

Edgar Filing: Organic Sales & Marketing Inc - Form 10QSB

Organic Sales & Marketing Inc  
Form 10QSB  
May 15, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2008

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 0-3338

ORGANIC SALES AND MARKETING, INC.  
(Exact Name of small business issuer as specified in its Charter)

Delaware  
(State or other Jurisdiction of  
Incorporation or Organization)

33-1069593  
(IRS Employer  
Identification No.)

114 Broadway, Raynham, MA 02767  
-----  
(Address of Principal Executive Office)

(508) 823-1117  
-----  
(Registrant's telephone number including area code)

Check whether the issuer (1) 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 shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after distribution of securities under a plan confirmed by a court.

Yes  No

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APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares of outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 6,446,034 - common stock

Transitional Small Business Disclosure Format (Check one): Yes \_\_\_ No X

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

## Item 1. Financial Statements.

The accompanying financial statements are unaudited for the interim periods, but include all adjustments (consisting only of normal recurring adjustments), which we consider necessary for the fair presentation of results for the six months ended March 31, 2008, and inception to March 31, 2008.

Moreover, these financial statements do not purport to contain complete disclosure in conformity with the U.S. generally accepted accounting principles and should be read in conjunction with our audited financial statements at, and for the fiscal year ended September 30, 2007 as contained in Registrant's Form 10-KSB filing.

## Item 2. Management's Discussion and Analysis or Plan of Operation.

### Forward Looking Statements

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our results of operations and financial condition, which are based upon our financial statements. The discussion should be read in conjunction with our financial statements and notes thereto, appearing in this Report.

The preparation of these financial statements requires us to make estimates and judgments that may affect the reported amount of assets and liabilities, revenues and expenses, and the related disclosure of such contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions.

This Report also contains forward-looking statements that involve risks and uncertainties, which may include statements about our:

- o Business strategy
- o Expansion of our manufacturing capabilities
- o Plans for entering into collaborative agreements
- o Anticipated sources of funds to finance our operations following the date of this Report
- o Plans, objectives, expectations and intentions contained in this prospectus that are not historical fact

The following words and financial projections contain figures related to plans, expectations, future results, performance, events or other matters that are "forward-looking statements". When used in the Plan of Operations, words such as "estimate", "project", "intend", "expect", "anticipate", and other similar

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expressions are intended to identify forward-looking statements. Such statements involve numerous risks and uncertainties, including, but not limited to, the science of organics, the development of the Company's products, markets for those products, timing and level of customer orders, competitive products and pricing, changes in economic conditions and other risks and uncertainties. Actual results, performance and events are likely to differ and may differ materially and adversely. Investors are cautioned not to place undue reliance on these forward looking statements which speak only as of the date of the Plan of Operations. The Company undertakes no obligation to release or deliver to investors revisions to these forward-looking statements to reflect events or circumstances after the date of the Plan of Operations, the occurrence of unanticipated events or other matters that may occur.

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### A. PLAN OF OPERATIONS

Since its inception in August 2003, the Company has been involved in the development and acquisition of a wide variety of organic-based products to be initially sold to retail supermarkets, convenience stores, colleges and universities, laboratories, national pharmacies, lawn and garden centers and the funeral industry. In addition, new markets being pursued include costume jewelry, sporting goods, optical, hobby and craft, health and beauty, footwear, automotive, cigar catalog houses, the quilting industry and boating.

The Company searches out small companies that have excellent non-food organic products, and through our own private label, seeks to bring them to market at the retail, wholesale and/or internet level.

The Company has a limited operating history on which to evaluate its prospects. The risks, expenses and difficulties encountered by a development stage company must be considered when evaluating the Company's prospects. The Company's plan of operating for the next twelve months is to further develop its product line by strengthening brand awareness, expanding its customer base and seeking strategic alliances with manufacturers, retail outlets, sales representatives and distributors. Management believes that existing funds, in conjunction with funds sought to be raised in a contemplated \$2.5 million minimum equity offering in the summer of 2008 and revenues generated by operations, will be sufficient to fund its operations for more than the next 36 months. Of course, there is no guarantee that the Company will be able to raise sufficient capital. In addition, estimates of costs to develop products, to market them and to seek strategic alliances with manufacturers and distributors might be low. The operating expenses cannot be predicted with certainty. They will depend on several factors, including, but not limited to, marketing expenses, acceptance of the Company's products in the market and competition for such products. Management has no firm basis for projecting the increase in revenue required to sustain operations as anticipated above. Such assumptions are based almost entirely on the valuable relationships that the Company has forged which it believes will translate into operating revenues. It is stressed that these assumptions are not at all based on firm commitments from customers or on other tangible evidence.

The Company currently is in the process of acquiring, developing and introducing its products to multiple markets in multiple regions. It has acquired and developed approximately 40 different non-food organic-based products. It has already received and is fulfilling orders for its new Dragonfly, Organix(TM) Organic-based cleaners from Shaw's, Hannaford, Stop & Shop, Tops, Giant, Key Foods and Roche Bros Supermarkets in the Northeast and Albertson's and Sweetbay Supermarkets in Florida.

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The Company is in the process of launching its organic fertilizer products in the first half of 2008 under its Mother Natures Cuisine(TM) and/or Garden Guys private label. It has also received purchase orders for these products from Shaw's Supermarkets, Agway and various Garden Centers, as well as its organic insecticide/fungicide product, Garden NEEM. The Company also anticipates launching its OSM commercial brand of cleaners into the municipal and government markets through the addition of WLB Associates, an independent sales representative organization; as well as, its continued active participation in various related trade publications and trade shows.

While the Company believes that it will accomplish these goals, if it is unsuccessful in raising additional capital in the summer of 2008, the probability of the Company hitting its 2008 financial targets may be adversely affected.

The Company is actively engaged in the process of rolling out its product line to an ever expanding customer base. Over the course of 2008, sales are anticipated to ratchet themselves up as new customers come on board and reorders start to come in. The Company lost about (\$850,000) in calendar 2007 and had negative cash flow from operations of about (\$750,000). In 2008, the Company projects a profit of \$250,000 and positive cash flow from Operations of \$350,000.

We will continue to use the radio as the primary source for marketing and creating brand awareness of our non-food organic products. Sam Jeffries, the Company's President, hosts a two hour garden talk radio show. From 6AM to 8AM on Sunday mornings, the show can be heard on WRKO in Boston, Massachusetts. From 8AM to

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10AM on Sunday mornings, the show can be heard on WHJJ in Providence, RI; WXLN in Stonington, Connecticut; WBSM in New Bedford, Massachusetts; WBAE in Portland, ME and WVAE in Biddeford, ME. In addition, the show is aired on a taped delay basis from 7AM to 9AM on Saturday mornings on WHYN in Springfield, MA; WGIR in Manchester, NH; WGIN in Rochester, New Hampshire and WGIP in Exeter, New Hampshire. Using this radio network of 10 stations we are able to inform customers about the importance of considering organic alternatives, how they should use organic products and where they can buy them. Since the Company pays for the air time, we receive an inventory of commercials that are partially used to educate consumers and let them know where to buy the products; as well as selling commercials to help offset the radio expense.

The Company also has established strategic relationships with key Sales Representative and Distributor organizations in the markets that we service and has developed very strong relationships with several vendors for the fulfillment of our organic liquid and fertilizer product lines. The Company plans to continue to vigorously pursue strategic relationships that enhance its ability to continue to deliver quality products at reasonable prices.

The Company continues to rely heavily on invested capital and short-term debt to fund its operations. To cover any anticipated cash shortfall, the Company collected \$575,000 in fiscal 2007, from the now completed January 3, 2006 stock offering. In addition, short-term bridge loan financing of \$332,000 was secured over the course of the last 6 months of calendar 2007 and \$476,120 was raised from small private placement offerings during the first four months of 2008.

