



Conservative Speculator

(June 3, 2008)

Featured Situation

By Lawrence C. Oakley

US Farms, Inc.

Commercial Farming, Nursery, & Brokerage

Entering its Third Year & Is Growing Fast

**Largest & Most Respected High-Volume
Aloe Grower & Supplier in the U.S.**

Great Appreciation Potential

Key Facts

Business:	Commercial farming, nursery, & brokerage
Exchange:	OTC BB
Symbol:	USFI
Price (6/2/2008 close):	\$0.069
Price Range: *	\$0.06 – \$0.94
Average Volume:	101,356*
Approximate Market Cap:	\$3.09 million
Approximate Shares Outstanding:	59.85 million
Estimated Float:	6.0 million shares

* The volume on 6/2/2008 was 300,400 shares.

...Continued after Editorials

Editorials

The Future: I have always been an optimist, a trait that is sometimes difficult to maintain if one reads the national news media. I therefore study the comments & remarks of those economists, analysts, & others who I have gained respect for over the last 25 years that I have been writing my editorial columns & newsletters. They are cautious, but I'm pleased that they are also partially optimistic.

For example, Warren Buffett recently commented that he felt the U.S. was on the right track long-term. In an interview on CNBC, he said: *"My children will live better than I did, & my grandchildren even better. In the 20th century, the real standard of living in the U.S. went up seven for one. A great many of the factors that went into producing that really unprecedented gain in how people live are still present. We have a market system, we have a meritocracy, we have the rule of law. None of them are perfect, but they have combined in the past to move one generation after another ahead of the one that preceded them. That will continue to be the case. Markets will do very wild & unprecedented things, & you will see things that you haven't seen before."*

We have a relatively long way to go before the housing market turns around (I predict that it may well begin to happen within the next year). The adverse effect it is having on other parts of our economy will increase before it also turns around. That is not too optimistic, but keep in mind that in the current situation, while you will have to look very carefully for ways to benefit financially, some ways are certainly available.

I suggest that you may want to consider moving at least some cash into physical gold & silver – do not be tempted to do it via instruments where you do not take physical possession of the metals themselves. If you have a **lot** of cash, I'd consider a Swiss Annuity. I say that because the benefits of Swiss Annuities are far more impressive than those of money market, CD, or municipal bonds – look into it. If you have limited funds, I suggest that you may want to consider moving some of your cash out of mutual funds & put it into carefully investigated special situations – ones that have a good chance to grow during an adverse economic climate. The one I am currently investigating in this issue, US Farms, Inc., is one you ought to look at – in these times, food & health related products are ones that are in that category.

New Section at WallStreetCorner: There's a new section at WallStreetCorner – it's called "Special Emerging Growth Situations." We decided to include it because many small low-cap companies today operate on limited cash positions, & we want to help those companies to experience the wide international distribution we provide. One of those small-cap companies that **we have already accepted for exposure is in that section. You can see its Executive Summary** by clicking where it says: "Click here to access our Special Emerging Growth Situations." That button is located in the center area of our home page under the Special Situations listed there.

Companies that we accept for the new section are charged a modest \$495 per month plus a one-time negotiated number of restricted shares. If you have any small-cap companies in your portfolio, you can help them and yourself by suggesting that they call me at 843-645-2729 so we can have a chat about how we can help them – we have grown in the amount of exposure we provide – we now are regularly read by serious investors in 96 countries.

Our Schedule: This newsletter, published every so often (it depends on when I find an exceptional situation like USFI to tell you about) has five parts now – this one, & its four editorial

supplements, each of which I write & publish from one to five times each month. They are my “Opinion,” “Stock Pick,” “Comment,” & “Bold Ventures” columns, & all are available here at WallStreetCorner -- select them at the right side of our home page.

US Farms, Inc.

