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Organic Sales & Marketing Inc
Form 10KSB
January 12, 2009

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

FORM 10-KSB

(Mark One)

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

For the fiscal year ended September 30, 2008

TRANSITION REPORT UNDER 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.

(Name of small business issuer in its charter)

Delaware 33-1069593

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

114 Broadway Raynham, MA 02767

(Address of Principal executive offices) (Zip Code)

Issuer's telephone number (508) 823-1117

Securities registered under Section 12(b) of the Exchange Act:

| Title of each class ----- | Name of each exchange on which to be registered ----- |
|-----------------------------------|---|
| Common Stock \$.0001 par value | Over the Counter Bulletin Board |

Securities registered under Section 12(g) of the Exchange Act:

None

(Title of class)

(Title of class)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

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

State issuer's gross revenues for its most recent fiscal year.
\$383,725

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60. (See definition of affiliate in Rule 12b02 of the Exchange Act.) \$3,555,569 as of December 23, 2008.

Note: If determining whether a person is an affiliate will involve an unreasonable effort and expense, the issuer may calculate the aggregate market value of the common equity held by non-affiliates on the basis of reasonable assumptions, if the assumptions are stated.

(ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

8,539,863 shares of common stock as of December 23, 2008

DOCUMENTS INCORPORATED BY REFERENCE

If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933 ("Securities Act"). The listed documents should be clearly described for identification purposes (e.g. annual report to security holders for fiscal year ended December 24, 1990). None

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

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FORM 10-KSB
September 30, 2008

| Table of Contents | Page |
|--|------|
| ----- | ---- |
| Part I | |
| Item 1. Description of Business | 4 |
| Item 2. Description of Property | 14 |
| Item 3. Legal Proceedings | 14 |
| Item 4. Submission of Matters to a Vote of Security Holders | 14 |
| Part II | |
| Item 5. Market for Common Equity, Related Stockholder Matters and Small Business Issuer | 15 |
| Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations; Plan of Operations | 16 |
| Item 7. Financial Statements | 26 |
| Item 8. Changes in and Disagreement With Accountants on Accounting and Financial Disclosure | 26 |
| Item 8A Controls and Procedures | 26 |
| Item 8B Other Information | 26 |
| Part III | |
| Item 9 Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act | 26 |
| Item 10 Executive Compensation | 29 |
| Item 11 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | 29 |
| Item 12 Certain Relationships and Related Transactions | 30 |
| Item 13 Exhibits | 32 |
| Item 14 Principal Accountant Fees and Services | 32 |
| Signatures | |
| Supplemental Information | |
| Financial Statements | |

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(a) Business Development

1. Form and Year of Organization.

Organic Sales and Marketing, Inc. (the "Company" or the "Registrant" or the "Issuer") was incorporated in the State of Delaware as Garden Connections, Inc. on August 23, 2003. On April 20, 2005, Garden Connections, Inc. changed its name to Organic Sales and Marketing, Inc. Since inception, the Company has been engaged in product development, in the sales and marketing of privately labeled non-food organic products and in obtaining operational financing. The Company purchased the assets of Garden Connections LLC, a Massachusetts limited liability company in September 2003. The acquisition of the assets of Garden Connections LLC took the form of an exchange agreement whereby all of the outstanding common stock of the Company was exchanged for all of the interests of the respective partners of Garden Connections, LLC. The major reasons for the exchange were that the management of Garden Connections, LLC was desirous of adopting a name that would better describe the business plan and that the Company could not function as an LLC if its securities were to be publicly held. The exchange rate whereby the partners of the LLC received shares of the Company's common stock was arbitrary and not at arms length. It should be noted that the officers and directors of the Company as a group beneficially own 40.5% of the Company's outstanding common stock and as a result, control the operations of the Company.

2. Any bankruptcy, Receivership or Similar Proceeding. Not Applicable

3. Any Material Reclassification, Merger, Consolidation, or Purchase or Sale of a Significant Amount of Assets Not in the Ordinary Course of Business. Not Applicable

(b) Business of Issuer

The Company is a sales and marketing company that specializes in private labeling of all natural non-food organic products developed and manufactured by other companies who do not have the marketing skills or means to market and sell their products. We believe that we are able to bring their products to multiple markets through the internet, radio and our established distribution network consisting of independent representatives and distributors. Through our two hour weekly radio garden talk show and affiliation with recognized national communication networks, including Clear Channel, Citadel, and Entercom, we believe that we can generate market interest and sales in organic and natural product alternatives, interest in and knowledge of the importance of organics, and information regarding where to purchase these related products.

The Company uses the services of well established and experienced sales organizations and distributors to introduce, promote, and sell its line of all natural cleaning and gardening products on a commission basis. The Company also continues to sell its all natural funeral industry product line to funeral homes through magazine and industry specific newspaper advertising. The Company has begun to advertise, promote and sell its Nevr-Dull brand of all natural cleaners to Nevr-Dull's worldwide clientele pursuant to a royalty agreement.

The Company is a franchised vendor with Fisher Scientific Company LLC ("Fisher") for sales of our industrial, all natural cleaners through Fisher's website and their well respected national sales organization. Fisher is a major international medical instrument distributor. On October 31, 2007 the Company and Fisher signed an agreement that designates Fisher as our sole United States "National Laboratory Distributor" for our commercially branded product line through December 31, 2008. This exclusivity will be reviewed annually and awarded based on meeting mutually agreed upon non-binding targets. The target

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for the second year of the contract will be \$250,000 in sales at cost. Fisher will order products by placing purchase orders, and the Company will fill those orders as set forth in the agreement. In ordering the products, Fisher will have no minimum order requirement; nor does it make any annual minimum purchasing commitment. Following the initial term, the agreement will automatically renew for successive twelve month periods unless either party gives ninety days written notice of intent not to renew. Fisher Scientific already carries nine of the Company's industrial cleaners in three different sizes in their international catalog and

4

will now actively sell them through their national sales organization. Notice of intent not to renew has not been received by either party and, therefore, the contract has been automatically renewed for 2009.

Orders continue to be received from the Funeral Industry as word of the effectiveness of our odor eliminator product continues to spread throughout the country. In addition to postcard mailers and magazine advertising, we have an insert going into the center section of the Industry specific newspaper starting in January, 2009.

The Company is currently selling its all natural cleaning and gardening products through Kehe Foods, a major organic food distributor based in Romeoville, IL and UNFI (United Natural Foods Inc), the leading organic products distributor in the country, based in Dayville, CT. Some of the major grocery store chains that we sell to via these distributors are Shaw's, Stop & Shop, Shop Rite, Grestides, Whole Foods, Tops and Giant. In addition, we also sell to Bozzuto Bros Distributors in Cheshire, Connecticut which sells to many of the smaller and independent grocery store chains in the Northeast. There can be no absolute assurance that meaningful orders from any these outlets will continue or increase.

The Company's soft launch of its line of organic fertilizers in the Spring of 2008 was well received by Shaw's, Agway and many smaller independent garden centers. We are purchasing our proprietary organic fertilizer products from Land O'Lakes Purina Feed Organization ("LOL"), a division of Land O'Lakes, Inc. which is private labeled under the brand name of Mother Natures Cuisine, which contain bilingual instructions. Organic fertilizer orders and commitments for the Spring 2009 have been very strong to date and we anticipate that demand will get stronger as we get closer to the Spring. The intrigue and attraction of these items is that they are plant based fertilizers, rather than animal waste.

The discussion of possible other marketing arrangements with Land O'Lakes reflects strategies that have, so far been talked about and to some extent have been the subject of correspondence between both companies. To date, however, terms of such a business relationship are still being discussed.

A new rubberized mulch product, made from recycled tires has been shown to have multiple applications in various industries, such as pre-school playgrounds, green buildings, commercial and residential landscapes. The Company started marketing this new product in the Spring of 2008 primarily through Agway garden center stores through our independent rep organization that focuses specifically on the garden center channel. There is no assurance however, that significant orders from retail outlets will commence in the Spring of 2009. That will ultimately depend on customer demand.

The Company plans to concentrate its marketing efforts solely in the rapidly growing all natural non-food organic arena. The Company believes that consumers are being drawn to organic products by a growing desire for fewer chemicals and

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additives in their everyday lives. However, there can be no assurance that this trend will translate into sales and profits for the Company.

The Company believes that the organic industry, consisting of food and non-food products continues to be one of the fastest growing segments of our economy and that recent decisions by major corporations to make "going green" part of their mission statements could lead to more rapid growth than anticipated.

A 2007 Manufacturer Survey prepared by Nutrition Business Journal on behalf of the Organic Trade Association showed that in 2006 \$17.7 billion was spent on food and non-food organic products, an increase of 21% over the previous year. Based on reported consumer usage patterns, future shopping and other trended data, the survey projects that industry sales could reach \$28.3 billion by 2009. Organic non-foods had consumer sales of \$938 million in 2006, a growth of 26% for that year. Compared to organic foods, which is one of the fast growing market segments within the food industry, organic non-food products are still emerging as a category and sales are anticipated to grow anywhere from 16% - 40% each year through 2010, according to Organic Trade Association Forecasting Survey 2007.

Despite a tougher year ahead, according to a recent study by Mambo Sprouts Marketing, the leader in natural and organic product marketing and promotions, consumers are still willing to pay more for green environmentally friendly products. More than nine out of ten consumers studied reported buying the same or more environmentally

5

friendly products than they did six months ago. They see green as a priority and their interest in healthy, organic and sustainable products is on the rise. According to the Hartman Group report, "The Many Faces of Organic 2008" published in the summer of 2008, two-thirds of adult consumers buy organic products at least occasionally and about 19% of adults are weekly organic users.

The Company believes non-food organic products will participate in the anticipated industry growth. The Company specializes in the more rapidly growing non-food organic areas, such as private label premium fertilizers and consumer and industrial cleaners, where profit margins can be substantially greater. We understand, however, that there can be no assurance that these trends will continue or that our products will follow the same overall upward trend currently underway in the organic industry.

The Company has established important outsourcing manufacturing and marketing relationships with Land O'Lakes; CA Fortune Co, a major midwestern food broker based in Bloomingdale, IL; North Eastern Sales Solutions, a major independent grocery store sales representative organization in the New England area; EC Desmond Sales and Marketing, Inc. a major grocery store sales representative organization covering the NY, NJ and Pennsylvania areas and Northeast Garden Group, an independent garden center sales representative based in Connecticut. The Company also currently has a verbal working agreement with Land O'Lakes Purina Feed Organization.

We have a five year agreement with North Eastern Sales Solutions plus an automatic year to year renewal, unless terminated by either party. The commission rate for products sold is 5% percent in the New England area and 2% percent if sold outside that area. There is also a provision to mutually agree upon granting stock options to North Eastern Sales Solution based on volume sold.

The Company also has a five year agreement with automatic year to year renewals

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with North East Garden Group LLC covering sales of Garden Guys Products including plants, fertilizers, cleaning products and other products mutually agreed upon in the New England area. The commission rate is 5% percent plus a provision to mutually agree to stock option grants based on the volume of sales.

The Company also has a one year agreement with automatic year to year renewals with EC Desmond Inc. covering sales of cleaning products and other products mutually agreed upon in the NY, NJ and PA areas. The commission rate is 5% percent.

The broker agreement with CA Fortune Specialty Foods, Inc. is open ended until either party terminates the agreement with 30 days written notice. The territory covered by this agreement is primarily the Midwest and commission is earned at the rate of 5%.

The Company's successful weekly radio show, the "Garden Guys" broadcasts over eleven stations (WHJJ, WXML, WBSM, WGIR, WGIN, WGIP, WHYN, WBAE, WVAE, WRKO and WADK). The Company's President and host of the "Garden Guys" show, Sam Jeffries, is now heard weekly on WRKO, in Boston, MA, covering a large radio audience throughout New England. On January 3, 2008, the Company signed a two-year agreement with WRKO to broadcast the "Garden Guys" show live every Sunday to commence on February 3, 2008 through February 6, 2010. The Company has plans to expand the two-hour weekly radio show into other regional markets through its current relationships with Clear Channel, Citadel, and Entercom networks. All of these contracts are automatically renewable and the respective stations have agreed to promote the program with promotional announcements, print ads and billboard placement on their respective websites.

The Company's optimism regarding its relationships with the networks listed above is based on several factors:

- o To satisfy the broad-based appeal of the show, we have added a Garden Gal to our line-up of on-air personalities.
- o The "Garden Guys" show continues to receive positive feedback and its format is easily replicated in other regions.
- o As a brokered program, we pay for our air time, which would likely make the networks receptive to attempts to expand.

6

- o We maintain creative control, so that the show continues to be informative, educational and fun.

- o We have existing working relationships with Clear Channel, Citadel and Entercom, and Sam Jeffries, in particular, is well respected and known to many decision makers in the radio community. The "Garden Guys" ratings and following continue to increase and radio stations like to air a winner.

The timing and location of future stations will depend on whether the defined territories are or will become available and at what cost to the Company. There are no assurances that additional stations can or will be secured. At present there are no binding agreements providing for such expansion.

The Company generates brand awareness and consumer loyalty for a growing array of selective non-food organic products by educating the consumer, and acts as a distributor and marketer for the retailers that carry our products. The Company intends to capitalize on the growing interest in all natural non-food organics in several different markets with the intention of using the radio to increase

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awareness that organic products offer healthy alternatives without sacrificing expected results.

