those arising under:

(1) Any federal, state or local laws, regulations or statutes prohibiting employment discrimination (such as, without limitation: race, sex, national origin, age, disability, religion, sexual orientation) and harassment.

(2) Any alleged or actual agreement or covenant (oral, written or implied) between Employee and NAI.

(3) Any company policy or compensation or benefit plan, unless the decision in question was made by an entity other than NAI.

(4) Any public policy.

(5) Any other claim for personal, emotional, physical or economic injury.

B. The only disputes between Employee and NAI which are not included within this Mutual Agreement to Arbitrate Claims are:

(1) Any claim by Employee for workers' compensation or unemployment compensation benefits.

(2) Any claim by Employee for benefits under a company plan which provides for its own arbitration procedure.

3. Arbitration Procedure

A. The arbitration will be conducted in accordance with the rules of the current Judicial Arbitration and Mediation Services ("JAMS"), except that the arbitrator shall be mutually acceptable to both parties. The arbitration will be held in the state and county of the Employee's primary employment at the time of the act giving rise to the dispute. The fees and expenses of the Arbitrator, and the arbitration, will be borne by the Company. Each party will pay for the fees and expenses of its own attorneys, experts, witnesses, transcripts and preparation and presentation of proofs and

post-hearing briefs, unless the party prevails on a claim for which attorneys' fees and costs are recoverable by statute or contract, in which case the prevailing party shall be awarded attorneys fees and costs in accordance with that statute or contract.

B. Before such arbitration, each party shall have the right to conduct discovery on the same basis and to the same extent as a civil action brought in the Federal District Court for the Southern District of California.

C. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act if applicable, and otherwise by applicable state law.

4. Miscellaneous Provisions

A. The term "company" means NAI, and all related entities, all officers,

employees, directors, agents, shareholders, partners, benefit plan sponsors, fiduciaries, administrators or affiliates of any of the above, and all successors and assignees of any of the above.

B. If either party pursues a covered claim against the other by any action, method or legal proceeding other than the arbitration provided herein, the responding party shall be entitled to dismissal or injunctive relief regarding such action and recovery of all costs, losses and attorneys' fees related to such other action or proceeding.

C. The parties of this arbitration agreement acknowledge and agree that they are waiving their right to a jury trial on the issues covered by this Agreement.

D. This is the complete Agreement of the parties on the subject of arbitration of disputes and claims. This Agreement supersedes any prior or contemporaneous oral, written or implied understanding on the subject, shall survive the termination of Employee's employment and can only be revoked or modified by a written agreement signed by the parties which specifically states an intent to revoke or modify this agreement. If any provision of this Agreement is adjudicated to be void or otherwise unenforceable in whole or in part, such adjudication shall not affect the validity of the remainder of the Agreement, which shall continue in full force and effect.

My signature below signifies that I have read, understand and agree to the Arbitration Agreement.

"EMPLOYEE"

Mark A. LeDoux

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

David Lough, Executive Vice President

ATTACHMENT #2

ASSIGNMENT OF INVENTIONS, PATENTS AND COPYRIGHTS AGREEMENT REGARDING CONFIDENTIAL INFORMATION COVENANT OF EXCLUSIVITY AND NOT TO COMPETE

In consideration of and as a condition of my prospective and continued employment and the compensation afforded to me under the terms and conditions thereof by Natural Alternatives International, Inc. (the "Company"), I agree to the following, and I agree the following shall be in addition to the terms and conditions of any Confidential Information and Invention Assignment Agreement executed by employees of the Company generally, and which I may execute in addition hereto:

1. INVENTIONS

a. Disclosure. I will disclose promptly in writing to the appropriate officer or other representative of the Company, any idea, invention, work of authorship, design, formula, pattern, compilation, program, device, method, technique, process, improvement, development or discovery, whether or not patentable or copyrightable or entitled to legal protection as a trade secret, trademark service mark, trade name or otherwise ("Invention"), that I may conceive, make, develop, reduce to practice or work on, in whole or in part, solely or jointly with others ("Invent"), during the term of my employment with the Company. The disclosure required by this Section 1 (a) applies to each and every Invention that I Invent (i) whether during my regular hours of employment or during my time away from work (ii) whether or not the Invention was made at the suggestion of the Company, and (iii) whether or not the Invention was reduced to or embodied in writing, electronic media or tangible form. The disclosure required by this Section 1 (a) also applies to any Invention which

may relate at the time of conception or reduction to practice of the Invention to the Company's business or actual or demonstrably anticipated research or development of the Company, and to any Invention which results from any work performed by me for the Company. The disclosure required by this Section 1 (a) shall be received in confidence by the Company within the meaning of and to the extent required by California Labor Code Section 2871, the provisions of which are set forth on Exhibit "A" hereto.

b. Assignment. I hereby assign to the Company without royalty or any other further consideration my entire right, title and interest in and to each and every Invention I am required to disclose under Section 1 (a) other than an Invention that (i) I have or shall have developed entirely on my own time without using the Company's equipment, supplies, facilities or trade secret information, (ii) does not relate at the time of conception or reduction to practice of the Invention to the Company's business, or actual or demonstrably anticipated research or development of the Company, and (iii) does not result from any work performed by me for the Company. I acknowledge that the Company has notified me that the assignment provided for in this Section l(b) does not apply to any Invention to which the assignment may not lawfully apply under the provisions of Section Section 2870 of the California Labor Code, a copy of which is attached as Exhibit "A" hereto.

c. Additional Assistance and Documents. I will assist the Company in obtaining, maintaining and enforcing patents, copyrights, trade secrets, trademarks, service marks, trade names and other proprietary rights in connection with any Invention I have assigned to the Company under Section

l(b), and I further agree that my obligations under this Section l(c) shall continue beyond the termination of my employment with the Company. Among other things, for the foregoing purposes I will (i) testify at the request of the Company in any interference, litigation or other legal proceeding that may arise during or after my employment, and (ii) execute, verify, acknowledge and deliver any proper document (and, if, because of my mental or physical incapacity or for any other reason whatsoever, the Company is unable to obtain my signature to apply for or to pursue any application for any United States or foreign patent or copyright covering Inventions assigned to the Company by me, I hereby irrevocably designate and appoint each of the Company and its duly authorized officers and agents as my agent and attorney in fact to act for me and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of any United States or foreign patent or copyright thereon with the same legal force and effect as if executed by me). I shall be entitled to reimbursement of any out-of-pocket expenses incurred by me in rendering such assistance and, if I am required to render such assistance after the termination of my employment, the Company shall pay me a reasonable rate of compensation for time spent by me in rendering such assistance to the extent permitted by law (provided, I understand that no compensation shall be paid for my time in connection with preparing for or rendering any testimony or statement under oath in any judicial proceeding, arbitration or similar proceeding).

d. Prior Contracts and Inventions; Rights of Third Parties. I represent to the Company that, except as set forth on Exhibit "B" hereto, there are no other contracts to assign Inventions now in existence between me and any other person or entity (and if no Exhibit "B" is attached hereto or there is no such contract described thereon, then it means that by signing this Agreement, I represent to the Company that there is no such other contract). In addition, I represent to the Company that I have no other employments or undertaking which do or would restrict or impair my performance of this Agreement. I further represent to the Company that Exhibit "C" hereto sets forth a brief description of all Inventions made or conceived by me prior to my employment with the Company which I desire to be excluded from this Agreement (and if no Exhibit "C" is attached hereto or there is no such description set forth thereon, then it means that by signing this Agreement I represent to the Company that there is no such Invention made or conceived by me prior to my employment with the Company). In connection with my employment with the Company, I promise not to use or disclose to the Company any patent, copyright, confidential trade secret or other proprietary information of any previous employer or other person that I am not lawfully entitled so to use or disclose. If in the course of my employment with the Company I incorporate into an Invention or any product process or service of the Company any Invention made or conceived by me prior to my

employment with the Company, I hereby grant to the Company a royalty-free, irrevocable, worldwide nonexclusive license to make, have made, use and sell that Invention without restriction as to the extent of my ownership or interest.

2. CONFIDENTIAL INFORMATION

a. Company Confidential Information. I will not use or disclose Confidential Information, whether before, during or after the term of my employment except to perform my duties as an employee of the Company based on my reasonable judgment as an Officer of the Company, or in accordance with instruction or authorization of the Company, without prior written consent of the Company or pursuant to process or requirements of law after I have disclosed such process or requirements to the Company so as to afford it the opportunity to seek appropriate relief therefrom. "Confidential Information" means any Invention of any person in which the Company has an interest and in addition means any financial, client, customer, supplier, marketing, distribution and other

information of a confidential or private nature connected with the business of the Company or any person with whom it deals, provided by the Company to me or to which I have access during or in the course of any employment.

b. Third Party Information. I acknowledge that during my employment with the Company I may have access to patent, copyright, confidential, trade secret or other proprietary information of third parties subject to restrictions on the use or disclosure thereof by the Company. During the term of my employment and thereafter I will not use or disclose any such information other than consistent with the restrictions and my duties as an employee of the Company.

3. PROPERTY OF THE COMPANY. All documents, instruments, notes, memoranda, reports, drawings, blueprints, manuals, materials, data and other papers and records of every kind which come into my possession during or in the course of my employment, relating to any Inventions or Confidential Information, are and shall remain the property of the Company and shall be surrendered by me to the Company upon termination of my employment with the Company, or upon the request of the Company, at any time during or after termination of my employment with the Company.

4. NO SOLICITATION OF COMPANY EMPLOYEES. While employed by the Company and for a period of one year after termination of my employment with the Company, I agree not to induce or attempt to influence directly or indirectly any employee of the Company to terminate employment with the Company or to work for me or any other person or entity.

5. COVENANT OF EXCLUSIVITY AND NOT TO COMPETE. During the term of my employment with the Company, I will not engage in any other professional employment or consulting or directly or indirectly participate in or assist any business which is a current or potential supplier, customer or competitor of the Company without prior written approval from the Executive Vice President of the Company.

6. GENERAL.

a. Assignments, Successors and Assignees. All representations, warranties, covenants and agreements of the parties shall bind their respective heirs, executors, personal representatives, successors and assignees ("transferees") and shall inure to the benefit of their respective permitted transferees. The Company shall have the right to assign any or all of its rights and to delegate any or all of its obligations hereunder. The undersigned employee shall not have the right to assign any rights or delegate any obligations hereunder without the prior written consent of the Company or its transferee.

b. Number and Gender, Headings. Each number and gender shall be deemed to include each other number and gender as the context may require. The headings and captions contained in this agreement shall not constitute a part thereof and shall not be used in its construction or interpretation.

c. Severability. If any provision of this agreement is found by

any court or arbitral tribunal of competent jurisdiction to be invalid or unenforceable, the invalidity of such provision shall not affect the other provisions of this agreement and all provisions not affected by the invalidity shall remain in full force and effect.

d. Amendment and Modification. This agreement may be amended or modified only by a writing executed by each party.

e. Government Law. The construction, interpretation and performance of this agreement and all transactions under it shall be governed by the internal laws of California.

f. Remedies. I acknowledge that breach by me of any of the provisions of this agreement will cause irreparable injury that cannot adequately be compensated by money damages. The Company shall be entitled to specific performance, temporary restraining orders, preliminary injunctions and permanent injunctive relief to enforce my obligations under this agreement. No remedy conferred by any of the specific provisions of this agreement is intended to be exclusive of any other remedy. I agree to arbitrate on a final and binding basis all disputes under this Agreement in accordance with and before the Judicial Arbitration and Mediation Service ("JAMS").

g. Attorneys' Fees. In the event of any litigation or other action in connection with this agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and disbursements from the other party as costs of suit and not as damages.

h. No Effect on Other Terms or Conditions of Employment. I acknowledge that this agreement does not affect any term or condition of my employment except as expressly provided in this agreement, and that this agreement does not give rise to any right or entitlement on my part to employment or continued employment with the Company. I further acknowledge that this agreement does not affect in any way the right of the Company to terminate my employment.

IN WITNESS WHEREOF, I have executed this agreement as of the date set forth next to my signature below.

Signature of Employee
Mark A. LeDoux

Printed Name of Employee

ACCEPTED:
NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

David Lough, Executive Vice President

EXHIBIT "A"

CALIFORNIA LABOR CODE

SECTION 2870. INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT.

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's

equipment, supplies, facilities or trade secret information expect for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

SECTION 2871. RESTRICTIONS ON EMPLOYER FOR CONDITION OF EMPLOYMENT.

No employer shall require a provision made void or unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

EXHIBIT "B"

Except as set forth below, Employee represents to the Company that there are no other contracts to assign Inventions now in existence between Employee and any other person or entity (see Section 1(d) of the Agreement):

EXHIBIT "C"

Set forth below is a brief description of all Inventions made or conceived by Employee prior to Employee's employment with the Company which Employee desires to be excluded from this agreement (see Section 1(d) of the Agreement):

EXHIBIT 10.6

EXECUTIVE EMPLOYMENT AGREEMENT

Peter C. Wulff ("Employee") hereby accepts the offer of Natural Alternatives International, Inc. ("NAI") for employment as Chief Financial Officer and Treasurer beginning November 15, 2000. Collectively, NAI and Employee will be referred to herein as the "Parties."

1. The Parties anticipate that Employee will be employed through June 30, 2001 (the "Term"). During the Term, Employee's employment will be at-will and may be terminated by either Employee or NAI at any time for any reason or no reason, with or without cause upon written notice to the other. The at-will status of the employment relationship may not be modified except in writing authorized in advance by the Board of Directors of NAI and signed by the Chief Executive Officer of NAI and Employee.

2. Employee and NAI further understand and agree that nothing in the NAI Employee Handbook is intended to be, and nothing in it should be construed to be, a limitation of NAI's right to terminate, transfer, demote, suspend and administer discipline at any time for any reason. Employee and NAI understand and agree nothing in the Handbook is intended to, and nothing in the Handbook should be construed to, create an implied or express contract of employment contrary to this agreement.

3. While Employee is employed by NAI, Employee's rate of compensation will be at a rate of $195,000 per year, payable no less frequently than monthly, which will be reviewed at least annually to determine, based upon Employee's performance and the performance of NAI, the amount of increase, (if any), in the rate of compensation. The compensation set forth in this Section 3 will be Employee's only compensation except standard employee benefits available to other level one executives of NAI or any other written compensation arrangement approved by the Board of Directors of NAI. Employee will be entitled to participate in any bonus compensation in a manner and at a level consistent with other level one executives of NAI. Currently, the level one executives of NAI include all of the Corporate Officers of NAI, except for the Chief Executive Officer.