....Continued from Page 1



Comment

I interviewed President Yan Skwara & like this situation. The company is entering its third year, is growing fast, & has exceptional long-term appreciation potential in my opinion. Its growth is based on the increasing demand for food, & the growing popularity of foods that improve one's health. Its main product is Aloe Vera, whose various product types have high profit margins. I predict that the company will reach profitable operation in 2010, & will grow at a very attractive rate from then onward. This early point in its history is the ideal time to take a position in my opinion.

What USFI Is & Does

USFI is a commercial farming, nursery, & brokerage company. It is based in California's Imperial Valley, with facilities in North County San Diego, & Los Angeles. It grows, markets, & distributes horticultural products through a number of wholly owned subsidiaries. They include: American Nursery Exchange, Inc.; California Management Solutions, Inc.; California Produce Exchange, Inc.; American Aloe Vera Growers, Inc.; Imperial Ethanol, Inc.; Sammy's Produce, Inc.; US Ag Transportation, Inc.; US Produce, Inc.; Texas Garlic & Spice, Inc.; US Trading Group, Inc.; & World Garlic & Spice, Inc.

USFI's Products

USFI has subsidiaries that provide a full range of products including Aloe Vera, Cactus, Succulents, Jade, Rare & Exotic Palm Trees, & Cycads, along with produce products that include Aloe Vera, Asparagus, Tomatoes, & Garlic.

Its horticultural products are sold through supermarkets, home centers, retail merchandisers, garden centers, re-wholesalers, & landscapers throughout the U.S. & Canada. Through internal growth & strategic acquisitions, it is expanding its market share in its nursery & specialty produce businesses.

USFI's Primary Crop

Its primary crop is Aloe Vera. Its American Aloe Vera Growers, Inc. subsidiary is one of the largest growers & suppliers of domestic Aloe Vera. It grows, packs, & ships Aloe Vera Plants, Aloe Vera Produce, & Bulk Aloe Vera Leaves to many brokers, re-wholesalers, & direct to many major retailers throughout the U.S. & Canada. Its facilities are dedicated to Aloe Vera production, which has enabled it to be the leader in Aloe Vera in North America.

Yan Skwara told me that in the U.S., Aloe Vera can only be grown in Texas, Florida, & Southern California. Texas & Florida are prone to hurricanes, so are not the best places for growing this valuable plant. Southern California is probably the best location. Worldwide, USFI is one of the top 10 growers of Aloe Vera. In Southern California, it is the largest grower, with 250,000 Aloe plants on 70 acres. Its closest competition has only about five acres. Actually, USFI is already known as the largest & most respected high-volume Aloe Vera grower & supplier in the U.S.

Yan Skwara stated: *"In 2006, we planted the seed; in 2007, we started to grow; in 2008 & beyond, we should begin to bear fruit. We have met key milestones in terms of revenue growth &*

market penetration. We have acquired & begun operating wholly owned subsidiaries that broaden our product offering to provide for year-round sustainable growth.”

USFI's 70 acres of Aloe plants produce more than 4,000,000 baby plants (called “pups”) per year. Those pups are harvested & taken to USFI's five acre greenhouse facility with over a 100,000 square feet of green house space & grow in 4” to 6” pots that are sold to large nursery wholesalers & retailers such as Trader Joes, Lowes, etc. Another product that is a high margin Aloe product is the Aloe leaves that are sold in bulk form to manufacturers & producers that process the leaves for the juice production of many types of end products that contain Aloe.

Some of the uses for Aloe include cream that is used to heal bad cuts, a blended Aloe Vera juice that helps stomach problems & has high Vitamin C content, Aloe plantings that are used around homes to provide an effective fire retardant -- a rather good opportunity in many California locations, & Aloe Vera leaves that are sold in supermarkets as a produce item (USFI created that market).

USFI's Related Businesses

Here are some of the other related businesses in which USFI is engaged:

1. California Produce Exchange, Inc.: One of the largest domestic growers of Asparagus, & distributes a variety of bulk vegetables & fruits to brokers, distributors, & food converters.