The Company's business strategy is to develop strategic marketing relationships with manufacturers that make quality all natural non-food organic based products that have multiple applications in multiple industries but which lack the marketing acumen needed to sell and take advantage of their own products. This type of marketing relationship begins with making the public aware of the product and/or the brand through the radio or other media outlets such as our own websites and then arranging with independent distributors or representatives to sell and promote the products with their established retail customer outlets.

It must be emphasized that although the Company is very excited about its product lines and its prospects for entry into a rapidly growing industry, the purchase of the Company's securities carries a significant risk. The Company has not had substantial revenues from operations and has not yet been profitable. While it has built important and valuable relationships with such major companies as Fisher Scientific, Land O'Lakes, Citadel, Clear Communications, Entercom, Kehe Food Products and United Natural Foods, Inc., the outlook remains uncertain in the absence of the receipt of substantial orders or substantial funding. Although the Company believes its overhead to be low based on its business plan, there can be no assurance that it will continue to find sources of working capital even after it attains a breakeven level. It should also be noted that the Company's auditors have included a "going concern" qualification in their opinion (see "Financial Statements").

1. Principal Products and Services and Their Markets

Currently the major all natural products that the Company is selling are all natural cleaners, which include stain remover, odor control, glass cleaner, floor cleaner, degreaser, concrete cleaner, eyeglass cleaner, jewelry cleaner, surface prep and glue cleaner, solely utilizing outside independent sales professionals, as well as an all natural insecticide-fungicide, organic soy candles and organic fertilizers. Since the Company sells only non-food all natural products, the shelf-life of its products can be in excess of one year or more, depending upon storage and climatic conditions. The Company uses a proprietary blend of organic compounds in its all natural products which are non-toxic, biodegradable and safe for use around children and pets. In addition, the Company will introduce an all natural detergent in January, 2009 which will also be sold by our independent sales professionals through major supermarket chains throughout the country.

The Company receives revenues from sales of product on our various websites, products sold directly by us or by our independent reps to distributors who then sell to retail stores, products sold to retail stores directly by us or our independent reps, re-selling our organic products to other companies and industries who wish to private label or license our products, lectures to garden clubs, civic organizations and other associations, and the sale of advertising inventory (commercial spots) available to the Company through the various radio stations that carry the Garden Guys radio talk show.

Organic Fertilizer Market:

7

The Company is focusing marketing efforts on organic fertilizers, a rapidly growing segment of the fertilizer industry. In our opinion, industry-wide organic fertilizer sales have risen so rapidly in the last three years that they have commanded a premium price in the marketplace. Accordingly, we foresee some of our greatest growth over the next 3-5 years to potentially be in this arena.

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By letter dated November 14, 2006 we were notified that we have been selected by Land O'Lakes Purina Feed Organization to act as their private label fertilizer marketer, starting in the Spring of 2008. A strong marketing focus will be on the major home and garden retail chains such as Home Depot, Lowe's and Agway, which Land O'Lakes Purina Feed Organization does not presently supply internally. The Company will be receiving from Land O'Lakes Purina Feed Organization a complete line of fertilizers, as jointly formulated, designed and marketed by us under our newly applied for Mother Natures Cuisine trademark and existing trademark Garden Guys brands. Under the arrangement, Land O'Lakes Purina Feed Organization will also assist in product registration for each state, manufacturing, logistics, and distribution. They will also provide sales and marketing expertise for the Company, when needed. Under the Company's trademarks, the organic fertilizers will be sold retail, with the estimated sales price range of eight to twenty-five dollars. Other size bags may also be available. The Company believes this will potentially lead to major sales, as it is to be introduced into the 35 billion dollar lawn and garden market reported by the National Gardening Association in its Garden Market Research newsletter. There is no assurance however, that actual orders will commence. It will depend entirely on customer demand.

Land O'Lakes Purina Feed Organization is also a prime advertiser on our weekly radio show and a planned radio campaign for the spring of 2009 is already in place. In addition to our Dragonfly Organix brand, Land O'Lakes Purina Feed Organization will also advertise their own brand of Bradfield Organics fertilizers, whose market is strictly geared to their existing independent channel and does not compete in the markets we will be pursuing. There is no written commitment for Land O'Lakes to buy time on our radio show other than that which has already been committed too for the spring of 2009. Continuing as a prime advertiser throughout 2009 and beyond, while distinctly possible, is in the discussion stage and may not actually come to pass.

Organic Based Household Cleaner Market:

Other areas which the Company believes hold considerable promise are the residential and commercial cleaner markets. We believe that the momentum in the rise in organic food sales, due primarily to the growing education of how toxic chemicals can have a direct or indirect impact on human health, will carry over to that of non-food organic products which may pose similar health hazards and risks. Our weekly radio show allows us the opportunity to educate consumers about these potential hidden risks and those products, including our own, that offer healthy alternatives to chemical cleaners and then identify those stores that share the same philosophy. While currently at 938 million dollars annually, according to the Organic Trade Association this category grew by 26% in 2006.

Jewelry, Modeling, and Bead Markets:

We currently supply one of the major industry distributors, Fire Mountain Gems & Beads, Inc., in Grant Pass, Oregon. Fire Mountain does over 100 million dollars in annual sales and has an extensive customer base. Their customers are some of the major retail jewelry and bead shops in the industry, including Zales and other distributors within the trade. In addition to post card mailers, the Company has maintained an advertising presence in industry-related magazines to help to create brand awareness for our Glitz Jewelry Shiner and ODX Surface Cleaner products in these markets. There is no assurance, however, that these markets will develop for our products.

Funeral Industry & Medical Examiners Market:

The Company is currently supplying its Funeral Organix product line to Funeral Homes across the country. The Company expects that this class of trade has strong upside potential because there is a great need for cleaners and

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deodorizers due to the large amounts of chemicals used by this profession on a daily basis. The Company is currently represented by an independent salesman covering Illinois, Ohio and Michigan, to promote and sell our Funeral Organix, "From the Earth, To the Earth" brand, which the Company has developed and trademarked. Preliminary data indicates a strong willingness by the industry to replace their chemical products with ones that are all natural, chemical free and environmentally friendly. Marketing plans include advertising in industry related magazines, post card mailers, an insert in a weekly industry specific newspaper and an expanded network of

8

independent sales representatives and distributors. There is no assurance that these markets will develop significantly for our products. This depends entirely upon product quality, the ability to reach the target market and consumer acceptance.

According to Funeral Directors Association (FDA) statistics, there are 21,528 funeral homes nationwide, and 51% of new funeral directors entering the profession today are women. An adjunct industry to this one would be the ambulance industry, which has similar issues and problems with the use of chemicals.

Municipalities and Waste Disposal Markets:

Due to the various odor problems that these markets encounter on a daily basis, the Company's Odor Eliminator product has been independently tested by customers and the results have been excellent. Previously, the Massachusetts Bay Transit Authority ("MBTA") has made small purchases of our product and has had success in treating the urine odor problem in the transit system. In our existing and growing portfolio of all natural products, we see this and other related products as having numerous applications in multiple industries such as nursing homes, waste management, fishing industry, industrial kitchens, daycare centers, Montessori schools, hospice-home care, pet shops, kennels and veterinarian locations. There is no assurance that these markets will develop for our products. This will depend upon product quality, the ability to reach the target market and consumer acceptance.

The Company is capitalizing on the growing interest and desire among consumers for environment-friendly products. To do this, we have developed strategic marketing relationships with manufacturers that offer "green" alternatives to some of the traditional, chemical-based products that are currently being used in various industries. The Company hopes to be the dominant leader in the all natural, non-food organic industry so we are aggressively working with several manufacturing companies to further develop and perfect our growing line of all natural, non-food product offerings. In conjunction with a strategic partner, we have also developed a rubber tire mulch product that can be used in playgrounds, flower beds and gardens and has a definite ecological benefit by keeping old, used tires out of landfills.

The last five plus years have been spent establishing what the Company believes to be a strong, solid foundation needed to support the next phase in our business plan. All natural, non-food organic products are growing in demand. The Company's products are targeted to sophisticated, environmentally aware companies and consumers in various markets. The Company believes that strategic affiliations which have been developed with well-established manufacturers and sales and marketing companies, including the marketing expertise and reach of Land O'Lakes Purina Feed Organization; could possibly pave the way for our all natural, non-food organic products to eventually become available in many retail outlets throughout the country.

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These strategic marketing affiliations have resulted in contracts with North Eastern Sales Solutions, Northeast Garden Group LLC, EC Desmond Sales and Marketing and CA Fortune Company. They have led to contract negotiations with Land O'Lakes Purina Feed Organization and a licensing agreement with George Basch Co., a worldwide distributor of Nevrr-Dull Metal Polish. In addition, nine of our industrial cleaning products are now listed in the Fisher Scientific international catalog through which orders can be placed directly by customers of Fisher Scientific pursuant to the agreement described above. There can be no guarantees that this will continue or that it will result in meaningful sales.

2. Distribution

Our sales, marketing and promotional efforts are accomplished through the following:

- o Radio Show
- o Radio Advertising
- o E-Commerce Websites
- o Interactive Website with on-line forum room for gardeners
- o Industry-related Magazines and Newspapers

9

- o Face-to-face Client and Prospect Meetings
- o Sales Brochures and Product Samples
- o Point-of-Sale and End Cap Displays
- o Trade Shows
- o Membership in Trade Organizations
- o Garden Clubs
- o E-mail and Direct Mailings
- o Telemarketing
- o Strategic Marketing Alliances
- o Cooperative Advertising

We are now able to bring our products from manufacturer to consumer with limited financial exposure. We have the added advantage of being able to market our products not only through our independent marketing associates, but through our own radio programs, with a recognized growing interest in organics. The Garden Guys(R) ensure that brand awareness reaches the consumer through the radio. This creates a multi-faceted, multi-revenue channel model for the Company. Moreover, we hope to add new strategically selected radio personalities and stations to our Garden Guys(R) radio family over the next several years with a reach that goes beyond the New England area. Because of the knowledge we have obtained of how the communications industry works, as a result of the Garden Guys(R) radio talk show, we believe that this is a very attainable goal. Currently, we are on eleven radio stations, five of which are Clear Channel stations, one of the

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largest networks in the country with over 1000 stations nationwide. We intend to enroll additional radio stations as sales opportunities dictate. There is no set schedule for this expansion at this time. Although there can be no assurance, we believe enrolling additional stations will be made easier due to our current relationships with Clear Channel, Citadel, and Entercom.

We have contracts with North Eastern Sales Solutions, a major independent sales and marketing organization to represent our all natural products to retail pharmaceutical and supermarket chains such as CVS, Rite-Aid, Shaw's Supermarkets, Hannaford Supermarkets, Stop & Shop, Tops, Giant, Roche Brothers and other fine supermarket chains in the Northeast, and with North East Garden Group, another major independent sales and marketing company to represent our all natural products to retail outlets like Agway and other independent garden centers also in the Northeast. In addition, we are currently negotiating several other distribution contracts with manufacturers, distributors and retailers in the horticulture, jewelry, funeral and quilting industries.

3. Status of Any Publicly Announced New Products or Services

Currently the Company has a portfolio of approximately forty items, all of which are private label products, and six license name brands which are presently available from the manufacturers. The Company will be able to market its products not only through its distributors and independent sales organizations but through the Garden Guys(R) radio show which provides a viable channel through the creation of brand awareness on the part of the consumer and a growing interest in organics. Management believes these all natural non-food products will attract both male and female consumers looking to avoid the health risks and implications that have been found in non-organic or synthetic compounds. Management believes this is a promising trend which is supported by numerous independent articles and surveys which have been conducted.

All of these products are manufactured for the Company to its own specifications without any research and development costs being incurred since the manufacturers with whom we have existing relationships have already done the R&D. We achieve the benefits of their research by finding niche markets for these products, creating our own labels, and implementing a sales program by which to bring these products to market. We hope to continue to expand revenues without the need for an in-house sales force. The foregoing arrangement greatly limits the Company's financial exposure:

- o No research and development costs

10

- o No manufacturing facilities and related costs
- o Lower inventory costs and warehousing costs
- o Limited employees and staff

4. Competition

According to the Organic Trade Association, a leading organic association publication, organic non-foods had consumer sales of \$938 million in 2006, a growth of 26% for that year. Organic non-food products are still emerging as a category and sales are anticipated to grow anywhere from 16% - 40% each year through 2010, according to Organic Trade Association Forecasting Survey 2007. The Company believes its' largest competitors are privately-owned Seventh Generation, located in New Hampshire, Clorox, Mrs. Meyers and Imus' Greening the Cleaning.

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Because the organic cleaner market is relatively small in comparison to the total organic market, it is a fragmented market, ready for development. We believe that Seventh Generation, Inc., Clorox, Mrs. Meyers and Imus' Greening the Cleaning, are our major competitors in the organic cleaner market. Management believes, and early indications support its belief, that the Company's products will be accepted into the marketplace due to their unique qualities and eye catching packaging, coupled with extensive radio support.

Competition in lawn and garden organic product sales in New England and the East Coast, however, is much more intense. These markets are large and can support many companies offering these and similar organic products. We are unique in that we offer a service (the radio program) in addition to a product. We do not know of another company that does this. However, many of the companies that make up the competition in this market are better financed, more experienced, have more recognizable or established brand names, have better control over their manufacturing and distribution process, have a longer history of servicing the retail industry and may be better positioned to control sales to large retail outlets and, as a result, realize a dominant or substantial market share.