4. If Employee continues working for NAI past the end of the Term, and if NAI still desires Employee's services, then the following terms and conditions will apply:

(a) Employee shall be an at-will employee and either Employee or NAI will be entitled to terminate the employment relationship for any reason or for no reason, with or without cause and with or without notice;

(b) Employee will be compensated at the rate set forth in section 3 herein above unless another rate is mutually agreed upon; and

(c) As to benefits and other terms of employment, Employee shall be subject to the same policies and procedures as other employees of NAI in similar positions.

5. During the Term, and any extension thereof, Employee shall have such responsibilities, duties and authority as NAI through its Chief Executive Officer may from time to

time assign to Employee, and that are normal and customary duties of a Chief Financial Officer and Treasurer of a publicly held corporation. Employee's initial title shall be Chief Financial Officer and Treasurer.

6. In the event this Agreement is terminated by NAI without cause, whether during or at the end of the Term (and any renewals thereof), Employee shall be entitled to severance pay, including standard employee benefits available to other level one executives of NAI, in an amount equivalent to his then current compensation rate for the period set forth below opposite the

number of complete calendar months which have elapsed from the beginning date of Employee's employment by NAI at the time of termination. One half of such amount shall be paid upon termination and the balance shall be paid on a bi-weekly basis during said severance period:

MONTHS OF EMPLOYMENT	SEVERANCE PERIOD
1 through 6 months	2 months
7 through 12 months	6 months
13 through 24 months	9 months
more than 24 months	12 months

NAI may terminate this Agreement with cause, which shall be limited to the occurrence of one or more of the following events: (i) the Employee's commission of any fraud against NAI; (ii) Employee's intentional appropriation for his personal use or benefit the funds of the Company not authorized by the Chief Executive Officer or the Board of Directors, (iii) Employee's conviction of any crime involving moral turpitude, (iv) Employee's conviction of a violation of any state or federal law which could result in a material adverse impact upon the business of NAI; or (v) Employee's material violation of this Agreement, provided that Employee shall be given written notice by NAI of any alleged material violation of the Agreement and an opportunity within 60 days, to cure the alleged breach, which Employee must diligently pursue to completion. No severance pay shall be due to Employee if Employee is terminated for cause.

7. In the event of any Change in Control, the following provisions will apply.

Any of the following shall constitute a "Change in Control" for the purposes of this Section 7:

A. A "person" (meaning an individual, a partnership, or other group or association as defined in sections 13(d) and 14(d) of the Securities Exchange Act of 1934) acquires fifty percent (50%) or more of the combined voting power of the outstanding securities of NAI having a right to vote in elections of directors; or

B. The members of the Board of Directors of the Company who were members of the Board of Directors on the commencement date hereof, shall for any reason cease to constitute a majority of the Board of Directors of the Company; or

C. All, or substantially all of the business of NAI is disposed of by NAI to a party or parties other than a subsidiary or other affiliate of NAI, in which NAI owns less than a majority of the equity, pursuant to a partial or complete liquidation of NAI, sale of assets (including stock of a subsidiary of NAI) or otherwise.

In the event of any such Change in Control, this Agreement shall continue in effect unless the Employee at his sole option, and at any time elects voluntarily to terminate this Agreement. In such case, NAI shall pay Employee as severance pay or liquidated damages, or both, a lump sum payment ("Change in Control Severance Payment") equal to one hundred fifty percent (150%) of the Employee's annual salary and bonus specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

In the event this Agreement is terminated following a Change in Control by NAI, and/or the surviving or resulting corporation, without cause, Employee shall be entitled to a Change in Control Severance Payment equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

Any Severance Payment shall be made not later than the fifteenth (15th) day following the effective date of the voluntary or involuntary termination of this Agreement in connection with a Change in Control; provided, however, that if the amount of such payments cannot be finally determined on or before such date, NAI shall pay to Employee on such date a good faith estimate of the minimum amount of such payments, and shall pay the remainder of such payments (together with interest at the rate provided in Internal Revenue Code Section 1274(b)(2)(B) of the Code), as soon as the amount thereof can be determined, but in no event later than the thirtieth (30th) day after the applicable termination date. In the event the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by NAI payable on the fifteenth (15th) day after receipt by Employee of a written demand for payment from NAI (together with interest calculated as above). The total of any payment pursuant to this Section 7 shall be limited to the extent necessary, in the opinion of legal counsel acceptable to Employee and NAI, to avoid the payment of an "excess parachute" payment within the meaning of Internal Revenue Code Section 280 G or any similar successor provision.

In the event of termination of this Agreement either by the Employee under paragraph 7(B) or by NAI under paragraph 7(C), NAI shall cause each stock option heretofore granted by NAI to the Employee to become fully exercisable and to remain exercisable for the term of the option.

8. Employee and NAI hereby agree to the Mutual Agreement to Arbitrate attached hereto and made a part hereof as Attachment #1.

9. Employee and NAI hereby agree to the Assignment of Inventions, Patents and Copyrights Agreement Regarding Confidential Information Covenant of Exclusivity and Not to Compete attached hereto and made a part hereof as Attachment #2.

10. This Agreement contains the entire agreement between the parties. It supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to Employee's employment by NAI. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein and acknowledges that no other agreement, statement or promise not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended by oral agreement or course of conduct, but only by an agreement in writing signed by the Chief Executive Officer of NAI and Employee.

11. This Executive Employment Agreement shall be construed and enforced in accordance with the laws of the State of California.

12. Should any part or provision of this Executive Employment Agreement be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining parts shall not be affected by such holding.

"EMPLOYEE"

Peter C. Wulff

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. Le Doux, Chief Executive Officer

ATTACHMENT #1

MUTUAL AGREEMENT TO ARBITRATE CLAIMS

This Mutual Agreement to Arbitrate Claims is entered into between Peter C. Wulff ("Employee") and Natural Alternatives International, Inc. ("NAI").

1. Binding Arbitration of Disagreement and Claims

We each voluntarily promise and agree to arbitrate any claims covered by this Agreement. We further agree that such binding arbitration pursuant to this Agreement shall be the sole and exclusive remedy for resolving any such claims or disputes.

2. Claims Covered by this Agreement

A. Claims and disputes covered by this Agreement include all claims against NAI (as defined below) and all claims that NAI may have against the Employee, including, without limitation, those arising under:

(1) Any federal, state or local laws, regulations or statutes prohibiting employment discrimination (such as, without limitation: race, sex, national origin, age, disability, religion, sexual orientation) and harassment.

(2) Any alleged or actual agreement or covenant (oral, written or implied) between Employee and NAI.

(3) Any company policy or compensation or benefit plan, unless the decision in question was made by an entity other than NAI.

(4) Any public policy.

(5) Any other claim for personal, emotional, physical or economic injury.

B. The only disputes between Employee and NAI which are not included within this Mutual Agreement to Arbitrate Claims are:

(1) Any claim by Employee for workers' compensation or unemployment compensation benefits.

(2) Any claim by Employee for benefits under a company plan which provides for its own arbitration procedure.

3. Arbitration Procedure

A. The arbitration will be conducted in accordance with the rules of the current Judicial Arbitration and Mediation Services ("JAMS"), except that the arbitrator shall be mutually acceptable to both parties. The arbitration will be held in the state and county of the Employee's primary employment at the time of the act giving rise to the dispute. The fees and expenses of the Arbitrator, and the arbitration, will be borne by the Company. Each party will pay for the fees and expenses of its own attorneys, experts, witnesses, transcripts and preparation and presentation of proofs and post-

hearing briefs, unless the party prevails on a claim for which attorneys' fees and costs are recoverable by statute or contract, in which case the prevailing party shall be awarded attorneys fees and costs in accordance with that statute or contract.

B. Before such arbitration, each party shall have the right to conduct discovery on the same basis and to the same extent as a civil action brought in the Federal District Court for the Southern District of California.

C. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act if applicable, and otherwise by applicable state law.

4. Miscellaneous Provisions

A. The term "company" means NAI, and all related entities, all officers,

employees, directors, agents, shareholders, partners, benefit plan sponsors, fiduciaries, administrators or affiliates of any of the above, and all successors and assignees of any of the above.

B. If either party pursues a covered claim against the other by any action, method or legal proceeding other than the arbitration provided herein, the responding party shall be entitled to dismissal or injunctive relief regarding such action and recovery of all costs, losses and attorneys' fees related to such other action or proceeding.

C. The parties of this arbitration agreement acknowledge and agree that they are waiving their right to a jury trial on the issues covered by this Agreement.

D. This is the complete Agreement of the parties on the subject of arbitration of disputes and claims. This Agreement supersedes any prior or contemporaneous oral, written or implied understanding on the subject, shall survive the termination of Employee's employment and can only be revoked or modified by a written agreement signed by the parties which specifically states an intent to revoke or modify this agreement. If any provision of this Agreement is adjudicated to be void or otherwise unenforceable in whole or in part, such adjudication shall not affect the validity of the remainder of the Agreement, which shall remain in full force and effect.

My signature below signifies that I have read, understand and agree to the Arbitration Agreement.

"EMPLOYEE"

Peter C. Wulff

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. Le Doux, Chief Executive Officer

ATTACHMENT #2

ASSIGNMENT OF INVENTIONS, PATENTS AND COPYRIGHTS AGREEMENT REGARDING CONFIDENTIAL INFORMATION COVENANT OF EXCLUSIVITY AND NOT TO COMPETE

In consideration of and as a condition of my prospective and continued employment and the compensation afforded to me under the terms and conditions thereof by Natural Alternatives International, Inc. (the "Company"), I agree to the following, and I agree the following shall be in addition to the terms and conditions of any Confidential Information and Invention Assignment Agreement executed by employees of the Company generally, and which I may execute in addition hereto:

1. INVENTIONS

a. Disclosure. I will disclose promptly in writing to the appropriate officer or other representative of the Company, any idea, invention, work of authorship, design, formula, pattern, compilation, program, device, method, technique, process, improvement, development or discovery, whether or not patentable or copyrightable or entitled to legal protection as a trade secret, trademark service mark, trade name or otherwise ("Invention"), that I may conceive, make, develop, reduce to practice or work on, in whole or in part, solely or jointly with others ("Invent"), during the term of my employment with the Company. The disclosure required by this Section 1 (a) applies to each and every Invention that I Invent (i) whether during my regular hours of employment or during my time away from work (ii) whether or not the Invention was made at the suggestion of the Company, and (iii) whether or not the Invention was reduced to or embodied in writing, electronic media or tangible form. The

disclosure required by this Section 1 (a) also applies to any Invention which may relate at the time of conception or reduction to practice of the Invention to the Company's business or actual or demonstrably anticipated research or development of the Company, and to any Invention which results from any work performed by me for the Company. The disclosure required by this Section 1 (a) shall be received in confidence by the Company within the meaning of and to the extent required by California Labor Code Section 2871, the provisions of which are set forth on Exhibit "A" hereto.

b. Assignment. I hereby assign to the Company without royalty or any other further consideration my entire right, title and interest in and to each and every Invention I am required to disclose under Section 1 (a) other than an Invention that (i) I have or shall have developed entirely on my own time without using the Company's equipment, supplies, facilities or trade secret information, (ii) does not relate at the time of conception or reduction to practice of the Invention to the Company's business, or actual or demonstrably anticipated research or development of the Company and (iii) does not result from any work performed by me for the Company. I acknowledge that the Company has notified me that the assignment provided for in this Section l(b) does not apply to any Invention to which the assignment may not lawfully apply under the provisions of Section Section 2870 of the California Labor Code, a copy of which is attached as Exhibit "A" hereto.

c. Additional Assistance and Documents. I will assist the Company in obtaining, maintaining and enforcing patents, copyrights, trade secrets, trademarks, service marks, trade names and other proprietary rights in connection with any Invention I have assigned to the Company under Section

l(b), and I further agree that my obligations under this Section l(c) shall continue beyond the termination of my employment with the Company. Among other things, for the foregoing purposes I will (i) testify at the request of the Company in any interference, litigation or other legal proceeding that may arise during or after my employment, and (ii) execute, verify, acknowledge and deliver any proper document (and, if, because of my mental or physical incapacity or for any other reason whatsoever, the Company is unable to obtain my signature to apply for or to pursue any application for any United States or foreign patent or copyright covering Inventions assigned to the Company by me, I hereby irrevocably designate and appoint each of the Company and its duly authorized officers and agents as my agent and attorney in fact to act for me and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of any United States or foreign patent or copyright thereon with the same legal force and effect as if executed by me). I shall be entitled to reimbursement of any out-of-pocket expenses incurred by me in rendering such assistance and, if I am required to render such assistance after the termination of my employment, the Company shall pay me a reasonable rate of compensation for time spent by me in rendering such assistance to the extent permitted by law (provided, I understand that no compensation shall be paid for my time in connection with preparing for or rendering any testimony or statement under oath in any judicial proceeding, arbitration or similar proceeding).

d. Prior Contracts and Inventions; Rights of Third Parties. I represent to the Company that, except as set forth on Exhibit "B" hereto, there are no other contracts to assign Inventions now in existence between me and any other person or entity (and if no Exhibit "B" is attached hereto or there is no such contract described thereon, then it means that by signing this Agreement, I represent to the Company that there is no such other contract). In addition, I represent to the Company that I have no other employments or undertaking which do or would restrict or impair my performance of this Agreement. I further represent to the Company that Exhibit "C" hereto sets forth a brief description of all Inventions made or conceived by me prior to my employment with the Company which I desire to be excluded from this Agreement (and if no Exhibit "C" is attached hereto or there is no such description set forth thereon, then it means that by signing this Agreement I represent to the Company that there is no such Invention made or conceived by me prior to my employment with the Company). In connection with my employment with the Company, I promise not to use or disclose to the Company any patent, copyright, confidential trade secret or other proprietary information of any previous employer or other person that I am not lawfully entitled so to use or disclose. If in the course of my employment with the Company I incorporate into an Invention or any product process or

service of the Company any Invention made or conceived by me prior to my employment with the Company, I hereby grant to the Company a royalty-free, irrevocable, worldwide nonexclusive license to make, have made, use and sell that Invention without restriction as to the extent of my ownership or interest.

2. CONFIDENTIAL INFORMATION

a. Company Confidential Information. I will not use or disclose Confidential Information, whether before, during or after the term of my employment except to perform my duties as an employee of the Company based on my reasonable judgment as an Officer of the Company, or in accordance with instruction or authorization of the Company, without prior written consent of the Company or pursuant to process or requirements of law after I have disclosed such process or requirements to the Company so as to afford it the opportunity to seek appropriate relief therefrom. "Confidential Information" means any Invention of any person in which the Company has an interest and in addition means any financial, client, customer, supplier, marketing, distribution and other

information of a confidential or private nature connected with the business of the Company or any person with whom it deals, provided by the Company to me or to which I have access during or in the course of any employment.

b. Third Party Information. I acknowledge that during my employment with the Company I may have access to patent, copyright, confidential, trade secret or other proprietary information of third parties subject to restrictions on the use or disclosure thereof by the Company. During the term of my employment and thereafter I will not use or disclose any such information other than consistent with the restrictions and my duties as an employee of the Company.

