

RELIV INTERNATIONAL INC
Form 10-Q
November 07, 2008

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period from _____ to _____

Commission File Number

1-11768

RELIV' INTERNATIONAL, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

371172197

(I.R.S. Employer Identification Number)

136 Chesterfield Industrial Boulevard

Chesterfield, Missouri

(Address of principal executive offices)

63005

(Zip Code)

(636) 537-9715

(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 No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the Registrant's common stock as of October 31, 2008 was 14,424,670 (excluding treasury shares).

INDEX

PART I - FINANCIAL INFORMATION

Item No. 1	Financial Statements (Unaudited)	1
Item No. 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item No. 3	Quantitative and Qualitative Disclosures Regarding Market Risk	15
Item No. 4	Controls and Procedures	15

PART II - OTHER INFORMATION

Item No. 1A	Risk Factors	15
Item No. 2	Unregistered Sales of Equity Securities and Use of Proceeds	16
Item No. 6	Exhibits	16

PART I -- FINANCIAL INFORMATION**Item No. 1 - Financial Statements**

Reliv International, Inc. and Subsidiaries

Consolidated Balance Sheets

	September 30 2008 (unaudited)	December 31 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,761,294	\$ 11,694,699
Short-term investments	-	398,592
Accounts and notes receivable, less allowances of \$8,400 in 2008 and \$8,300 in 2007	517,051	811,634
Accounts due from employees and distributors	241,945	204,705
Inventories		
Finished goods	3,235,902	3,290,114
Raw materials	2,578,123	1,630,976
Sales aids and promotional materials	968,893	1,258,148
Total inventories	6,782,918	6,179,238
Refundable income taxes	227,697	362,330
Prepaid expenses and other current assets	1,064,849	862,172
Deferred income taxes	524,430	574,430
Total current assets	15,120,184	21,087,800
Other assets	2,804,587	2,999,903
Accounts due from employees and distributors	178,391	319,883
Property, plant and equipment:		
Land	829,222	829,222
Building	9,822,310	9,817,692
Machinery & equipment	3,293,185	3,673,515
Office equipment	1,478,080	1,525,905
Computer equipment & software	2,853,289	2,665,610
	18,276,086	18,511,944
Less: Accumulated depreciation	9,160,580	9,312,759
Net property, plant and equipment	9,115,506	9,199,185
Total assets	\$ 27,218,668	\$ 33,606,771

See notes to financial statements.

Reliv International, Inc. and Subsidiaries

Consolidated Balance Sheets

	September 30 2008 (unaudited)	December 31 2007
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses:		
Trade accounts payable and other accrued expenses	\$ 4,509,008	\$ 4,288,481
Distributors commissions payable	3,024,403	3,285,270
Sales taxes payable	392,013	390,585
Payroll and payroll taxes payable	585,384	499,921
Total accounts payable and accrued expenses	8,510,808	8,464,257
Income taxes payable	10,000	110,000
Total current liabilities	8,520,808	8,574,257
Other noncurrent liabilities	956,990	1,227,313
Stockholders' equity:		
Preferred stock, par value \$.001 per share; 3,000,000 shares authorized; -0- shares issued and outstanding in 2008 and 2007	-	-
Common stock, par value \$.001 per share; 30,000,000 authorized; 15,474,379 shares issued and 14,520,672 shares outstanding as of 9/30/2008; 15,877,179 shares issued and 15,873,754 shares outstanding as of 12/31/2007	15,475	15,877
Additional paid-in capital	32,437,301	33,100,351
Accumulated deficit	(8,605,191)	(8,869,332)
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	(492,737)	(419,179)
Treasury stock	(5,613,978)	(22,516)
Total stockholders' equity	17,740,870	23,805,201
Total liabilities and stockholders' equity	\$ 27,218,668	\$ 33,606,771

See notes to financial statements.

Reliv International, Inc. and Subsidiaries

Consolidated Statements of Income
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Product sales	\$ 21,226,975	\$ 22,501,899	\$ 67,719,727	\$ 77,450,784
Handling & freight income	2,633,832	2,619,260	8,372,176	8,958,556
Net sales	23,860,807	25,121,159	76,091,903	86,409,340
Costs and expenses:				
Cost of products sold	4,464,874	4,320,557	13,410,310	14,780,889
Distributor royalties and commissions	9,320,880	9,926,735	29,865,734	34,458,125
Selling, general and administrative	8,950,900	9,740,241	28,472,176	30,969,921
Total costs and expenses	22,736,654	23,987,533	71,748,220	80,208,935
Income from operations	1,124,153	1,133,626	4,343,683	6,200,405
Other income (expense):				
Interest income	64,329	122,788	299,893	498,904
Interest expense	(21,011)	(159)	(31,405)	(732)
Other income (expense)	(211,550)	73,302	(229,139)	268,540
Income before income taxes	955,921	1,329,557	4,383,032	6,967,117
Provision for income taxes	420,000	429,000	1,752,000	2,623,000
Net income	\$ 535,921	\$ 900,557	\$ 2,631,032	\$ 4,344,117
Earnings per common share - Basic	\$ 0.04	\$ 0.06	\$ 0.17	\$ 0.27
Weighted average shares	14,806,000	15,938,000	15,498,000	16,166,000
Earnings per common share - Diluted	\$ 0.04	\$ 0.06	\$ 0.17	\$ 0.27
Weighted average shares	14,810,000	16,171,000	15,502,000	16,374,000
Cash dividends declared per common share	\$ -	\$ -	\$ 0.05	\$ 0.05

See notes to financial statements.