As previously mentioned, the Company is also anticipating a minimum of \$2.5 million of additional funding from an equity offering in the summer of 2008. This combined with the expected increase in operating revenues should provide us

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with sufficient working capital through 2010 and beyond. On the other hand, if the Company were only able to raise \$1 million in equity and sales did not increase significantly, the Company would likely exhaust its resources in early to mid- 2009.

The Company's projected Plan of Operations for calendar year 2008 consists of the following: (000's omitted)

|   | 2008    |
|---|---------|
|   | -----   |
| Revenues                                    | \$3,500 |
| Margin                                      | 1,400   |
| Selling, General and Administrative Expense | 1,140   |
| Other (Income)/Expense                      | 10      |
|   | -----   |
| Net Profit/(Loss) Before Taxes              | \$ 250  |

### Revenue Projections

Our 2008 projections were made on an industry-by-industry basis with 75% of revenues coming from a combination of Grocery, Convenience and College Book stores and 25% expected to come from our new association with Fisher Scientific. In preparing this projection, we factored in existing customers, customers that we are about to start shipping to and those who have indicated a strong desire to carry our products at some point during 2008.

In some cases, grocery store slotting fees have been paid which guarantees space on that store's shelves for one year; however, there is still no guarantee that the product will sell, which is why we have made a financial commitment to heavily advertise and promote our products to enhance brand recognition, customer loyalty and encourage reorders.

### Expense Projections

Cost of sales was projected on an industry-by-industry basis using extensive product cost data that has been internally developed. In addition to the cost savings we are getting from higher volume purchases, we are

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aggressively looking for strategic partners who are able to supply us the same or better raw materials, but at better prices. To this end, the Company recently entered into a licensing agreement with Microbial Technologies Limited, a UK registered company, to provide formulations for manufacturing the concentrated raw materials used in its cleaning products.

General and Administrative costs were projected at less than 13% of sales with the intention of keeping overhead costs as low as possible. Major expenses in this category are Administrative payroll, Legal, Accounting and Consulting fees.

Marketing and Selling Expenses were projected at 20% of revenues with the caveat that if revenues come in higher than projected, more of the additional revenues will be reinvested into furthering marketing and selling activities. Major expenses in this category are the radio shows, trade shows, display cases and slotting fees.

Because the Company is still in the early stages of its growth, there can be no assurance that the Company's actual operations will reflect the above projections. Market conditions, competition, the ability to raise capital and all other risks associated with the operation of a development stage business

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could adversely impact the Company and keep us from achieving the above projections. This section contains forward-looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, expectations and intentions. The cautionary statements made in this document should be read as being applicable to all related forward-looking statements wherever they appear.

The Company anticipates that in order to fulfill its plan of operations, it will need to continue to attract key supermarket chains to sell its household organic cleaning and gardening products. To this end the Company has continued to receive orders and re-orders recognized supermarket chains such as Hannaford, Shaw's, Albertson's and major distributors such as United Natural Foods Inc. and Bozzuto Bros.

The Company has an agreement with an established sales representative organization, North Eastern Sales Solutions, to present its gardening and cleaning products to New England based supermarkets, drug stores, convenience stores and mass merchant trade retail outlets. In addition, an agreement exists with an established sales representative organization, Triangle Marketing, Inc. based in the South, to present our gardening and cleaning products to southern supermarket chains.

The Company also has a sales representative agreement with Northeast Garden Group, a Connecticut based sales representative organization that will present our gardening products to Agway and other independent garden centers throughout the New England region.

The Company must have the capability of producing and delivering its cleaning and gardening products in sufficient volume and in a timely manner in order to fulfill orders and satisfy customer demands. To this end, we have developed a strategic alliance with a well known fulfillment company, Webco Chemical Co., located in Dudley, Massachusetts; which we believe has the capacity and ability to handle our requirements over the next three years and more, if need be. Their role is to take the concentrated ingredients we purchase, dilute it with water to come up with a ready-to-use mixture that is then used to fill the bottles, which are then labeled, put in cartons and shipped to customers. Webco also handles our fulfillment requirements for our gardening products.

Risks related to our Business and Operations

- o Economic or industry-wide factors relevant to the Company:

Should consumer interest in "organic" or "natural" products diminish or even discontinue (which is unlikely in the Company's opinion), the industry and Company could be adversely impacted. A natural disaster, such as extreme weather conditions, could adversely impact garden product sales business throughout each affected area of the United States. Should there be a shortage of suppliers in enzyme technology which is the make-up of some of the products; the Company could be adversely impacted. A slower than anticipated roll-

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out of products to customers due to such external factors would materially affect the Company's ability to realize a profit and to yield a positive cash flow from operations as quickly as we expect.

- o Material opportunities, challenges:

Should the suppliers not be able to deliver in the quantities the Company

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needs at any given time in order to supply the orders, this would have an adverse effect on the sales and commitments. Should the contract manufacturer not be able to deliver the finished goods in a timely manner, or should they suffer any type of physical plant disaster or labor strikes or shortages, it would adversely impact the Company's' business. Challenges will be incurred as more and more heavily financed companies enter into the same or similar market(s) and the demand for raw materials increases.

- o Risks in short and long term and the actions we are taking to address them:

Undercapitalization could impose growth restraints on the Company preventing it from entering other markets and regions as opportunities exist. If Sam Jeffries were not able to host the weekly garden talk radio show, this could impact the content and quality of the programming of the show.

Should Sam Jeffries not be able to produce the radio show, the present co-hosts could produce and conduct the show in his absence. The Company also anticipates that in order to reach a national audience it can franchise the Garden Guys concept throughout the country and have local talk shows discussing lawn and gardening techniques and problems indigenous to each region.

- o Risks of a Development Stage Company

We have just begun generating operating revenues. If we are unable to sustain and increase operating revenues, we will not be able to generate profits and our business will falter.

- o Reliance on Investment Funds

We just recently started to receive cash from customer sales, but, for the most part, still rely upon external funding sources, primarily equity capital, to finance our operations. While we believe that increasing cash flow from customer sales will ultimately provide adequate funds to permit us to be self sufficient by the end of 2009; until then, we will continue to require additional capital from investors. If we are unable to obtain such funding from outside sources, we would likely be forced to reduce the level of our operations and business failure could become a real possibility.

- o Reliance on Management Team

As stated above, the Company relies heavily upon a small team of full-time officers and consultants. It has "key man" life insurance on Sam Jeffries that would compensate us in the event of his unfortunate demise. Sam Jeffries' continued involvement is deemed especially critical to our marketing efforts. The loss of Sam Jeffries or one of several key officers or consultants could have a material adverse impact on the Company's chances for success. At present, key man insurance coverage is only available on Sam Jeffries and is currently not being pursued on the other full-time officers due to cost.

Risks Related to Ownership of Our Stock

- o Trading Market

Our stock officially began trading on Monday, May 5, 2008 on the Over The Counter Electronic Bulletin Board under the trading symbol OGSM. Even with our shares being traded publicly, there is a substantial "overhang" of

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outstanding shares that would be eligible for sale under Rule 144. Such sales, if they were to occur, could tend to suppress the market value of our shares for some time.

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### o No Dividends in Foreseeable Future

Our board of directors determines whether to pay cash dividends on our issued and outstanding shares. Such determination will depend upon our future earnings, our capital requirements, our financial condition and other relevant factors. Our board does not intend to declare any dividends on our shares for the foreseeable future. We anticipate retaining any earnings to finance the growth of our business and for general corporate purposes.