3. PROPERTY OF THE COMPANY. All documents, instruments, notes, memoranda, reports, drawings, blueprints, manuals, materials, data and other papers and records of every kind which come into my possession during or in the course of my employment, relating to any Inventions or Confidential Information, are and shall remain the property of the Company and shall be surrendered by me to the Company upon termination of my employment with the Company, or upon the request of the Company, at any time during or after termination of my employment with the Company.

4. NO SOLICITATION OF COMPANY EMPLOYEES. While employed by the Company and for a period of one year after termination of my employment with the Company, I agree not to induce or attempt to influence directly or indirectly any employee of the Company to terminate employment with the Company or to work for me or any other person or entity.

5. COVENANT OF EXCLUSIVITY AND NOT TO COMPETE. During the term of my employment with the Company, I will not engage in any other professional employment or consulting or directly or indirectly participate in or assist any business which is a current or potential supplier, customer or competitor of the Company without prior written approval from the Chief Executive Officer of the Company.

6. GENERAL.

a. Assignments, Successors and Assignees. All representations, warranties, covenants and agreements of the parties shall bind their respective heirs, executors, personal representatives, successors and assignees ("transferees") and shall inure to the benefit of their respective permitted transferees. The Company shall have the right to assign any or all of its rights and to delegate any or all of its obligations hereunder. The undersigned employee shall not have the right to assign any rights or delegate any obligations hereunder without the prior written consent of the Company or its transferee.

b. Number and Gender, Headings. Each number and gender shall be deemed to include each other number and gender as the context may require. The headings and captions contained in this agreement shall not constitute a part thereof and shall not be used in its construction or interpretation.

c. Severability. If any provision of this agreement is found by any court or arbitral tribunal of competent jurisdiction to be invalid or unenforceable, the invalidity of such provision shall not affect the other provisions of this agreement and all provisions not affected by the invalidity shall remain in full force and effect.

d. Amendment and Modification. This agreement may be amended or modified only by a writing executed by each party.

e. Government Law. The construction, interpretation and performance of this agreement and all transactions under it shall be governed by the internal laws of California.

f. Remedies. I acknowledge that breach by me of any of the provisions of this agreement will cause irreparable injury that cannot adequately be compensated by money damages. The Company shall be entitled to specific performance, temporary restraining orders, preliminary injunctions and permanent injunctive relief to enforce my obligations under this agreement. No remedy conferred by any of the specific provisions of this agreement is intended to be exclusive of any other remedy. I agree to arbitrate on a final and binding basis all disputes under this Agreement in accordance with and before the Judicial Arbitration and Mediation Service ("JAMS").

g. Attorneys' Fees. In the event of any litigation or other action in connection with this agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and disbursements from the other party as costs of suit and not as damages.

h. No Effect on Other Terms or Conditions of Employment. I acknowledge that this agreement does not affect any term or condition of my employment except as expressly provided in this agreement, and that this agreement does not give rise to any right or entitlement on my part to employment or continued employment with the Company. I further acknowledge that this agreement does not affect in any way the right of the Company to terminate my employment.

IN WITNESS WHEREOF, I have executed this agreement as of the date set forth next to my signature below.

Signature of Employee
Peter C. Wulff

Printed Name of Employee

ACCEPTED:
NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. Le Doux, Chief Executive Officer

EXHIBIT "A"

CALIFORNIA LABOR CODE

SECTION 2870. INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT.

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an

invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information expect for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

SECTION 2871. RESTRICTIONS ON EMPLOYER FOR CONDITION OF EMPLOYMENT.

No employer shall require a provision made void or unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

EXHIBIT "B"

Except as set forth below, Employee represents to the Company that there are no other contracts to assign Inventions now in existence between Employee and any other person or entity (see Section l(d) of the Agreement):

EXHIBIT "C"

Set forth below is a brief description of all Inventions made or conceived by Employee prior to Employee's employment with the Company which Employee desires to be excluded from this agreement (see Section l(d) of the Agreement):

EXHIBIT 10.7

EXECUTIVE EMPLOYMENT AGREEMENT

David Lough ("Employee") hereby accepts the offer of Natural Alternatives International, Inc. ("NAI") for employment as Executive Vice President beginning November 15, 2000. Collectively, NAI and Employee will be referred to herein as the "Parties."

1. The Parties anticipate that Employee will be employed through June 30, 2001 (the "Term"). During the Term, Employee's employment will be at-will and may be terminated by either Employee or NAI at any time for any reason or no reason, with or without cause upon written notice to the other. The at-will status of the employment relationship may not be modified except in writing authorized in advance by the Board of Directors of NAI and signed by the Chief Executive Officer of NAI and Employee.

2. Employee and NAI further understand and agree that nothing in the NAI Employee Handbook is intended to be, and nothing in it should be construed to be, a limitation of NAI's right to terminate, transfer, demote, suspend and administer discipline at any time for any reason. Employee and NAI understand and agree nothing in the Handbook is intended to, and nothing in the Handbook should be construed to, create an implied or express contract of employment contrary to this agreement.

3. While Employee is employed by NAI, Employee's rate of compensation will be at a rate of $170,000 per year, payable no less frequently than monthly, which will be reviewed prior to the end of the term to determine, based upon Employee's performance and the performance of NAI, the amount of increase, (if any), in the rate of compensation. The compensation set forth in this Section 3 will be Employee's only compensation except standard employee benefits available to other level one executives of NAI or any other written compensation arrangement approved by the Board of Directors of NAI. Employee will be entitled to participate in any bonus compensation in a manner and at a level consistent with other level one executives of NAI. Currently all the level one executives of NAI include all of the Corporate Officers of NAI, except for the Chief Executive Officer.

4. If Employee continues working for NAI past the end of the Term, and if NAI still desires Employee's services, then the following terms and conditions will apply:

(a) Employee shall be an at-will employee and either Employee or NAI will be entitled to terminate the employment relationship for any reason or for no reason, with or without cause and with or without notice.

(b) Employee will be compensated at the rate set forth in section 3 herein above unless another rate is mutually agreed upon; and

(c) As to benefits and other terms of employment, Employee shall be subject to the same policies and procedures as other employees of NAI in similar positions.

5. During the Term, and any extension thereof, Employee shall have such responsibilities, duties and authority as NAI through its Chief Executive Officer may from time to

time assign to Employee, and that are normal and customary duties of an Executive Vice President of a publicly held corporation. Employee's initial title shall be Executive Vice President.

6. In the event this Agreement is terminated by NAI without cause, whether during or at the end of the Term (and any renewals thereof), Employee shall be entitled to severance pay, including standard employee benefits available to other level one executives of NAI, in an amount equivalent to his then current compensation rate for the period set forth below opposite the

number of complete calendar months which have elapsed from the beginning date of Employee's employment by NAI at the time of termination. One half of such amount shall be paid upon termination and the balance shall be paid on a bi-weekly basis during said severance period:

MONTHS OF EMPLOYMENT	SEVERANCE PERIOD
1 through 6 months	2 months
7 through 12 months	6 months
13 through 24 months	9 months
more than 24 months	12 months

NAI may terminate this Agreement with cause, which shall be limited to the occurrence of one or more of the following events: (i) the Employee's commission of any fraud against NAI; (ii) Employee's intentional appropriation for his personal use or benefit the funds of the Company not authorized by the Chief Executive Officer or the Board of Directors, (iii) Employee's conviction of any crime involving moral turpitude, (iv) Employee's conviction of a violation of any state or federal law which could result in a material adverse impact upon the business of NAI; or (v) Employee's material violation of this Agreement, provided that Employee shall be given written notice by NAI of any alleged material violation of the Agreement and an opportunity within 60 days, to cure the alleged breach, which Employee must diligently pursue to completion. No severance pay shall be due to Employee if Employee is terminated for cause.

7. In the event of any Change in Control, the following provisions will apply.

Any of the following shall constitute a "Change in Control" for the purposes of this Section 7:

A. A "person" (meaning an individual, a partnership, or other group or association as defined in sections 13(d) and 14(d) of the Securities Exchange Act of 1934) acquires fifty percent (50%) or more of the combined voting power of the outstanding securities of NAI having a right to vote in elections of directors; or

B. The members of the Board of Directors of the Company who were members of the Board of Directors on the commencement date hereof, shall for any reason cease to constitute a majority of the Board of Directors of the Company; or

C. All, or substantially all of the business of NAI is disposed of by NAI to a party or parties other than a subsidiary or other affiliate of NAI, in which NAI owns less than a majority

of the equity, pursuant to a partial or complete liquidation of NAI, sale of assets (including stock of a subsidiary of NAI) or otherwise.

In the event of any such Change in Control, this Agreement shall continue in effect unless the Employee at his sole option, and at any time elects voluntarily to terminate this Agreement. In such case, NAI shall pay Employee as severance pay or liquidated damages, or both, a lump sum payment ("Change in Control Severance Payment") equal to one hundred fifty percent (150%) of the Employee's annual salary and bonus specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

In the event this Agreement is terminated following a Change in Control by NAI, and/or the surviving or resulting corporation, without cause, Employee shall be entitled to a Change in Control Severance Payment equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

Any Severance Payment shall be made not later than the fifteenth (15th) day following the effective date of the voluntary or involuntary termination of this Agreement in connection with a Change in Control; provided, however, that if the amount of such payments cannot be finally determined on or before such date, NAI shall pay to Employee on such date a good faith estimate of the minimum amount of such payments, and shall pay the remainder of such payments (together with interest at the rate provided in Internal Revenue Code Section 1274(b)(2)(B) of the Code), as soon as the amount thereof can be determined, but in no event later than the thirtieth (30th) day after the applicable termination date. In the event the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by NAI payable on the fifteenth (15th) day after receipt by Employee of a written demand for payment from NAI (together with interest calculated as above). The total of any payment pursuant to this Section 7 shall be limited to the extent necessary, in the opinion of legal counsel acceptable to Employee and NAI, to avoid the payment of an "excess parachute" payment within the meaning of Internal Revenue Code Section 280 G or any similar successor provision.

In the event of termination of this Agreement either by the Employee under paragraph 7(B) or by NAI under paragraph 7(C), NAI shall cause each stock option heretofore granted by NAI to the Employee to become fully exercisable and to remain exercisable for the term of the option.

8. Employee and NAI hereby agree to the Mutual Agreement to Arbitrate attached hereto and made a part hereof as Attachment #1.

9. Employee and NAI hereby agree to the Assignment of Inventions, Patents and Copyrights Agreement Regarding Confidential Information Covenant of Exclusivity and Not to Compete attached hereto and made a part hereof as Attachment #2.

10. This Agreement contains the entire agreement between the parties. It supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to Employee's employment by NAI. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any

party, or anyone acting on behalf of any party, which are not embodied herein and acknowledges that no other agreement, statement or promise not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended by oral agreement or course of conduct, but only by an agreement in writing signed by the Chief Executive Officer of NAI and Employee.

11. This Executive Employment Agreement shall be construed and enforced in accordance with the laws of the State of California.

12. Should any part or provision of this Executive Employment Agreement be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining parts shall not be affected by such holding.

"EMPLOYEE"

David Lough

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. LeDoux, Chief Executive Officer

ATTACHMENT #1

MUTUAL AGREEMENT TO ARBITRATE CLAIMS

This Mutual Agreement to Arbitrate Claims is entered into between David Lough ("Employee") and Natural Alternatives International, Inc. ("NAI").

1. Binding Arbitration of Disagreement and Claims

We each voluntarily promise and agree to arbitrate any claims covered by this Agreement. We further agree that such binding arbitration pursuant to this Agreement shall be the sole and exclusive remedy for resolving any such claims or disputes.

2. Claims Covered by this Agreement

A. Claims and disputes covered by this Agreement include all claims against NAI (as defined below) and all claims that NAI may have against the Employee, including, without limitation, those arising under:

(1) Any federal, state or local laws, regulations or statutes prohibiting employment discrimination (such as, without limitation: race, sex, national origin, age, disability, religion, sexual orientation) and harassment.

(2) Any alleged or actual agreement or covenant (oral, written or implied) between Employee and NAI.

(3) Any company policy or compensation or benefit plan, unless the decision in question was made by an entity other than NAI.

(4) Any public policy.

(5) Any other claim for personal, emotional, physical or economic injury.

B. The only disputes between Employee and NAI which are not included within this Mutual Agreement to Arbitrate Claims are:

(1) Any claim by Employee for workers' compensation or unemployment compensation benefits.

(2) Any claim by Employee for benefits under a company plan which provides for its own arbitration procedure.

3. Arbitration Procedure

A. The arbitration will be conducted in accordance with the rules of the current Judicial Arbitration and Mediation Services ("JAMS"), except that the arbitrator shall be mutually acceptable to both parties. The arbitration will be held in the state and county of the Employee's primary employment at the time of the act giving rise to the dispute. The fees and expenses of the Arbitrator, and the arbitration, will be borne by the Company. Each party will pay for the fees and expenses of its own attorneys, experts, witnesses, transcripts and preparation and presentation of proofs and post-

hearing briefs, unless the party prevails on a claim for which attorneys' fees and costs are recoverable by statute or contract, in which case the prevailing party shall be awarded attorneys fees and costs in accordance with that statute or contract.

B. Before such arbitration, each party shall have the right to conduct discovery on the same basis and to the same extent as a civil action brought in the Federal District Court for the Southern District of California.

C. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act if applicable, and otherwise by applicable state law.

4. Miscellaneous Provisions

A. The term "company" means NAI, and all related entities, all officers,

employees, directors, agents, shareholders, partners, benefit plan sponsors, fiduciaries, administrators or affiliates of any of the above, and all successors and assignees of any of the above.

B. If either party pursues a covered claim against the other by any action, method or legal proceeding other than the arbitration provided herein, the responding party shall be entitled to dismissal or injunctive relief regarding such action and recovery of all costs, losses and attorneys' fees related to such other action or proceeding.

C. The parties of this arbitration agreement acknowledge and agree that they are waiving their right to a jury trial on the issues covered by this Agreement.

D. This is the complete Agreement of the parties on the subject of arbitration of disputes and claims. This Agreement supersedes any prior or contemporaneous oral, written or implied understanding on the subject, shall survive the termination of Employee's employment and can only be revoked or modified by a written agreement signed by the parties which specifically states an intent to revoke or modify this agreement. If any provision of this Agreement is adjudicated to be void or otherwise unenforceable in whole or in part, such adjudication shall not affect the validity of the remainder of the Agreement, which shall continue in full force and effect.

My signature below signifies that I have read, understand and agree to the Arbitration Agreement.