2. American Nursery Exchange, Inc.: A leading floriculture supplier of select ornamental shrubs, color plants, container-grown plants, & exotic palms & cycads. It locates, consolidates, & ships live foliage & trees to customers in the interiorscape, nursery, & large retailers.

3. Sammy's Produce, Inc.: A bulk wholesale produce distribution & foodservice company serving customers throughout the continental U.S. With more than 40 years in the produce & foodservice industry, it has locations in San Diego, Los Angeles, & Brawley, CA.

4. It provides the raw material for the manufacture of Aloe Vera gels & sprays.

5. It has an inventory of approximately 75,000 palm trees on a 15 acre facility in Rainbow, Ca adjacent to Fallbrook, CA (my son & his family live in Fallbrook).

6. It acts as a plant fulfillment center for IKEA Nursery products through a third party agreement as a outsourced vendor. Plants are stored at the US Farms, Inc. Valley Center facility & US Farms trucks deliver the final end plant product to the IKEA stores directly.

Financial Status

USFI posted revenue of \$9,460,585 for the year ended December 31, 2007 versus \$361,414 for 2006. It refocused its business activities in the agricultural sector during the second & third quarters of 2007, which provided the framework for this significant growth. The majority of growth was from revenues generated through the California Produce Exchange business segment (sales of \$8,628,922 in 2007).

USFI gross profit for 2007 was \$771,701, or 8.2% of revenues, with a net loss for the period of \$5,955,327 or (\$0.18) loss per basic share. This compares to a gross profit of \$36,141, or 10% of

gross revenues, & a net loss of \$4,471,910, or (\$0.33) loss per basic share, for 2006. The increase in the operating loss was due primarily to costs associated with the startup of its Sammy's Produce, Inc. & World Garlic & Spice, Inc., both wholly owned subsidiaries, in addition to business development costs, & general & administrative expenses associated with the implementation of the company's growth strategies. During 2007, USFI successfully raised \$4,092,049 from a private placement of common stock & warrants.

USFI reported unaudited revenue of \$2,380,294 for the quarter ended March 31, 2008, an increase of 42% compared to \$1,673,949 for the same period last year. This increase is primarily attributable to the addition of bulk Tomato & Garlic revenues generated through the company's California Produce Exchange business segment along with its existing Asparagus & Aloe Vera sales.

Yan Skwara stated: *"In the first quarter, we achieved key milestones that position the company for continued revenue growth for the remainder of fiscal year 2008 & into 2009."* The company's first quarter achievements included entering into a fulfillment agreement with Morgan Creek Tropicals, a modern wholesale supplier of indoor tropical plants & nursery stock. The agreement calls for US Farms to immediately establish a fulfillment center at its 100,000 square foot green house facility to effectively house plant inventory & service a large retail nursery customer of Morgan Creek Tropicals. Shipments have already been initiated & are proceeding accordingly.

2007 Company Highlights

From January to March of 2007, the company harvested its first Winter Asparagus crop, generating in excess of \$1.4 million in revenues.

In February 2007, it purchased the assets of a San Diego based nursery & formed American Nursery Exchange, Inc.

In April 2007, it hired Sam Nucci as VP Sales for its newly formed Sammy's Produce Exchange, Inc. Revenues for the nine months in 2007 for Sammy's Produce were in excess of \$6.2 million.

In July 2007, it formed & began operating its wholly owned subsidiary US Ag Transportation, Inc., which received a US Department of Transportation license & registration for refrigerated produce, agriculture, & food transportation nationwide.

In August 2007, it formed World Garlic & Spice, Inc. Revenues for World Garlic & Spice for 2007 were in excess of \$600,000.

In October of 2007, it formed US Trading Group, Inc., & began importation of Chinese garlic. It imported garlic in excess of \$450,000 during 2007.

In October 2007, it appointed Darin Pines, an agricultural industry veteran as COO.