The market for cleaning and garden products is highly competitive. Although our products are natural and therefore distinguishable from most other more established brands, which do contain chemicals, it is possible that many consumers neither care about that fact, nor understand its significance. There are a number of other established providers that have greater resources, including more extensive research and development, marketing and capital than we do and also have greater name recognition and market presence. These competitors could reduce their prices and thereby decrease the demand for our products and technologies. We expect competition to intensify in the future, which could also result in price reductions, fewer customers and lower gross profit margins.

Access to retail outlets may be restricted due to pre-existing agreements that prohibit retailers from selling our products, or retailers may require substantial payments (slotting fees) for shelf space which is beyond the Company's financial capabilities. Such payments are common in the retail industry, but historically, the Company has been successful in mitigating these costs due to the uniqueness of our products. In the future our existing retailers may require such payments in order for us to continue to sell through them and new retail outlets may require payments to sell our product. It must be emphasized that our lack of revenues and somewhat limited financial resources may also have a serious impact on our ability to sell our products in these retail outlets and prevent us from executing our business plan.

5. The Sources and Availability of Raw Materials

The Company is not necessarily dependent on any one vendor for its raw materials. All products which are sold and marketed by the Company are fulfilled by our fulfillment company. Although we believe we can secure other suppliers should the need arise, we would expect that the deterioration or cessation of any relationship would have a temporarily adverse effect, until new relationships are satisfactorily in place.

We also run the risk of manufacturer price increases and component shortages. Competition for products or materials in short supply can be intense, and we may not be able to compete effectively against other purchasers

who have higher volume requirements or more established relationships. Even if manufacturers have adequate supplies of components, they may be unreliable in

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meeting delivery schedules, experience their own financial difficulties, provide components of inadequate quality or provide them at prices which reduce our profit. Any problems with our third-party suppliers can be expected to temporarily have a material adverse effect on our financial condition, business, results of operations and continued growth prospects. Our principal suppliers are:

| | | |
|--------------------------------|---|-----------------------------|
| Abott-Action, Inc. | - | Shipping Materials |
| Enzyme Solutions, Inc. | - | Organic Liquid Concentrates |
| Key Container, Corp. | - | Shipping Materials |
| Lightning Labels Inc. | - | Bottle Labels |
| Macaran Printed Products, Inc. | - | Bottle Labels |
| Microbial Technologies, Ltd. | - | Organic Liquid Concentrates |
| Webco Chemical Corp. | - | Liquid Fulfillment |
| Zuckerman-Honickman, Inc. | - | Bottles and Sprayers |

6. Dependence on a Single or Few Customers

The Company currently has several customers. It has developed and continues to develop multiple strategic alliances with several distributors and independent sales organizations. The Company does not anticipate that it will ultimately be dependent on a single customer or small group of customers.

7. The Importance of Patents, Trademarks, Licenses, Franchises and Concessions Held

To protect its rights to its intellectual property, the Company relies on a combination of trademark and copyright law, patents, trade secret protection, confidentiality agreements, and other contractual arrangements with its employees, affiliates, clients, strategic partners, and others. The protective steps it has taken may be inadequate to deter misappropriation of the Company's proprietary information. The Company may be unable to detect the unauthorized use of, or take appropriate steps to enforce its intellectual property rights. The Company has registered certain of its trademarks in the United States and has pending U.S. applications for other trademarks and patents.

Effective trademark, copyright, patent, and trade secret protection may not be available in every country in which it offers or intends to offer its products or services. In addition, although The Company believes that its proprietary rights do not infringe on the intellectual property rights of others, other parties may assert infringement claims against the Company or claims that we have violated a patent or infringed a copyright, trademark, or other proprietary right belonging to them. Such claims, even if not meritorious, could result in the expenditure of significant time and money on our part which could materially adversely affect the Company's business, results of operations, and financial condition.

The Company incorporates certain licensed third-party technology in some of its services. In these license agreements, the licensors have generally agreed to defend, indemnify, and hold the Company harmless with respect to any claim by a third party that the licensed software infringes any patent or other proprietary right. The Company cannot assure that these provisions will be adequate to protect it from infringement claims. The loss or inability to obtain or maintain any of these technology licenses could result in delays in introduction of new services.

The Company has trademark protection for its "Garden Guys Down to Earth Up to Date"(TM) trademark. In addition, the Company has applied to the US Patent and Trademark Office for trade mark protection for its "Dragonfly Organix from the Earth to the World"(TM) brand-name trade mark, "Mother Natures Cuisine(TM) Feed your Land from Mother Nature" brand name trade mark, and the picture of the "Plate with Garden Hand Fork and Hand Trowel with Gingham Placemat" trade dress.

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Final action on these applications is pending subject to publication in the Official Gazette.

12

8. Government Approval

Government approval is required for some of the Company's current products. The initial approval process is generally handled by the manufacturer. The Company does not believe that the approval process will have a material impact on its business growth.

9. Effect of Any Existing or Proposed Government Regulations

Other than normal government regulation that any business encounters, the Company's business is not significantly affected by any government regulations. As a publicly held company, we do have extensive responsibilities and expenses to assure compliance with federal and state securities regulation.

10. Research and Development Costs

The cost of Research and Development is borne initially by the manufacturer and built into our manufacturing expense. Since the Company began operations in August 2003 it has spent over one million dollars on market research and development of its markets. The revenues of the Company will be primarily from strategic alliances as described above. Revenues generated, while paying indirectly for research and technology costs accrued to date, will fund the operations of the Company, which includes funding any ongoing research and development.

11. Cost and Effects of Compliance With Environmental Laws and Regulations

The Company is not involved in a business which involves the use of materials in a manufacturing stage where such materials are likely to result in the violation of any potential environmental rules and/or regulations. Further, the Company does not own any real property which would lead to potential liability as a land owner. Therefore, the Company does not anticipate that there will be any costs associated with compliance with environmental laws and regulations.

12. Employees

As of the date hereof, the Company employs 5 full-time employees and 2 part-time employees. The Company hires independent contractors on an "as needed" basis only. It has no collective bargaining agreements with its employees. The Company believes that its employee relationships are satisfactory. In the long term, we will hire additional employees, as needed, based on the growth of the Company.

We will be dependent on our current management team for the foreseeable future. The loss of the services of any member of this management group could have a material adverse effect on our operations and prospects. Our success will be dependent to a substantial degree on Sam Jeffries and other key management personnel. CEO Sam Jeffries' continued involvement is particularly critical. In the event he becomes unavailable, it would have a material adverse effect on operations. At this time, we have no employment agreements in place and we have a "key man" insurance policy on Sam Jeffries, but no one else. The expansion of our business may be hampered by our inability to attract and retain additional qualified personnel, as needed, for the management team. There is no assurance that we can find suitable management personnel or that we will have the financial resources to hire or retain them once found.

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13. Cautionary Statement on Forward Looking Statements

Certain statements in this Report constitute "forward - looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. Management believes such statements to be relevant to an assessment and understanding of our results of operations and financial condition, which are based upon our financial statements prepared in accordance with generally accepted accounting principles in the USA. The discussion should be read in conjunction with our financial statements and notes thereto, appearing in this report.

13

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 substantially 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 report that are not historical fact

The following words and financial projections contain figures related to plans, expectations, future hoped-for results, performance, events or other matters that are "forward-looking statements". When used in the section describing our Plan of Operations, words such as "estimate", "project", "intend", "expect", "anticipate", and other similar expressions are intended to be 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 are often no more than Management's expression of its expectations. 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 this report, the occurrence of unanticipated events or other matters that may occur in the future.

ITEM 2. DESCRIPTION OF PROPERTY

The Company is in a "tenant at will" agreement with Leo S. Arcand (Lessor) of 114 Broadway, Raynham, MA. The premises encompass the North side of a one story, commercial, wood building with approximately 500 square feet of office space. The monthly lease payment is \$600.00 per month. It is located in an area that

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has easy access to major highways. Products are received and shipped by contract carriers.

The Company also maintains storage space at two locations. The cleaning and gardening products raw material and finished goods inventories are stored at our fulfillment house, Webco Chemical in Dudley, Massachusetts. The storage and picking is performed as a function of fulfillment and the Company is not separately charged for storage. We utilize about 10,000 sq. ft. of space. We do not have a warehouse agreement with Webco.

In addition, the Company rents a small storage unit on a month-to-month basis with Extra Space Storage located at 266 Broadway, Raynham, MA. The storage unit is approximately 20' X 20' and is used for storing office records, sales support materials and small amounts of corrugated materials used for shipping. The monthly payment for this space is \$129.00.

ITEM 3. LEGAL PROCEEDINGS

We are not presently a party to any material litigation.

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

No matters were submitted to a vote of our shareholders during the fourth quarter of fiscal 2008.

PART II

14

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

- (a) Market Information. The Company's common stock has been listed on NASDAQ's Over The Counter Bulletin Board since May 5, 2008 and is traded under the symbol OGSM.
- (b) Holders. As of December 23, 2008, there are 172 record holders of 8,539,863 shares of the Company's common stock.
- (c) Dividends. The Company has not paid any cash dividends to date and does not anticipate or contemplate paying dividends in the foreseeable future. It is the present intention of management to utilize all available funds for the development of the Company's business.
- (d) Recent sales of unregistered securities.

Effective January 3, 2006, the Company commenced a stock offering, whereby it issued an aggregate of 999,500 shares of its common stock for cash of \$999,500 as of December 31, 2007. Included in this, is an aggregate of 576,993 shares of common stock for cash of \$576,993 issued during the fiscal year ended September 30, 2007.

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

On February 20, 2008, the Company conducted a private stock offering whereby it authorized the issuance of 50,000 shares of common stock in exchange for cash of

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\$50,000. The offering was closed as of March 31, 2008 and 33,123 shares of common stock were ultimately issued in this stock offering in exchange for cash of \$33,123.

On February 28, 2008, the Company's Board of Directors' approved the issuance of 139,562 shares of common stock at \$1.00 per share in settlement of equal amounts of Notes and Accounts Payable.

On April 11, 2008 the Company conducted a private stock offering whereby it authorized the issuance of 820,000 shares of common stock in exchange for cash of \$410,000. The offering was closed as of April 30, and 820,000 shares of common stock were ultimately issued in this stock offering in exchange for cash of \$410,000.

On May 30, 2008, the Company extended a Conversion offer to nine bridge loan note holders who had loaned the Company funds during the 3rd Quarter of 2007. In exchange for their notes, the note holders were offered two shares of stock for each dollar of debt and accrued interest they were owed through June 30, 2008. Debt settlement expense associated with these transactions was \$685,421 for the twelve months ending September 30, 2008. Note holders were also offered one common stock warrant for each dollar of debt and accrued interest at an exercise price of \$2.00 per share and a two year exercise period. Warrant expense associated with these transactions was \$239,549 for the twelve months ending September 30, 2008.

For a more complete list of previous sales of unregistered securities by the Company, please refer to Part 5 of Form 10KSB for the year ended September 30, 2007, which is incorporated by reference herein.

(e) Description of Securities.

(i) Common Stock

The Company is authorized by its Certificate of Incorporation to issue an aggregate of 100,000,000 shares of capital stock, of which 100,000,000 are shares of Common Stock, par value \$.0001 per share (the "Common Stock").

The following is a summary description of our capital stock and certain provisions of our certificate of incorporation and by-laws, copies of which have been included as exhibits to this report. The following discussion is qualified in its entirety by reference to such exhibits.

All common shares are equal to each other with respect to voting and dividend rights and are equal to each other with respect to liquidation rights. Special meetings may be called by the Board of Directors or by any officer instructed by the directors to call the meeting. The shareholders have no right to call special meetings. Holders of

common shares are entitled to one vote at any meeting of the shareholders for each common share they own as of the record date fixed by the Board of Directors. At any meeting of shareholders, a majority of the outstanding common shares represented at the meeting will govern, even if this is substantially less than a majority of the common shares outstanding. Directors are elected by a plurality of votes. Holders of shares are entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available therefore, and on liquidation are entitled to participate pro rata in a distribution of assets available for such a distribution to shareholders. There are no conversion, pre-emptive or other subscription of assets available for

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such a distribution to shareholders. The shares do not have cumulative voting rights which mean that the holders of more than fifty percent of the common shares voting for election of directors may elect all the directors, if they choose to do so. In such event, the holders of the remaining shares aggregating less than fifty will not be able to elect directors.

This description of certain matters relating to the securities of the Company is a summary and is qualified in its entirety by the provisions of the Company's Certificate of Incorporation and By-Laws, copies of which have been filed as exhibits to the Form 10-KSB for the year ended September 30, 2007, which is incorporated by reference herein.

- (ii) Debt Securities. None
- (iii) Securities To Be Registered. None
- (iv) Market Value Table

| 2008 ---- | CLOSING BID | | CLOSING ASK | |
|--------------------|-------------|--------|-------------|--------|
| | HIGH | LOW | HIGH | LOW |
| Apr 11 thru Jun 30 | \$2.85 | \$1.00 | \$3.00 | \$1.25 |
| Jul 1 thru Sep 30 | \$1.20 | \$.35 | \$1.55 | \$.45 |
| Oct 1 thru Dec 19 | \$.45 | \$.08 | \$.95 | \$.25 |

The market value information above was compiled by Pink OTC Markets, Inc. from sources they believed to be reliable, however, they do not guarantee the accuracy, nor warranty its use for any purpose.