"EMPLOYEE"

David Lough

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. LeDoux, Chief Executive Officer

ATTACHMENT #2

ASSIGNMENT OF INVENTIONS, PATENTS AND COPYRIGHTS AGREEMENT REGARDING CONFIDENTIAL INFORMATION COVENANT OF EXCLUSIVITY AND NOT TO COMPETE

In consideration of and as a condition of my prospective and continued employment and the compensation afforded to me under the terms and conditions thereof by Natural Alternatives International, Inc. (the "Company"), I agree to the following, and I agree the following shall be in addition to the terms and conditions of any Confidential Information and Invention Assignment Agreement executed by employees of the Company generally, and which I may execute in addition hereto:

1. INVENTIONS

a. Disclosure. I will disclose promptly in writing to the appropriate officer or other representative of the Company, any idea, invention, work of authorship, design, formula, pattern, compilation, program, device, method, technique, process, improvement, development or discovery, whether or not patentable or copyrightable or entitled to legal protection as a trade secret, trademark service mark, trade name or otherwise ("Invention"), that I may conceive, make, develop, reduce to practice or work on, in whole or in part, solely or jointly with others ("Invent"), during the term of my employment with the Company. The disclosure required by this Section 1 (a) applies to each and every Invention that I Invent (i) whether during my regular hours of employment or during my time away from work (ii) whether or not the Invention was made at the suggestion of the Company, and (iii) whether or not the Invention was

reduced to or embodied in writing, electronic media or tangible form. The disclosure required by this Section 1 (a) also applies to any Invention which may relate at the time of conception or reduction to practice of the Invention to the Company's business or actual or demonstrably anticipated research or development of the Company, and to any Invention which results from any work performed by me for the Company. The disclosure required by this Section 1 (a) shall be received in confidence by the Company within the meaning of and to the extent required by California Labor Code Section 2871, the provisions of which are set forth on Exhibit "A" hereto.

b. Assignment. I hereby assign to the Company without royalty or any other further consideration my entire right, title and interest in and to each and every Invention I am required to disclose under Section 1 (a) other than an Invention that (i) I have or shall have developed entirely on my own time without using the Company's equipment, supplies, facilities or trade secret information, (ii) does not relate at the time of conception or reduction to practice of the Invention to the Company's business, or actual or demonstrably anticipated research or development of the Company and (iii) does not result from any work performed by me for the Company. I acknowledge that the Company has notified me that the assignment provided for in this Section l(b) does not apply to any Invention to which the assignment may not lawfully apply under the provisions of Section Section 2870 of the California Labor Code, a copy of which is attached as Exhibit "A" hereto.

c. Additional Assistance and Documents. I will assist the Company in obtaining, maintaining and enforcing patents, copyrights, trade secrets, trademarks, service marks, trade names and other proprietary rights in connection with any Invention I have assigned to the Company under Section

l(b), and I further agree that my obligations under this Section l(c) shall continue beyond the termination of my employment with the Company. Among other things, for the foregoing purposes I will (i) testify at the request of the Company in any interference, litigation or other legal proceeding that may arise during or after my employment, and (ii) execute, verify, acknowledge and deliver any proper document (and, if, because of my mental or physical incapacity or for any other reason whatsoever, the Company is unable to obtain my signature to apply for or to pursue any application for any United States or foreign patent or copyright covering Inventions assigned to the Company by me, I hereby irrevocably designate and appoint each of the Company and its duly authorized officers and agents as my agent and attorney in fact to act for me and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of any United States or foreign patent or copyright thereon with the same legal force and effect as if executed by me). I shall be entitled to reimbursement of any out-of-pocket expenses incurred by me in rendering such assistance and, if I am required to render such assistance after the termination of my employment, the Company shall pay me a reasonable rate of compensation for time spent by me in rendering such assistance to the extent permitted by law (provided, I understand that no compensation shall be paid for my time in connection with preparing for or rendering any testimony or statement under oath in any judicial proceeding, arbitration or similar proceeding).

d. Prior Contracts and Inventions; Rights of Third Parties. I represent to the Company that, except as set forth on Exhibit "B" hereto, there are no other contracts to assign Inventions now in existence between me and any other person or entity (and if no Exhibit "B" is attached hereto or there is no such contract described thereon, then it means that by signing this Agreement, I represent to the Company that there is no such other contract). In addition, I represent to the Company that I have no other employments or undertaking which do or would restrict or impair my performance of this Agreement. I further represent to the Company that Exhibit "C" hereto sets forth a brief description of all Inventions made or conceived by me prior to my employment with the Company which I desire to be excluded from this Agreement (and if no Exhibit "C" is attached hereto or there is no such description set forth thereon, then it means that by signing this Agreement I represent to the Company that there is no such Invention made or conceived by me prior to my employment with the Company). In connection with my employment with the Company, I promise not to use or disclose to the Company any patent, copyright, confidential trade secret or other proprietary information of any previous employer or other person that I am not lawfully entitled so to use or disclose. If in the course of my employment

with the Company I incorporate into an Invention or any product process or service of the Company any Invention made or conceived by me prior to my employment with the Company, I hereby grant to the Company a royalty-free, irrevocable, worldwide nonexclusive license to make, have made, use and sell that Invention without restriction as to the extent of my ownership or interest.

2. CONFIDENTIAL INFORMATION

a. Company Confidential Information. I will not use or disclose Confidential Information, whether before, during or after the term of my employment except to perform my duties as an employee of the Company based on my reasonable judgment as an Officer of the Company, or in accordance with instruction or authorization of the Company, without prior written consent of the Company or pursuant to process or requirements of law after I have disclosed such process or requirements to the Company so as to afford it the opportunity to seek appropriate relief therefrom. "Confidential Information" means any Invention of any person in which the Company has an interest and in addition means any financial, client, customer, supplier, marketing, distribution and other

information of a confidential or private nature connected with the business of the Company or any person with whom it deals, provided by the Company to me or to which I have access during or in the course of any employment.

b. Third Party Information. I acknowledge that during my employment with the Company I may have access to patent, copyright, confidential, trade secret or other proprietary information of third parties subject to restrictions on the use or disclosure thereof by the Company. During the term of my employment and thereafter I will not use or disclose any such information other than consistent with the restrictions and my duties as an employee of the Company.

3. PROPERTY OF THE COMPANY. All documents, instruments, notes, memoranda, reports, drawings, blueprints, manuals, materials, data and other papers and records of every kind which come into my possession during or in the course of my employment, relating to any Inventions or Confidential Information, are and shall remain the property of the Company and shall be surrendered by me to the Company upon termination of my employment with the Company, or upon the request of the Company, at any time during or after termination of my employment with the Company.

4. NO SOLICITATION OF COMPANY EMPLOYEES. While employed by the Company and for a period of one year after termination of my employment with the Company, I agree not to induce or attempt to influence directly or indirectly any employee of the Company to terminate employment with the Company or to work for me or any other person or entity.

5. COVENANT OF EXCLUSIVITY AND NOT TO COMPETE. During the term of my employment with the Company, I will not engage in any other professional employment or consulting or directly or indirectly participate in or assist any business which is a current or potential supplier, customer or competitor of the Company without prior written approval from the Chief Executive Officer of the Company.

6. GENERAL.

a. Assignments, Successors and Assignees. All representations, warranties, covenants and agreements of the parties shall bind their respective heirs, executors, personal representatives, successors and assignees ("transferees") and shall inure to the benefit of their respective permitted transferees. The Company shall have the right to assign any or all of its rights and to delegate any or all of its obligations hereunder. The undersigned employee shall not have the right to assign any rights or delegate any obligations hereunder without the prior written consent of the Company or its transferee.

b. Number and Gender, Headings. Each number and gender shall be deemed to include each other number and gender as the context may require. The headings and captions contained in this agreement shall not constitute a part thereof and shall not be used in its construction or interpretation.

c. Severability. If any provision of this agreement is found by any court or arbitral tribunal of competent jurisdiction to be invalid or unenforceable, the invalidity of such provision shall not affect the other provisions of this agreement and all provisions not affected by the invalidity shall remain in full force and effect.

d. Amendment and Modification. This agreement may be amended or modified only by a writing executed by each party.

e. Government Law. The construction, interpretation and performance of this agreement and all transactions under it shall be governed by the internal laws of California.

f. Remedies. I acknowledge that breach by me of any of the provisions of this agreement will cause irreparable injury that cannot adequately be compensated by money damages. The Company shall be entitled to specific performance, temporary restraining orders, preliminary injunctions and permanent injunctive relief to enforce my obligations under this agreement. No remedy conferred by any of the specific provisions of this agreement is intended to be exclusive of any other remedy. I agree to arbitrate on a final and binding basis all disputes under this Agreement in accordance with and before the Judicial Arbitration and Mediation Service ("JAMS").

g. Attorneys' Fees. In the event of any litigation or other action in connection with this agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and disbursements from the other party as costs of suit and not as damages.

h. No Effect on Other Terms or Conditions of Employment. I acknowledge that this agreement does not affect any term or condition of my employment except as expressly provided in this agreement, and that this agreement does not give rise to any right or entitlement on my part to employment or continued employment with the Company. I further acknowledge that this agreement does not affect in any way the right of the Company to terminate my employment.

IN WITNESS WHEREOF, I have executed this agreement as of the date set forth next to my signature below.

Signature of Employee
David Lough

Printed Name of Employee

ACCEPTED:
NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. LeDoux, Chief Executive Officer

EXHIBIT "A"

CALIFORNIA LABOR CODE

SECTION 2870. INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT.

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information expect for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

SECTION 2871. RESTRICTIONS ON EMPLOYER FOR CONDITION OF EMPLOYMENT.

No employer shall require a provision made void or unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

EXHIBIT "B"

Except as set forth below, Employee represents to the Company that there are no other contracts to assign Inventions now in existence between Employee and any other person or entity (see Section 1(d) of the Agreement):

EXHIBIT "C"

Set forth below is a brief description of all Inventions made or conceived by Employee prior to Employee's employment with the Company which Employee desires to be excluded from this agreement (see Section 1(d) of the Agreement):

EXHIBIT 10.8

EXECUTIVE EMPLOYMENT AGREEMENT

Douglas E. Flaker ("Employee") hereby accepts the offer of Natural Alternatives International, Inc. ("NAI") for employment as Vice President Marketing beginning November 15, 2000. Collectively, NAI and Employee will be referred to herein as the "Parties."

1. The Parties anticipate that Employee will be employed through June 30, 2001 (the "Term"). During the Term, Employee's employment will be at-will and may be terminated by either Employee or NAI at any time for any reason or no reason, with or without cause upon written notice to the other. The at-will status of the employment relationship may not be modified except in writing authorized in advance by the Board of Directors of NAI and signed by the Chief Executive Officer of NAI and Employee.

2. Employee and NAI further understand and agree that nothing in the NAI Employee Handbook is intended to be, and nothing in it should be construed to be, a limitation of NAI's right to terminate, transfer, demote, suspend and administer discipline at any time for any reason. Employee and NAI understand and agree nothing in the Handbook is intended to, and nothing in the Handbook should be construed to, create an implied or express contract of employment contrary to this agreement.

3. While Employee is employed by NAI, Employee's rate of compensation will be at a rate of $140,000 per year, payable no less frequently than monthly, which will be reviewed prior to the end of the term to determine, based upon Employee's performance and the performance of NAI, the amount of increase, (if any), in the rate of compensation. The compensation set forth in this Section 3 will be Employee's only compensation except standard employee benefits available to other level one executives of NAI or any other written compensation arrangement approved by the Board of Directors of NAI. Employee will be entitled to participate in any bonus compensation in a manner and at a level consistent with other level one executives of NAI. Currently all the level one executives of NAI include all of the Corporate Officers of NAI, except for the Chief Executive Officer.

4. If Employee continues working for NAI past the end of the Term, and if NAI still desires Employee's services, then the following terms and conditions will apply:

(a) Employee shall be an at-will employee and either Employee or NAI will be entitled to terminate the employment relationship for any reason or for no reason, with or without cause and with or without notice.

(b) Employee will be compensated at the rate set forth in section 3 herein above unless another rate is mutually agreed upon; and

(c) As to benefits and other terms of employment, Employee shall be subject to the same policies and procedures as other employees of NAI in similar positions.

5. During the Term, and any extension thereof, Employee shall have such responsibilities, duties and authority as NAI through its Chief Executive Officer may from time to

time assign to Employee, and that are normal and customary duties of a Vice President-Marketing of a publicly held corporation. Employee's initial title shall be Vice President-Marketing.

6. In the event this Agreement is terminated by NAI without cause, whether during or at the end of the Term (and any renewals thereof), Employee shall be entitled to severance pay, including standard employee benefits available to other level one executives of NAI, in an amount equivalent to his then current compensation rate for the period set forth below opposite the number of complete calendar months which have elapsed from the beginning date of

Employee's employment by NAI at the time of termination. One half of such amount shall be paid upon termination and the balance shall be paid on a bi-weekly basis during said severance period:

MONTHS OF EMPLOYMENT	SEVERANCE PERIOD
1 through 6 months	2 months
7 through 12 months	6 months
13 through 24 months	9 months
more than 24 months	12 months

NAI may terminate this Agreement with cause, which shall be limited to the occurrence of one or more of the following events: (i) the Employee's commission of any fraud against NAI; (ii) Employee's intentional appropriation for his personal use or benefit the funds of the Company not authorized by the Chief Executive Officer or the Board of Directors, (iii) Employee's conviction of any crime involving moral turpitude, (iv) Employee's conviction of a violation of any state or federal law which could result in a material adverse impact upon the business of NAI; or (v) Employee's material violation of this Agreement, provided that Employee shall be given written notice by NAI of any alleged material violation of the Agreement and an opportunity within 60 days, to cure the alleged breach, which Employee must diligently pursue to completion. No severance pay shall be due to Employee if Employee is terminated for cause.

7. In the event of any Change in Control, the following provisions will apply.

Any of the following shall constitute a "Change in Control" for the purposes of this Section 7:

A. A "person" (meaning an individual, a partnership, or other group or association as defined in sections 13(d) and 14(d) of the Securities Exchange Act of 1934) acquires fifty percent (50%) or more of the combined voting power of the outstanding securities of NAI having a right to vote in elections of directors; or

B. The members of the Board of Directors of the Company who were members of the Board of Directors on the commencement date hereof, shall for any reason cease to constitute a majority of the Board of Directors of the Company; or

C. All, or substantially all of the business of NAI is disposed of by NAI to a party or parties other than a subsidiary or other affiliate of NAI, in which NAI owns less than a majority

of the equity, pursuant to a partial or complete liquidation of NAI, sale of assets (including stock of a subsidiary of NAI) or otherwise.