Reliv International, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(unaudited)

	Nine months ended September 30	
	2008	2007
Operating activities:		
Net income	\$ 2,631,032	\$ 4,344,117
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	830,870	807,606
Stock-based compensation	177,497	90,865
Deferred income taxes	(107,000)	7,000
Foreign currency transaction (gain)/loss	310,408	(235,225)
(Increase) decrease in accounts and notes receivable	386,886	112,585
(Increase) decrease in inventories	(677,754)	(853,100)
(Increase) decrease in refundable income taxes	137,274	(548,172)
(Increase) decrease in prepaid expenses and other current assets	(223,023)	3,474
(Increase) decrease in other assets	31,707	(287,459)
Increase (decrease) in accounts payable and accrued expenses	170,442	382,199
Increase (decrease) in income taxes payable	(100,000)	-
Net cash provided by operating activities	3,568,339	3,823,890
Investing activities:		
Proceeds from the sale of property, plant and equipment	27,790	4,904
Purchase of property, plant and equipment	(756,960)	(761,310)
Purchase of investments	(1,521,111)	(1,398,592)
Proceeds from sales or maturities of investments, at cost	1,919,703	4,864,000
Net cash provided by (used in) investing activities	(330,578)	2,709,002
Financing activities:		
Proceeds from line of credit borrowings	4,000,000	-
Repayment of line of credit borrowings	(4,000,000)	-
Common stock dividends paid	(793,313)	(806,763)
Proceeds from options and warrants exercised	-	83,498
Purchase of stock for treasury	(8,008,261)	(7,677,124)
Other	2,272	-
Net cash used in financing activities	(8,799,302)	(8,400,389)
Effect of exchange rate changes on cash and cash equivalents	(371,864)	258,237
Increase (decrease) in cash and cash equivalents	(5,933,405)	(1,609,260)

Edgar Filing: RELIV INTERNATIONAL INC - Form 10-Q

Cash and cash equivalents at beginning of period	11,694,699	9,332,810
Cash and cash equivalents at end of period	\$ 5,761,294	\$ 7,723,550

See notes to financial statements.

4

Reliv International, Inc. and Subsidiaries
 Notes to Consolidated Financial Statements
 (Unaudited)

September 30, 2008

Note 1-- Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements and notes thereto have been prepared in accordance with the instructions to Form 10-Q and reflect all adjustments which management believes necessary (which primarily include normal recurring accruals) to present fairly the financial position, results of operations and cash flows. These statements, however, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States. Interim results may not necessarily be indicative of results that may be expected for any other interim period or for the year as a whole. These financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the annual report on Form 10-K for the year ended December 31, 2007, filed March 14, 2008 with the Securities and Exchange Commission. The accounting policies used in preparing these financial statements are the same as those applied in the prior year, except that the Company adopted a new financial accounting standard at the beginning of its 2008 fiscal year concerning fair value measurements which is discussed in Note 4. This new standard was adopted prospectively and comparative periods were not restated.

Reclassification -- Consolidated Statements of Cash Flows

To conform to the 2008 presentation, previously reported 2007 amounts for *(increase) decrease in other assets and increase (decrease) in accounts payable and accrued expenses* have been reclassified and restated within the consolidated statements of cash flows. This reclassification had no impact to total net cash provided by operating investing activities within the consolidated statements of cash flows.

Note 2-- Comprehensive Income

Total comprehensive income was \$451,174 and \$2,557,474 for the three and nine months ended September 30, 2008, respectively. For the three and nine months ended September 30, 2007, comprehensive income was \$899,159 and \$4,419,461, respectively. The Company's only component of other comprehensive income is the foreign currency translation adjustment.

Note 3-- Basic and Diluted Earnings per Share

Basic earnings per common share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed using the weighted average number of common shares and potential dilutive common shares that were outstanding during the period. Potential dilutive common shares consist of outstanding stock options, outstanding stock warrants, and convertible preferred stock.

The following table sets forth the computation of basic and diluted earnings per share:

Three months ended September		Nine months ended September	
30		30	
2008	2007	2008	2007

Edgar Filing: RELIV INTERNATIONAL INC - Form 10-Q

Numerator:								
Net income	\$	535,921	\$	900,557	\$	2,631,032	\$	4,344,117
Denominator:								
Denominator for basic earnings per share--weighted average shares								
		14,806,000		15,938,000		15,498,000		16,166,000
Dilutive effect of employee stock options and other warrants								
		4,000		233,000		4,000		208,000
Denominator for diluted earnings per share--adjusted weighted average shares								
		14,810,000		16,171,000		15,502,000		16,374,000
Basic earnings per share								
	\$	0.04	\$	0.06	\$	0.17	\$	0.27
Diluted earnings per share								
	\$	0.04	\$	0.06	\$	0.17	\$	0.27

For the three months and nine months ended September 30, 2008, options and warrants to purchase 826,224 shares of common stock and 801,224 shares of common stock, respectively, were not included in the denominator for diluted earnings per share because their effect would be antidilutive. Warrants to purchase 25,303 of common stock for the three months and nine months ended September 30, 2007, respectively, were not included in the denominator for diluted earnings per share because their effect would be antidilutive.