### o Provisions of our Certificate of Incorporation, By-laws and Delaware Law

Provisions of our Certificate of Incorporation, By-laws and Delaware law may make it more difficult for someone to acquire control of us or for our stockholders to remove existing management, and might discourage a third party from offering to acquire us, even if a change in control or in management would be beneficial to our stockholders. For example, our Certificate of Incorporation allows us to issue different series of shares of common stock without any vote or further action by our stockholders and our Board of Directors has the authority to fix and determine the relative rights and preferences of such series of common stock. As a result, our Board of Directors could authorize the issuance of a series of common stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of other common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of other series of our common stock.

## B. MANAGEMENT'S DISCUSSION AND ANALYSIS OF ITS FINANCIAL CONDITION AND RESULTS OF ITS OPERATIONS

Detailed information regarding the Company's operations is contained in the Financial Statements section of this Report. The following table sets forth, for the periods indicated, certain key information about the Company.

The Company financed its expenditures since its inception primarily through private placement issuances for cash of 6% convertible debenture and convertible promissory notes totaling \$328,215 and a \$1,000,000 common stock offering commencing on January 3, 2006. Of the 1,258,244 shares of stock offered, 442,917 were allocated to the convertible debenture holders and convertible promissory note holders at a conversion price of \$.42 per share and 815,327 shares of common stock were made available to accredited investors at \$1.00 per share.

As of the date of this Report, the private placement commenced on January 3, 2006 is complete and an aggregate of \$999,500 has been received from investors.

On February 18, 2008, the Company commenced a private stock offering, whereby it authorized the issuance of 100,000 shares of its common stock for cash of \$50,000. The offering was closed as of March 31, 2008 and 50,000 shares of common stock were actually issued during the period presented in exchange for cash of \$25,000.

On February 20, 2008, the Company commenced a private stock offering, whereby it



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authorized the issuance of 50,000 shares of its common stock for cash of \$50,000. The offering was closed as of March 31, 2008 and 33,123 shares of common stock were actually issued during the period presented in exchange for cash of \$33,123.

On February 28, 2008, our Board of Directors approved the issuance of 151,562 shares at a price of \$1.00 per share in a \$1.00 for \$1.00 settlement of Debt and Accounts Payable.

The Company has issued shares directly to accredited investors and through the conversion of the 6% convertible debentures and convertible promissory notes previously issued. All such shares have been issued in reliance upon exemptions from registration with the Securities and Exchange Commission. A total of 81% of the Company's outstanding common shares are restricted as of March 31, 2008.

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### Selected Financial Data Organic Sales and Marketing, Inc. (A Development Stage Company)

For the Three Months Ended March 31, 2008 and 2007

#### Statement of Operations -----

|   | Three Months<br>Ended<br>March 31, 2008<br>----- | Three Months<br>Ended<br>March 31, 2007<br>----- |
|---|--|--|
| Revenues                                    | \$ 60,529  | 25,173   |
| Margin                                      | 17,912   | 7,588  |
| Selling, General and Administrative Expense | 319,722  | 273,257  |
| Other Income/(Expense)                      | (14,152)   | (2,348)  |
|   | -----  | -----  |
| Profit/(Loss) Before Taxes                  | \$ (315,962)                                     | \$ (268,017)                                     |
|   | =====  | =====  |
| Loss per share-Basic and Diluted            | \$ (0.06)  | \$ (0.05)  |
|   | =====  | =====  |
| Weighted Average Number of Shares           |  |  |
| Weighted Average Number of Shares           | 5,471,066  | 4,899,834  |
|   | =====  | =====  |

#### Balance Sheets -----

|      | March 31, 2008<br>----- | March 31, 2007<br>----- |
|------|-------------------------|-------------------------|
| Cash | \$ 30,021               | \$ 124,410              |

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|  |                       |                       |
|--|-----------------------|-----------------------|
| Accounts Receivable  | 14,497                | 6,345                 |
| Inventories  | 110,865               | 72,554                |
| Fixed Assets   | 15,049                | 11,721                |
| Other Assets   | 200                   | 200                   |
| Prepaid Expense  | 80,167                | 16,663                |
|  | -----                 | -----                 |
| <b>TOTAL ASSETS</b>  | <b>\$ 250,799</b>     | <b>\$ 231,893</b>     |
|  | =====                 | =====                 |
| <br><b>LIABILITIES</b>   |                       |                       |
| Accounts Payable   | \$ 337,519            | \$ 174,447            |
| Accrued Expenses   | 77,004                | 167,051               |
| Line Of Credit   | 67,579                | 51,348                |
| Notes Payable-Current  | 346,019               | 52,939                |
| Note Payable-Long Term   | -0-                   | -0-                   |
|  | -----                 | -----                 |
| <b>TOTAL LIABILITIES</b>                                       | <b>\$ 828,121</b>     | <b>\$ 445,785</b>     |
| <br><b>STOCKHOLDERS EQUITY/(DEFICIT)</b>                       |                       |                       |
| Common Stock (Note 1)  | \$ 563                | \$ 498                |
| Additional Paid in Capital                                     | 2,108,071             | 1,486,308             |
| Prepaid Expenses   | -0-                   | -0-                   |
| Accumulated (Deficit)  | (2,685,956)           | (1,700,698)           |
|  | -----                 | -----                 |
| <b>TOTAL STOCKHOLDERS EQUITY/(DEFICIT)</b>                     | <b>\$ (577,322)</b>   | <b>\$ (213,892)</b>   |
| <br><b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY/(DEFICIT)</b> | <br><b>\$ 250,799</b> | <br><b>\$ 213,893</b> |
|  | =====                 | =====                 |

Note 1:

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Common Stock, \$.0001 par value, 100,000,000 shares authorized; 5,623,254 and 5,388,569 shares issued and outstanding respectively.

The Company is a development stage company and it has not generated significant operating revenues from its inception on August 23, 2003 to March 31, 2008. The Company is continuing to focus its efforts on improving and expanding its all natural cleaning and garden product lines and establishing a large viable national distribution network for these products. While there are no assurances, the Company anticipates that by continuing to improve and expand its quality product offerings, in conjunction with establishing a broad national distribution network, it will be in a position to receive substantial revenues in the future.

From its inception, the Company has incurred costs associated with the development and launching of its products, probable markets and business. The Company has established brand names, consumer recognition and interest in organics through private labels, the internet, the radio show and an established regional distribution network, which will ultimately increase the quality and marketability of the Company's products throughout the country. The Company's products commenced generating revenues during the second half of calendar 2007.

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From inception through March 31, 2008 the Company's selling, general and administrative expenses were \$2,494,125. These expenses were partially offset by income from radio ads, website and garden and cleaning product sales in the amount of \$511,154. As a development stage company, significant resources have been allocated to growing and expanding the Company. These costs include, but are not limited to, \$415,174 for Legal and Accounting Fees, \$525,218 for Payroll, \$328,218 for Convertible Debt Expense, \$340,617 for Advertising, \$286,194 for brokered time purchased for our radio shows and \$119,520 for Interest Expense.

As of March 31, 2008, the Company had current assets of \$235,550 and Fixed and Other Assets of \$15,249, resulting in total assets of \$250,799. The Company's current liabilities were \$828,121. Working capital at March 31, 2008 and March 31, 2007 was \$(592,571) and \$(225,813) respectively. As a development stage company, the negative swing in working capital is indicative of the debt and extended vendor terms that were required to fund non-capitalizable operating expenses such as those referred to in the previous paragraph. The business plan, of course, is that over the course of 2008 and into early 2009, the negative swing in working capital will steadily move to become positive as product sales ratchet up and receivables generate more and more cash flow from operations.

### Critical Accounting Policies

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. We believe that our critical accounting policies are limited to those described below.