In the event of any such Change in Control, this Agreement shall continue in effect unless the Employee at his sole option, and at any time elects voluntarily to terminate this Agreement. In such case, NAI shall pay Employee as severance pay or liquidated damages, or both, a lump sum payment ("Change in Control Severance Payment") equal to one hundred fifty percent (150%) of the Employee's annual salary and bonus specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

In the event this Agreement is terminated following a Change in Control by NAI, and/or the surviving or resulting corporation, without cause, Employee shall be entitled to a Change in Control Severance Payment equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

Any Severance Payment shall be made not later than the fifteenth (15th)

day following the effective date of the voluntary or involuntary termination of this Agreement in connection with a Change in Control; provided, however, that if the amount of such payments cannot be finally determined on or before such date, NAI shall pay to Employee on such date a good faith estimate of the minimum amount of such payments, and shall pay the remainder of such payments (together with interest at the rate provided in Internal Revenue Code Section 1274(b)(2)(B) of the Code), as soon as the amount thereof can be determined, but in no event later than the thirtieth (30th) day after the applicable termination date. In the event the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by NAI payable on the fifteenth (15th) day after receipt by Employee of a written demand for payment from NAI (together with interest calculated as above). The total of any payment pursuant to this Section 7 shall be limited to the extent necessary, in the opinion of legal counsel acceptable to Employee and NAI, to avoid the payment of an "excess parachute" payment within the meaning of Internal Revenue Code Section 280 G or any similar successor provision.

In the event of termination of this Agreement either by the Employee under paragraph 7(B) or by NAI under paragraph 7(C), NAI shall cause each stock option heretofore granted by NAI to the Employee to become fully exercisable and to remain exercisable for the term of the option.

8. Employee and NAI hereby agree to the Mutual Agreement to Arbitrate attached hereto and made a part hereof as Attachment #1.

9. Employee and NAI hereby agree to the Assignment of Inventions, Patents and Copyrights Agreement Regarding Confidential Information Covenant of Exclusivity and Not to Compete attached hereto and made a part hereof as Attachment #2.

10. This Agreement contains the entire agreement between the parties. It supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to Employee's employment by NAI. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any

party, or anyone acting on behalf of any party, which are not embodied herein and acknowledges that no other agreement, statement or promise not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended by oral agreement or course of conduct, but only by an agreement in writing signed by the Chief Executive Officer of NAI and Employee.

11. This Executive Employment Agreement shall be construed and enforced in accordance with the laws of the State of California.

12. Should any part or provision of this Executive Employment Agreement be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining parts shall not be affected by such holding.

"EMPLOYEE"

Douglas E. Flaker

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. LeDoux, Chief Executive Officer

ATTACHMENT #1

MUTUAL AGREEMENT TO ARBITRATE CLAIMS

This Mutual Agreement to Arbitrate Claims is entered into between Douglas E. Flaker ("Employee") and Natural Alternatives International, Inc. ("NAI").

1. Binding Arbitration of Disagreement and Claims

We each voluntarily promise and agree to arbitrate any claims covered by this Agreement. We further agree that such binding arbitration pursuant to this Agreement shall be the sole and exclusive remedy for resolving any such claims or disputes.

2. Claims Covered by this Agreement

A. Claims and disputes covered by this Agreement include all claims against NAI (as defined below) and all claims that NAI may have against the Employee, including, without limitation, those arising under:

(1) Any federal, state or local laws, regulations or statutes prohibiting employment discrimination (such as, without limitation: race, sex, national origin, age, disability, religion, sexual orientation) and harassment.

(2) Any alleged or actual agreement or covenant (oral, written or implied) between Employee and NAI.

(3) Any company policy or compensation or benefit plan, unless the decision in question was made by an entity other than NAI.

(4) Any public policy.

(5) Any other claim for personal, emotional, physical or economic injury.

B. The only disputes between Employee and NAI which are not included within this Mutual Agreement to Arbitrate Claims are:

(1) Any claim by Employee for workers' compensation or unemployment compensation benefits.

(2) Any claim by Employee for benefits under a company plan which provides for its own arbitration procedure.

3. Arbitration Procedure

A. The arbitration will be conducted in accordance with the rules of the current Judicial Arbitration and Mediation Services ("JAMS"), except that the arbitrator shall be mutually acceptable to both parties. The arbitration will be held in the state and county of the Employee's primary employment at the time of the act giving rise to the dispute. The fees and expenses of the Arbitrator, and the arbitration, will be borne by the Company. Each party will pay for the fees and expenses of its own attorneys, experts, witnesses, transcripts and preparation and presentation of proofs and post-

hearing briefs, unless the party prevails on a claim for which attorneys' fees and costs are recoverable by statute or contract, in which case the prevailing party shall be awarded attorneys fees and costs in accordance with that statute or contract.

B. Before such arbitration, each party shall have the right to conduct discovery on the same basis and to the same extent as a civil action brought in the Federal District Court for the Southern District of California.

C. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act if applicable, and otherwise by applicable state law.

4. Miscellaneous Provisions

A. The term "company" means NAI, and all related entities, all officers, employees, directors, agents, shareholders, partners, benefit plan sponsors, fiduciaries, administrators or affiliates of any of the above, and all successors and assignees of any of the above.

B. If either party pursues a covered claim against the other by any action, method or legal proceeding other than the arbitration provided herein, the responding party shall be entitled to dismissal or injunctive relief regarding such action and recovery of all costs, losses and attorneys' fees related to such other action or proceeding.

C. The parties of this arbitration agreement acknowledge and agree that they are waiving their right to a jury trial on the issues covered by this Agreement.

D. This is the complete Agreement of the parties on the subject of arbitration of disputes and claims. This Agreement supersedes any prior or contemporaneous oral, written or implied understanding on the subject, shall survive the termination of Employee's employment and can only be revoked or modified by a written agreement signed by the parties which specifically states an intent to revoke or modify this agreement. If any provision of this Agreement is adjudicated to be void or otherwise unenforceable in whole or in part, such adjudication shall not affect the validity of the remainder of the Agreement, which shall continue in full force and effect.

My signature below signifies that I have read, understand and agree to the Arbitration Agreement.

"EMPLOYEE"

Douglas E. Flaker

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. LeDoux, Chief Executive Officer

ATTACHMENT #2

ASSIGNMENT OF INVENTIONS, PATENTS AND COPYRIGHTS AGREEMENT REGARDING CONFIDENTIAL INFORMATION COVENANT OF EXCLUSIVITY AND NOT TO COMPETE

In consideration of and as a condition of my prospective and continued employment and the compensation afforded to me under the terms and conditions thereof by Natural Alternatives International, Inc. (the "Company"), I agree to the following, and I agree the following shall be in addition to the terms and conditions of any Confidential Information and Invention Assignment Agreement executed by employees of the Company generally, and which I may execute in addition hereto:

1. INVENTIONS

a. Disclosure. I will disclose promptly in writing to the appropriate officer or other representative of the Company, any idea, invention, work of authorship, design, formula, pattern, compilation, program, device, method, technique, process, improvement, development or discovery, whether or not patentable or copyrightable or entitled to legal protection as a trade secret, trademark service mark, trade name or otherwise ("Invention"), that I may conceive, make, develop, reduce to practice or work on, in whole or in part, solely or jointly with others ("Invent"), during the term of my employment with the Company. The disclosure required by this Section 1 (a) applies to each and every Invention that I Invent (i) whether during my regular hours of employment or during my time away from work (ii) whether or not the Invention was made at

the suggestion of the Company, and (iii) whether or not the Invention was reduced to or embodied in writing, electronic media or tangible form. The disclosure required by this Section 1 (a) also applies to any Invention which may relate at the time of conception or reduction to practice of the Invention to the Company's business or actual or demonstrably anticipated research or development of the Company, and to any Invention which results from any work performed by me for the Company. The disclosure required by this Section 1 (a) shall be received in confidence by the Company within the meaning of and to the extent required by California Labor Code Section 2871, the provisions of which are set forth on Exhibit "A" hereto.

b. Assignment. I hereby assign to the Company without royalty or any other further consideration my entire right, title and interest in and to each and every Invention I am required to disclose under Section 1 (a) other than an Invention that (i) I have or shall have developed entirely on my own time without using the Company's equipment, supplies, facilities or trade secret information, (ii) does not relate at the time of conception or reduction to practice of the Invention to the Company's business, or actual or demonstrably anticipated research or development of the Company and (iii) does not result from any work performed by me for the Company. I acknowledge that the Company has notified me that the assignment provided for in this Section l(b) does not apply to any Invention to which the assignment may not lawfully apply under the provisions of Section Section 2870 of the California Labor Code, a copy of which is attached as Exhibit "A" hereto.

c. Additional Assistance and Documents. I will assist the Company in obtaining, maintaining and enforcing patents, copyrights, trade secrets, trademarks, service marks, trade names and other proprietary rights in connection with any Invention I have assigned to the Company under Section

l(b), and I further agree that my obligations under this Section l(c) shall continue beyond the termination of my employment with the Company. Among other things, for the foregoing purposes I will (i) testify at the request of the Company in any interference, litigation or other legal proceeding that may arise during or after my employment, and (ii) execute, verify, acknowledge and deliver any proper document (and, if, because of my mental or physical incapacity or for any other reason whatsoever, the Company is unable to obtain my signature to apply for or to pursue any application for any United States or foreign patent or copyright covering Inventions assigned to the Company by me, I hereby irrevocably designate and appoint each of the Company and its duly authorized officers and agents as my agent and attorney in fact to act for me and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of any United States or foreign patent or copyright thereon with the same legal force and effect as if executed by me). I shall be entitled to reimbursement of any out-of-pocket expenses incurred by me in rendering such assistance and, if I am required to render such assistance after the termination of my employment, the Company shall pay me a reasonable rate of compensation for time spent by me in rendering such assistance to the extent permitted by law (provided, I understand that no compensation shall be paid for my time in connection with preparing for or rendering any testimony or statement under oath in any judicial proceeding, arbitration or similar proceeding).

d. Prior Contracts and Inventions; Rights of Third Parties. I represent to the Company that, except as set forth on Exhibit "B" hereto, there are no other contracts to assign Inventions now in existence between me and any other person or entity (and if no Exhibit "B" is attached hereto or there is no such contract described thereon, then it means that by signing this Agreement, I represent to the Company that there is no such other contract). In addition, I represent to the Company that I have no other employments or undertaking which do or would restrict or impair my performance of this Agreement. I further represent to the Company that Exhibit "C" hereto sets forth a brief description of all Inventions made or conceived by me prior to my employment with the Company which I desire to be excluded from this Agreement (and if no Exhibit "C" is attached hereto or there is no description set forth thereon, then it means that by signing this Agreement I represent to the Company that there is no such Invention made or conceived by me prior to my employment with the Company). In connection with my employment with the Company, I promise not to use or disclose to the Company any patent, copyright, confidential trade secret or other proprietary information of any previous employer or other person that I am

not lawfully entitled so to use or disclose. If in the course of my employment with the Company I incorporate into an Invention or any product process or service of the Company any Invention made or conceived by me prior to my employment with the Company, I hereby grant to the Company a royalty-free, irrevocable, worldwide nonexclusive license to make, have made, use and sell that Invention without restriction as to the extent of my ownership or interest.

2. CONFIDENTIAL INFORMATION

a. Company Confidential Information. I will not use or disclose Confidential Information, whether before, during or after the term of my employment except to perform my duties as an employee of the Company based on my reasonable judgment as an Officer of the Company, or in accordance with instruction or authorization of the Company, without prior written consent of the Company or pursuant to process or requirements of law after I have disclosed such process or requirements to the Company so as to afford it the opportunity to seek appropriate relief therefrom. "Confidential Information" means any Invention of any person in which the Company has an interest and in addition means any financial, client, customer, supplier, marketing, distribution and other

information of a confidential or private nature connected with the business of the Company or any person with whom it deals, provided by the Company to me or to which I have access during or in the course of any employment.

b. Third Party Information. I acknowledge that during my employment with the Company I may have access to patent, copyright, confidential, trade secret or other proprietary information of third parties subject to restrictions on the use or disclosure thereof by the Company. During the term of my employment and thereafter I will not use or disclose any such information other than consistent with the restrictions and my duties as an employee of the Company.

3. PROPERTY OF THE COMPANY. All documents, instruments, notes, memoranda, reports, drawings, blueprints, manuals, materials, data and other papers and records of every kind which come into my possession during or in the course of my employment, relating to any Inventions or Confidential Information, are and shall remain the property of the Company and shall be surrendered by me to the Company upon termination of my employment with the Company, or upon the request of the Company, at any time during or after termination of my employment with the Company.

4. NO SOLICITATION OF COMPANY EMPLOYEES. While employed by the Company and for a period of one year after termination of my employment with the Company, I agree not to induce or attempt to influence directly or indirectly any employee of the Company to terminate employment with the Company or to work for me or any other person or entity.

5. COVENANT OF EXCLUSIVITY AND NOT TO COMPETE. During the term of my employment with the Company, I will not engage in any other professional employment or consulting or directly or indirectly participate in or assist any business which is a current or potential supplier, customer or competitor of the Company without prior written approval from the Chief Executive Officer of the Company.

6. GENERAL.

a. Assignments, Successors and Assignees. All representations, warranties, covenants and agreements of the parties shall bind their respective heirs, executors, personal representatives, successors and assignees ("transferees") and shall inure to the benefit of their respective permitted transferees. The Company shall have the right to assign any or all of its rights and to delegate any or all of its obligations hereunder. The undersigned employee shall not have the right to assign any rights or delegate any obligations hereunder without the prior written consent of the Company or its transferee.

b. Number and Gender, Headings. Each number and gender shall be deemed to include each other number and gender as the context may require. The headings and captions contained in this agreement shall not constitute a part

thereof and shall not be used in its construction or interpretation.

c. Severability. If any provision of this agreement is found by any court or arbitral tribunal of competent jurisdiction to be invalid or unenforceable, the invalidity of such provision shall not affect the other provisions of this agreement and all provisions not affected by the invalidity shall remain in full force and effect.

d. Amendment and Modification. This agreement may be amended or modified only by a writing executed by each party.

e. Government Law. The construction, interpretation and performance of this agreement and all transactions under it shall be governed by the internal laws of California.

f. Remedies. I acknowledge that breach by me of any of the provisions of this agreement will cause irreparable injury that cannot adequately be compensated by money damages. The Company shall be entitled to specific performance, temporary restraining orders, preliminary injunctions and permanent injunctive relief to enforce my obligations under this agreement. No remedy conferred by any of the specific provisions of this agreement is intended to be exclusive of any other remedy. I agree to arbitrate on a final and binding basis all disputes under this Agreement in accordance with and before the Judicial Arbitration and Mediation Service ("JAMS").

g. Attorneys' Fees. In the event of any litigation or other action in connection with this agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and disbursements from the other party as costs of suit and not as damages.

h. No Effect on Other Terms or Conditions of Employment. I acknowledge that this agreement does not affect any term or condition of my employment except as expressly provided in this agreement, and that this agreement does not give rise to any right or entitlement on my part to employment or continued employment with the Company. I further acknowledge that this agreement does not affect in any way the right of the Company to terminate my employment.