Reliv International, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

September 30, 2008

Note 4-- Adoption of New Accounting Standards -- Fair Value

Effective January 1, 2008, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for fair value and expands disclosures about fair value measurements required under other accounting pronouncements. SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. SFAS No. 157 also requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model. In February 2008, the Financial Accounting Standards Board ("FASB") issued Staff Position No. 157-2 that delays the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

The adoption of SFAS No. 157 did not have a significant impact on the Company's financial statements. Assets or liabilities measured at fair value are shown below as of September 30, 2008:

Description	Total Carrying Value	Using Quoted Prices in Active Markets (Level 1)	Using Significant Other Observable Inputs (Level 2)
Marketable securities (1)	\$ 726,750	\$ 726,750	\$ -
Derivatives (2)	16,522	-	16,522
	\$ 743,272	\$ 726,750	\$ 16,522

(1) Representing assets of the Company's Supplemental Executive Retirement Plan (trading securities). Presented within Other Assets in the consolidated balance sheets.

(2) Representing recorded asset of forward currency contracts and is presented within Prepaid Expenses and Other Current Assets in the consolidated balance sheets. The fair values of derivatives are determined either through quoted market prices in active markets for exchange traded derivatives or through pricing from brokers who develop values based on inputs observable in active markets such as interest rates and currency volatilities.

The carrying value of other financial instruments, including cash, accounts receivable and accounts payable, and accrued liabilities approximate fair value due to their short maturities or variable-rate nature of the respective balances.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115." SFAS No. 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement of certain financial assets and liabilities under an instrument-by-instrument election. Under SFAS No. 159, subsequent measurements for the financial assets and liabilities an entity elects to measure at fair value will be recognized in its results of operations. SFAS No. 159 also establishes additional disclosure requirements. The Company adopted SFAS No. 159 on January 1, 2008 and did not elect to measure any additional assets or liabilities at fair value.

Note 5--

Recent Accounting Standards Pending Adoption

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", and how derivative instruments and related hedged items affect a company's financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact of SFAS No. 161 and has not yet determined the impact on its financial statements.

6

Reliv International, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

September 30, 2008

Note 6-- Restructuring of European Operations

In June 2008, the Company began closing the operations of its Reliv Germany subsidiary. Under this restructuring plan, the Company will now manage its sales, marketing, and overall general management for its entire European operations from its existing Reliv United Kingdom office. While this plan results in the closing of the Reliv Germany office, the Company's Germany distribution center will remain open to support that region's customers. In the second quarter of 2008, the Company has incurred a charge of \$215,000 (\$110,000 on an after-tax basis, or approximately one-half cent per diluted share) for employee severance and lease exit costs. The Company expects that a significant portion of these accrued liabilities will be paid out by the end of 2008.

The following is a summary of the costs incurred and payments made by category. (These costs have been recorded in Selling, General and Administrative within the Consolidated Statements of Income).

	Employee Severance	Lease Exit	Total
Original charges and reserve balance	\$ 107,000	\$ 108,000	\$ 215,000
Amounts settled in second quarter 2008	(22,000)	-	(22,000)
Reserve balance at June 30, 2008	\$ 85,000	\$ 108,000	\$ 193,000
Amounts settled in third quarter 2008	(85,000)	(30,000)	(115,000)
Reserve balance at September 30, 2008	\$ 0	\$ 78,000	\$ 78,000

Note 7-- Stock-Based Compensation

Stock Options

During the third quarter of 2008, the Company granted options to purchase 16,500 and 25,000 shares of common stock with exercise prices of \$5.28 per share and \$5.50 per share, respectively, and a grant-date fair value of \$1.84 per share and \$1.91 per share, respectively. The options' fair value was determined using the Black-Scholes option pricing model, using a risk-free rate of approximately 3.0%, a dividend rate of 1.9% and a volatility of 0.447. The options have a term of five years and vest in various increments ranging from one year to 4.67 years.

Including stock option grants made prior to 2008, the Company recognized stock-based compensation expense of \$44,000 (\$28,000 net of tax) and \$134,000 (\$89,000 net of tax) for the three months and nine months ended September 30, 2008, respectively. The Company recognized stock-based compensation expense of \$31,000 (\$21,000

net of tax) for the three months and nine months ended September 30, 2007. These amounts have been recorded in selling, general, and administrative expense. At September 30, 2008, the Company has unrecognized stock-based compensation expense of \$710,000 (\$470,000 net of tax) which is expected to be recognized over a remaining period ranging from 1.92 years to 4.58 years.

Note 8-- Purchase of Stock for Treasury and related Borrowing

On July 24, 2008, the Company entered into similar, but separate, Stock Purchase Agreements with two significant shareholders to purchase, as amended, 999,000 shares of the Company's common stock for \$5.994 million (\$6 per share). To finance the purchase, the Company utilized cash on hand and borrowed \$4 million under its existing line of credit. As of September 30, 2008, the aforementioned \$4 million borrowing had been repaid and the Company's line of credit balance was zero.

Included within the Stock Purchase Agreements, each of the selling shareholders also granted the Company a right of first refusal regarding each subsequent proposed sale or sales of shares of the Company's common stock. Under this provision, as defined within the Agreements, the Company will have two days to exercise its purchase right as to all or any of the shares to be sold on the negotiated terms.

Note 9-- Other Investment

In June 2006, the Company contributed \$1,000,000 as a limited partner in a private equity fund. In accordance with EITF Topic D-46, "Accounting for Limited Partnership Investments," the Company accounts for its investment under the equity method. Under this method, the Company's proportionate share of partnership income (loss) is recorded to other income (expense) with a corresponding increase (decrease) in the carrying value of its investment. For the three and nine months ended September 30, 2008, the partnership's income (loss) was \$(115,000) and \$(260,000), respectively. For the three and nine months ended September 30, 2007, the partnership's income (loss) was \$20,000 and \$66,000, respectively. The carrying value of this investment was \$824,000 and \$1,084,000 at September 30, 2008 and December 31, 2007, respectively, and is included in "Other Assets" in the accompanying consolidated balance sheets.