The above quotations represent prices between dealers and do not include retail markup, markdown or commission. They may not represent actual transactions and have not been adjusted for stock dividends or splits of which there were none.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. Plan Of Operations

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.

Since its inception in August 2003, the Company has been involved in the development and acquisition of a wide variety of non-food organic-based products to be initially sold to retail supermarkets, convenience stores, colleges, universities, laboratories, local, regional and national government agencies, national pharmacies, lawn and garden centers and the funeral industry. In addition, new markets continue to be pursued include costume jewelry, sporting goods, sports teams, computer, 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 and natural products, and through our own private label, brings them to market at the retail, wholesale or internet level. Currently we private label products from Bayscience Formulators, Microbial Technologies and Nev'r-Dull.

The Company has a limited operating history on which to evaluate its prospects. The risks, expenses and difficulties encountered by an expanding company must be considered when evaluating the Company's prospects. Management believes that existing funds, in conjunction with minimum funds sought to be raised during 2009 and projected revenues from operations will be sufficient to reach self-sufficiency by the end of 2009. Expansion of the business into 2010 and beyond will likely require additional investment through private placement offers most likely in late 2009 or early 2010. There can be no guarantee, however, that the Company will be able to raise either the minimum capital it needs to sustain its 2009 operations or the larger amount of capital it will need to expand and grow the business into 2010 and beyond which would likely have an adverse effect on the Company's ability to continue its operations.

In addition, estimates of costs to develop products, to market them and to seek strategic alliances with manufacturers and distributors might be low. Operating expenses cannot be predicted with any real degree of certainty. They will depend on several factors, including, but not limited to, marketing expenses, continued acceptance of the Company's products 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 strategic relationships the Company has forged which it believes will ultimately translate into operating revenues. It is important to stress, however, that these assumptions are not at all based on firm commitments from customers or on other tangible evidence.

The Company currently has 100+ SKU's in its product line offering and it continues to develop and introduce new and better non-food organic products as they present themselves. Its' Dragonfly Organix(TM) cleaner product line is currently sold in Shaws, Stop & Shop, Tops, Giant, Roche Bros, Albertson's of Florida, Shop-Rite/Wakefern, Gristedes, Key Stores and many other smaller independent supermarkets.

The Company continues to maintain strong, strategic relationships with United Natural Foods (UNFI), a leading natural food distributor based in Chesterfield, NH servicing over 17,000 customers nationwide and Kehe Foods, another leading natural food distributor based in Romeoville, IL which services over 9,000 customers nationwide.

The Company launched its organic fertilizer products in the spring of 2008 under its Mother Natures Cuisine(TM) with Shaw's Supermarkets and many Agway Stores. Due to unanticipated production issues the rollout was delayed and sales were less than anticipated. The spring of 2009 is expected to be very strong. Purchase orders or commitments to carry our fertilizer products have been received from Shaw's, Stop & Shop, Whole Foods, Benny's Hardware, Rocky's Ace Hardware, Aubuchon Hardware, Agway, Kehe Foods and many independent garden centers. In addition, our organically certified insecticide/fungicide product, Garden NEEM, which was first introduced in the spring of 2007, will be shipping many, if not all of the above named customers in conjunction with the fertilizer products. Sales of Garden NEEM in 2009 are on a course to more than triple 2008 sales.

While Kehe Distributors, Inc., has, to date, only sold our Dragonfly Organix line of cleaning products, it has just recently added the Company's entire line of branded Mother Nature's Cuisine line of products which includes, All-Purpose, Flower, and Veggie & Herb five pound bagged granular fertilizers, Oh No Deer repellent, Fish & Seaweed liquid concentrate fertilizer, four varieties of suet

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cakes, & Garden Guys Garden Neem. Kehe Foods has also elected to carry the Company's newest line of Dragonfly Organix 2x scented and unscented Laundry Detergent. In addition, the Company is currently working with Leggett & Platt, on private labeling for their needs, the Company's laundry and cleaner products.

Recently, the Company structured a deal between Northeast Garden Group, Agway, and Land O'Lakes/Purina Feeds. The Company will act as the broker for all sales of Agway's newly launched All-Natural 4-Stage lawn fertilizer. This is the first time Agway has ever launched their own branded natural lawn fertilizer in a 4-Stage offering. The Company also has a sales representative agreement with K&S Sales and Associates to concentrate on sales to other independent garden centers throughout the New England region.

17

The Company has started to generate sales of its Nev'r Dull commercial brand of cleaning products with the anticipation of additional sales to commence, where applicable, in some of the aforementioned markets

The Company continues to maintain an e-commerce internet presence hosting three different sites, www.garden-guys.com, www.mothernaturescuisine.com, and www.dragonflyorganix.com. The latter is also under the direction of Eye Level Solutions, a division of Kehe Distributors, Inc., which offers the Dragonfly Organix products for sale in over 12,000 e-commerce capable grocery stores nationwide. Acting as distributor, Kehe will process and fulfill orders placed. This enables the Company's products to gain shelf presence within stores who otherwise may not currently stock these items.

The Company will continue its active participation in various related trade publications and trade shows, starting in January 2009 with the Kehe Summer selling show in Houston, TX, Fisher Scientific National Sales Meeting in Houston, TX, New England Grows Lawn & Garden show in Boston, MA in February and Northeast Region College Book Store show in March, among a few to start the 2009 season.

The Company continues to receive orders from Fisher Scientific, our National Laboratory Distributor that sells into the colleges and universities, Hospital and Healthcare Laboratory industries. In addition, the Educational K-12 and Government services divisions of Fisher Scientific were recently added, and are now offering the Company's OSM branded line of all natural products to their customer base.

Over the course of 2009, sales will continue to ratchet themselves up as new customers come on board and reorders start to come in. In 2009, the Company projects a small loss, however, if sales come in stronger than anticipated, a small profit and positive cash flow from operations are a distinct possibility. If, however, the Company is unsuccessful in raising additional capital by the late summer of 2009, the probability of hitting its short term financial goals will be seriously impacted.

We will continue to use the radio as the primary source for marketing and creating brand awareness of our non-food, all natural product offerings. Sam Jeffries, the Company's President, hosts a live, weekly four hour Sunday morning garden talk radio show which is currently heard on 11 radio stations throughout the Northeast. Using this network of 11 radio stations allows us to keep listeners informed about the importance of considering all natural, organic chemical-free alternatives, how they should use these products and where they can buy them. Since the Company pays for the air time, it also receives an inventory of commercials which are used as a follow up during the work week to educate consumers about organics and where they can purchase the products. This

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also creates a medium for the Company to offset some of its radio and related expenses by selling the air time to potential sponsors and or advertisers of the radio show. Essentially, the Company has created its own media network, The Garden Guys, within the New England region. Based in Boston, MA it currently holds the eleventh spot for largest market in the country.

As previously noted, the Company has strategic relationships established 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 vigorously pursue all strategic relationships that enhance its ability to deliver quality non-food, all natural products at reasonable prices.

The Company's projected Plan of Operations for 2009 consist of the following:
(000's omitted)

| | CALENDAR Year 2009 ----- |
|---|--------------------------------|
| Revenues | \$2,400 |
| Margin | 840 |
| Selling, General and Administrative Expense | 996 |
| Net Profit/(Loss) from Operations | (\$ 156) |

The Company continues to rely on invested capital and short-term debt. The Company continues to seek additional minimum financing of \$250,000 to maintain operations in 2009. If operating revenues increase as expected and we attain break even in 2009, operations would most likely be able self-sustaining in 2010; however, additional investor funds would still be needed to continue to expand in 2010 and beyond. On the other hand, if we are unable to raise the minimum financing needed in 2009, the Company would likely exhaust its resources in late 2009.

1. Revenue Projections

In some cases, grocery store slotting fees have been paid which guarantees us space on their shelves for a year. Despite its heavy financial commitment to heavily advertise and promote its products to enhance brand awareness, foster customer loyalty and encourage reorders, there can be no guarantee that its products will sell as we believe they will or that the consumer will reorder the products once they have used them.

Our 2009 projections were conservatively made on an industry-by-industry basis with 70% of our projected revenues coming from a combination of Grocery, Convenience and College Book Stores; 25% from our exclusive National Laboratory Distributor, Fisher Scientific and the remaining 10% from a combination of website, radio ads and funeral home industry sales. In preparing our projections we identified customers that we are currently shipping, those to whom we are about to start shipping and those who have indicated a desire to carry our products at some point during 2009. Based upon these assumptions, we estimate how much product would be sold each month and how much the projected dollar revenue would represent on a monthly, quarterly and annual basis.

18

2. Expense Projections

Costs of sales were projected based upon the amount of product being sold using

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the extensive by product costs we had developed for each of our products. As volume increases it is expected that costs will go down as a function of better quantity purchases. Our projections do not, however, take these cost reductions into consideration.

General and Administrative costs were projected at 12.5% of revenues, in line with our corporate objective of keeping G&A expenses level as sales increase.

Selling expenses were projected at 29% of revenues. If revenues are higher than projected, more of the additional revenues will be reinvested in further marketing and selling activities. If revenues come in lower than projected, analysis will be done to determine why and, if appropriate, marketing and selling expenses will be reduced or redirected. These expenses include, but are not limited to, radio show costs, display cases, trade shows, slotting fees commissions, samples, payroll and print media advertising.

We believe that we have developed a careful, well-thought out business plan based upon educated assumptions using the most current data available to us. There is, of course, no guarantee as to how much or how often existing or new customers will buy from us. We believe that our business plan contains, however, enough flexibility to weather unforeseen delays in the generation of revenues by being able to modify expenses and other spending, as required, assuming minimum financing is obtained by late 2009.

There can be no assurance that the Company's actual operations will reflect the above projections. Market conditions, competition, supplier delays, the ability to raise capital and all other risks associated with the operation of a business could adversely impact the Company's ability to reach the above projections.

The Company anticipates that in order to fulfill its plan of operations, it will need to attract additional key supermarket chains to sell its natural cleaning and gardening products. The Company has continued to receive orders and re-orders from recognized major supermarket chains and leading national organic food distributors.

The Company has entered into agreements with additional established sales representative organizations; C.A. Fortune (21 reps) based in Bloomingdale, IL to present its gardening and cleaning products to Mid-Western area (IL, MI, MO, MN, WI, IA, IN, OH, SC, FL, AL, GA, NC, SC, NE, ND, SD, TN, KY, PA) distributors, supermarkets, independent health food stores, drug stores, convenience stores and mass merchant trade retail outlets. In addition, agreements exist with other established sales representative organizations, E.C. Desmond, Inc. based in New York, who is currently selling our gardening and cleaning products to supermarket chains such as Shop-Rite/Wakefern and Gristedes, NE Sales based in MA selling to major hardware chains, automotive, and grocery outlets, and Valk Sales (12 reps) covering ME to FL and focusing on all grocery accounts distributed by UNFI both to independent and large chain stores.

To fulfill orders in a timely fashion, the Company must have the capability of producing and delivering its cleaning and gardening products in sufficient volume and quantity to achieve its projections. To satisfy this requirement, for the past two years the Company has outsourced its fulfillment operation to Webco Chemical Co., located in Dudley, Massachusetts. We believe that Webco has the capacity and ability to handle any and all requirements we may have and more, over the next five years.

In addition to the minimum financing needed for 2009, the Company will need to continue to seek financing from outside sources to expand the business into 2010 and beyond. In order to provide this necessary additional financing, the Company intends to offer private placement opportunities to investors in an as yet undetermined amount. We have no basis, however, for predicting the success of

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such an offering.

3. 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 discontinue; should there be a natural disaster that adversely impacts garden center product sales such as extreme weather conditions throughout the United States; should there be a shortage of suppliers in the enzyme technology that is used in some of our products or should there be a slower than anticipated roll-out of products to customers due to such external factors, the Company's ability to realize a profit and yield a positive cash flow from operations as quickly as we anticipate could be adversely impacted.

- o Material opportunities, challenges:

Should our suppliers not be able to deliver in the quantities the Company needs at any given time in order to fulfill orders; should our contract manufacturer not be able to deliver finished goods in a timely manner or suffer any type of physical plant disaster, labor strike or shortage, it would adversely impact the Company's business. Difficult challenges may be incurred as more competitors, who are more heavily financed than we are, enter into the market and create pricing issues which could adversely impact the Company's operations.

19

- 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 us from entering other markets and regions, as planned. The Company will continue to actively pursue private placement investor funding as allowed by SEC regulations and to satisfy debt and payables with stock, stock options and/or warrants as a means of capitalizing the Company until operations are sufficient enough to be self-sustaining, which could happen by the end of 2009. There can be no assurance, however, that these activities will be successful.

If Sam Jeffries were unable to host and produce the weekly talk show, this could have an adverse impact on the show's educational and promotional programming which is considered an essential part of our advertising and marketing plan. The present co-hosts, Jim Zoppo and Layanee DeMerchant, could produce and conduct the show in Sam Jeffries absence. In addition, Jim Zoppo, is a well respected, well known horticulturist and radio talk show host in his own right.

Although unlikely, interest in organics could diminish which would have an adverse effect on the popularity of the radio show. To mitigate this possibility, "home remedy", "how to" and "natural and organic health-care alternative segments are being added to the shows programming to expand listener interest and extend the seasonality of the show. The Company also has plans to ultimately reach a national audience by franchising the Garden Guys concept throughout the country by having local talk shows discuss organics and lawn and gardening techniques and problems indigenous to each of those regions.