#### Principles of Accounting

The Company employs the accrual method of accounting for both financial statements and tax purposes. Using the accrual method, revenues and related assets are recognized when earned, and expenses and the related obligations are recognized when incurred. The Company has elected a September 30 year end.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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#### Revenue Recognition

The Company applies the provisions of SEC Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements" ("SAB 104"), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB 104 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. We earn our revenues from the distribution of garden and cleaning products to retailers and directly to consumers via our internet site and from advertising contracts. Four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectibility is reasonably assured.

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Revenue from garden and cleaning products is recognized upon shipment of the product. The distribution of products is governed by purchase orders or direct sale agreements which fix the price and delivery date. The Company records a provision for product returns and price markdowns as a reduction of gross sales at the time the product passes to these retailers or consumers. The provision for anticipated product returns and price markdowns is primarily based upon the Company's analysis of historical product return and price markdown results. Should product sell-through results at retail store locations fall significantly below anticipated levels this allowance may be insufficient. The Company will review the adequacy of its allowance for product returns and price markdowns and if necessary will make adjustments to this allowance on a quarterly basis. In compliance with Emerging Issues Task Force ("EITF") No. 00-10, "Accounting for Shipping and Handling Fees and Costs," distribution costs charged to customers are recognized as revenue when the related product is shipped. Advance payments are recorded on the Balance Sheet as deferred revenue until the revenue recognition criteria is met.

Revenue from radio advertising is derived from two sources, the sale of commercial spots on the Garden Guys radio talk shows and hosting live remote broadcasts. Revenue from radio advertising is recognized after the commercial has been aired and/or a remote broadcast has taken place. Customers will prepay for radio spots or remote broadcasts at the time they contract with the Company to air their commercials or host a remote broadcast. The Company will carry this prepayment as a liability, until such time as economic performance takes place. Money received is refundable prior to the airing of commercials or the airing of the remote broadcast, adjusted by any production or other direct costs incurred up to that point in time.

### Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. During fiscal 2007, the Company maintained cash in bank accounts which, at times, exceeded Federal Deposit Insurance Corporation insured limits. The Company has not experienced, nor does it anticipate, any losses on these accounts and believes their risk to be minimal.

### Accounts Receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. The Company feels that the entire balance of accounts receivable as of March 31, 2008 and September 30, 2007 is collectable and, therefore, no allowance has been taken.

### Inventory

The inventory is stated at the lower of cost (first-in-first-out method) or market. Inventory items consist of raw material and finished goods. Raw materials consist of labels, bottles, sprayers and shipping materials. Finished goods consist of fertilizer bags and bottles of organic cleaning products ready for shipment. The inventory consists of newly purchased items; therefore, there is currently no allowance for excess or obsolete inventory.

### Prepaid Expenses

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Business expenses, including consulting expenses, that are paid for in advance of services being rendered are treated as prepaid expenses. On occasion, the Company pays for prepaid expenses with common stock. When these transactions occur, they are identified as negative components of stockholders' equity.

### Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Expenditures for minor replacements, maintenance and repairs which do not increase the useful lives of the property and equipment are charged to operations as incurred. Major additions and improvements are capitalized. Depreciation and amortization are computed using the straight-line method over estimated useful lives of five to seven years.

### Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense primarily consists of the Company's two hour weekly Garden Guys radio call in program with Entercom, Clear Channel and Citadel Communications, slotting fee expense, display case costs and trade shows. The total advertising expense for the radio show contracts was \$69,410 and \$19,375 for the three months ended March 31, 2008 and March 31, 2007, respectively. In addition, the Company advertises its products on its own website and in numerous trade and industry publications.

### Income Taxes

The Company is a C Corporation registered in the state of Delaware. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. Income taxes are accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under SFAS No. 109 income taxes are recognized for the following: i) amount of taxes payable for the current year, and ii) deferred tax assets and liabilities for the future tax consequences of events that have been recognized differently in the financial statements than for tax purposes. Deferred tax assets and liabilities are established using statutory tax rates and are adjusted for tax rate changes. SFAS 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

### Net Income (Loss) per Share

Basic net income/(loss) per share is computed by dividing net income/(loss) by the weighted average number of common shares outstanding. Diluted net income/(loss) per share is computed by dividing net income/(loss) by the weighted average number of common shares outstanding and dilutive potential common shares, which includes the dilutive effect of stock options and warrants. Dilutive potential common shares for all periods presented are computed utilizing the treasury stock method. Common stock equivalents of 876,250 stock options were considered but were not included in the computation of loss per share because their effect is anti-dilutive.

### Stock Options

On February 28, 2008, our Board of Directors approved the 2008 Stock Option and Purchase Plan. Under the terms of this plan, options may be granted to officers, directors, employees, consultants and independent contractors to purchase up to an aggregate of 1,350,000 shares of common stock at an exercise price of \$1.00 per share. Options are exercisable and vest over a four year period at a rate of 25% per year. As of March 31, 2008, there were 876,250 options outstanding under this plan at the exercise price of \$1.00 per share.

Recently Issued Accounting Standards

In February 2006, the FASB issued SFAS Statement No. 155, "ACCOUNTING FOR CERTAIN HYBRID FINANCIAL INSTRUMENTS--AN AMENDMENT OF FASB STATEMENTS NO. 133 AND 140" ("SFAS 155"). This Statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, "APPLICATION OF STATEMENT 133 TO BENEFICIAL INTERESTS IN SECURITIZED FINANCIAL ASSETS." This Statement permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS 155 is effective for all financial instruments acquired or issued for the Company for fiscal years that begin after September 15, 2006. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In July 2006, the FASB issued FASB Interpretation No. 48, "ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES - AN INTERPRETATION OF FASB STATEMENT NO. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In September 2006, the FASB issued SFAS No. 157, "FAIR VALUE MEASUREMENTS" ("SFAS 157"). While SFAS 157 formally defines fair value, it establishes a framework for measuring fair value and expands disclosure about fair value measurements, it does not require any new fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is required to be adopted effective January 1, 2008 and the Company does not presently anticipate any significant impact on its consolidated financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 158, "EMPLOYERS' ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS - AN AMENDMENT OF FASB STATEMENTS NO. 87, 88, 106 AND 132(R)" ("SFAS 158"). SFAS 158 requires an employer to recognize the funded status of its defined benefit pension and other postretirement plans as an asset or liability in its statement of financial position and to recognize changes in the funded status in the year in which the changes occur through other comprehensive income. The funded status of a plan is measured as the difference between plan assets at fair value and the benefit obligation, which is represented by the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for other postretirement plans. SFAS 158 requires the recognition, as a component of other comprehensive income, net of tax, of the gains or losses and prior service costs or credits that arise during the period but are not recognized as a component of net periodic benefit cost in accordance with existing accounting principles.

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Amounts required to be recognized in accumulated other comprehensive income, including gains and losses and prior service costs or credits are adjusted as they are subsequently recognized as components of net periodic benefit cost pursuant to the recognition and amortization provisions of existing accounting principles. In addition, SFAS 158 requires plan assets and obligations to be measured as of the date of the employer's year-end statement of financial position as well as the disclosure of additional information about certain effects on net periodic benefit cost for the next fiscal year from the delayed recognition of the gains or losses and prior service costs or credits.

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The Company is required to adopt those provisions of SFAS 158 attributable to the initial recognition of the funded status of the benefit plans and disclosure provisions as of December 31, 2006. Those provisions of SFAS 158 applicable to the amortization of gains or losses and prior service costs or credits from accumulated other comprehensive income to the net periodic benefit cost were required to be applied on a prospective basis effective January 1, 2007. The Company does not anticipate that the adoption of SFAS 158 will have any impact on its 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 NO. 115" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions.

SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, providing that the entity also elects to apply the provisions of FASB No. 157, "FAIR VALUE MEASUREMENTS". The Company does not presently anticipate any significant impact on its consolidated financial position, results of operations or cash flows.