FORWARD-LOOKING STATEMENTS

This quarterly report includes both historical and “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future results. Words such as “may,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue,” or similar words are intended to identify forward-looking statements, although not all forward-looking statements contain these words. Although we believe that our opinions and expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements, and our actual results may differ substantially from the views and expectations set forth in this quarterly report on Form 10-Q. We disclaim any intent or obligation to update any forward-looking statements after the date of this quarterly report to conform such statements to actual results or to changes in our opinions or expectations. These forward-looking statements are affected by risks, uncertainties and assumptions that we make, including, among other things, the factors that are described in “Item No. 1A - Risk Factors” in our 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2008, as the same may be updated or amended in our quarterly reports on Form 10-Q.

Item No. 2 - Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis discusses the financial condition and results of our operations on a consolidated basis, unless otherwise indicated.

Overview

We are a developer, manufacturer and marketer of a proprietary line of nutritional supplements addressing basic nutrition, specific wellness needs, weight management and sports nutrition. We also offer a line of skin care products. We sell our products through an international network marketing system using independent distributors. Sales in the United States represented approximately 86.7% of worldwide net sales for the nine months ended September 30, 2008 and 89.4% of worldwide net sales for the nine months ended September 30, 2007. Our international operations currently generate sales through distributor networks in Australia, Canada, Germany, Malaysia, Mexico, New Zealand, the Philippines, Singapore and the United Kingdom. We also operate on a limited basis in Austria, the Netherlands, and Ireland from our United Kingdom office.

We derive our revenues principally through product sales made by our global independent distributor base, which, as of September 30, 2008, consisted of approximately 68,540 distributors. Our sales can be affected by several factors, including our ability to attract new distributors and retain our existing distributor base, our ability to properly train and motivate our distributor base and our ability to develop new products and successfully maintain our current product line.

All of our sales to distributors outside the United States are made in the respective local currency; therefore, our earnings and cash flows are subject to fluctuations due to changes in foreign currency rates as compared to the U.S. dollar. As a result, exchange rate fluctuations may have an effect on sales and gross margins. Accounting practices require that our results from operations be converted to U.S. dollars for reporting purposes. Consequently, our reported earnings may be significantly affected by fluctuations in currency exchange rates, generally increasing with a weaker U.S. dollar and decreasing with a strengthening U.S. dollar. Products manufactured by us for sale to our foreign subsidiaries are transacted in U.S. dollars. From time to time, we enter into foreign exchange forward contracts to mitigate our foreign currency exchange risk.

Components of Net Sales and Expense

Net sales are comprised of two components. Product sales represent the actual product purchase price typically paid by our distributors, after giving effect to distributor allowances, which range from 20% to 40% of suggested retail prices. Handling and freight income represents the amounts billed to distributors for shipping costs. We record net sales and the related commission expense when the merchandise is shipped.

8

Our primary expenses include cost of products sold, distributor royalties and commissions and selling, general and administrative expenses.

Cost of products sold primarily consists of expenses related to raw materials, labor, quality control and overhead directly associated with production of our products and sales materials, as well as shipping costs relating to the shipment of products to distributors, and duties and taxes associated with product exports. Cost of products sold is impacted by the cost of the ingredients used in our products and the cost of shipping the distributors' orders, along with our efficiency in managing the production of our products.

Distributor royalties and commissions are monthly payments made to Master Affiliates and above, based on products sold by Master Affiliates and above sponsored by such Master Affiliates or higher-level distributors. "Master Affiliates and above" are active distributors that have attained the highest level of discount on purchases of our products and are eligible for royalties from sales volume generated by Master Affiliates and above that they sponsor. Based on our distributor agreements, these expenses typically approximate 23% of sales at suggested retail. Also, we include other sales leadership bonuses, such as Ambassador bonuses, in this line item. We generally expect total distributor royalties and commissions to approximate 40% of our net sales. Distributor royalties and commissions are directly related to the level of our sales and, absent any changes in our distributor compensation plan, should continue at comparable levels as a percentage of net sales as in recent periods.

Selling, general and administrative expenses include the compensation and benefits paid to our employees, all other selling expenses, marketing, promotional expenses, travel and other corporate administrative expenses. These other corporate administrative expenses include professional fees, depreciation and amortization, occupancy costs, communication costs and other similar operating expenses. Selling, general and administrative expenses can be affected by a number of factors, including staffing levels and the cost of providing competitive salaries and benefits; the amount we decide to invest in distributor training and motivational initiatives; the cost of regulatory compliance, such as the costs incurred to comply with the various provisions of the Sarbanes-Oxley Act of 2002; and other administrative costs.

Results of Operations

The following table sets forth selected results of our operations expressed as a percentage of net sales for the three- and nine-month periods ended September 30, 2008 and 2007. Our results of operations for the periods described below are not necessarily indicative of results of operations for future periods.