IN WITNESS WHEREOF, I have executed this agreement as of the date set forth next to my signature below.

Signature of Employee
Douglas E. Flaker

Printed Name of Employee

ACCEPTED:
NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. LeDoux, Chief Executive Officer

EXHIBIT "A"

CALIFORNIA LABOR CODE

SECTION 2870. INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT.

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information expect for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

SECTION 2871. RESTRICTIONS ON EMPLOYER FOR CONDITION OF EMPLOYMENT.

No employer shall require a provision made void or unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

EXHIBIT "B"

Except as set forth below, Employee represents to the Company that there are no other contracts to assign Inventions now in existence between Employee and any other person or entity (see Section l(d) of the Agreement):

EXHIBIT "C"

Set forth below is a brief description of all Inventions made or conceived by Employee prior to Employee's employment with the Company which Employee desires to be excluded from this agreement (see Section l(d) of the Agreement):

EXHIBIT 10.9

EXECUTIVE EMPLOYMENT AGREEMENT

John A. Wise ("Employee") hereby accepts the offer of Natural Alternatives International, Inc. ("NAI") for employment as Vice President-Science and Technology beginning November 15, 2000. Collectively, NAI and Employee will be referred to herein as the "Parties."

1. The Parties anticipate that Employee will be employed through June 30, 2001 (the "Term"). During the Term, Employee's employment will be at-will and may be terminated by either Employee or NAI at any time for any reason or no reason, with or without cause upon written notice to the other. The at-will status of the employment relationship may not be modified except in writing authorized in advance by the Board of Directors of NAI and signed by the Chief Executive Officer of NAI and Employee.

2. Employee and NAI further understand and agree that nothing in the NAI Employee Handbook is intended to be, and nothing in it should be construed to be, a limitation of NAI's right to terminate, transfer, demote, suspend and administer discipline at any time for any reason. Employee and NAI understand and agree nothing in the Handbook is intended to, and nothing in the Handbook should be construed to, create an implied or express contract of employment contrary to this agreement.

3. While Employee is employed by NAI, Employee's rate of compensation will be at a rate of $180,000 per year, payable no less frequently than monthly, which will be reviewed at least annually to determine, based upon Employee's performance and the performance of NAI, the amount of increase, (if any), in the rate of compensation. The compensation set forth in this Section 3 will be Employee's only compensation except standard employee benefits available to other level one executives of NAI or any other written compensation arrangement approved by the Board of Directors of NAI. Employee will be entitled to participate in any bonus compensation in a manner and at a level consistent with other level one executives of NAI. Currently, the level one executives of NAI include all of the Corporate Officers of NAI, except for the Chief Executive Officer.

4. If Employee continues working for NAI past the end of the Term, and if NAI still desires Employee's services, then the following terms and conditions will apply:

(a) Employee shall be an at-will employee and either Employee or NAI will be entitled to terminate the employment relationship for any reason or for no reason, with or without cause and with or without notice;

(b) Employee will be compensated at the rate set forth in section 3 herein above unless another rate is mutually agreed upon; and

(c) As to benefits and other terms of employment, Employee shall be subject to the same policies and procedures as other employees of NAI in similar positions.

5. During the Term, and any extension thereof, Employee shall have such responsibilities, duties and authority as NAI through its Chief Executive Officer may from time to

time assign to Employee, and that are normal and customary duties of a Vice President-Science and Technology of a publicly held corporation. Employee's initial title shall be Vice President-Science and Technology.

6. In the event this Agreement is terminated by NAI without cause, whether during or at the end of the Term (and any renewals thereof), Employee shall be entitled to severance pay, including standard employee benefits available to other level one executives of NAI, in an amount equivalent to his then current compensation rate for the period set forth below opposite the

number of complete calendar months which have elapsed from the beginning date of Employee's employment by NAI at the time of termination. One half of such amount shall be paid upon termination and the balance shall be paid on a bi-weekly basis during said severance period:

MONTHS OF EMPLOYMENT	SEVERANCE PERIOD
1 through 6 months	2 months
7 through 12 months	6 months
13 through 24 months	9 months
more than 24 months	12 months

NAI may terminate this Agreement with cause, which shall be limited to the occurrence of one or more of the following events: (i) the Employee's commission of any fraud against NAI; (ii) Employee's intentional appropriation for his personal use or benefit the funds of the Company not authorized by the Chief Executive Officer or the Board of Directors, (iii) Employee's conviction of any crime involving moral turpitude, (iv) Employee's conviction of a violation of any state or federal law which could result in a material adverse impact upon the business of NAI; or (v) Employee's material violation of this Agreement, provided that Employee shall be given written notice by NAI of any alleged material violation of the Agreement and an opportunity within 60 days, to cure the alleged breach, which Employee must diligently pursue to completion. No severance pay shall be due to Employee if Employee is terminated for cause.

7. In the event of any Change in Control, the following provisions will apply.

Any of the following shall constitute a "Change in Control" for the purposes of this Section 7:

A. A "person" (meaning an individual, a partnership, or other group or association as defined in sections 13(d) and 14(d) of the Securities Exchange Act of 1934) acquires fifty percent (50%) or more of the combined voting power of the outstanding securities of NAI having a right to vote in elections of directors; or

B. The members of the Board of Directors of the Company who were members of the Board of Directors on the commencement date hereof, shall for any reason cease to constitute a majority of the Board of Directors of the Company; or

C. All, or substantially all of the business of NAI is disposed of by NAI to a party or parties other than a subsidiary or other affiliate of NAI, in which NAI owns less than a majority of the equity, pursuant to a partial or complete liquidation of NAI, sale of assets (including stock of a subsidiary of NAI) or otherwise.

In the event of any such Change in Control, this Agreement shall continue in effect unless the Employee at his sole option, and at any time elects voluntarily to terminate this Agreement. In such case, NAI shall pay Employee as severance pay or liquidated damages, or both, a lump sum payment ("Change in Control Severance Payment") equal to one hundred fifty percent (150%) of the Employee's annual salary and bonus specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

In the event this Agreement is terminated following a Change in Control by NAI, and/or the surviving or resulting corporation, without cause, Employee shall be entitled to a Change in Control Severance Payment equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

Any Severance Payment shall be made not later than the fifteenth (15th)

day following the effective date of the voluntary or involuntary termination of this Agreement in connection with a Change in Control; provided, however, that if the amount of such payments cannot be finally determined on or before such date, NAI shall pay to Employee on such date a good faith estimate of the minimum amount of such payments, and shall pay the remainder of such payments (together with interest at the rate provided in Internal Revenue Code Section 1274(b)(2)(B) of the Code), as soon as the amount thereof can be determined, but in no event later than the thirtieth (30th) day after the applicable termination date. In the event the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by NAI payable on the fifteenth (15th) day after receipt by Employee of a written demand for payment from NAI (together with interest calculated as above). The total of any payment pursuant to this Section 7 shall be limited to the extent necessary, in the opinion of legal counsel acceptable to Employee and NAI, to avoid the payment of an "excess parachute" payment within the meaning of Internal Revenue Code Section 280 G or any similar successor provision.

In the event of termination of this Agreement either by the Employee under paragraph 7(B) or by NAI under paragraph 7(C), NAI shall cause each stock option heretofore granted by NAI to the Employee to become fully exercisable and to remain exercisable for the term of the option.

8. Employee and NAI hereby agree to the Mutual Agreement to Arbitrate attached hereto and made a part hereof as Attachment #1.

9. Employee and NAI hereby agree to the Assignment of Inventions, Patents and Copyrights Agreement Regarding Confidential Information Covenant of Exclusivity and Not to Compete attached hereto and made a part hereof as Attachment #2.

10. This Agreement contains the entire agreement between the parties. It supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to Employee's employment by NAI. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein and acknowledges that no other agreement, statement or promise not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended by oral agreement or course of conduct, but only by an agreement in writing signed by the Chief Executive Officer of NAI and Employee.

11. This Executive Employment Agreement shall be construed and enforced in accordance with the laws of the State of California.

12. Should any part or provision of this Executive Employment Agreement be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining parts shall not be affected by such holding.

"EMPLOYEE"

John A. Wise

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. Le Doux, Chief Executive Officer

ATTACHMENT #1

MUTUAL AGREEMENT TO ARBITRATE CLAIMS

This Mutual Agreement to Arbitrate Claims is entered into between John A. Wise ("Employee") and Natural Alternatives International, Inc. ("NAI").

1. Binding Arbitration of Disagreement and Claims

We each voluntarily promise and agree to arbitrate any claims covered by this Agreement. We further agree that such binding arbitration pursuant to this Agreement shall be the sole and exclusive remedy for resolving any such claims or disputes.

2. Claims Covered by this Agreement

A. Claims and disputes covered by this Agreement include all claims against NAI (as defined below) and all claims that NAI may have against the Employee, including, without limitation, those arising under:

(1) Any federal, state or local laws, regulations or statutes prohibiting employment discrimination (such as, without limitation: race, sex, national origin, age, disability, religion, sexual orientation) and harassment.

(2) Any alleged or actual agreement or covenant (oral, written or implied) between Employee and NAI.

(3) Any company policy or compensation or benefit plan, unless the decision in question was made by an entity other than NAI.

(4) Any public policy.

(5) Any other claim for personal, emotional, physical or economic injury.

B. The only disputes between Employee and NAI which are not included within this Mutual Agreement to Arbitrate Claims are:

(1) Any claim by Employee for workers' compensation or unemployment compensation benefits.

(2) Any claim by Employee for benefits under a company plan which provides for its own arbitration procedure.

3. Arbitration Procedure

A. The arbitration will be conducted in accordance with the rules of the current Judicial Arbitration and Mediation Services ("JAMS"), except that the arbitrator shall be mutually acceptable to both parties. The arbitration will be held in the state and county of the Employee's primary employment at the time of the act giving rise to the dispute. The fees and expenses of the Arbitrator, and the arbitration, will be borne by the Company. Each party will pay for the fees and expenses of its own attorneys, experts, witnesses, transcripts and preparation and presentation of proofs and post-

hearing briefs, unless the party prevails on a claim for which attorneys' fees and costs are recoverable by statute or contract, in which case the prevailing party shall be awarded attorneys fees and costs in accordance with that statute or contract.

B. Before such arbitration, each party shall have the right to conduct discovery on the same basis and to the same extent as a civil action brought in the Federal District Court for the Southern District of California.

C. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act if applicable, and otherwise by applicable state law.

4. Miscellaneous Provisions

A. The term "company" means NAI, and all related entities, all officers,

employees, directors, agents, shareholders, partners, benefit plan sponsors, fiduciaries, administrators or affiliates of any of the above, and all successors and assignees of any of the above.

B. If either party pursues a covered claim against the other by any action, method or legal proceeding other than the arbitration provided herein, the responding party shall be entitled to dismissal or injunctive relief regarding such action and recovery of all costs, losses and attorneys' fees related to such other action or proceeding.

C. The parties of this arbitration agreement acknowledge and agree that they are waiving their right to a jury trial on the issues covered by this Agreement.

D. This is the complete Agreement of the parties on the subject of arbitration of disputes and claims. This Agreement supersedes any prior or contemporaneous oral, written or implied understanding on the subject, shall survive the termination of Employee's employment and can only be revoked or modified by a written agreement signed by the parties which specifically states an intent to revoke or modify this agreement. If any provision of this Agreement is adjudicated to be void or otherwise unenforceable in whole or in part, such adjudication shall not affect the validity of the remainder of the Agreement, which shall remain in full force and effect.

My signature below signifies that I have read, understand and agree to the Arbitration Agreement.

"EMPLOYEE"

John A. Wise

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. Le Doux, Chief Executive Officer

ATTACHMENT #2

ASSIGNMENT OF INVENTIONS, PATENTS AND COPYRIGHTS AGREEMENT REGARDING CONFIDENTIAL INFORMATION COVENANT OF EXCLUSIVITY AND NOT TO COMPETE

In consideration of and as a condition of my prospective and continued employment and the compensation afforded to me under the terms and conditions thereof by Natural Alternatives International, Inc. (the "Company"), I agree to the following, and I agree the following shall be in addition to the terms and conditions of any Confidential Information and Invention Assignment Agreement executed by employees of the Company generally, and which I may execute in addition hereto:

1. INVENTIONS

a. Disclosure. I will disclose promptly in writing to the appropriate officer or other representative of the Company, any idea, invention, work of authorship, design, formula, pattern, compilation, program, device, method, technique, process, improvement, development or discovery, whether or not patentable or copyrightable or entitled to legal protection as a trade secret, trademark service mark, trade name or otherwise ("Invention"), that I may conceive, make, develop, reduce to practice or work on, in whole or in part, solely or jointly with others ("Invent"), during the term of my employment with the Company. The disclosure required by this Section 1(a) applies to each and every Invention that I Invent (i) whether during my regular hours of employment or during my time away from work (ii) whether or not the Invention was made at the suggestion of the Company, and (iii) whether or not the Invention was

reduced to or embodied in writing, electronic media or tangible form. The disclosure required by this Section 1(a) also applies to any Invention which may relate at the time of conception or reduction to practice of the Invention to the Company's business or actual or demonstrably anticipated research or development of the Company, and to any Invention which results from any work performed by me for the Company. The disclosure required by this Section 1(a) shall be received in confidence by the Company within the meaning of and to the extent required by California Labor Code Section 2871, the provisions of which are set forth on Exhibit "A" hereto.

b. Assignment. I hereby assign to the Company without royalty or any other further consideration my entire right, title and interest in and to each and every Invention I am required to disclose under Section 1(a) other than an Invention that (i) I have or shall have developed entirely on my own time without using the Company's equipment, supplies, facilities or trade secret information, (ii) does not relate at the time of conception or reduction to practice of the Invention to the Company's business, or actual or demonstrably anticipated research or development of the Company and (iii) does not result from any work performed by me for the Company. I acknowledge that the Company has notified me that the assignment provided for in this Section l(b) does not apply to any Invention to which the assignment may not lawfully apply under the provisions of Section 2870 of the California Labor Code, a copy of which is attached as Exhibit "A" hereto.