In December, 2007, the FASB issued SFAS No. 141(R), "Business Combinations", which established the principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141R is effective the first annual reporting period beginning on or after December 15, 2008 and is not expected to have any impact on the Company's financial statements.

In December, 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements", an amendment of ARB No. 51. SFAS 160 will change the accounting and reporting for minority interests which will be characterized as noncontrolling interests and classified as a component of equity. This new consolidation method will significantly change the accounting for transactions with minority interest shareholders. SFAS 160 is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2008 and is not expected to have an impact on the Company's financial statements.

In March, 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities", an amendment of FASB Statement No. 133. SFAS 161 requires entities that utilize derivative instruments to provide

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qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. SFAS 161 also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provisions of SFAS No. 133 has been applied and the impact that hedges have on an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company does not have or utilize any derivative instruments and/or hedging activities and therefore SFAS 161 is not expected to have an impact on the Company's financial statements.

### Reclassifications

There were no prior years reclassifications made during the reporting periods shown.

### Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates fair value due to the short-term maturity of these instruments. The carrying value of notes payable approximates fair value because negotiated terms and conditions are consistent with current market rates.

### Equity Issuances for Services

In December 2004, the FASB issued SFAS No. 123(R), "SHARE-BASED PAYMENT". This Statement revises SFAS No. 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION" and supersedes APB Opinion No. 25, "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES" SFAS No. 123(R) focuses primarily on the accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) requires companies to recognize in the statement of operations the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. This Statement is effective as of the first reporting period that begins after June 15, 2005. The Company has evaluated the provisions of SFAS 123(R) and determined that the share based employee compensation programs are a valuable instrument in retaining and rewarding employees and as a result, the Company will appropriately expense the costs of administering share based compensation programs as required by SFAS 123(R). The issuance of share based compensation has had an immaterial impact on the Company's financial statements. In the absence of any readily available market value for the stock, the company used par value until 2005. There has not been any share based compensation earned since 2005.

The Company issued common stock to two non-employees for consulting services. As of the measurement date, there was no reliable method to value the Company's common stock. In place of valuing the stock, the Company valued the services it received based on the two individuals similar services provided to unrelated entities. In the first transaction, the stock was issued after the measurement date, but prior to the expiration of the contract. This individual subsequently became an employee and a board member. In the second transaction, the common stock was issued after the completion of the contract. The numbers of shares issued were fixed in each contract and there were no unknown conditions as of the measurement date. The Company expensed the value of the services during the periods that the services were provided.

### Accounting for Income Taxes



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As part of the process of preparing our consolidated financial statements we are required to estimate our income taxes. Management judgment is required in determining our provision for our deferred tax asset. We recorded a valuation for the full deferred tax asset from our net operating losses carried forward due to our not having demonstrated any consistent profitable operations. In the event that the actual results differ from these estimates or we adjust these estimates in future periods, we may need to adjust such valuation, as recorded.

### Subsequent Events

On April 11, 2008, the Company commenced a private stock offering, whereby it authorized the issuance of 800,000 shares of its common stock for cash of \$400,000. The offering was closed as of April 16, 2008 and 800,000 shares of common stock were actually issued during the period presented in exchange for cash of \$400,000.

On April 17, 2008, the Company commenced a private stock offering, whereby it authorized the issuance of 20,000 shares of its common stock for cash of \$10,000. The offering was closed as of April 18, 2008 and 20,000 shares of common stock were actually issued during the period presented in exchange for cash of \$10,000.

### Item 3. Controls and Procedures.

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized, and reported within the required time periods. Our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report. They have concluded that, as of that date, our disclosure controls and procedures were effective at ensuring that required information will be disclosed on a timely basis in our reports filed under the Exchange Act.

No change in our internal control over financial reporting occurred during the period covered by this Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II -- OTHER INFORMATION

### Item 1. Legal Proceedings.

There are not presently any material pending legal proceedings to which the Company is a party or as to which any of its property is subject, and no such proceedings are known to the Company to be threatened or contemplated against it.

### Item 2. Recent Sales of Unregistered Securities and Use of Proceeds

On May 4, 2005 we issued 25,000 restricted shares of common stock to Stephen F. McCarthy pursuant to a Separation Agreement between Mr. McCarthy and the Company. In addition to the issuance of the common stock, the Company forgave an indebtedness of \$16,059 he owed to the Company.

On August 27, 2003 we issued 150,000 restricted shares to Leonard B. Colt, Jr. pursuant to a consulting agreement for services rendered to us in connection with the administration of our business and the sales and marketing of our products. Also, on July 26, 2006 we issued 6,938 restricted shares in payment of a \$2,500 Convertible Debenture Note issued to him for cash plus accrued interest thereon at the exercise price of \$.42 per share.

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On August 27, 2003 we issued 850,000 restricted shares to Jerry Adelstein pursuant to a consulting agreement for services rendered and in payment of \$9,178 cash loans made by him to the Company. In addition there were issued to Mr. Adelstein a series of non-interest bearing convertible notes for cash loans made by him from March 2004 to March 2006 in the amount of \$188,218. These notes were converted at the conversion price of \$.42 per share to 488,065 restricted shares of common stock in January of 2007.

On August 27, 2003 we issued 250,000 restricted shares to Joanne Anderson for services rendered in revising and updating our web site, logos, labels, packaging design, product development and advertising. Also, on July 26, 2006 we issued to her and her husband, Howard Anderson, as joint tenants 6,940 restricted shares in payment of our \$2,500. 6% Convertible Debenture issued to them for a cash loan including accrued interest thereon at the conversion price of \$.42 per share.

On December 21, 2006 we issued 14,003 shares of common stock to Robert Adelstein, an accredited investor, upon his conversion of our \$5,000 Convertible Promissory Note dated June 24, 2004 issued for a cash loan at the exercise price of \$.42 per share in payment of the principal balance and accrued interest thereon.

On December 21, 2006 we issued 27,896 shares of common stock to Vincent Innone, an accredited investor, upon his conversion of our \$10,000 6% Convertible Note dated March 25, 2004 issued for a cash loan at the exercise price of \$.42 per share in payment of the principal balance and accrued interest thereon.

Commencing January 3, 2006, the Company commenced an offering of 1,258,244 shares of its common stock up to the aggregate limit of \$1,000,000 of prices not exceeding \$1.00 per share to accredited investors and to holders of the Company's 6% Convertible Debentures or the holders of its convertible promissory notes at the conversion exercise price of \$.42 per share. As of December 31, 2007, the Company had issued 999,500 shares of its common stock for cash at \$1.00 per share to accredited investors and had issued 880,476 shares to convert a total of \$328,218 of debt and \$41,582 of related interest on the debt. All such securities were issued in reliance upon exemptions from registration under the Securities Act of 1933, as amended.

The aggregate proceeds of \$1,369,300 realized by the Company through sale of its securities as described above was used for general working capital and substantially applied to ordinary operating overhead. This is typical of developmental stage companies until such time as they can meet their ongoing costs from operating revenues.

On February 18, 2008, the Company commenced a private stock offering, whereby it authorized the issuance of 100,000 shares of its common stock for cash of \$50,000. The offering was closed as of March 31, 2008 and 50,000 shares of common stock were actually issued during the period presented in exchange for cash of \$25,000.

On February 20, 2008, the Company commenced a private stock offering, whereby it authorized the issuance of 50,000 shares of its common stock for cash of \$50,000. The offering was closed as of March 31, 2008 and 33,123 shares of common stock were actually issued during the period presented in exchange for cash of \$33,123.

On February 28, 2008, our Board of Directors approved the issuance of 151,562

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shares at a price of \$1.00 per share in a \$1.00 for \$1.00 settlement of Debt and Accounts Payable.