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Net sales	100.0%	100.0%	100.0%	100.0%
Costs and expenses:				
Cost of products sold	18.7	17.2	17.6	17.1
Distributor royalties and commissions	39.1	39.5	39.3	39.9
Selling, general and administrative	37.5	38.8	37.4	35.8
Income from operations	4.7	4.5	5.7	7.2
Interest expense	(0.1)	(0.0)	(0.0)	(0.0)
Interest and other income/(expense)	(0.6)	0.8	0.1	0.9
Income before income taxes	4.0	5.3	5.8	8.1

Edgar Filing: RELIV INTERNATIONAL INC - Form 10-Q

Provision for income taxes	1.8	1.7	2.3	3.1
Net income	2.2%	3.6%	3.5%	5.0%

Net Sales. Overall net sales decreased by 5.0% in the three months ended September 30, 2008 compared to the same period in 2007. During the third quarter of 2008, sales in the United States decreased by 5.4%, and our international sales decreased by 2.1% over the prior-year period.

The following table summarizes net sales by geographic market ranked by the date we began operations in each market for the three months ended September 30, 2008 and 2007.

	Three months ended September 30, 2008		2007		Change from prior year	
	Amount	% of Net	Amount	% of Net	Amount	%
		Sales		Sales		
	(dollars in thousands)					
United States	\$ 20,814	87.2%	\$ 22,009	87.6%	\$ (1,195)	(5.4)%
Australia/New Zealand	667	2.8	715	2.8	(48)	(6.7)
Canada	404	1.7	378	1.5	26	6.9
Mexico	389	1.6	351	1.4	38	10.8
United Kingdom/Ireland	234	1.0	242	1.0	(8)	(3.3)
Philippines	583	2.4	809	3.2	(226)	(27.9)
Malaysia/Singapore	682	2.9	419	1.7	263	62.8
Germany	88	0.4	198	0.8	(110)	(55.6)
Consolidated total	\$ 23,861	100.0%	\$ 25,121	100.0%	\$ (1,260)	(5.0)%

The following table summarizes net sales by geographic market ranked by the date we began operations in each market for the nine months ended September 30, 2008 and 2007.

	Nine months ended September 30, 2008		2007		Change from prior year	
	Amount	% of Net	Amount	% of Net	Amount	%
		Sales		Sales		
	(dollars in thousands)					
United States	\$ 65,934	86.7%	\$ 77,215	89.4%	\$ (11,281)	(14.6)%
Australia/New Zealand	2,096	2.8	2,090	2.4	6	0.3
Canada	1,301	1.7	1,196	1.4	105	8.8
Mexico	1,269	1.7	1,155	1.3	114	9.9
United Kingdom/Ireland	791	1.0	781	0.9	10	1.3
Philippines	2,092	2.7	2,108	2.4	(16)	(0.8)
Malaysia/Singapore	2,174	2.8	1,173	1.4	1,001	85.3
Germany	435	0.6	691	0.8	(256)	(37.0)
Consolidated total	\$ 76,092	100.0%	\$ 86,409	100.0%	\$ (10,317)	(11.9)%

The following table sets forth, as of September 30, 2008 and 2007, the number of our active distributors and Master Affiliates and above. The total number of active distributors includes Master Affiliates and above. We define an active distributor as one that enrolls as a distributor or renews his or her distributorship during the prior twelve months. Master Affiliates and above are distributors that have attained the highest level of discount and are eligible for royalties generated by Master Affiliates and above in their downline organization. Growth in the number of active distributors and Master Affiliates and above is a key factor in continuing the growth of our business.

	September 30, 2008		September 30, 2007		% Change	
	Active Distributors	Master Affiliates and Above	Active Distributors	Master Affiliates and Above	Active Distributors	Master Affiliates and Above
United States	54,210	10,630	57,420	13,600	(5.6)%	(21.8)%
Australia/New Zealand	2,480	230	2,510	280	(1.2)	(17.9)
Canada	1,250	160	1,150	160	8.7	0.0
Mexico	1,550	240	1,380	220	12.3	9.1
United Kingdom/Ireland	750	110	790	120	(5.1)	(8.3)
Philippines	4,590	420	4,460	370	2.9	13.5
Malaysia/Singapore	3,270	580	2,230	310	46.6	87.1
Germany	440	80	560	140	(21.4)	(42.9)
Consolidated total	68,540	12,450	70,500	15,200	(2.8)%	(18.1)%

In the United States, net sales were down 5.4% in the third quarter of 2008 compared to the same period in 2007. Sales in the United States are being adversely impacted by a few factors. First, we believe the credit problems in the U.S. economy, during the third quarter and particularly in September, played a role in our sales decline. In addition to the direct impact on sales, we are seeing slower recruiting activity in the form of a decrease in new distributor enrollments. In the third quarter of 2008, new distributor enrollments in the United States were approximately 4,260 compared to 5,011 in the prior year quarter, a decrease of 15.0%. The net number of active Distributors in the United States as of September 30, 2008 decreased by 5.6% to 54,210, compared to the number of active Distributors as of September 30, 2007. Distributor retention was 64.0% for the first nine months of 2008 compared to a rate of 65.2% for all of 2007. Also contributing to the decline was that fewer distributors qualified for the level of Master Affiliate during the third quarter of 2008, compared to the same period in 2007. In the third quarter of 2008, approximately 907 distributors qualified as new Master Affiliates, compared to approximately 1,094 in the prior-year quarter, a decline of 17%. In addition, the net number of Master Affiliates and above as of September 30, 2008 decreased by 21.8%, as compared to the net number of Master Affiliates and above as of September 30, 2007. This is consistent with reduced number of distributors qualifying for the level of Master Affiliate discussed above. Over the past year, we have emphasized the importance of bringing in new distributors at all levels, not just directly into the Master Affiliate level. We intend to continue our distributor growth strategy of bringing in new distributors at all levels. However, we will continue to focus on efforts to teach our newest distributors to build their business to the Master Affiliate level through training and other programs.