Recent News

5/22/2008 -- USFI signed a non-exclusive letter of intent to acquire specific Aloe Vera manufacturing equipment along with fully automated state-of-the-art bottling equipment. This equipment acquisition, once completed, will allow the company to enter into the manufacturing and sales of Aloe Vera based consumer products. This transaction is subject to further due diligence &

financing. In the transaction, USFI will be acquiring a fully automated filling, packing, & palletizing system designed for high output production with minimal labor costs. Recently, the equipment received an in-use appraisal of \$3.1 million. Yan K. Skwara stated: *"When consummated, this equipment acquisition would enable US Farms, Inc. to leverage its current Aloe Vera farming operations, which includes over 250,000 full grown Aloe Vera mother plants, into a vertically integrated player in the \$34 billion US market for products containing Aloe Vera. In addition, the market opportunities & revenue potential, coupled with very attractive gross & operating margins, would enable us to increase shareholder value long term."*

My Opinion

I like the relatively rapid growth of this emerging growth situation. I like the vertical expansion supported by attractive acquisitions. I like the aggressive strategy Yan Skwara has embraced. My opinion is that this situation will do well, even in the adverse economic climate we find ourselves in. I like the fact that USFI is concentrating on products in the food & in the health related area. Is there risk? Of course – there is always high risk in situations that have exceptional long-term appreciation potential – & this situation certainly has such potential in my opinion.

Contact

USFI is located at 1635 Rosecrans St., Suite C, San Diego, CA 92106. Call CEO Yan K. Skwara at 858-488-7775 Ext 101, or 800-845-9133 -- Email: investor.relations@usfarmsinc.com www.usfarmsinc.com.

Disclosure: To protect your privacy, Conservative Speculator (CS) does not rent, sell, or divulge its subscription list to anyone or any entity. Rosanne & I own WallStreetCorner.com, Inc. ("WSC"), publisher of www.WallStreetCorner.com, Conservative Speculator, & my editorial columns.

WSC normally charges its clients an annual cash fee usually payable at the rate of \$1,000 per month, plus either Form 144 restricted, or free-trading shares. We work with the participant company in a team effort to update the company's corporate profile during the time they are one of our clients. Their profile is prepared & posted at WallStreetCorner, & we make email distributions on their behalf, but there has never been, is not now, & never will be a charge for editorial coverage in CS, in my "Opinion," "Stock Pick," "Comment," or "Bold Ventures" columns, or at my speaking engagements, on radio or TV shows on which I may appear, or in my contributions to other print & internet publications. A company's unique product or service, growth potential, & other fundamentals that cause us to write about it are similar to characteristics WSC seeks. -- Result: Some companies covered in CS may be invited by WSC to be participants. I may cover companies that became WSC participants before they were considered candidates for CS. Being a participant at WSC is not a prerequisite. It is pointed out to WSC participants that my editorial coverage is free, & is not a part of their participation.

USFI is not a client. It has not paid for this editorial, or for any other coverage in my editorial columns at www.WallStreetCorner.com, but we invited them to come aboard, & they agreed, so when that agreement is implemented, we will use this information to prepare a Profile to be accessed from our home page under "Special Situations," & will distribute Email Alerts regarding

their achievement of milestones to those of you who are on our email database of serious investors. If you are not as yet receiving my Alerts, just email me at up415@aol.com & ask to be included – no charge of course.

Any statements in the Featured Situation, or other coverage in this newsletter & in our related columns at WallStreetCorner that are not historical facts should be considered forward-looking information as that term is defined in the Private Security Reform Act of 1995. They can often be identified by such terminology as "predicts," "projects," "believes," "estimates," "should," "could," "contemplates," "expects," "anticipates," "may," "will," &/or any variation of these &/or similar terms. Such information & the related company are subject to many risks & uncertainties. There can be no assurance that actual results, business conditions, business developments, losses & contingencies, & local & foreign factors will not differ materially from those suggested in the forward-looking statements as a result of all sorts of factors (just a few: market conditions, competition, advances in technology, acquisitions, mergers, potential litigation, personnel changes, market changes, capital availability). In short, there are absolutely no guarantees re future performance. That's one reason I strongly recommend you talk to a top management person at any company in which you contemplate taking a position -- form your own opinion before proceeding.