See "Subsequent Events" in Part I, Item 2 above for detail on the sale of common stock after the close of the March 31, 2008 quarter.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Submission of Matters to a Vote of Security Holders

None.

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### Item 5. Other Information

None.

### Item 6. Exhibits

#### 3.2 2008 Stock Option and Purchase Plan.

31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Executive Officer.

31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Financial Officer.

32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Executive Officer.

32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Financial Officer.

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### SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

|              |  |
|--------------|--|
|              | _____  |
|              | (Registrant)   |
| May 15, 2008 | /s/ Samuel F.H. Jeffries                               |
| -----        | -----  |
| Date         | SAMUEL F.H. JEFFRIES, CEO AND CHAIRMAN<br>(Signature)  |
| May 15, 2008 | /s/ Mark J. McEvoy                                     |
| -----        | -----  |
| Date         | MARK J. McEVOY, CHIEF FINANCIAL OFFICER<br>(Signature) |

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Organic Sales and Marketing, Inc.  
(A Development Stage Company)

Financial Statements for the Six Months Ended  
March 31, 2008 (Unaudited) and 2007

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ORGANIC SALES AND MARKETING, INC.  
(A Development Stage Company)  
Balance Sheets

ASSETS

|                             | March 31,<br>2008    | September 30,<br>2007 |
|-----------------------------|----------------------|-----------------------|
|                             | -----<br>(Unaudited) | -----                 |
| CURRENT ASSETS              |                      |                       |
| Cash and cash equivalents   | \$ 30,021            | \$193,341             |
| Accounts receivable, net    | 14,497               | 30,602                |
| Inventories                 | 110,865              | 111,304               |
| Prepaid Expense             | 80,167               | 18,893                |
|                             | -----                | -----                 |
| Total Current Assets        | 235,550              | 354,140               |
|                             | -----                | -----                 |
| PROPERTY AND EQUIPMENT, NET | 15,049               | 12,752                |
|                             | -----                | -----                 |
| OTHER ASSETS                |                      |                       |
| Deposits                    | 200                  | 200                   |
|                             | -----                | -----                 |
| Total Other Assets          | 200                  | 200                   |
|                             | -----                | -----                 |
| TOTAL ASSETS                | \$250,799            | \$367,092             |
|                             | =====                | =====                 |

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The accompanying notes are an integral part of these financial statements.

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ORGANIC SALES AND MARKETING, INC.  
(A Development Stage Company)  
Balance Sheets (Continued)

LIABILITIES AND STOCKHOLDERS' (DEFICIT)

|  | March 31,<br>2008 | September 30,<br>2007 |
|--|-------------------|-----------------------|
|  | -----             | -----                 |
|  | (Unaudited)       |                       |
| <b>CURRENT LIABILITIES</b>   |                   |                       |
| Accounts payable   | \$ 337,519        | \$ 239,811            |
| Accrued expenses   | 46,642            | 99,386                |
| Accrued interest payable   | 30,362            | 24,441                |
| Line of Credit   | 67,579            | -                     |
| Notes payable  | 157,000           | 157,000               |
| Notes payable - related parties  | 189,019           | 52,026                |
|  | -----             | -----                 |
| Total Current Liabilities  | 828,121           | 572,664               |
|  | -----             | -----                 |
| Total Liabilities  | 828,121           | 572,664               |
|  | -----             | -----                 |
| <b>STOCKHOLDERS' (DEFICIT)</b>   |                   |                       |
| Common stock, \$0.0001 par value; 100,000,000 shares<br>authorized, 5,623,254 and 5,388,569 shares issued and<br>outstanding, respectively | 563               | 539                   |
| Additional paid-in capital   | 2,108,071         | 1,898,410             |
| Deficit Accumulated during the Developmental Stage   | (2,685,956)       | (2,104,521)           |
|  | -----             | -----                 |
| Total Stockholders' (Deficit)  | (577,322)         | (205,572)             |
|  | -----             | -----                 |
| <b>TOTAL LIABILITIES AND<br/>STOCKHOLDERS' (DEFICIT)</b>   | <b>\$ 250,799</b> | <b>\$ 367,092</b>     |
|  | =====             | =====                 |

The accompanying notes are an integral part of these financial statements.

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ORGANIC SALES AND MARKETING, INC.  
(A Development Stage Company)

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## Statements of Operations (Unaudited)

|   | For the Three Months<br>Ended March 31, |              | For the Six<br>Months Ended Mar |
|---|---|--------------|---------------------------------|
|   | 2008                                    | 2007         | 2008                            |
| <b>REVENUES</b>   |   |              |                                 |
| Product sales, net  | \$ 60,529                               | \$ 25,173    | \$ 108,564                      |
| Services  | --                                      | --           | --                              |
|   |   |              |                                 |
| Total Revenues  | 60,529                                  | 25,173       | 108,564                         |
| <b>COST OF SALES</b>                                      |   |              |                                 |
|   | 42,617                                  | 17,585       | 76,124                          |
|   |   |              |                                 |
| GROSS PROFIT  | 17,912                                  | 7,588        | 32,440                          |
|   |   |              |                                 |
| <b>OPERATING EXPENSES</b>                                 |   |              |                                 |
| Selling, general and administrative                       | 319,722                                 | 273,257      | 586,423                         |
|   |   |              |                                 |
| Total Operating Expenses                                  | 319,722                                 | 273,257      | 586,423                         |
|   |   |              |                                 |
| LOSS FROM OPERATIONS                                      | (301,810)                               | (265,669)    | (553,983)                       |
|   |   |              |                                 |
| <b>OTHER INCOME (EXPENSE)</b>                             |   |              |                                 |
| Interest income   | 411                                     | 840          | 1,419                           |
| Interest expense  | (14,563)                                | (3,188)      | (28,870)                        |
|   |   |              |                                 |
| Total Other Income (Expense)                              | (14,152)                                | (2,348)      | (27,451)                        |
|   |   |              |                                 |
| NET LOSS BEFORE INCOME TAXES                              | (315,962)                               | (268,017)    | (581,434)                       |
|   |   |              |                                 |
| INCOME TAX EXPENSE  | --                                      | --           | --                              |
|   |   |              |                                 |
| NET LOSS  | \$ (315,962)                            | \$ (268,017) | \$ (581,434)                    |
|   |   |              |                                 |
| <b>LOSS PER SHARE-</b>                                    |   |              |                                 |
| Basic and Diluted   | \$ (0.06)                               | \$ (0.05)    | \$ (0.11)                       |
|   |   |              |                                 |
| <b>WEIGHTED AVERAGE NUMBER<br/>OF SHARES OUTSTANDING-</b> |   |              |                                 |
| Basic and Diluted   | 5,471,066                               | 4,899,834    | 5,429,592                       |
|   |   |              |                                 |

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The accompanying notes are an integral part of these financial statements.