Another factor in the decline in U.S. sales is the reduction in sales volume of Slimplicity®, the weight control product line we introduced in this market in February 2007. Approximately 48% of the 2008 year-to-date overall reduction in U.S. sales was the result of the decline in the sales of the Slimplicity product line.

In the third quarter of 2008, we processed approximately 69,400 orders in the U.S. for products at an average order of \$387 at suggested retail. In the same period of 2007, we processed approximately 79,400 product orders at an average order of \$360 at suggested retail. The average order size for all of 2007 was \$386 at suggested retail.

During the three months ended September 30, 2008, net sales in our international operations decreased in aggregate by 2.1% to \$3.05 million compared to \$3.11 million for the three months ended September 30, 2007. Sales results were mixed in our foreign markets during the third quarter of 2008. Sales continued to strengthen in our Malaysia/Singapore markets, as sales increased 62.8% in the third quarter of 2008 compared to the same period in 2007. However, sales in the Philippines decreased by 27.9% in the third quarter 2008, and sales in Germany/continental EU market decreased by 55.6%. All other markets had moderate fluctuations as indicated in the sales table on the previous page. For the nine-month period ended September 30, 2008, international net sales increased by 10.5% to \$10.16 million compared to \$9.19 million in the same period in 2007. Although the U.S. dollar

dramatically strengthened over the last two months of the third quarter of 2008, the average exchange rate for the U.S. dollar for the first nine months of 2008 was still slightly weaker against all currencies of the countries we conduct business in, when compared to the rates over the first nine months of 2007. When net sales are converted using the 2007 exchange rate for both 2007 and 2008, international net sales improved 3.2% for the first nine months of 2008 compared to the first nine months of the prior year. We expect this impact to reverse in the fourth quarter as the U.S. dollar continues to strengthen during the current economic conditions compared to prior quarters.

Net sales in Malaysia/Singapore increased by 62.8% in the third quarter of 2008 compared to the same period of 2007. Positive distributor growth continues to take place in this region as new distributor enrollments were approximately 552 in the third quarter of 2008, compared to 352 in the prior year quarter. The active distributor and Master Affiliate totals as of September 30, 2008 were up 46.6% and 87.1%, respectively, when compared to September 30, 2007. This was offset by a decrease in net sales in the Philippines during the third quarter 2008 of 27.9%, compared to the prior year quarter. Sales were negatively impacted, in part, due to corporate staff and distributor leaders being out of the market to attend the International distributor conference held in the U.S. during August and other events that took the distributor leaders out of the field. We also believe that the general economic uncertainty that is present in the U.S. is also having an impact on sales in the Philippines.

Sales in Germany/continental EU were down 55.6% in the third quarter 2008, compared to the prior-year quarter. For the nine months ended September 30, 2008, sales were down 37.0%, compared to the prior-year period. We expected this decline in sales to continue in response to the closing of our Germany corporate office and restructuring efforts there. During the second quarter of 2008, we centralized all European call center and administrative functions to our office in the United Kingdom. While our corporate office in Germany has been closed, our distribution facility there continues to ship product orders for the European continent. Orders for the United Kingdom and Ireland continue to be shipped from our U.K. office. As a result of this restructuring, we took a one-time charge of \$110,000 after taxes in our second quarter results. This charge related to severance payments and lease termination costs.

Cost of Products Sold. Cost of products sold as a percentage of net sales was 18.7% and 17.6% for the three- and nine-month periods ended September 30, 2008, respectively, compared to 17.2% and 17.1% for the same periods in 2007. Gross margins were impacted in the third quarter of 2008 compared to the same period of 2007 by raw material price increases and higher freight costs. Lower plant utilization also had a negative impact on cost of products sold. On a nine-month basis, these same factors impacted gross margins in 2008.

As a result of the increasing raw material costs, we increased the suggested retail sales price of a number of our products in the United States, effective August 1, 2008. On the products affected, which include our key products of Reliv NOW, Reliv Classic, and Fibrestore, the price increase ranges from 6% to 12%.

Distributor Royalties and Commissions. Distributor royalties and commissions as a percentage of net sales were 39.1% and 39.3% for the three- and nine-month periods ended September 30, 2008, respectively, compared to 39.5% and 39.9% for the same periods in 2007. Due to the structure of our distributor compensation plan, we do not expect to experience significant fluctuations in distributor royalties and commissions as a percentage of net product sales. However, the slight decrease as a percentage of net sales is the result of changes made to our handling and freight income rates as of January 1, 2008.

Selling, General and Administrative Expenses. For the three and nine months ended September 30, 2008, selling, general and administrative, or SGA, expenses decreased by \$789,000 and \$2.50 million, respectively, compared to the same periods in 2007. SGA expenses as a percentage of net sales were 37.5% and 37.4% for the three- and nine-month periods ended September 30, 2008, respectively, compared to 38.8% and 35.8% for the same periods of 2007.

Sales and marketing expenses decreased by approximately \$1.8 million in the first nine months of 2008, compared to the prior-year period. Sales and marketing expenses in 2007 included charges for distributor bonus programs and incentive trips that are not being repeated in 2008. Sales development expenses are lower by \$304,000 over the first nine months of 2008, compared to the same period in 2007. Decreases in other distributor bonuses and expenses directly related to the level of sales also contributed to the decline.