Important Strategies

These apply to every situation in CS, & in the other columns that relate to companies that I write about between issues of CS. Special situation, emerging growth, low-priced, small-cap, micro-cap, & high-gain-potential stocks have high risk. Never invest into a stock I cover unless you can afford to lose your entire investment. Keep in mind that these low price companies could make huge swings in either direction & should only be attempted by knowledgeable individuals with risk capital looking for huge returns. Fortunately, not many such situations turn out to be disasters, but some do -- that is a risk you must accept.

Here are four of my important strategies:

- 1.** Be prudent -- the total funds allocated to speculative stocks should be limited to a small percentage of your cash, certainly no more than you could lose without discomfort. I suggest no more than 5% of that small portion be invested in any one stock, to spread your risk.
- 2.** Do not accept my opinion as the reason to invest. Call the company. Get a feel yourself. If you're not comfortable, pass. I expose you to potentially profitable situations. You have the responsibility of making any investment decision. Do not give up that responsibility.
- 3.** Apply a moving stop-loss strategy. If the price goes up, raise your stop-loss guideline point to something like 20% below the new price. Keep doing that as the price rises. If the price drops to your stop-loss point, grit your teeth & sell. This limits loss, but lets profits increase.
- 4.** Follow the price after you sell. If you like the situation's fundamentals, watch the price after you sell using your stop-loss strategy. Assuming the price did not go down because of an adverse change in the company's fundamentals (call an officer of the company to help you make that decision), keep watching. When the price stops going down & begins to move up, consider getting into the situation once more.

Important Information Re CS: CS is published several times a year, but all of my editorial columns here at WallStreetCorner are extensions of CS. Contents copyright by CS. All rights reserved. Our information is from sources we believe reliable, but we do not guarantee it -- errors are inevitable. It is not all-inclusive. Do not rely on it as the sole source of data/opinion for making decisions. Invest in stock only after consulting your investment advisor, & reviewing financials from the company. Call each company before investing. CS, its editors, publisher, & those involved in its preparation are not brokers, dealers, or investment advisors. Neither the information nor any opinion expressed herein constitutes an offer or the solicitation of an offer to sell or buy any security. We do not endorse the views/opinions of editorial contributors or our sources of information. Do not assume stocks covered will be profitable, or will equal past performance. The stocks covered in CS are highly speculative -- see comments under "Important Strategies." Access is via the internet @ www.WallStreetCorner.com.

Dow 30 Market Timing

By **Kenneth Coleman**

There are 19 bulls, 3 bears, 5 holds, & 3 basing stocks. The bullish case for the stock market continues to improve. The short-term & intermediate-term trend in the market is up, but the primary trend is still down. As I write this, the NYSE & NASDAQ Composites are pressing against their 200-day moving averages. The Dow moved above resistance at 12,800, thus that number should be expected to offer support in the future. If not, it just adds to the longer-term bearish case. The Fed added \$100 billion to its member banks in April & has said it intends to add another \$150 billion in May. Soon, some of this massive amount of reserve money should be free for banks to loan. With interest rates low, corporations probably won't neglect the opportunity.. Once borrowing starts, the economy should improve. STAY TUNED!

[**Editor's Note:** Ken's comments & Dow recommendations were made 5/2/2008 in his May 2008 issue.]