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ORGANIC SALES AND MARKETING, INC.  
(A Development Stage Company)  
Statements of Stockholders' (Deficit)  
For the period August 23, 2003 (inception) through March 31, 2008

|  | Common<br>Shares   | Stock<br>Amount | Additional<br>Paid-In<br>Capital | (Def<br>Accum<br>duri<br>Devel<br>St |
|--|--------------------|-----------------|----------------------------------|--------------------------------------|
|  | -----              | -----           | -----                            | -----                                |
| Balance, August 23, 2003 (inception)             | --                 | \$ --           | \$ --                            | \$                                   |
| Value attributed to discount on convertible note | --                 | --              | 112,500                          |                                      |
| Shares issued for services at \$.0001/share      | 1,600,000          | 160             | --                               |                                      |
| Cash Contribution to Capital                     |                    |                 | 2,328                            |                                      |
| Shares issued for services at \$.10/share        | 1,250,000          | 125             | 124,875                          |                                      |
| Amortization of Prepaid Expenses                 |                    |                 |                                  |                                      |
| Net loss for the year ended September 30, 2003   |                    |                 |                                  | (1                                   |
| Balance, September 30, 2003                      | -----<br>2,850,000 | -----<br>\$ 285 | -----<br>\$ 239,703              | -----<br>\$ (1                       |
| Value attributed to discount on convertible note | --                 | --              | 80,274                           |                                      |
| Cash Contribution to Capital                     |                    |                 | 350                              |                                      |
| Shares issued for services at \$.10/share        | 150,000            | 15              | 14,985                           |                                      |
| Shares issued for services at \$.10/share        | 500,000            | 50              | 49,950                           |                                      |
| Amortization of Prepaid Expenses                 |                    |                 |                                  |                                      |
| Net loss for the year ended September 30, 2004   |                    |                 |                                  | (3                                   |
| Balance, September 30, 2004                      | -----<br>3,500,000 | -----<br>\$ 350 | -----<br>\$ 385,262              | -----<br>\$ (4                       |
| Value attributed to discount on convertible note | --                 | --              | 85,944                           |                                      |
| Amortization of Prepaid Expenses                 |                    |                 |                                  |                                      |
| Net loss for the year ended September 30, 2005   | --                 | --              | --                               | (2                                   |
| Balance, September 30, 2005                      | -----<br>3,500,000 | -----<br>\$ 350 | -----<br>\$ 471,206              | -----<br>\$ (7                       |

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|   |           |        |             |         |
|---|-----------|--------|-------------|---------|
| Value attributed to discount on convertible note                | --        | --     | 49,500      |         |
| Amortization of Prepaid Expenses                                |           |        |             |         |
| Shares issued for cash at \$1.00/share                          | 431,100   | 43     | 431,057     |         |
| Shares issued for conversion of debt at \$.42/share             | 880,476   | 88     | 369,712     |         |
| Net loss for the year ended September 30, 2006                  | --        | --     | --          | (5)     |
| Balance, September 30, 2006                                     | 4,811,576 | \$ 481 | \$1,321,475 | \$ (1,2 |
| Shares issued for cash at \$1.00/share                          | 576,993   | 58     | 576,935     |         |
| Amortization of Prepaid Expenses                                |           |        |             |         |
| Net loss for the year ended September 30, 2007                  | --        | --     | --          | (8)     |
| Balance, September 30, 2007                                     | 5,388,569 | \$ 539 | \$1,898,410 | \$ (2,1 |
| Shares issued for cash at \$.50/share                           | 50,000    | 5      | 24,995      |         |
| Shares issued for cash at \$1.00/share                          | 33,123    | 3      | 33,120      |         |
| Shares issued for debt and payables at \$1.00/share             | 151,562   | 16     | 151,546     |         |
| Net loss for the six months ended March 31, 2008<br>(unaudited) | --        | --     | --          | (5)     |
| Balance, March 31, 2008 (unaudited)                             | 5,623,254 | \$ 563 | \$2,108,071 | \$ (2,6 |

The accompanying notes are an integral part of these financial statements.

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ORGANIC SALES AND MARKETING, INC.  
(A Development Stage Company)  
Statements of Cash Flows  
(Unaudited)

|  | For the Six Months<br>Ended March 31,<br>2008 | 2       |
|--|---|---------|
|  | -----   | -----   |
| CASH FLOWS FROM OPERATING ACTIVITIES   |   |         |
| Net loss   | \$ (581,434)                                  | \$ (420 |
| Adjustments to reconcile net loss to<br>net cash used in operating activities: |   |         |



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|  |           |        |
|--|-----------|--------|
| Depreciation expense   | 1,903     | 1      |
| Shares issued for services   | --        |        |
| Shares issued for convertible debt interest                        | --        |        |
| Amortization of prepaid expense                                    | --        |        |
| Amortization of discount on notes payable                          | --        |        |
| Write-off of receivable from officer                               | --        |        |
| Change in operating assets and liabilities:                        |           |        |
| Accounts receivable-trade  | 16,105    |        |
| Inventories  | 438       | (43    |
| Deposits   | --        |        |
| Prepaid Expense  | (61,273)  | (12    |
| Due from officers  | --        |        |
| Accounts payable   | 126,709   | 90     |
| Accrued expenses   | (2,744)   | 95     |
| Accrued interest payable   | 26,457    | 3      |
|  | -----     | -----  |
| Net Cash Used in Operating Activities                              | (473,839) | (286   |
|  | -----     | -----  |
| <br>CASH FLOWS FROM INVESTING ACTIVITIES                           |           |        |
| Purchase of property and equipment                                 | (4,202)   | (10    |
|  | -----     | -----  |
| Net Cash Used in Investing Activities                              | (4,202)   | (10    |
|  | -----     | -----  |
| <br>CASH FLOWS FROM FINANCING ACTIVITIES                           |           |        |
| Proceeds from issuance of shares                                   | 58,123    | 164    |
| Cash Contribution to Capital                                       | --        |        |
| Proceeds from Line of Credit                                       | 68,500    | 36     |
| Payments on Line of Credit   | (921)     |        |
| Proceeds from Bridge Loans   | 175,000   |        |
| Proceeds from convertible notes payable - related party            | --        |        |
| Proceeds from convertible notes payable                            | --        |        |
| Proceeds from notes payable - related party                        | 14,019    |        |
| Payments on notes payable - related party                          | --        | (6     |
|  | -----     | -----  |
| Net Cash Provided by Financing Activities                          | 314,721   | 194    |
|  | -----     | -----  |
| NET INCREASE (DECREASE) IN CASH                                    | (163,320) | (101   |
| CASH, BEGINNING OF PERIOD  | 193,341   | 226    |
|  | -----     | -----  |
| CASH, END OF PERIOD  | \$ 30,021 | \$ 124 |
|  | =====     | =====  |
| <br>SUPPLEMENTAL DISCLOSURES:                                      |           |        |
| Cash paid for interest   | \$ 2,413  | \$ 5   |
| Cash paid for income taxes   | \$ --     | \$     |
| <br>NON-CASH INVESTING AND FINANCING ACTIVITIES:                   |           |        |
| Shares issued for conversion of notes payable and accrued interest | \$ 72,562 | \$     |

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|   |    |        |    |
|---|----|--------|----|
| Shares issued for services                              | \$ | --     | \$ |
| Shares issued for prepaid services                      | \$ | --     | \$ |
| Shares issued for accounts payable and accrued expenses | \$ | 79,000 |    |

The accompanying notes are an integral part of these financial statements.

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ORGANIC SALES AND MARKETING, INC.  
(A Development Stage Company)  
Notes to the Financial Statements  
March 31, 2008 (Unaudited)

Note 1 - Basis of Financial Statement Presentation

The accompanying unaudited financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim financial statements include normal recurring adjustments and reflects all adjustments, which in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim financial statements be read in conjunction with the Company's audited financial statements and notes thereto included in its Form 10SB/A filing on August 3, 2007. Operating results for the six months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2008.