Distribution and warehouse expenses decreased by \$71,000 in the areas of wages, contract labor expenses, and shipping supply expenses in the first nine months of 2008 compared to the prior-year period. Furthermore, general and

administrative expenses decreased by approximately \$627,000, primarily in professional/consulting fees, corporate travel expenses, and incentive compensation. General and administrative expenses in the second quarter also included a pre-tax charge of \$215,000 for the German office restructuring.

Interest Income/Expense. Interest income decreased to \$300,000 for the nine months ended September 30, 2008, compared to \$499,000 for the same period in 2007. The decrease is the result of a lower level of invested funds. We incurred \$21,000 in interest expense during the third quarter of 2008, as we utilized our line of credit for a period of time during the quarter to finance certain treasury stock purchases that took place in July 2008.

Other Income/Expense. We incurred other expenses of \$229,000 during the first nine months of 2008, compared to income of \$269,000 during the same period of 2007. These expenses consisted of a reduction in the value of our investment as a limited partner in a private equity fund of \$260,000 and foreign currency translation losses of \$69,000 due to the strengthening of the U.S. dollar during the third quarter 2008.

Income Taxes. We recorded income tax expense of \$1.75 million for the first nine months of 2008, an effective rate of 40.0%. In the same period in 2007, we recorded income tax expense of \$2.62 million, which represented an effective rate of 37.6%. Our effective rate is higher in 2008 due primarily to the non-deductible nature of the foreign currency translation losses.

Net Income. Our net income for the three and nine months ended September 30, 2008 was \$536,000 (\$0.04 per share basic and diluted) and \$2.6 million (\$0.17 per share basic and diluted), respectively, compared to \$901,000 (\$0.06 per share basic and diluted) and \$4.3 million (\$0.27 per share basic and diluted) for the same periods in 2007. Profitability decreased during the three and nine month periods of 2008 primarily as net sales decreased in the United States, coupled with the other expenses, as described in *Other Income/Expense* above.

Financial Condition, Liquidity and Capital Resources

During the first nine months of 2008, we generated \$3.6 million of net cash from operating activities, used \$331,000 in investing activities, and used \$8.8 million in financing activities. This compares to \$3.8 million of net cash provided by operating activities, \$2.7 million provided by investing activities, and \$8.4 million used in financing activities in the same period of 2007. Cash and cash equivalents decreased by \$5.9 million to \$5.8 million as of September 30, 2008 compared to December 31, 2007.

Significant changes in working capital items consisted of a decrease in accounts and notes receivable of \$387,000, an increase in inventories of \$678,000, an increase in prepaid expenses/other current assets of \$223,000, and a decrease in other assets of \$325,000 in the first nine months of 2008. Accounts and notes receivable decreased primarily due to the receipt of a refund due from the promotional trip management company we utilized and payment received on a receivable from a vendor. The increase in inventory is a result of lower than expected sales levels, compared to scheduled production, along with materials needed for a new product launch planned in the fourth quarter. The increase in prepaid expenses/other current assets represents the annual premium payments made in the second quarter on most of the corporate insurance policies. The change in other assets is due to the reduction in value of our investment in the private equity fund as described in *Other Income/Expense* offset primarily by payments made on various officer life insurance policies.

Investing activities during the first nine months of 2008 consisted of \$757,000 for capital expenditures, along with net proceeds of \$399,000 in short-term investments.

Financing activities in the first nine months of 2008 included \$8.0 million in treasury stock purchases, and common stock dividends paid of \$793,000.

Stockholders' equity decreased to \$17.7 million at September 30, 2008 compared with \$23.8 million at December 31, 2007. The decrease is due to the treasury stock purchases of \$8.0 million and common stock dividends paid during the first nine months of the year, offset by our net income during the first nine months of 2008 of \$2.6 million. Our working capital balance was \$6.6 million at September 30, 2008 compared to \$12.5 million at December 31, 2007.

The current ratio at September 30, 2008 was 1.8 compared to 2.5 at December 31, 2007.

13

We had a \$5 million secured revolving credit facility with our primary lender that we entered into in June 2006. This facility was renewed by the bank in March 2008 and expired in September 2008. We are currently working with our lender to extend the facility and intend to have the documents finalized in the fourth quarter; however, the agreements have not been finalized as of this filing. We have opted to renew the facility for only a one-year term due to higher credit pricing in the current market on longer term facilities. Under the proposed one-year facility, advances would accrue interest at a variable interest rate based on LIBOR, and the credit facility would be secured by all of our assets. The facility would include covenants to maintain total stockholders' equity of not less than \$10.5 million, and that the ratio of borrowings to earnings before interest, taxes, depreciation and amortization, or EBITDA, under the facility would not exceed 3.5 to 1.0. In late July 2008, we drew \$4 million on the previous facility as part of a stock purchase described in Note 8 to the unaudited Consolidated Financial Statements. The balance outstanding on the facility was fully repaid as of September 30, 2008 and we were in compliance with the minimum stockholders' equity covenant as of that date.

Management believes that our internally generated funds and the borrowing capacity under the proposed revolving line of credit facility expected to be entered into during the fourth quarter will be sufficient to meet working capital requirements for the remainder of 2008 and into 2009.

Critical Accounting Policies

A summary of our critical accounting policies and estimates is presented on pages 38-41 of our 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2008.