c. Additional Assistance and Documents. I will assist the Company in obtaining, maintaining and enforcing patents, copyrights, trade secrets, trademarks, service marks, trade names and other proprietary rights in connection with any Invention I have assigned to the Company under Section

l(b), and I further agree that my obligations under this Section l(c) shall continue beyond the termination of my employment with the Company. Among other things, for the foregoing purposes I will (i) testify at the request of the Company in any interference, litigation or other legal proceeding that may arise during or after my employment, and (ii) execute, verify, acknowledge and deliver any proper document (and, if, because of my mental or physical incapacity or for any other reason whatsoever, the Company is unable to obtain my signature to apply for or to pursue any application for any United States or foreign patent or copyright covering Inventions assigned to the Company by me, I hereby irrevocably designate and appoint each of the Company and its duly authorized officers and agents as my agent and attorney in fact to act for me and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of any United States or foreign patent or copyright thereon with the same legal force and effect as if executed by me). I shall be entitled to reimbursement of any out-of-pocket expenses incurred by me in rendering such assistance and, if I am required to render such assistance after the termination of my employment, the Company shall pay me a reasonable rate of compensation for time spent by me in rendering such assistance to the extent permitted by law (provided, I understand that no compensation shall be paid for my time in connection with preparing for or rendering any testimony or statement under oath in any judicial proceeding, arbitration or similar proceeding).

d. Prior Contracts and Inventions; Rights of Third Parties. I represent to the Company that, except as set forth on Exhibit "B" hereto, there are no other contracts to assign Inventions now in existence between me and any other person or entity (and if no Exhibit "B" is attached hereto or there is no such contract described thereon, then it means that by signing this Agreement, I represent to the Company that there is no such other contract). In addition, I represent to the Company that I have no other employments or undertaking which do or would restrict or impair my performance of this Agreement. I further represent to the Company that Exhibit "C" hereto sets forth a brief description of all Inventions made or conceived by me prior to my employment with the Company which I desire to be excluded from this Agreement (and if no Exhibit "C" is attached hereto or there is no such description set forth thereon, then it means that by signing this Agreement I represent to the Company that there is no such Invention made or conceived by me prior to my employment with the Company). In connection with my employment with the Company, I promise not to use or disclose to the Company any patent, copyright, confidential trade secret or other proprietary information of any previous employer or other person that I am not lawfully entitled so to use or disclose. If in the course of my employment

with the Company I incorporate into an Invention or any product process or service of the Company any Invention made or conceived by me prior to my employment with the Company, I hereby grant to the Company a royalty-free, irrevocable, worldwide nonexclusive license to make, have made, use and sell that Invention without restriction as to the extent of my ownership or interest.

2. CONFIDENTIAL INFORMATION

a. Company Confidential Information. I will not use or disclose Confidential Information, whether before, during or after the term of my employment except to perform my duties as an employee of the Company based on my reasonable judgment as an Officer of the Company, or in accordance with instruction or authorization of the Company, without prior written consent of the Company or pursuant to process or requirements of law after I have disclosed such process or requirements to the Company so as to afford it the opportunity to seek appropriate relief therefrom. "Confidential Information" means any Invention of any person in which the Company has an interest and in addition means any financial, client, customer, supplier, marketing, distribution and other

information of a confidential or private nature connected with the business of the Company or any person with whom it deals, provided by the Company to me or to which I have access during or in the course of any employment.

b. Third Party Information. I acknowledge that during my employment with the Company I may have access to patent, copyright, confidential, trade secret or other proprietary information of third parties subject to restrictions on the use or disclosure thereof by the Company. During the term of my employment and thereafter I will not use or disclose any such information other than consistent with the restrictions and my duties as an employee of the Company.

3. PROPERTY OF THE COMPANY. All documents, instruments, notes, memoranda, reports, drawings, blueprints, manuals, materials, data and other papers and records of every kind which come into my possession during or in the course of my employment, relating to any Inventions or Confidential Information, are and shall remain the property of the Company and shall be surrendered by me to the Company upon termination of my employment with the Company, or upon the request of the Company, at any time during or after termination of my employment with the Company.

4. NO SOLICITATION OF COMPANY EMPLOYEES. While employed by the Company and for a period of one year after termination of my employment with the Company, I agree not to induce or attempt to influence directly or indirectly any employee of the Company to terminate employment with the Company or to work for me or any other person or entity.

5. COVENANT OF EXCLUSIVITY AND NOT TO COMPETE. During the term of my employment with the Company, I will not engage in any other professional employment or consulting or directly or indirectly participate in or assist any business which is a current or potential supplier, customer or competitor of the Company without prior written approval from the Chief Executive Officer of the Company.

6. GENERAL.

a. Assignments, Successors and Assignees. All representations, warranties, covenants and agreements of the parties shall bind their respective heirs, executors, personal representatives, successors and assignees ("transferees") and shall inure to the benefit of their respective permitted transferees. The Company shall have the right to assign any or all of its rights and to delegate any or all of its obligations hereunder. The undersigned employee shall not have the right to assign any rights or delegate any obligations hereunder without the prior written consent of the Company or its transferee.

b. Number and Gender, Headings. Each number and gender shall be deemed to include each other number and gender as the context may require. The headings and captions contained in this agreement shall not constitute a part thereof and shall not be used in its construction or interpretation.

c. Severability. If any provision of this agreement is found by any court or arbitral tribunal of competent jurisdiction to be invalid or unenforceable, the invalidity of such provision shall not affect the other provisions of this agreement and all provisions not affected by the invalidity shall remain in full force and effect.

d. Amendment and Modification. This agreement may be amended or modified only by a writing executed by each party.

e. Government Law. The construction, interpretation and performance of this agreement and all transactions under it shall be governed by the internal laws of California.

f. Remedies. I acknowledge that breach by me of any of the provisions of this agreement will cause irreparable injury that cannot adequately be compensated by money damages. The Company shall be entitled to specific performance, temporary restraining orders, preliminary injunctions and permanent injunctive relief to enforce my obligations under this agreement. No remedy conferred by any of the specific provisions of this agreement is intended to be exclusive of any other remedy. I agree to arbitrate on a final and binding basis all disputes under this Agreement in accordance with and before the Judicial Arbitration and Mediation Service ("JAMS").

g. Attorneys' Fees. In the event of any litigation or other action in connection with this agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and disbursements from the other party as costs of suit and not as damages.

h. No Effect on Other Terms or Conditions of Employment. I acknowledge that this agreement does not affect any term or condition of my employment except as expressly provided in this agreement, and that this agreement does not give rise to any right or entitlement on my part to employment or continued employment with the Company. I further acknowledge that this agreement does not affect in any way the right of the Company to terminate my employment.

IN WITNESS WHEREOF, I have executed this agreement as of the date set forth next to my signature below.

Signature of Employee
John A. Wise

Printed Name of Employee

ACCEPTED:
NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. Le Doux, Chief Executive Officer

EXHIBIT "A"

CALIFORNIA LABOR CODE

SECTION 2870. INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT.

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information expect for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

SECTION 2871. RESTRICTIONS ON EMPLOYER FOR CONDITION OF EMPLOYMENT.

No employer shall require a provision made void or unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

EXHIBIT "B"

Except as set forth below, Employee represents to the Company that there are no other contracts to assign Inventions now in existence between Employee and any other person or entity (see Section l(d) of the Agreement):

EXHIBIT "C"

Set forth below is a brief description of all Inventions made or conceived by Employee prior to Employee's employment with the Company which Employee desires to be excluded from this agreement (see Section l(d) of the Agreement):

EXHIBIT 10.10

AMENDED AND RESTATED

EXECUTIVE EMPLOYMENT AGREEMENT

Robert K. Clausen ("Employee") previously accepted the offer of Natural Alternatives International, Inc. ("NAI") for employment as Vice President-Operations beginning October 9, 2000, pursuant to an Executive Employment Agreement entered into by NAI and Employee. Collectively, NAI and Employee will be referred to herein as the "Parties." Prior to the grant of the Restricted Stock Award referenced in Section 3.B. herein, the Parties agreed to modify the terms of Employee's employment effective as of October 9, 2000. As a result thereof, the Parties agreed to amend and restate the original Executive Employment Agreement. As a result thereof, the Parties have executed this Amended and Restated Executive Employment Agreement, intending it to be effective October 9, 2000.

1. The Parties anticipate that Employee will be employed through June 30, 2001 (the "Term"). During the Term, Employee's employment will be at-will and may be terminated by either Employee or NAI at any time for any reason or no reason, with or without cause upon written notice to the other. The at-will status of the employment relationship may not be modified except in writing authorized in advance by the Board of Directors of NAI and signed by the Chief Executive Officer of NAI and Employee.

2. Employee and NAI further understand and agree that nothing in the NAI Employee Handbook is intended to be, and nothing in it should be construed to be, a limitation of NAI's right to terminate, transfer, demote, suspend and administer discipline at any time for any reason. Employee and NAI understand and agree nothing in the Handbook is intended to, and nothing in the Handbook should be construed to, create an implied or express contract of employment contrary to this agreement.

3. A. While Employee is employed by NAI, Employee's rate of compensation will be at least 12,083.33 per month, payable no less frequently than monthly, which will be reviewed at least annually to determine, based upon Employee's performance and the performance of NAI, the amount of increase, (if any), in the rate of compensation. The compensation set forth in this Section 3 will be Employee's only compensation except standard employee benefits available to other level one executives of NAI or any other written compensation arrangement approved by the Board of Directors of NAI. Employee will be entitled to participate in any bonus compensation in a manner and at a level consistent with other level one executives of NAI. Currently, the level one executives of NAI include all of the Corporate Officers of NAI, except for the Chief Executive Officer.

B. Upon and only following subsequent approval by the Board of Directors on or after January 2, 2001, and contingent upon Employee's continuing employment and satisfactory review by the Board of Directors in their sole discretion, Employee shall receive a Restricted Stock Award of 5,000 shares of common stock of NAI, pursuant to the NAI 1999 Omnibus Equity Incentive Plan and the Restricted Stock Agreement which following its execution (if ever) shall be attached hereto as Attachment #3 and at that time shall be incorporated herein.

C. NAI shall grant the Employee an incentive stock option to purchase 20,000 shares of NAI common stock. Such grant shall be proposed to the Board of Directors of NAI at its next regularly scheduled meeting. One-third of the options shall become exercisable on each of October 9, 2001, October 9, 2002, and October 9, 2003. The options shall have a term of 10 years and an exercise price equal to the closing price for NAI Common Stock, as reported on the date of approval of the grant by the Board of Directors of NAI.

D. Employee shall receive a single lump sum for relocation expenses in the amount of $45,000, plus an amount sufficient to pay federal and state income tax on such amount in the estimation of NAI, based on tax

withholding information furnished by Employee. Such amount is payable $22,500 on execution hereof and $22,500 payable upon request of Employee, but in no event later than March 1, 2001.

4. If Employee continues working for NAI past the end of the Term, and if NAI still desires Employee's services, then the following terms and conditions will apply:

(a) Employee shall be an at-will employee and either Employee or NAI will be entitled to terminate the employment relationship for any reason or for no reason, with or without cause and with or without notice.

(b) Employee will be compensated at the rate set forth in section 3 herein above unless another rate is mutually agreed upon; and

(c) As to benefits and other terms of employment, Employee shall be subject to the same policies and procedures as other employees of NAI in similar positions.

5. During the Term, and any extension thereof, Employee shall have such responsibilities, duties and authority as NAI through its Chief Executive Officer may from time to time assign to Employee, and that are normal and customary duties of a Vice President-Operations of a publicly held corporation. Employee's initial title shall be Vice President-Operations.

6. In the event this Agreement is terminated by NAI without cause, whether during or at the end of the Term (and any renewals thereof), Employee shall be entitled to severance pay, including standard employee benefits available to other level one executives of NAI, in an amount equivalent to his then current compensation rate for the period set forth below opposite the number of complete calendar months which have elapsed from the beginning date of Employee's employment by NAI at the time of termination. One half of such amount shall be paid upon termination and the balance shall be paid on a bi-weekly basis during said severance period:

MONTHS OF EMPLOYMENT	SEVERANCE PERIOD
1 through 6 months	2 months
7 through 12 months	6 months
13 through 24 months	9 months
more than 24 months	12 months

NAI may terminate this Agreement with cause, which shall be limited to the occurrence of one or more of the following events: (i) the Employee's commission of any fraud against NAI; (ii) Employee's intentional appropriation for his personal use or benefit the funds of the Company not authorized by the Chief Executive Officer or the Board of Directors, (iii) Employee's conviction of any crime involving moral turpitude, (iv) Employee's conviction of a violation of any state or federal law which could result in a material adverse impact upon the business of NAI; or (v) Employee's material violation of this Agreement, provided that Employee shall be given written notice by NAI of any alleged material violation of the Agreement and an opportunity within 60 days, to cure the alleged breach, which

Employee must diligently pursue to completion. No severance pay shall be due to Employee if Employee is terminated for cause.

7. In the event of any Change in Control, the following provisions will apply.

Any of the following shall constitute a "Change in Control" for the purposes of this Section 7:

A. A "person" (meaning an individual, a partnership, or other

group or association as defined in sections 13(d) and 14(d) of the Securities Exchange Act of 1934) acquires fifty percent (50%) or more of the combined voting power of the outstanding securities of NAI having a right to vote in elections of directors; or

B. The members of the Board of Directors of the Company who were members of the Board of Directors on the commencement date hereof, shall for any reason cease to constitute a majority of the Board of Directors of the Company; or

C. All, or substantially all of the business of NAI is disposed of by NAI to a party or parties other than a subsidiary or other affiliate of NAI, in which NAI owns less than a majority of the equity, pursuant to a partial or complete liquidation of NAI, sale of assets (including stock of a subsidiary of NAI) or otherwise.

In the event of any such Change in Control, this Agreement shall continue in effect unless the Employee at his sole option, and at any time elects voluntarily to terminate this Agreement. In such case, NAI shall pay Employee as severance pay or liquidated damages, or both, a lump sum payment ("Change in Control Severance Payment") equal to one hundred fifty percent (150%) of the Employee's annual salary and bonus specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

In the event this Agreement is terminated following a Change in Control by NAI, and/or the surviving or resulting corporation, without cause, Employee shall be entitled to a Change in Control Severance Payment equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

Any Severance Payment shall be made not later than the fifteenth (15th) day following the effective date of the voluntary or involuntary termination of this Agreement in connection with a Change in Control; provided, however, that if the amount of such payments cannot be finally determined on or before such date, NAI shall pay to Employee on such date a good faith estimate of the minimum amount of such payments, and shall pay the remainder of such payments (together with interest at the rate provided in Internal Revenue Code Section 1274(b)(2)(B) of the Code), as soon as the amount thereof can be determined, but in no event later than the thirtieth (30th) day after the applicable termination date. In the event the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by NAI payable on the fifteenth (15th) day after receipt by Employee of a written demand for payment from NAI (together with interest calculated as above). The total of any payment pursuant to this Section 7 shall be limited to the extent necessary, in the opinion of legal counsel acceptable to Employee and NAI, to avoid the payment of an "excess parachute" payment within the meaning of Internal Revenue Code Section 280 G or any similar successor provision.