- o Reliance on Investment Funds

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We just recently started to receive meaningful cash flow from customer sales. We expect that for the short term future, we will still rely on 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 become self-sufficient, possibly, by the end of 2009; until then, we will continue to require additional capital from investors. If we were 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 the CEO, Samuel Jeffries that would compensate us in the event of his 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 an adverse impact on the Company's chances for success. At present, "key man" insurance coverage is not being pursued on the other full-time officers due to cost.

4. 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 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.

- 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. At present, our board is not intending to declare any dividends in the foreseeable future. Earnings, once achieved, are expected to be retained to help 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 FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Since its inception, the Company has financed its expenditures primarily through convertible debentures of \$369,800, convertible promissory notes of \$869,540, common stock issued in lieu of debt and payables for \$329,562 and private placement stock offerings totaling \$1,476,216.

20

Selected Financial Data

Organic Sales and Marketing, Inc.

For the Years Ended September 30, 2008 and 2007

Statement of Operations

| | Twelve Months Ended September 30, 2008 ----- | Twelve Months Ended September 30, 2007 ----- |
|--|--|--|
| Revenues (Net) | \$ 347,111 | \$ 190,076 |
| Margin | 103,725 | 96,117 |
| Selling, General and Administrative Expenses | 1,370,934 | 912,569 |
| (Loss) from Operations | \$(1,267,209) | \$ (816,452) |
| Other Income/(Expense) | (56,089) | (8,101) |
| Debt Settlement Expense | (685,421) | 0 |
| Warrants granted in settlement of debt | (239,549) | 0 |
| Profit/(Loss) Before Taxes | \$ (2,248,268) | \$ (824,553) |
| | ===== | ===== |
| Loss per share-Basic and Diluted | \$ (0.37) | \$ (0.16) |
| | ===== | ===== |
| Weighted Average Number of Shares | 6,002,421 | 5,037,031 |
| | ===== | ===== |

Balance Sheets

| | Twelve Months Ended September 30, 2008 ----- | Twelve Months Ended September 30, 2007 ----- |
|---------------------|--|--|
| Cash | \$ 27,838 | |
| Accounts Receivable | 26,710 | |
| Inventories | 149,386 | |
| Fixed Assets | 14,284 | |
| Other Assets | 200 | |
| Prepaid Expense | 53,932 | |
| | ----- | |
| TOTAL ASSETS | \$ 272,350 | |
| | ===== | |
| LIABILITIES | | |

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| | |
|--|--------------|
| Accounts Payable | \$ 480,483 |
| Accrued Expenses | 41,185 |
| Notes Payable-Current | 336,909 |
| Note Payable-Long Term | -0- |
| | ----- |
| TOTAL LIABILITIES | \$ 885,500 |
| | |
| STOCKHOLDERS (DEFICIT) | |
| Common Stock (Note 1) | \$ 680 |
| Additional Paid in Capital | 3,738,959 |
| Accumulated (Deficit) | (4,352,789) |
| | ----- |
| TOTAL STOCKHOLDERS (DEFICIT) | \$ (613,150) |
| TOTAL LIABILITIES AND STOCKHOLDERS (DEFICIT) | \$ 272,350 |
| | ===== |

21

Note 1:

Common Stock, \$.0001 par value, 100,000,000 shares authorized, 6,799,494; 5,388,569 shares issued and outstanding respectively.

As of September 30, 2008, the Company has generated significant enough operating revenues to no longer be considered a development stage company. The Company continues to focus its efforts on increasing its customer base and improving and adding quality non-food organic products as opportunities present themselves. While there can be no assurances, the Company anticipates that by developing quality non-food organic products and establishing a broad distribution network for delivering them, it will be in a position to receive substantive revenues in the not-too-distant 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 non-food organic products made possible through private labels, the internet, radio and an established distribution network. The Company began generating revenues in January, 2007.

Since inception the Company has principally financed its operations through private placements offerings.

On February 18, 2008, the Company conducted a private stock offering whereby it authorized the issuance of 100,000 shares of common stock in exchange for cash of \$50,000. The offering was closed as of March 31, 2008 and 50,000 shares of common stock were ultimately against this stock offering in exchange for cash of \$25,000.

On February 20, 2008, the Company conducted a private stock offering whereby it authorized the issuance of 50,000 shares of common stock in exchange for cash of \$50,000. The offering was closed as of March 31, 2008 and 33,123 shares of common stock were ultimately issued against this stock offering in exchange for cash of \$33,123.

On February 28, 2008, the Company's Board of Directors' approved the issuance of 139,562 shares of common stock at \$1.00 per share in settlement of equal amounts of Notes and Accounts Payable.

On April 11, 2008 the Company conducted a private stock offering whereby it

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authorized the issuance of 820,000 shares of common stock in exchange for cash of \$410,000. The offering was closed as of April 30, and 820,000 shares of common stock were ultimately against this stock offering in exchange for cash of \$410,000.

On May 30, 2008, the Company extended a Conversion offer to nine bridge loan note holders who had loaned the Company funds during the 3rd Quarter of 2007. In exchange for their notes, the note holders were offered two shares of stock for each dollar of debt and accrued interest they were owed through June 30, 2008. Debt settlement expense associated with these transactions was \$685,421 for the twelve months ending September 30, 2008. Note holders were also offered one common stock warrant for each dollar of debt and accrued interest at an exercise price of \$2.00 per share and a two year exercise period. Warrant expense associated with these transactions was \$239,549 for the twelve months ending September 30, 2008.

For a more complete list of previous sales of unregistered securities by the Company, please refer to Part 5 of Form 10KSB for the year ended September 30, 2007, which is incorporated by reference herein.

22

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.

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.

Revenue from garden and cleaning products is recognized upon shipment of the

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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 show 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. Radio advertising for the years ended September 30, 2008 and 2007 were \$25,260 and \$11,770, respectively.

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 2006, the Company maintained cash in bank accounts which, at times, exceeded Federal Deposit Insurance Corporation insured limits. The Company has not experienced any losses on this account and believes the risk to be minimal.

23

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 all of its accounts receivable as of September 30, 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 Expense

Business expenses, including consulting expenses, that are paid for in advance of services being rendered are treated as prepaid. The Company occasionally pays

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for these expenses with its common stock. When this occurs the offset is shown as a negative component 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 advertising costs to expense as incurred. Advertising expenses primarily consist of the Company's four hour weekly Garden Talk radio call in program with Clear Channel, Citadel and Entercom Communications Companies. Annual advertising expense for the radio contracts with Clear Channel, Citadel and Entercom Communications was \$282,622 and \$70,600 for the years ended September 30, 2008 and 2007, respectively. Total advertising, including radio contracts, for the years ended September 30, 2008 and 2007 was \$457,087 and \$256,267, respectively. Advertising expense also includes display rack costs, slotting fees and print media advertising.

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 granted. Dilutive potential common shares for all periods presented are computed utilizing the treasury stock method. Common stock options of 1,126,250 were considered, but not included in the computation of loss per share because their effect is anti-dilutive. Common stock warrants of 184,120 were considered, but not included in the computation of loss per share, because their effect is anti-dilutive, as well.

Recently Issued Accounting Standards

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

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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.

Reclassifications

Certain immaterial amounts from prior years have been reclassified to conform to the 2008 presentation.

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.

Accounting for Income Taxes

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 of 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

25

we adjust these estimates in future periods, we may need to adjust such valuation as recorded.

ITEM 7. FINANCIAL STATEMENTS.

For the Financial Statements required by Item 7 see the Financial Statements included at the end of this Form 10-KSB.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES.

There have been no changes in or disagreements with accountants with respect to accounting and/or financial disclosure.

ITEM 8A. 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 have procedures as of the end of the period covered by this

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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 has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 8B. OTHER INFORMATION.

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

A. Directors and Executive Officers

The following table sets forth our current directors, officers and significant employees, their ages, and all offices and positions with our company.

| NAME ---- | AGE --- | POSITION ----- |
|----------------------|------------|---|
| Samuel F.H. Jeffries | 47 | President, Chief Executive Officer and Chairman of the Board of Directors |
| Stephen B. Jeffries | 48 | Director |
| Leonard B. Colt, Jr. | 72 | Director, Secretary |
| Jerry Adelstein | 76 | Director |
| Joanne L.H. Anderson | 51 | Director, Vice President |
| Laurie Basch-Levy | 55 | Director and Member of Audit Committee |

26

| | | |
|----------------|----|---------------------------------------|
| Michael Ernst | 57 | Director |
| Mark J. McEvoy | 56 | Treasurer and Chief Financial Officer |

The following is a biographical summary of our directors and officers:

Samuel F.H. Jeffries has been president, Chief Executive Officer, and Chairman of the Board of Directors since inception. He is also a member of the Executive Committee. Prior to such time, he was president and co-managing member of Garden Connections, LLC, from its inception in 2002. From 1999 to 2001, Mr. Jeffries was Eastern Regional Sales Manager and area manager for Etera Corporation, a wholesale garden products distributor based in Mount Vernon, Washington. His responsibilities included sales, management, forecasts, hiring, computer training, new accounts, budgeting, advertising and promotions. From 1992 to 2000, Mr. Jeffries owned and operated Jeffries Horticultural Sales and Jeffries Landscape and Design, based in Franklin, Massachusetts. In 1984, Mr. Jeffries received his Bachelor of Science degree in environmental design from the University of Massachusetts at Amherst. He minored in arboriculture. He was also a certified Occupational Education instructor at the Norfolk County Agricultural High School, Walpole, MA. He is the first cousin of Stephen B. Jeffries, a director.

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Joanne L.H. Anderson, Director, Vice President and member of the Executive Committee. She has been a director of the Company since May, 2005 and is utilizing her artistic designing talents in creating our logos, labels, packaging and our websites. She also oversees the Company's advertising and marketing. Since 1980, Joanne has been employed as an artist, designer, and head of the art department of North American Carrousel Company located in Minneapolis, Minnesota. She is experienced in website design and graphic and commercial art. She is trained as an artistic painter, sculptor and art conservationist. She apprenticed for four years with leading portrait artist Jerome Ryan. She majored in art at Hamline University in Saint Paul, Minnesota and has restored paintings and ceilings in the Minnesota State Capital and St. Paul Courthouse.

Len Colt, has been our director since the inception. Since 1993, he has been owner of Pegasus Marketing & Sales based in Little Compton, Rhode Island. Pegasus is in the packaging consultancy firm and sales representative for various packaging manufacturers. In 1958, Mr. Colt received his bachelor of arts degree in history from Middlebury College located in Middlebury, Vermont.

Jerry Adelstein, has been a director since the inception and is a member of the Audit Committee and the Executive Committee. Since 1968, he has been the president of H&J Associates, a textile sales company, based in Long Island, New York. In 1953, he received a bachelor of science in economics from Alfred University, in New York State. In 1957, he received a Masters degree in business administration with a major in economics from New York University.

Stephen B. Jeffries, has been a director since the inception. He is also on the Audit Committee. He has been the owner of S.B. Jeffries Consultants since 1990. S.B. Jeffries Consultants is based in Boston, Massachusetts, and is in the business of equity analysis and financial portfolio and estate management. In 1983, he received a bachelor of arts in economics from the University of Chicago. He has completed the C.F.A. Level 1 Examination and C.F.P. Level 1 Examination.

Laurie Basch-Levy, Director and a member of the Audit Committee. She has been a textile designer, creating designs widely used by major fashion designers in New York City until 1982 when she became treasurer of The George Basch Co. In January 2001 she became President and CEO of The George Basch Co., a privately owned manufacturer and global distributor of the product Nevr-Dull Metal Polish, which was formed in and has operated since 1929. This may give rise to a potential conflict inasmuch as the Company has a business relationship with Nevr-Dull and has a licensing agreement with them (see "Business of the Company", above). Ms. Basch-Levy and the Company will endeavor to avoid any such conflict by excluding her from any decision making or Board votes referable to Nevr-Dull. She received her degree from the Fashion Institute of Technology in New York City.

Michael Ernst, Director, since the inception. He has been Senior Energy Consultant, Tetra Tech Ec Inc., an engineering and consulting firm since 2006; Vice President of Permitting and Siting for TransEnergie U.S. Ltd. 2001-2006 specializing in environmental engineering; Associate Attorney, Rubin & Rudman, Boston, specializing in environmental law; General Counsel and Legislative Director of the Massachusetts Department of

Telecommunications and Energy, 1992-2001; Hearing Officer for the Massachusetts Energy Facilities Siting Board, 1990-1992; Counsel to the Joint Committee on Energy of the Massachusetts Legislature, 1984-1990; Safe Energy Advocate,

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MASSPIRG, 1981-1983. He received his degrees from Northeastern University School of Law, J.D., and Davidson College, B.S.

Mark J. McEvoy, was elected Treasurer and Chief Financial Officer on November 15, 2006. He has practiced in the accounting profession for 32 years, during which period he owned and operated an Accounting and Tax practice from 1986 to 1996. He graduated from Bentley College in 1977 with a Bachelor's degree in Accounting. Immediately prior to joining the Company he served 5 years as the CFO of WareRite Distributors, Inc. a fabricator of and distributor of laminate countertop products.