<u>Corporation</u>	<u>Symbol</u>	<u>Phase</u>
Alcoa	AA	4
American Express	AXP	3
American Int'l Group	AIG	3
AT&T	T	3
Bank of America	BAC	3
Boeing	BA	3
Caterpillar	CAT	3
Chevron	CVX	3
Citigroup	C	3
Coca-Cola	KO	4
Disney	DIS	3
DuPont	DD	3
Exxon Mobil	XOM	3
General Electric	GE	4
General Motors	GM	1
Hewlett Packard	HWP	4
Home Depot	HD	3
IBM	IBM	3
Intel Corp	INTC	3

J.P. Morgan Chase	JPM	3
Johnson & Johnson	JNJ	3
McDonald's Corp	MCD	3
Merck & Co.	MRK	5
Microsoft	MSFT	1
Pfizer Inc.	PFE	5
Proctor & Gamble	PG	5
3M Company	MMM	1
United Technologies	UTX	3
Verizon	VZ	4
Wal Mart	WMT	3

<u>Phase</u>	<u>Action Suggested</u>	<u>Phase</u>	<u>Action Suggested</u>
1 - 1-1/2	Cover Shorts	5 - 5-1/2	Sell
2 - 3	Buy	6 - 6-1/2	Sell Short
3-1/2 - 4-1/2	Hold	7 - 7-1/2	Hold short

[Editor's note: Ken Coleman is the country's only "Investment Tracker." He tracks all the money flowing into & out of the total investment spectrum of G7 nations. Due to his unprecedented timing predictions using money flow analysis, he, like Larry Oakley, is in Who's Who in the World in Finance & Industry. He is editor of Kenneth Coleman's Investment Tracker newsletter (it's the only newsletter still in print that I religiously read -- it's the best). Call him at 760-720-0107.]

Invitation: If you are viewing this issue because someone told you about CS, we invite you to join our elite regular readers. They are from the lower 48 U.S. states... & from more than 96 other countries & areas, including such diverse places as Abu Dhabi, Alaska, Amman, Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Beirut, Belgium, Bermuda, Bosnia-Herzegovina, Brazil, Canada, China, Cote d'Ivoire, Curacao, Czech Republic, Denmark, Dubai, England, Finland, France, Germany, Gozo, Grand Cayman, Greece, Hawaii, Hong Kong, Hungary, Iceland, India, Iran, Ireland, Israel, Italy, Japan, Java, Jharkhand, Jordan, Kazakhstan, Kuwait, Lebanon, Luxembourg, Marshall Islands, Malaysia, Malta, Mecca, Mexico, Netherlands, New Zealand, Nigeria, Norway, Odessa, Pakistan, Pangasinan, Penang, Peru, The Philippines, Portugal, Puerto Rico, Russia, Sardinia, Saudi Arabia, Scotland, Singapore, Slovakia, Slovenia, South Africa, Spain, St. Croix, Sweden, Switzerland, Taipei, Thailand, Trinidad, United Arab Emirates, Venezuela, Wales, etc., etc., etc.

No other newsletter provides such value & capital appreciation potential, especially considering the related five editorial columns that appear regularly between issues. Investors like this newsletter. One email received says: *"I truly enjoy the hidden gems you bring to the table."* Another says: *"First of all I am literally touched by the candidness of your website, a light in the dark."* We also received: *"I used to read many newsletters -- now I only read Conservative Speculator."* And the following from the Far East: *"I have been enjoying reading your opinions & reports, first time this morning, & quite frankly I have never encountered such honesty & integrity in 'stock-market experts' from the many investment websites that I have browsed."* Here are two other ones: *"Thanks for responding so quickly. Your reviews are spectacular."* -- & -- *"Thank you for the personal welcome letter! I found you when I was searching for info on a public company, & your site looks fantastic. Exactly the type of stocks and commentary I am interested in!"* Conservative Speculator is also often quoted in the national press.

My "Stock Pick," "Opinion," "Comment," & "Bold Ventures" columns at WallStreetCorner are valuable extensions of Conservative Speculator -- check them out every week or so. Questions? -- email us at up415@aol.com.

Please tell your friends & associates they can get a free subscription to Conservative Speculator at www.WallStreetCorner.com. Just have them check the upper right portion of our home page.

There's money to be made in otherwise difficult market environments. If you check our columns at WallStreetCorner, & here at Conservative Speculator, you'll be exposed to many such opportunities. Our columns represent the combined ideas & thoughts of a substantial number of successful people with whom we regularly interface. Take advantage of that resource.