

NATURAL ALTERNATIVES INTERNATIONAL, INC. FRAUD HOTLINE POLICY

Natural Alternatives International, Inc. (the "Company") has established a hotline for employees to confidentially report any suspected illegal or fraudulent activities in accordance with the Sarbanes-Oxley Act Section 301 (4). The Company entered into an agreement with NAVEX Global, to provide a 24/7 hotline for employees that do not feel comfortable speaking directly to their supervisor. The hotline will manage calls specifically related to suspected illegal or fraudulent activities. Employees who report incidents other than suspected illegal or fraudulent activities to NAVEX Global will be advised to call Cynthia Demorest, Director of Human Resources, at 760-736-7702.

Employees in the United States may call NAVEX Global's toll-free number 1-877-888-0002. International callers may call NAVEX Global's toll-free number 800-326-5677, in the United States following country-specific call procedures. NAVEX Global maintains English and Spanish speaking Specialists in addition to access to translation services in more than 150 languages.

Callers will immediately receive a pre-recorded greeting and are automatically routed to a Specialist (the "Specialist"). After greeting the caller the Specialist selects *Natural Alternatives International, Inc.* in NAVEX Global's computer system. The Specialist checks for any special instructions in the notes section of the greeting prior to taking a report. The Specialist documents the caller's name and location information and explains to the caller what to expect during the call. Using NAVEX Global's proprietary system the Specialist begins the interview and captures the details of the call within the system. Among the information captured:

- Identification of person(s) involved and their title(s)
- When the issue occurred
- Where the issue occurred
- Details of how the issue occurred
- How long it has been occurring
- How often it has been occurring
- How caller knows about this
- If there is documentation that would help the company's investigation
- Others who have knowledge of the issue
- If a supervisor has already been notified of the issue
- What steps, if any, have already been taken to address the issue

The Specialist assigns an incident code to the report based on the predominant issue type reported by the caller. NAVEX Global's incident codes specific to the Sarbanes-Oxley Act are as follows:

- Accounting/audit Irregularities
- Conflicts of interest
- Falsification of company records*
- Fraud*
- Fraudulent insurance claims*
- Improper loans to executives
- Insider trading
- Retaliation of whistleblowers
- Theft of cash*
- Theft of goods/services*

* These Incident Codes automatically prompt the Specialist to ask if the incident will happen again within the next 24 hours, which triggers the escalation process if the caller thinks it will.

Additional system-generated questions and instructions are triggered by the incident code, helping the Specialist dig deeper into the unique aspects of a particular issue and ensuring all relevant information is captured. The system also actively analyzes the report and identifies factors or combinations of factors that require additional information. During the interview, the system monitors information intake. Before the call is concluded, the system points out/flags missing information and potential errors for the Specialist to review with the caller. The report cannot be completed until every critical system data requirement is met.

The information gathered during the call is organized in an incident report detailing the who, what, when, where and how of the incident. The incident report is an active document in the system, updated and redistributed as follow-up information is added.

The standard incident report is automatically disseminated within an average of four hours, as quickly as a few minutes, and always less than one business day via email or auto fax to our designated contacts. All incident reports related to Sarbanes-Oxley issues will be disseminated to Joe Davis, Alan Dunn and Alan Lane, NAI's Audit Committee Members. Upon receiving the incident report from NAVEX Global, Messrs. Davis, Dunn and Lane, will meet with Kenneth Wolf, President & COO, Michael Fortin, CFO and Mark LeDoux, CEO, to discuss the proper action that should be taken to resolve the incident in a timely fashion.

An incident report that requires immediate notification is escalated if it meets the following criteria:

- Threat or harm to employees, customers, or operations
- Any significant incident projected to reoccur within 24 hours

Once a report designated for escalation is complete, it is automatically relayed to NAVEX Global's dedicated escalation team, who begins immediate notification of the designated contacts mentioned above. The escalation team uses the following escalation process:

- Contact attempts are made to the first of the three contacts within an average of 15 minutes of completion of the report by calling the contact numbers on file.
- If the first contact listed cannot be reached, the same procedure is followed for the two additional contacts.
- Once a contact is reached, a summary of the report can be read, emailed (through forced dissemination) or faxed and the escalation of the call is complete.
- If none of the contacts can be reached, a message will be left on the office voice mail of the first contact listed.
- Escalated Incident Reports are also disseminated via email or autofax to your designated contact within an average of 4 hours. (On the Incident Report, a priority level of "1" designates a high priority report that has been escalated.)

Each month NAI's Audit Committee members and Messrs. Wolf, Fortin and LeDoux receive management summary reports via email as a PDF attachment or autofax. These reports help analyze hotline activity, recognize trends and "hot spots" in the organization, document due diligence and identify corrective actions and ongoing communication needs of the Company.