B. Significant Employees.

We intend to enter into employment agreements with our officers and significant employees, but we have not yet done so.

In February, 2008, each member of the Board of Directors received 20,000 stock option shares in lieu of cash compensation for Board of Director fees.

C. Family Relationships. Samuel F.H. Jeffries and Stephen B. Jeffries are first cousins.

D. Involvement in Certain Legal Proceedings. None

E. The Executive Committee and the Audit Committee of the Board are separate committees.

The Executive Committee consists of our independent directors. Its principal functions are to advise and make recommendations to our Board of Directors regarding matters relating to the compensation of officers and senior management.

The Audit Committee consists of Stephen B. Jeffries, Jerry Adelstein and Laurie Basch-Levy. The Board of Directors has determined that all three members are independent directors as (1) defined in Rule 10A-3(b)(i)(ii) under the Securities Exchange Act of 1934 (the "Exchange Act") and (ii) under Section 121 B(2)(a) of the AMEX Company Guide (although our securities are not listed on the American Stock Exchange or any other national exchange). Stephen B. Jeffries serves as the financial expert as defined in Securities and Exchange Commission rules relating to the Audit Committee.

We believe Messrs. Adelstein and Jeffries and Ms. Basch-Levy to be independent of management and free of any relationship that would interfere with their exercise of independent judgment as members of this committee. The principal functions of the Audit Committee are to (i) assist the Board in fulfilling its oversight responsibility relating to the annual independent audit of our consolidated financial statements, the engagement of the independent registered public accounting firm and the evaluation of the independent registered public accounting firm's qualifications, independence and performance (ii) review the reports or statements as may be required by the securities laws, (iii) assist the Board in fulfilling its oversight responsibility relating to the integrity of our financial statements and financial reporting process and our system of internal accounting and financial controls, (iv) discuss the financial statements and reports with management, including any significant adjustments, management judgments and estimates, new accounting policies and disagreements with management, and (v) review disclosures by independent accountants concerning relationships with us and the performance of our independent accountants.

F. Meetings of the Board and Committees.

Our Board of Directors is responsible for the management and direction of our

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company and for establishing broad corporate policies. A primary responsibility of the Board is to provide effective governance over our affairs for the benefit of our stockholders. In all actions taken by the Board, the Directors are expected to exercise their business judgment in what they reasonably believe to be the best interests of our company. In discharging that obligation, Directors may rely on the honest and integrity of our senior executives and our outside advisors and auditors.

28

The Board of Directors and the Audit Committee of the board meet periodically throughout the year to receive and discuss operating and financial reports presented by our executive officers as reports by experts and other advisors. The Board held meetings during the fiscal year ended September 30, 2008 in person and telephonically and acted by unanimous written consent on four occasions. In fiscal 2008, the Audit Committee met on July 9, 2008.

G. Compliance with Section 16(a) of The Securities Exchange Act of 1934.

To our knowledge, during the fiscal year ended September 30, 2008, based solely on a review of such materials as are required by the Securities and Exchange Commission, no officer, director or beneficial holder of more than ten percent of our issued and outstanding shares of Common Stock failed to timely file with the Securities and Exchange Commission any form or report required to be so filed pursuant to Section 16(a) of the Securities Exchange Act of 1934.

ITEM 10. EXECUTIVE COMPENSATION.

The following table sets forth the aggregated compensation awarded to, earned by or paid to our Chief Executive Officer and our other executive officers as a group, or to directors for all services rendered in all capacities.

SUMMARY COMPENSATION TABLE

| Name and Principal Position (a) | Year (b) | Salary (\$) (c) | Bonus (\$) (d) | Stock Awards (\$) (e) | Option Awards (\$) (f) | Non-Equity Incentive plan Compensation (\$) (g) | Ch Pens and No D Com E |
|--|-------------|-----------------------|----------------------|--------------------------------|---------------------------------|---|---------------------------------------|
| PEO | 2008 | 73,049 | -0- | -0- | -0- | -0- | |
| Sam Jeffries | 2007 | 66,126 | -0- | -0- | -0- | -0- | |

All officers and directors as a group were paid in the aggregate \$151,703 for the fiscal year ended September 30, 2008.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of December 17, 2008 certain information with respect to the beneficial ownership of the common stock by (1) each person known

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by us to beneficially own more than 5% of our outstanding shares, (2) each of our directors, (3) each named executive officer and (4) all of our executive officers and directors as a group. Except as otherwise indicated, each person listed below has sole voting and investment power with respect to the shares of common stock set forth opposite such person's name.

| NAME AND ADDRESS OF BENEFICIAL OWNER ----- | AMOUNT AND NATURE OF OWNERSHIP (1) (2), (3) ----- | PERCENT OF OUTSTANDING SHARES ----- |
|--|---|--|
| Samuel F.H. Jeffries | 1,390,500 | 16.3% |
| Stephen B. Jeffries | 65,536 | .8% |
| 29 | | |
| Leonard B. Colt, Jr. | 171,938 | 2.0% |
| Jerry Adelstein | 1,158,565 | 13.5% |
| Joanne L.H. Anderson | 256,940 | 3.0% |
| Laurie Basch-Levy | 355,,000 | 4.2% |
| Michael Ernst | 62,000 | .7% |
| All Executive Officers and Directors as a Group (7 persons) | 3,460,479 | 62.9% |
| Estate of Bruno Kordish | 500,000 (2) | 5.6% |

 (1) Beneficial ownership so determined in accordance with the rules of the Securities and Exchange Commission. Unless otherwise indicated, this column reflects amounts as to which the beneficial owner has sole voting power and sole investment power.

(2) Bruno Kordish, a consultant, died after the close of the September 30, 2008 fiscal year.

(3) Includes shares that may be acquired within the next 60 days.

Applicable percentage of ownership is based on 8,539,863 shares of our common stock outstanding on December 17, 2008.

The address of each of the executive officers and directors is care of Organic Sales and Marketing, Inc. 114 Broadway, Raynham, MA 02767.

The Company has not granted any of the following during or after its fiscal year ended September 30, 2008:

Grants of Plan-Based Awards

Equity Awards

Pension Benefits

Nonqualified Deferred Compensation

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The Company anticipates that its Executive Committee will develop and establish clear compensation policies and procedures for disclosing these policies.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

We pay \$1,000 per year to Jeffries Landscape & Design (a company owned by, Samuel F.H. Jeffries) for the storage of certain products we sell.

Jerry Adelstein, a director of the company, holds a demand note dated March 1, 2007 with a principal balance due as of September 30, 2008 of \$76,247. This note is payable monthly by the Company in the amount of \$1,000 with interest at the rate of 6% per annum. As of September 30, 2008, interest and principal owed on the Note was \$80,011.

Leonard Colt, a director of the company, holds a demand note dated March 15, 2008 with a principal balance due as of September 30, 2008 of \$10,855. This note is payable monthly by the Company in the amount of \$1,020 with

30

interest at the rate of 6% per annum. As of September 30, 2008, interest and principal owed on the Note was \$11,128.

Laurie Basch-Levy, a director of the company, holds a 12 month promissory note dated December 1, 2007 with a principal balance due as of September 30, 2008 of \$175,000. Interest accrues at 12% per annum. Accrued interest and principal was due at maturity, December 1, 2008, however, the note holder has agreed to extend the maturity date for an additional twelve months given the same terms and conditions as the original note. As of September 30, 2008 interest and principal owed on the note was \$197,373.

On October 7, 2008, the Company entered into a consulting agreement with Nu Vision Holding LLC ("Nu Vision"), a financial consulting firm located in Great Neck, NY, pursuant to which Nu Vision will receive 450,000 shares of the Company's common stock over the six month life of the agreement. The services to be rendered by Nu Vision are primarily with regard to the Company's dealings with the brokerage and investment community and are described in detail in the agreement itself, which has been filed as an exhibit to this report. Nu Vision's principals are John and Steven Kevorkian who, together with their Father, owned 907,000 shares of the Company's common stock prior to the agreement between Nu Vision and the Company.

31

ITEM 13- EXHIBITS

Exhibit

| Exhibit No. | Description of Exhibit |
|-------------|--|
| ----- | ----- |
| | Charter and By-Laws |
| 1.1 | Certificate of Incorporation of Garden Connections, Inc. |
| 2.2 | Amendment of Certificate of Incorporation Changing name from Garden Connections, Inc. to Organic Sales and Marketing, Inc. |

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- 2.3 Amended and Restated By-Laws
- 3.2 2008 Stock Option Plan
- 3.3 Microbial Technologies Licensing Agreement
- 10.16 Nu Vision Holdings Consulting Agreement
- 10.17 EC Desmond Sales Representation Agreement
- 10.18 CA Fortune Specialty Foods Brokerage Agreement
- 10.19 WHYN Radio Contract (Springfield, MA)
- 10.20 WBAE Radio Contract (Portland, ME)
- 10.21 WGIR Radio Contract (Manchester, NH)
- 10.22 Kehe Foods Vendor Buying Agreement
- 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.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

All audit and professional services provided by Certified Public Accountants, will be approved in advance by the Audit Committee to assure such services do not impair the auditor's independence from us. The aggregate fees billed by Chisholm, Bierwolf and Nilson were \$ 9,277 and \$ 16,500 for the fiscal years ended September 30, 2008 and 2007, respectively.

| Description of Fees | Amount | |
|---------------------|--------------|--------------|
| ----- | 2008 | 2007 |
| ----- | ---- | ---- |
| Audit Fees | \$ 9,277 | \$16,500 |
| Audit-Related Fees | -0- | -0- |
| Tax Fees | -0- | -0- |
| All Other Fees | -0- | -0- |
| Total | \$ 9,277 | \$16,500 |

Audit Fees

Represents fees for professional services provided for the audit of our annual financial statements, services that are performed to comply with generally accepted auditing standards, and review of our financial statements included in our quarterly reports and services in connection with statutory and regulatory filings.

Audit-Related Fees

Represents the fees for assurance and related services that are reasonably

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related to the performance of the audit or review of our financial statements. The Board of Directors considers to be well qualified to serve as our independent public accountants.

The Audit Committee will pre-approve all auditing services and the terms thereof (which may include providing comfort letters in connection with securities underwriting) and non-audit services (other than non-audit services prohibited under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the Public Company Accounting Oversight Board) to be provided to us by the independent auditor; provided, however, the pre-approval requirement is waived with respect to the provisions of non-audit services for us if the "de minimus" provisions of Section 10A(i)(1)(B) of the Exchange Act are satisfied. This authority to pre-approve non-audit services may be delegated to one or more members of the Audit Committee, who shall present all decisions to pre-approve an activity to the full Audit Committee at its first meeting following such decision. The Audit Committee may review and approve the scope and staffing of the independent auditors' annual audit plan.

Tax Fees

This represents professional services rendered for tax compliance, tax advice and tax planning.

32

All Other Fees

Chisholm, Bierwolf and Nilson was paid no other fees for professional services during the fiscal years September 30, 2008 and 2007.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ORGANIC SALES AND MARKETING, INC.

By /s/ Samuel F.H. Jeffries

Samuel F.H. Jeffries, Chairman,
President and Chief Executive Officer

Date January 12, 2009

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities on the dates indicated.

By /s/ Mark J. McEvoy

Mark J. McEvoy, Treasurer and Chief
Financial Officer

Date January 12, 2009

* Print the name and title of each signing officer under his signature.

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33

Organic Sales and Marketing, Inc.

Financial Statements for the Years Ended
September 30, 2008 and 2007
And Report of Independent Registered
Public Accounting Firm

CONTENTS

| | |
|---|---|
| Report of Independent Registered Public Accounting Firm | 3 |
| Balance Sheets | 4 |
| Statements of Operations | 6 |
| Statements of Stockholders' Equity/(Deficit) | 7 |
| Statements of Cash Flows | 8 |
| Notes to the Financial Statements | 9 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Audit Committee
Organic Sales and Marketing, Inc.
Raynham, Massachusetts

We have audited the accompanying balance sheets of Organic Sales and Marketing, Inc. as of September 30, 2008 and 2007, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Organic Sales and Marketing, Inc. as of September 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles

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generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 16 to the financial statements, the Company has incurred recurring substantial losses from operations, recurring negative working capital, negative cash flows from operations and has limited sales of its products which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Chisholm, Bierwolf & Nilson, LLC
 Bountiful, Utah
 December 30, 2008

ORGANIC SALES AND MARKETING, INC. Balance Sheets

| | September 30, 2008 | September 30, 2007 |
|-----------------------------|-----------------------|-----------------------|
| | ----- | ----- |
| ASSETS | | |
| ----- | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 27,838 | \$193,341 |
| Accounts receivable, net | 26,710 | 30,602 |
| Inventories | 149,386 | 111,304 |
| Prepaid Expense | 53,932 | 18,893 |
| | ----- | ----- |
| Total Current Assets | 257,866 | 354,140 |
| | ----- | ----- |
| PROPERTY AND EQUIPMENT, NET | 14,284 | 12,752 |
| | ----- | ----- |
| OTHER ASSETS | | |
| Deposits | 200 | 200 |
| | ----- | ----- |
| Total Other Assets | 200 | 200 |
| | ----- | ----- |
| TOTAL ASSETS | \$272,350 | \$367,092 |
| | ===== | ===== |

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

ORGANIC SALES AND MARKETING, INC. Balance Sheets (Continued)

LIABILITIES AND STOCKHOLDERS' (DEFICIT)