Recent Accounting Pronouncements

Effective January 1, 2008, we adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for fair value and expands disclosures about fair value measurements required under other accounting pronouncements. SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. SFAS No. 157 also requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model. In February 2008, the Financial Accounting Standards Board ("FASB") issued Staff Position No. 157-2 that delays the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of SFAS No. 157 did not have a significant impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115." SFAS No. 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement of certain financial assets and liabilities under an instrument-by-instrument election. Under SFAS No. 159, subsequent measurements for the financial assets and liabilities an entity elects to measure at fair value will be recognized in its results of operations. SFAS No. 159 also establishes additional disclosure requirements. We adopted SFAS No. 159 on January 1, 2008 and did not elect to measure any additional assets or liabilities at fair value.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", and how derivative instruments and related hedged items affect a company's financial position, financial

performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. We are currently evaluating the impact of SFAS No. 161 and have not yet determined the impact on our financial statements.

Item No. 3 - Quantitative and Qualitative Disclosures Regarding Market Risk

We are exposed to various market risks, primarily foreign currency risks and interest rate risks.

Foreign Currency Risk

Our earnings and cash flows are subject to fluctuations due to changes in foreign currency rates as we have several foreign subsidiaries and continue to explore expansion into other countries. As a result, exchange rate fluctuations may have an effect on sales and gross margins. Accounting practices require that our results from operations be converted to U.S. dollars for reporting purposes. Consequently, our reported earnings in future periods may be significantly affected by fluctuations in currency exchange rates, generally increasing with a weaker U.S. dollar and decreasing with a strengthening U.S. dollar. Products manufactured by us for sale to our foreign subsidiaries are transacted in U.S. dollars.

From time to time, we enter into foreign exchange forward contracts with a financial institution to sell Canadian dollars in order to protect against currency exchange risk associated with expected future cash flows. We have accounted for these contracts as free standing derivatives, such that gains or losses on the fair market value of these forward exchange contracts are recorded as other income and expense in the consolidated statements of operations. As of September 30, 2008, we were holding Canadian forward exchange contracts with notional values totaling \$205,000 with maturities through December 31, 2008, and a related mark-to-market gain of \$17,000. As of September 30, 2008, we had no hedging instruments in place to offset exposure to any foreign currencies for any of the other countries in which we do business.

There have been no other material changes in market risk exposures during the first nine months of 2008 that affect the disclosures presented in Item 7A - "Quantitative and Qualitative Disclosures Regarding Market Risk" on pages 41 and 42 of our 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2008.

Item No. 4 - Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has reviewed and evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2008. Based on such review and evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of September 30, 2008, to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, (a) is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms and (b) is accumulated and communicated to our management, including the officers, as appropriate to allow timely decisions regarding required disclosure. There were no material changes in our internal control over financial reporting during the third quarter of 2008 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item No. 1A - Risk Factors

Risk factors associated with our business activities have not changed materially from the disclosure in our 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2008, as updated by our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008 filed with the Securities and Exchange Commission on May 9, 2008.

Item No. 2 - Unregistered Sales of Equity Securities and Use of Proceeds**ISSUER PURCHASES OF EQUITY SHARES**

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
July 1-31, 2008	1,130,180	\$ 5.94	131,180	\$ 12,500,000
August 1-31, 2008	11,200	\$ 6.59	11,200	\$ 12,426,000
September 1-30, 2008	--	--	--	\$ 12,426,000
Total	1,141,380		142,380	

(1) Includes 999,000 shares purchased from two significant shareholders at \$6.00 per share in July 2008.

(2) In May 2007, the Company's Board of Directors approved a share repurchase plan of up to \$15 million through April 2010.

Item No. 6 - Exhibits**Exhibit
Number****Document**

10.1 Stock Purchase Agreement dated July 24, 2008 by and between the Paul and Jane Meyer Family Foundation and Reliv International, Inc. (incorporated by reference to Exhibit 10.1 to the Form 8-K of the Registrant filed July 30, 2008).

10.2 Stock Purchase Agreement dated July 24, 2008 by and between Centre Island Properties, Ltd. and Reliv International, Inc. (incorporated by reference to Exhibit 10.2 to the Form 8-K of the Registrant filed July 30, 2008).

10.3 Standstill Letter from Paul J. Meyer to Robert L. Montgomery dated July 25, 2008. (incorporated by reference to Exhibit 10.3 to the Form 8-K of the Registrant filed July 30, 2008).

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended (filed herewith).

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended (filed herewith).

32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

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.

RELIV' INTERNATIONAL, INC.

By: /s/ Robert L. Montgomery

Robert L. Montgomery, Chairman of the Board of Directors, President
and Chief Executive Officer

Date: November 7, 2008

By: /s/ Steven D. Albright

Steven D. Albright, Chief Financial Officer (and accounting officer)

Date: November 7, 2008

Exhibit Index

Exhibit

Number

Document

- 10.1 Stock Purchase Agreement dated July 24, 2008 by and between the Paul and Jane Meyer Family Foundation and Reliv International, Inc. (incorporated by reference to Exhibit 10.1 to the Form 8-K of the Registrant filed July 30, 2008).
- 10.2 Stock Purchase Agreement dated July 24, 2008 by and between Centre Island Properties, Ltd. and Reliv International, Inc. (incorporated by reference to Exhibit 10.2 to the Form 8-K of the Registrant filed July 30, 2008).
- 10.3 Standstill Letter from Paul J. Meyer to Robert L. Montgomery dated July 25, 2008. (incorporated by reference to Exhibit 10.3 to the Form 8-K of the Registrant filed July 30, 2008).
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended (filed herewith).
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended (filed herewith).
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
-