Note 2 - Net Income/(Loss) per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding and dilutive potential common shares, which includes the dilutive effect of stock options and warrants granted. Dilutive potential common shares for all periods presented are computed utilizing the treasury stock method. Common stock equivalents of 876,250 stock options were considered but were not included in the computation of loss per share because their effect is anti-dilutive.

|                                       | For the Three Months<br>Ended March 31, |              | For the Six Months<br>Ended March 31, |              |
|---------------------------------------|---|--------------|---------------------------------------|--------------|
|                                       | 2008                                    | 2007         | 2008                                  | 2007         |
| Basic and Diluted                     |   |              |                                       |              |
| Net Loss - Numerator                  | \$ (315,962)                            | \$ (268,017) | \$ (581,434)                          | \$ (420,730) |
| Weighted Average Shares - Denominator | 5,471,066                               | 4,899,834    | 5,869,238                             | 4,786,136    |
| Per Share Amount                      | \$ (0.06)                               | \$ (0.05)    | \$ (0.10)                             | \$ (0.09)    |

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Note 3 - Inventories

Inventories consisted of the following as of:

|                | March 31,<br>2008    | September 30,<br>2007 |
|----------------|----------------------|-----------------------|
|                | -----<br>(Unaudited) | -----                 |
| Raw materials  | \$ 83,371            | \$ 80,360             |
| Finished goods | 27,494               | 30,944                |
|                | -----                | -----                 |
| Totals         | \$110,865            | \$111,304             |
|                | =====                | =====                 |

At March 31, 2008 and September 30, 2007, no provision for obsolete inventory was recorded by the Company.

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ORGANIC SALES AND MARKETING, INC.  
(A Development Stage Company)  
Notes to the Financial Statements  
March 31, 2008 (Unaudited)

Note 4 - Stock Options

On February 28, 2008, our Board of Directors approved the 2008 Stock Option and Purchase Plan. Under the terms of this plan, options may be granted to officers, directors, employees, consultants and independent contractors to purchase up to an aggregate of 1,350,000 shares of common stock at an exercise price of \$1.00 per share. Options are exercisable and vest over a four year period at a rate of 25% per year. As of March 31, 2008, there were 876,250 options outstanding under this plan at the exercise price of \$1.00 per share. The issuance of these options was approved by holders of the majority of the companies outstanding common stock.

A summary of our outstanding common stock options as of March 31, 2008 are presented below:

|   | Number of Shares | Weighted Average<br>Exercise Price |
|---|------------------|------------------------------------|
| Stock Options Outstanding, September 30, 2007 | --               | \$ --                              |
| Options Issued, 2008                          | 876,250          | \$ 1.00                            |
| Options Exercised, 2008                       | --               | \$ --                              |
| Options Canceled, 2008                        | --               | \$ --                              |
|   | -----            | -----                              |
| Stock Options Outstanding, March 31, 2008     | 876,250          | \$ 1.00                            |
|   | =====            | =====                              |

The following table summarizes the changes in options outstanding and the related prices for the shares of the Company's common stock options issued to

## Edgar Filing: Organic Sales & Marketing Inc - Form 10QSB

both employees and non-employees of the Company.

| Year | Options Outstanding |                                 |  | Options Exercisable   |                                       |
|------|---------------------|---------------------------------|--|-----------------------|---------------------------------------|
|      | Exercise<br>Price   | Number<br>Shares<br>Outstanding | Weighted<br>Average<br>Contractual<br>Life (Years) | Number<br>Exercisable | Weighted<br>Average<br>Exercise Price |
| 2008 | \$ 1.00             | 876,250                         | 9.92   | 0                     | \$ 0                                  |

### Note 5 - Line of Credit

In August 2006, the Company entered into a Line of Credit / Overdraft Protection Agreement ("LOC Agreement") with a financial institution to borrow up to \$75,000. Interest accrues at the Wall Street Journal Prime Rate ("WSJ Prime Rate") less 1% for the first six months and at the WSJ Prime Rate, thereafter. All amounts due on the line of credit are due on demand. The balance outstanding at March 31, 2008 (unaudited) and September 30, 2007 was \$67,579 and \$ -0-, respectively. Accrued Interest Payable at March 31, 2008 (unaudited) and September 30, 2007 was \$425 and \$-0-, respectively. The LOC Agreement is guaranteed by an officer of the Company.

### Note 6 - Equity Transactions

Effective January 3, 2006, the Company commenced a stock offering, whereby it has issued an aggregate of 999,500 shares of its common stock for cash of \$999,500 as of December 31, 2007 (unaudited). Included in this, is an aggregate of 576,935 shares of its common stock for cash of \$576,935 issued during the fiscal year ended September 30, 2007.

On February 18, 2008, the Company commenced a private stock offering, whereby it authorized the issuance of 100,000 shares of its common stock for cash of \$50,000. The offering was closed as of March 31, 2008 and 50,000 shares of common stock were actually issued during the period presented in exchange for cash of \$25,000.

On February 20, 2008, the Company commenced a private stock offering, whereby it authorized the issuance of 50,000 shares of its common stock for cash of \$50,000. The offering was closed as of March 31, 2008 and 33,123 shares of common stock were actually issued during the period presented in exchange for cash of \$33,123.

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ORGANIC SALES AND MARKETING, INC.  
(A Development Stage Company)  
Notes to the Financial Statements  
March 31, 2008 (Unaudited)

### Note 6 - Equity Transactions (Continued)

On February 28, 2008, our Board of Directors approved the issuance of 151,562 shares at a price of \$1.00 per share in settlement of Notes and Accounts Payable.

### Note 7 - Notes Payable- Related Parties

Notes payable-related parties consisted of the following at March 31, 2008:

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|   | March 31,<br>2008<br>----- | September 30,<br>2007<br>----- |
|---|----------------------------|--------------------------------|
| Note payable with a director of the Company,<br>interest at 6% per annum, payments of<br>\$1,000 due monthly beginning April 1, 2007,<br>matures March 2010, unsecured.                     | \$ 1,247                   | \$ 32,026                      |
| Note payable with a director of the Company,<br>interest at 6% per annum, payments of<br>\$1,020 due monthly beginning April 15, 2008,<br>matures April, 2009, unsecured.                   | 12,772                     |                                |
| Note payable with a director of the Company,<br>interest at 12% per annum. No monthly payments<br>are required. All accrued interest and principal is<br>paid at maturity, December 1, 2008 | 175,000                    | --                             |
| Note payable with a related individual, interest<br>at 10% per annum, no current repayment<br>requirements, due on demand, unsecured.   | --                         | 20,000                         |
|   | -----                      | -----                          |
| Total Notes Payable - Related Parties   | \$ 189,019                 | \$ 52,026                      |
| Less: Current Portion   | (189,019)                  | (52,026)                       |
|   | -----                      | -----                          |
| Long-Term Notes Payable - Related Parties   | \$ --                      | \$ --                          |
|   | =====                      | =====                          |

Total accrued interest at March 31, 2008 and 2007 was \$46,642 and \$20,531.

Note 8 - Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is poorly capitalized and has had recurring operating losses for the past several years and is dependent upon financing to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to continue to implement their strategy of acquiring new customers and accepting reorders from existing customers. As the Company's revenues become more established, management expects to report net income, possibly within

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ORGANIC SALES AND MARKETING, INC.  
(A Development Stage Company)  
Notes to the Financial Statements  
March 31, 2008 (Unaudited)

Note 8 - Going Concern (Continued)

the next year. With the expansion of sales, management believes that the Company will eventually, possibly within the next year, generate positive cash flow from operations. In the interim, management believes that shortfalls in cash flow will be satisfied with funds raised from bridge loans, convertible debt and additional private stock offerings that are in compliance with Security and Exchange Commission integration rules and regulations governing the same.

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### Note 9 - Subsequent Events

On April 11, 2008, the Company commenced a private stock offering, whereby it authorized the issuance of 800,000 shares of its common stock for cash of \$400,000. The offering was closed as of April 16, 2008 and 800,000 shares of common stock were actually issued during the period presented in exchange for cash of \$400,000.

On April 17, 2008, the Company commenced a private stock offering, whereby it authorized the issuance of 20,000 shares of its common stock for cash of \$10,000. The offering was closed as of April 18, 2008 and 20,000 shares of common stock were actually issued during the period presented in exchange for cash of \$10,000.