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| | September 30, 2008 | September 30, 2007 |
|--|-----------------------|-----------------------|
| | ----- | ----- |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 480,483 | \$ 239,811 |
| Accrued expenses | 41,185 | 99,386 |
| Accrued interest payable | 26,923 | 24,441 |
| Line of Credit | 74,807 | -- |
| Notes payable | -- | 157,000 |
| Notes payable - related parties | 262,102 | 52,026 |
| | ----- | ----- |
| Total Current Liabilities | 885,500 | 572,664 |
| | ----- | ----- |
| Total Liabilities | 885,500 | 572,664 |
| | ----- | ----- |
| COMMITMENTS | | |
| | -- | -- |
| STOCKHOLDERS' (DEFICIT) | | |
| Common stock, \$0.0001 par value; 100,000,000 shares authorized; 6,799,494 and 5,388,569 shares issued and outstanding, respectively | 680 | 539 |
| Additional paid-in capital | 3,738,959 | 1,898,410 |
| Accumulated (Deficit) | (4,352,789) | (2,104,521) |
| | ----- | ----- |
| Total Stockholders' (Deficit) | (613,150) | (205,572) |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) | \$ 272,350 | \$ 367,092 |
| | ===== | ===== |

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

5

ORGANIC SALES AND MARKETING, INC. Statements of Operations

| | For the Years Ended September 30, | |
|--------------------|--------------------------------------|------------|
| | 2008 | 2007 |
| | ----- | ----- |
| REVENUES | | |
| Product sales, net | \$ 321,851 | \$ 178,306 |
| Radio Advertising | 25,260 | 11,770 |
| | ----- | ----- |
| Total Revenues | 347,111 | 190,076 |
| COST OF SALES | | |
| | 243,386 | 93,959 |
| | ----- | ----- |
| GROSS PROFIT | 103,725 | 96,117 |

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| | | |
|---|----------------|--------------|
| OPERATING EXPENSES | | |
| Advertising Expense | 457,087 | 256,267 |
| Payroll Expense | 323,769 | 186,895 |
| Selling Expense | 195,678 | 111,456 |
| General and Administrative | 159,929 | 169,958 |
| Compensation Expense | 123,916 | - |
| Legal and Accounting | 110,555 | 187,993 |
| | ----- | ----- |
| Total Operating Expenses | 1,370,934 | 912,569 |
| | ----- | ----- |
| LOSS FROM OPERATIONS | (1,267,209) | (816,452) |
| | ----- | ----- |
| OTHER INCOME (EXPENSE) | | |
| Interest Income | 3,019 | 4,841 |
| Interest Expense | (59,108) | (12,942) |
| Debt Settlement Expense | (685,421) | - |
| Warrants granted in settlement of debt | (239,549) | - |
| | ----- | ----- |
| Total Other Income (Expense) | (981,059) | (8,101) |
| | ----- | ----- |
| NET LOSS BEFORE INCOME TAXES | (2,248,268) | (824,553) |
| INCOME TAX EXPENSE | -- | -- |
| | ----- | ----- |
| NET LOSS | \$ (2,248,268) | \$ (824,553) |
| | ===== | ===== |
| LOSS PER SHARE- | | |
| Basic and Diluted | \$ (0.37) | \$ (0.16) |
| | ===== | ===== |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING- | | |
| Basic and Diluted | 6,002,421 | 5,037,031 |
| | ===== | ===== |

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

6

ORGANIC SALES AND MARKETING, INC.
Statements of Stockholders' Equity/(Deficit)
For the period October 1, 2006 through September 30, 2008

| | Common Stock Shares | Amount | Additional Paid-In Capital | Accumulated (Deficit) |
|---|------------------------|--------|----------------------------------|--------------------------|
| | ----- | ----- | ----- | ----- |
| Balance, October 1, 2006 | 4,811,576 | \$481 | \$1,321,475 | \$ (1,279,967) |
| Shares issued for cash at \$1.00/share | 576,993 | 58 | 576,935 | -- |
| Amortization of Prepaid Expenses | | | | |

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| | | | | |
|---|-----------|-------|-------------|---------------|
| Net loss for the year ended September 30, 2007 | -- | -- | -- | (824,553) |
| | | | | |
| Balance, September 30, 2007 | 5,388,569 | \$539 | \$1,898,410 | \$(2,104,520) |
| | | | | |
| Shares issued for cash at \$.50/share | 870,000 | 87 | 434,913 | |
| Shares issued for cash at \$1.00/share | 33,123 | 3 | 33,120 | |
| Shares issued for debt and payables at \$1.00/share | 139,562 | 14 | 139,548 | |
| Shares issued for conversion of debt at \$.50/share | 368,240 | 37 | 184,083 | |
| Debt Settlement | | | 685,420 | |
| Valuation of Warrants associated with conversion of debt | | | 239,549 | |
| Valuation of Options granted | | | 123,916 | |
| Net loss for the year ended September 30, 2008 | | | | (2,248,268) |
| | | | | |
| Balance, September 30, 2008 | 6,799,494 | \$680 | \$3,738,958 | \$(4,352,788) |
| | | | | |

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

7

ORGANIC SALES AND MARKETING, INC. Statements of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss
 Adjustments to reconcile net loss to
 net cash used in operating activities:

- Depreciation expense
- Valuation of warrants granted in settlement of debt
- Debt settlement expense
- Option Expense associated with employees, debt and payables
- Amortization of prepaid expense

Change in operating assets and liabilities:

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Accounts receivable-trade
Inventories
Prepaid Expense
Accounts payable
Accrued expenses
Accrued interest payable

Net Cash Used in Operating Activities

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment

Net Cash Used in Investing Activities

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issuance of common stock
Proceeds from Line of Credit
Payments on Line of Credit
Proceeds from Bridge Loans
Proceeds from convertible notes payable- related party
Proceeds from notes payable - related party
Payments on notes payable - related party

Net Cash Provided by Financing Activities

NET INCREASE (DECREASE) IN CASH

CASH, BEGINNING OF PERIOD

CASH, END OF PERIOD

SUPPLEMENTAL DISCLOSURES:

Cash paid for interest
Cash paid for income taxes

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Shares issued for conversion of notes payable
and accrued interest
Shares issued for prepaid services
Shares issued for accounts payable and accrued expenses
Valuation of Warrants associated with conversion of debt and payables
Valuation of Options granted

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

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ORGANIC SALES AND MARKETING, INC.
Notes to the Financial Statements
September 30, 2008 and 2007

Note 1 - Organization and Principle Activities of the Company

Business Description

Organic Sales and Marketing, Inc. was incorporated in the state of Delaware on August 23, 2003. On September 8, 2003, a security exchange agreement was entered into with Garden Connections, LLC. Garden Connections, LLC partners received all of the issued and outstanding common stock of Organic Sales and Marketing, Inc. in exchange for their interests in Garden Connections, LLC.

The Company is located in Raynham, Massachusetts and is engaged in the sale and marketing of a wide variety of all natural, non-food products for distribution and sale to major distributors and retail outlets throughout the United States. The Company continues to expand their market penetration by acquiring or developing consumer products that have organic origins that can be private labeled. The Company currently has private label all natural, non-food products that have been modified to meet applications in other industries including costume jewelry, sporting goods, grocery, optical, health and beauty, footwear, museum stores, historical preservation groups, funeral homes, quilting and boating.

Additionally, the company was considered a development enterprise in prior periods; however, per SFAS No. 7, "ACCOUNTING AND REPORTING BY DEVELOPMENT STAGE ENTERPRISES" ("SFAS 7"), the company has commenced operations with significant enough revenues in the current period to no longer be considered as being in the development stage.

Note 2 - Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States and incorporate the following significant accounting policies:

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.

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

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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.

9

ORGANIC SALES AND MARKETING, INC.
Notes to the Financial Statements
September 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

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 show and hosting a live broadcast. 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 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 original maturity dates of three months or less at the time of purchase to be cash equivalents. During fiscal 2007 and fiscal 2008, the Company maintained cash in bank accounts which, at times, exceeded Federal Deposit Insurance Corporation insured limits. The Company has not experienced any losses on this account and believes their risk to be minimal.

Accounts Receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts if needed. On a periodic basis, the Company evaluates its

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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 September 30, 2008 and September 30, 2007 are collectable.

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, fertilizer and shipping materials. Finished goods consist of filled 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.

10

ORGANIC SALES AND MARKETING, INC.
Notes to the Financial Statements
September 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

Prepaid Expense

Business expenses, including consulting expense, that are paid for in advance of services being rendered are treated as prepaid. The Company occasionally pays these expenses with the common stock of the Company. When this occurs, the offset is shown as a negative component 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 radio Garden Talk call in program with Clear Channel, Citadel and Entercom Communications Companies. The annual advertising expense for the contracts with Clear Channel, Citadel and Entercom Communications was \$282,622 and \$70,600 for the years ended September 30, 2008 and 2007, respectively. Total advertising, including the radio contracts, for the years ended September 30, 2008 and 2007 was \$457,087 and \$256,267, respectively. Also included in advertising expense are display rack costs, slotting fees and print media advertising.

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

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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.

11

ORGANIC SALES AND MARKETING, INC.
Notes to the Financial Statements
September 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards

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.

12

ORGANIC SALES AND MARKETING, INC.
Notes to the Financial Statements
September 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

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 identifiable assets acquired, liabilities assumed, any noncontrolling interest in the acquiree and goodwill acquired. SFAS 141R also establishes disclosure requirements to enable 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

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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 utilizing derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as 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 have 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. Early application is 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.

In May 2008, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 162, "The Hierarchy of Generally Accepted Accounting Principles". SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States. SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The Company is currently evaluating the impact of SFAS 162 on its financial statements but does not expect it to have a material effect.

In May 2008, the FASB ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 163, "Accounting for Financial Guarantee Insurance Contracts - an interpretation of FASB Statement No. 60" ("SFAS 163"). SFAS 163 interprets Statement 60 and amends existing accounting pronouncements to clarify their application to the financial guarantee insurance contracts included within the scope of that Statement. SFAS 163 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those fiscal years. As such, the Company is required to adopt these provisions at the beginning of the fiscal year ended March 31, 2009. The Company is currently evaluating the impact of SFAS 162 on its financial statements but does not expect it to have a material effect.

13

ORGANIC SALES AND MARKETING, INC.
Notes to the Financial Statements
September 30, 2008 and 2007

Reclassifications

Some prior year immaterial amounts may be reclassified to conform to the 2008 presentation.

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

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instruments. The carrying value of notes payable approximates fair value because negotiated terms and conditions are consistent with current market rates.

Note 3 - 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 options of 1,126,250 were considered, but not included in the computation of loss per share because their effect is anti-dilutive. Common stock warrants of 184,120 were considered, but not included in the computation of loss per share because their effect is anti-dilutive.

| | For the Years Ended September 30, | |
|---------------------------------------|--------------------------------------|--------------|
| | 2008 | 2007 |
| Basic and Diluted | | |
| Net Loss - Numerator | \$ (2,248,268) | \$ (824,553) |
| | ===== | ===== |
| Weighted Average Shares - Denominator | 6,002,421 | 5,037,031 |
| | ===== | ===== |
| Per Share Amount | \$ (0.37) | \$ (0.16) |
| | ===== | ===== |

Note 4 - Income Taxes

The Company has adopted FASB 109 to account for income taxes. The Company currently has no issues that create timing differences that would mandate deferred tax expense. Net operating losses would create possible tax assets in future years. Due to the uncertainty of the utilization of net operating loss carry forwards, an evaluation allowance has been made to the extent of any tax benefit that net operating losses may generate. No provision for income taxes has been made due to net operating loss carry-forwards of \$2,964,434 and \$1,766,822 as of September 30, 2008 and 30, 2007, respectively, which may be offset against future taxable income through 2028. No tax benefit has been reported in the financial statements.

Note 4 - Income Taxes (Continued)

Deferred tax assets and the valuation account are as follows:

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| | For the Years Ended September 30, | |
|---------------------------------|--------------------------------------|------------|
| | 2008 | 2007 |
| Deferred tax asset: | | |
| Net operating loss carryforward | \$ 1,156,129 | \$ 688,370 |
| Valuation allowance | (1,156,129) | (688,370) |
| | \$ -- | \$ -- |

The components of income tax expense are as follows:

| | For the Years Ended September 30, | |
|-------------------------------|--------------------------------------|-----------|
| | 2008 | 2007 |
| Current Federal tax | \$ -- | \$ -- |
| Current State tax | -- | -- |
| Change in NOL benefit | 467,759 | 321,576 |
| Change in valuation allowance | (467,759) | (321,576) |
| | \$ -- | \$ -- |

Note 5 - Inventories

Inventories consisted of the following as of:

| | September 30, | September 30, |
|----------------|---------------|---------------|
| | 2008 | 2007 |
| Raw materials | \$105,107 | \$ 80,360 |
| Finished goods | 44,279 | 30,944 |
| Totals | \$149,386 | \$111,304 |

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

Note 6 - Property and Equipment

Property and Equipment consisted of the following as of:

| | September 30, | September 30, |
|--|---------------|---------------|
| | 2008 | 2007 |

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| | | |
|--------------------------------|-----------|-----------|
| Property and equipment | \$ 21,900 | \$ 16,117 |
| Less: accumulated depreciation | (7,616) | (3,365) |
| | ----- | ----- |
| Property and equipment, net | \$ 14,284 | \$ 12,752 |
| | ===== | ===== |

Depreciation expense on property and equipment was \$4,251 and \$2,698 for the years ended September 30, 2008 and 2007, respectively.