In the event of termination of this Agreement either by the Employee under paragraph 7(B) or by NAI under paragraph 7(C), NAI shall cause each stock option heretofore granted by NAI to the Employee to become fully exercisable and to remain exercisable for the term of the option.

8. Employee and NAI hereby agree to the Mutual Agreement to Arbitrate attached hereto and made a part hereof as Attachment #1.

9. Employee and NAI hereby agree to the Assignment of Inventions, Patents and Copyrights Agreement Regarding Confidential Information Covenant of Exclusivity and Not to Compete attached hereto and made a part hereof as Attachment #2.

10. This Agreement contains the entire agreement between the parties. It supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to Employee's employment by NAI. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein and acknowledges that no

other agreement, statement or promise not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended by oral agreement or course of conduct, but only by an agreement in writing signed by the Chief Executive Officer of NAI and Employee.

11. This Executive Employment Agreement shall be construed and enforced in accordance with the laws of the State of California.

12. Should any part or provision of this Executive Employment Agreement be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining parts shall not be affected by such holding.

"EMPLOYEE"

Robert K. Clausen

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. LeDoux, Chief Executive Officer

ATTACHMENT #1

MUTUAL AGREEMENT TO ARBITRATE CLAIMS

This Mutual Agreement to Arbitrate Claims is entered into between Robert K. Clausen ("Employee") and Natural Alternatives International, Inc. ("NAI").

1. Binding Arbitration of Disagreement and Claims

We each voluntarily promise and agree to arbitrate any claims covered by this Agreement. We further agree that such binding arbitration pursuant to this Agreement shall be the sole and exclusive remedy for resolving any such claims or disputes.

2. Claims Covered by this Agreement

A. Claims and disputes covered by this Agreement include all claims against NAI (as defined below) and all claims that NAI may have against the Employee, including, without limitation, those arising under:

(1) Any federal, state or local laws, regulations or statutes prohibiting employment discrimination (such as, without limitation: race, sex, national origin, age, disability, religion, sexual orientation) and harassment.

(2) Any alleged or actual agreement or covenant (oral, written or implied) between Employee and NAI.

(3) Any company policy or compensation or benefit plan, unless the decision in question was made by an entity other than NAI.

(4) Any public policy.

(5) Any other claim for personal, emotional, physical or economic injury.

B. The only disputes between Employee and NAI which are not included within this Mutual Agreement to Arbitrate Claims are:

(1) Any claim by Employee for workers' compensation or unemployment compensation benefits.

(2) Any claim by Employee for benefits under a company plan which provides for its own arbitration procedure.

3. Arbitration Procedure

A. The arbitration will be conducted in accordance with the rules of the current Judicial Arbitration and Mediation Services ("JAMS"), except that the arbitrator shall be mutually acceptable to both parties. The arbitration will be held in the state and county of the Employee's primary employment at the time of the act giving rise to the dispute. The fees and expenses of the Arbitrator, and the arbitration, will be borne by the Company. Each party will pay for the fees and expenses of its own attorneys, experts, witnesses, transcripts and preparation and presentation of proofs and post-

hearing briefs, unless the party prevails on a claim for which attorneys' fees and costs are recoverable by statute or contract, in which case the prevailing party shall be awarded attorneys fees and costs in accordance with that statute or contract.

B. Before such arbitration, each party shall have the right to conduct discovery on the same basis and to the same extent as a civil action brought in the Federal District Court for the Southern District of California.

C. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act if applicable, and otherwise by applicable state law.

4. Miscellaneous Provisions

A. The term "company" means NAI, and all related entities, all officers, employees, directors, agents, shareholders, partners, benefit plan sponsors, fiduciaries, administrators or affiliates of any of the above, and all successors and assignees of any of the above.

B. If either party pursues a covered claim against the other by any action, method or legal proceeding other than the arbitration provided herein, the responding party shall be entitled to dismissal or injunctive relief regarding such action and recovery of all costs, losses and attorneys' fees related to such other action or proceeding.

C. The parties to this arbitration agreement acknowledge and agree that they are waiving their right to a jury trial on the issues covered by this Agreement.

D. This is the complete Agreement of the parties on the subject of arbitration of disputes and claims. This Agreement supersedes any prior or contemporaneous oral, written or implied understanding on the subject, shall survive the termination of Employee's employment and can only be revoked or modified by a written agreement signed by the parties which specifically states an intent to revoke or modify this agreement. If any provision of this Agreement is adjudicated to be void or otherwise unenforceable in whole or in part, such adjudication shall not affect the validity of the remainder of the Agreement, which shall continue in full force and effect.

My signature below signifies that I have read, understand and agree to the Arbitration Agreement.

"EMPLOYEE"

Robert K. Clausen

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. LeDoux, Chief Executive Officer

ATTACHMENT #2

ASSIGNMENT OF INVENTIONS, PATENTS AND COPYRIGHTS AGREEMENT REGARDING CONFIDENTIAL INFORMATION COVENANT OF EXCLUSIVITY AND NOT TO COMPETE

In consideration of and as a condition of my prospective and continued employment and the compensation afforded to me under the terms and conditions thereof by Natural Alternatives International, Inc. (the "Company"), I agree to the following, and I agree the following shall be in addition to the terms and conditions of any Confidential Information and Invention Assignment Agreement executed by employees of the Company generally, and which I may execute in addition hereto:

1. INVENTIONS

a. Disclosure. I will disclose promptly in writing to the appropriate officer or other representative of the Company, any idea, invention, work of authorship, design, formula, pattern, compilation, program, device, method, technique, process, improvement, development or discovery, whether or not patentable or copyrightable or entitled to legal protection as a trade secret, trademark service mark, trade name or otherwise ("Invention"), that I may conceive, make, develop, reduce to practice or work on, in whole or in part, solely or jointly with others ("Invent"), during the term of my employment with the Company. The disclosure required by this Section 1(a) applies to each and every Invention that I Invent (i) whether during my regular hours of employment or during my time away from work (ii) whether or not the Invention was made at the suggestion of the Company, and (iii) whether or not the Invention was reduced to or embodied in writing, electronic media or tangible form. The disclosure required by this Section 1(a) also applies to any Invention which may relate at the time of conception or reduction to practice of the Invention to the Company's business or actual or demonstrably anticipated research or development of the Company, and to any Invention which results from any work performed by me for the Company. The disclosure required by this Section 1(a) shall be received in confidence by the Company within the meaning of and to the extent required by California Labor Code Section 2871, the provisions of which are set forth on Exhibit "A" hereto.

b. Assignment. I hereby assign to the Company without royalty or any other further consideration my entire right, title and interest in and to each and every Invention I am required to disclose under Section 1(a) other than an Invention that (i) I have or shall have developed entirely on my own time without using the Company's equipment, supplies, facilities or trade secret information, (ii) does not relate at the time of conception or reduction to practice of the Invention to the Company's business, or actual or demonstrably anticipated research or development of the Company and (iii) does not result from any work performed by me for the Company. I acknowledge that the Company has notified me that the assignment provided for in this Section l(b) does not apply to any Invention to which the assignment may not lawfully apply under the provisions of Section 2870 of the California Labor Code, a copy of which is attached as Exhibit "A" hereto.

c. Additional Assistance and Documents. I will assist the Company in obtaining, maintaining and enforcing patents, copyrights, trade secrets, trademarks, service marks, trade names and other proprietary rights in connection with any Invention I have assigned to the Company under Section l(b), and I further agree that my obligations under this Section l(c) shall continue beyond the termination of my employment with the Company. Among other things, for the foregoing purposes I will (i) testify

at the request of the Company in any interference, litigation or other legal proceeding that may arise during or after my employment, and (ii) execute, verify, acknowledge and deliver any proper document (and, if, because of my mental or physical incapacity or for any other reason whatsoever, the Company is unable to obtain my signature to apply for or to pursue any application for any United States or foreign patent or copyright covering Inventions assigned to the

Company by me, I hereby irrevocably designate and appoint each of the Company and its duly authorized officers and agents as my agent and attorney in fact to act for me and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of any United States or foreign patent or copyright thereon with the same legal force and effect as if executed by me). I shall be entitled to reimbursement of any out-of-pocket expenses incurred by me in rendering such assistance and, if I am required to render such assistance after the termination of my employment, the Company shall pay me a reasonable rate of compensation for time spent by me in rendering such assistance to the extent permitted by law (provided, I understand that no compensation shall be paid for my time in connection with preparing for or rendering any testimony or statement under oath in any judicial proceeding, arbitration or similar proceeding).

d. Prior Contracts and Inventions; Rights of Third Parties. I represent to the Company that, except as set forth on Exhibit "B" hereto, there are no other contracts to assign Inventions now in existence between me and any other person or entity (and if no Exhibit "B" is attached hereto or there is no such contract described thereon, then it means that by signing this Agreement, I represent to the Company that there is no such other contract). In addition, I represent to the Company that I have no other employments or undertaking which do or would restrict or impair my performance of this Agreement. I further represent to the Company that Exhibit "C" hereto sets forth a brief description of all Inventions made or conceived by me prior to my employment with the Company which I desire to be excluded from this Agreement (and if no Exhibit "C" is attached hereto or there is no such description set forth thereon, then it means that by signing this Agreement I represent to the Company that there is no such Invention made or conceived by me prior to my employment with the Company). In connection with my employment with the Company, I promise not to use or disclose to the Company any patent, copyright, confidential trade secret or other proprietary information of any previous employer or other person that I am not lawfully entitled so to use or disclose. If in the course of my employment with the Company I incorporate into an Invention or any product process or service of the Company any Invention made or conceived by me prior to my employment with the Company, I hereby grant to the Company a royalty-free, irrevocable, worldwide nonexclusive license to make, have made, use and sell that Invention without restriction as to the extent of my ownership or interest.

2. CONFIDENTIAL INFORMATION

a. Company Confidential Information. I will not use or disclose Confidential Information, whether before, during or after the term of my employment except to perform my duties as an employee of the Company based on my reasonable judgment as an Officer of the Company, or in accordance with instruction or authorization of the Company, without prior written consent of the Company or pursuant to process or requirements of law after I have disclosed such process or requirements to the Company so as to afford it the opportunity to seek appropriate relief therefrom. "Confidential Information" means any Invention of any person in which the Company has an interest and in addition means any financial, client, customer, supplier, marketing, distribution and other information of a confidential or private nature connected with the business of the Company or any person with whom it deals, provided by the Company to me or to which I have access during or in the course of any employment.

b. Third Party Information. I acknowledge that during my employment with the Company I may have access to patent, copyright, confidential, trade secret or other proprietary information of third parties subject to restrictions on the use or disclosure thereof by the Company. During the term of my employment and thereafter I will not use or disclose any such information other than consistent with the restrictions and my duties as an employee of the Company.

3. PROPERTY OF THE COMPANY. All documents, instruments, notes, memoranda, reports, drawings, blueprints, manuals, materials, data and other papers and records of every kind which come into my possession during or in the course of my employment, relating to any Inventions or Confidential Information, are and shall remain the property of the Company and shall be surrendered by me to the Company upon termination of my employment with the Company, or upon the

request of the Company, at any time during or after termination of my employment with the Company.

4. NO SOLICITATION OF COMPANY EMPLOYEES. While employed by the Company and for a period of one year after termination of my employment with the Company, I agree not to induce or attempt to influence directly or indirectly any employee of the Company to terminate employment with the Company or to work for me or any other person or entity.

5. COVENANT OF EXCLUSIVITY AND NOT TO COMPETE. During the term of my employment with the Company, I will not engage in any other professional employment or consulting or directly or indirectly participate in or assist any business which is a current or potential supplier, customer or competitor of the Company without prior written approval from the Chief Executive Officer of the Company.

6. GENERAL.

a. Assignments, Successors and Assignees. All representations, warranties, covenants and agreements of the parties shall bind their respective heirs, executors, personal representatives, successors and assignees ("transferees") and shall inure to the benefit of their respective permitted transferees. The Company shall have the right to assign any or all of its rights and to delegate any or all of its obligations hereunder. The undersigned employee shall not have the right to assign any rights or delegate any obligations hereunder without the prior written consent of the Company or its transferee.

b. Number and Gender Headings. Each number and gender shall be deemed to include each other number and gender as the context may require. The headings and captions contained in this agreement shall not constitute a part thereof and shall not be used in its construction or interpretation.

c. Severability. If any provision of this agreement is found by any court or arbitral tribunal of competent jurisdiction to be invalid or unenforceable, the invalidity of such provision shall not affect the other provisions of this agreement and all provisions not affected by the invalidity shall remain in full force and effect.

d. Amendment and Modification. This agreement may be amended or modified only by a writing executed by each party.

e. Government Law. The construction, interpretation and performance of this agreement and all transactions under it shall be governed by the internal laws of California.

f. Remedies. I acknowledge that breach by me of any of the provisions of this agreement will cause irreparable injury that cannot adequately be compensated by money damages. The Company shall be entitled to specific performance, temporary restraining orders, preliminary injunctions and permanent injunctive relief to enforce my obligations under this agreement. No remedy conferred by any of the specific provisions of this agreement is intended to be exclusive of any other remedy. I agree to arbitrate on a final and binding basis all disputes under this Agreement in accordance with and before the Judicial Arbitration and Mediation Service ("JAMS").

g. Attorneys' Fees. In the event of any litigation or other action in connection with this agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and disbursements from the other party as costs of suit and not as damages.

h. No Effect on Other Terms or Conditions of Employment. I acknowledge that this agreement does not affect any term or condition of my employment except as expressly provided in this agreement, and that this agreement does not give rise to any right or entitlement on my part to employment or continued employment with the Company. I further acknowledge that this agreement does not affect in any way the right of the Company to terminate my employment.

IN WITNESS WHEREOF, I have executed this agreement as of the date set forth next to my signature below.

Signature of Employee
Robert K. Clausen

Printed Name of Employee

ACCEPTED:
NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By:

Mark A. LeDoux, Chief Executive Officer

EXHIBIT "A"

CALIFORNIA LABOR CODE

SECTION 2870. INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT.

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information expect for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

SECTION 2871. RESTRICTIONS ON EMPLOYER FOR CONDITION OF EMPLOYMENT.

No employer shall require a provision made void or unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

EXHIBIT "B"

Except as set forth below, Employee represents to the Company that there are no other contracts to assign Inventions now in existence between Employee and any other person or entity (see Section 1(d) of the Agreement):

EXHIBIT "C"

Set forth below is a brief description of all Inventions made or conceived by Employee prior to Employee's employment with the Company which Employee desires to be excluded from this agreement (see Section 1(d) of the Agreement):