Note 7 - 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 over a ten year period from date of grant and vest over a four year period at a rate of 25% per year.

As of September 30, 2008, there were 1,126,250 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. The amount of option expense recorded for the year ended September 30, 2008 was \$123,916 and was presented in Compensation Expense. The amount of Option Expense to be charged over the next four years is \$783,437.

The Company has determined the estimated value of the stock options granted by using the Black-Scholes pricing model using the following assumptions: expected life of 10 years, a risk free interest rate of 3.71-3.88%, a dividend yield of 0% and volatility of 75% in 2008.

A summary of our outstanding common stock options as of September 30, 2008 is presented below:

| | Number of Shares | Weighted Average Exercise Price |
|---|------------------|------------------------------------|
| | ----- | ----- |
| Stock Options Outstanding, September 30, 2007 | -- | \$ -- |
| Options Issued | 1,126,250 | \$1.00 |
| Options Exercised | -- | \$ -- |
| Options Canceled | -- | \$ -- |
| | ----- | ----- |
| Stock Options Outstanding, September 30, 2008 | 1,126,250 | \$1.00 |
| | ===== | ===== |
| Stock Options Exercisable, September 30, 2008 | 148,619 | \$1.00 |
| | ----- | ----- |

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Notes to the Financial Statements
September 30, 2008 and 2007

Note 7 - Stock Options (Continued)

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 both employees and non-employees of the Company.

| Year | Options Outstanding | | | Options Exercisable | |
|-----------|---------------------|---------------------------|---|---------------------|---------------------------------|
| | Exercise Price | Number Shares Outstanding | Weighted Average Contractual Life (Years) | Number Exercisable | Weighted Average Exercise Price |
| Feb, 2008 | \$1.00 | 876,250 | 9.42 | 127,786 | \$1.00 |
| May, 2008 | \$1.00 | 250,000 | 9.67 | 20,833 | \$1.00 |

Note 8 - Common Stock Purchase Warrants

On May 30, 2008, the Company extended a Conversion offer to nine bridge loan note holders who had loaned the Company funds during the 3rd Quarter of 2007. In exchange for their notes, the note holders were offered two shares of stock for each dollar of debt and accrued interest they were owed through June 30, 2008 and July 31, 2008. In addition, they were offered one common stock purchase warrant for each dollar of debt and accrued interest at an exercise price of \$2.00 per share and a two year exercise period. The total number of warrants granted was 184,120 which vested entirely upon grant. The amount of warrant expense charged for the 12 months ending September 30, 2008 was \$239,549.

The Company has determined the estimated value of the warrants granted by using the Black-Scholes pricing model using the following assumptions: expected life of 2 years, a risk free interest rate of 2.40%-3.03%, a dividend yield of 0% and volatility of 94% in 2008.

A summary of our outstanding common stock purchase warrants as of September 30, 2008 is presented below:

| | Number of Warrants | Weighted Average Exercise Price |
|--|--------------------|---------------------------------|
| Warrants Outstanding, September 30, 2007 | -- | \$ -- |
| Warrants Granted | 184,120 | \$2.00 |
| Warrants Exercised | -- | \$ -- |
| Warrants Canceled | -- | \$ -- |
| Warrants Outstanding and Exercisable, September 30, 2008 | 184,120 | \$2.00 |

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ORGANIC SALES AND MARKETING, INC.
Notes to the Financial Statements
September 30, 2008 and 2007

Note 8 - Common Stock Purchase Warrants (Continued)

The following table summarizes the changes in warrants outstanding and the related prices for the shares of the Company's common stock issued to the note holders referenced above.

| Year | Warrants Outstanding | | | Warrants Exercisable | |
|------|----------------------|---------------------------|---|----------------------|---------------------------------|
| | Exercise Price | Number Shares Outstanding | Weighted Average Contractual Life (Years) | Number Exercisable | Weighted Average Exercise Price |
| 2008 | \$2.00 | 184,120 | 1.75 | 184,120 | \$2.00 |

Note 9 - 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 September 30, 2008 and 2007 was \$74,807 and \$-0-, respectively. Accrued Interest Payable at September 30, 2008 and 2007 was \$512 and \$-0-, respectively. The LOC Agreement is guaranteed by an officer of the Company.

Note 10 - 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. Included in this, is an aggregate of 576,993 shares of its common stock for cash of \$576,993 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.

On February 28, 2008, our Board of Directors approved the issuance of 139,562 shares at a price of \$1.00 per share in settlement of \$72,562 in Notes and Accrued Interest and \$67,000 in Accrued Expenses and Accounts Payable.

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ORGANIC SALES AND MARKETING, INC.
Notes to the Financial Statements
September 30, 2008 and 2007

Note 10 - Equity Transactions (Continued)

On April 11, 2008, the Company commenced a private stock offering, whereby it authorized the issuance of 820,000 shares of its common stock for cash of \$410,000. The offering was closed as of April 30, 2008. All 820,000 shares were issued.

On May 30, 2008, the Company extended a Conversion offer to nine bridge loan note holders who had loaned the Company funds during the 3rd Quarter of 2007. In exchange for their notes, the note holders were offered two shares of stock for each dollar of debt and accrued interest they were owed through June 30, 2008. Debt settlement expense associated with these transactions was \$685,421 for the twelve months ending September 30, 2008. Note holders were also offered one common stock warrant for each dollar of debt and accrued interest at an exercise price of \$2.00 per share and a two year exercise period. Warrant expense associated with these transactions was \$239,549 for the twelve months ending September 30, 2008.

Note 11 - Notes Payable- Related Parties

Notes payable-related parties consisted of the following at September 30, 2008:

| | September 30, 2008 | September 30, 2007 |
|--|-----------------------|-----------------------|
| | ----- | ----- |
| Note payable with a director of the Company, interest at 6% per annum, payments of \$1,000 due monthly beginning April 1, 2007, matures March 2010, unsecured. | \$ 76,247 | \$ 32,026 |
| Note payable with a director of the Company, interest at 6% per annum, payments of \$1,020 due monthly beginning April 15, 2008, matures April, 2009, unsecured. | \$ 10,855 | -- |
| Note payable with a director of the Company, interest at 12% per annum. No monthly payments are required. All accrued interest and principal is paid at maturity, December 1, 2008 | \$ 175,000 | -- |
| Note payable with a related individual, interest at 10% per annum, no current repayment requirements, due on demand, unsecured. | -- | 20,000 |
| | ----- | ----- |
| Total Notes Payable - Related Parties | \$ 262,102 | \$ 52,026 |
| Less: Current Portion | (262,102) | (52,026) |
| | ----- | ----- |
| Long-Term Notes Payable - Related Parties | \$ -- | \$ -- |
| | ===== | ===== |

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Total accrued interest at September 30, 2008 and 2007 was \$26,411 and \$21,319, respectively.

The weighted average interest rate on short term obligations outstanding at September 30, 2008 and 2007 was 10% and 13%, respectively.

19

ORGANIC SALES AND MARKETING, INC. Notes to the Financial Statements September 30, 2008 and 2007

Note 11 - Notes Payable- Related Parties (Continued)

Annual maturities of notes payable-related parties are as follows:

| Years Ending September 30, | |
|----------------------------|---------|
| ----- | |
| 2009 | 262,102 |
| 2010 | -- |
| 2011 | -- |
| 2012 | -- |
| 2013 | -- |
| Thereafter | -- |

Note 12 - Notes Payable- Unrelated Parties

In June, July and August, 2007 promissory notes totaling \$157,000 were issued to nine note holders. Two types of promissory notes were issued carrying maturity dates of eight months and twelve months. Eight month promissory notes totaling \$62,000 were issued to five note holders. Twelve month promissory notes totaling \$95,000 were issued to four note holders. All promissory notes carry interest at 15% per annum. The eight month promissory note carries an 8 1/2% interest bonus at maturity and the twelve month promissory note carries a 2 1/2 % interest bonus at maturity. All accrued interest and principal is paid at maturity. Accrued interest payable at September 30, 2008 and 2007 was \$-0- and \$3,122, respectively.

On May 30, 2008, the Company extended a conversion offer to these nine note holders. In exchange for their notes, the note holders were offered two shares of stock for each dollar of debt and accrued interest they were owed. In addition, they were offered one common stock purchase warrant for each dollar of debt and accrued interest at an exercise price of \$2.00 per share and a two year exercise period. The total number of warrants granted was 184,120 which vested entirely upon grant. All nine note holders chose to convert prior to September 30, 2008. At the time of conversion, a total of \$184,120 of debt and accrued interest was converted in exchange for 368,238 shares of common stock.

Note 13 - Commitments and Contingencies

The Company leases facilities for its corporate offices at \$600 per month. The lease expired in fiscal 2007 and was then converted to a month-to-month basis. In addition, the company leased warehouse space at \$500 per month through January, 2008. Rental expense for fiscal 2008 and 2007 was \$6,800 and \$11,700, respectively. The Company also has a 60 month equipment lease on its office copier machine that costs \$240 per month and expires on 8/30/2011 and rents a small storage unit on a month to month basis for \$129 per month.

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The future minimum annual lease commitments as of September 30, 2008 are as follows:

| Years Ending September 30, ----- | Amount ----- |
|-------------------------------------|-----------------|
| 2009 | 3,854 |
| 2010 | 3,125 |
| 2011 | 2,860 |
| 2012 | -- |
| 2013 | -- |
| Thereafter | -- |
| | ----- |
| | \$9,839 |
| | ===== |

20

ORGANIC SALES AND MARKETING, INC.
Notes to the Financial Statements
September 30, 2008 and 2007

Note 13 - Commitments and Contingencies (Continued)

The Company has radio station syndication agreements with commitments accounted for as operating leases. The radio station agreements range from three months to one year and the Company intends to renew them at the end of each term. The monthly cost of our radio shows is \$27,564 in a four week month and \$34,455 in a five week month.

On May 3, 2008, the Company entered into a ten year licensing agreement with Microbial Technologies Ltd. ("MTL") for the purposes of obtaining the right to use the proprietary formulations owned by MTL. The cost of the licensing agreement will be \$100,000 per year and a 5% royalty on net sales of any MTL product formulations sold. If the Company does not use MTL formulations, the licensing fee and royalties are not required to be paid. As of the year ended September 30, 2008 no royalties were paid and none were due. Royalties for the year ended September 30, 2009 are projected to be \$60,000.

The future minimum annual contractual obligations as of September 30, 2008 are as follows:

| Years Ending September 30, ----- | Amount ----- |
|-------------------------------------|-----------------|
| 2009 | 239,611 |
| 2010 | 63,000 |
| 2011 | -- |
| 2012 | -- |
| 2013 | -- |
| Thereafter | -- |
| | ----- |
| | \$302,611 |
| | ===== |

Note 14 - Concentration of Credit Risk

Major Customers

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The Company had three customers who represented 10% or more of total sales for the year ended September 30, 2008.

| | September 30, 2008 | September 30, 2007 |
|------------|--------------------|--------------------|
| | ----- | ----- |
| Customer A | 33% | 30% |
| Customer B | 18% | 24% |
| Customer C | 10% | 11% |

As of September 30, 2008 approximately 92.9% of the Company's accounts receivable was due from these three customers. The loss of these customers, although not anticipated, could have a material impact on the Companies present and future operations.

Major Suppliers

The Company had three vendors who represented 10% or more of the total material purchases for the year ended September 30, 2008.

| | September 30, 2008 | September 30, 2007 |
|----------|--------------------|--------------------|
| | ----- | ----- |
| Vendor A | 40% | 22% |
| Vendor B | 15% | 19% |
| Vendor C | 14% | 16% |

Due to capabilities, pricing and geographic location, these vendors are considered sole source vendors by the Company. The loss of these sole source vendors could have a temporary impact on operations; however, alternate suppliers are readily available that the Company feels could quickly fill the void, should it ever need to.

ORGANIC SALES AND MARKETING, INC.
Notes to the Financial Statements
September 30, 2008 and 2007

Note 15 - 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 net operating losses, negative cash flows from operations and recurring negative working capital for the past several years and is still dependent upon financing to continue operations. These factors create "substantial doubt" that the Company can continue as a going concern. 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 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 loans, lines of credit and private stock offerings that are in compliance with Security and Exchange Commission integration rules and regulations governing the same.

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Note 16 - Subsequent Events

On October 3, 2008, the Company commenced a private stock offering, whereby it authorized the issuance of 1,400,000 Units consisting of one share of its common stock and one common stock purchase warrant for a total raise of \$350,000. The common stock purchase warrants are exercisable at \$1.00 per share and carry a five year exercise period. The offering was closed as of November 30, 2008. All 1,400,000 units were issued and \$350,000 in cash was received.

On October 7, 2008, the Company signed a six month consulting agreement with Nu Vision Holdings, LLC ("Nu Vision") of Great Neck, NY to aid the Company in investor relations work, act as a liaison between the Company and the investment community and assist the company in evaluating and retaining an appropriate financial public relations firm to work with the company. Nu Vision has also introduced the Company to a number of prospective investors. In lieu of cash, Nu Vision is to receive 450,000 shares of "restricted stock" for their services with 300,000 shares to be issued upon signing and 150,000 shares to be issued three months after signing.