



## US Farms, INC.

### BUSINESS SUMMARY

US Farms, Inc. (OTCBB: USFM) is a diversified commercial Farming and Nursery company. The Company currently grows, markets and distributes horticultural products through a number of wholly owned subsidiaries. US Farms, Inc. is currently one of the largest domestic growers of Aloe Vera, growing well over 6 million pounds annually. The Company plans to further vertically integrate by moving into the sales and marketing of Aloe Vera-based Nutraceutical products. The Company's current products are sold through supermarkets, home centers, retail merchandisers, garden centers, mail order, direct sales, re-wholesalers, and landscapers throughout the United States and Canada. Through internal growth and strategic acquisitions, the Company is expanding its market share in its businesses.

### INDUSTRY PROFILE

Generating over \$15 Billion in annual sales in the U.S., the nursery and greenhouse industry represents the fastest growing segment of the \$45 Billion total horticulture market. (Source: US Dept of Agriculture, Economic Research Service).

Farmers are growing crops at record levels to supply the high food demands in fast-growing economies like China and India, in addition to renewed interest in fresh produce in the United States. In North America, consumption of fresh fruits and vegetables has been transformed in the past decade. Consumers are purchasing more fresh and organic produce, exotic varieties, and convenient portions and packaging. This has helped create today's thriving agricultural sector. Food service companies are sourcing more of their fresh fruits and vegetables from US suppliers, in light of concerns over the safety and quality of imported produce.

The healthy lifestyles segment, valued at US\$30 billion, focuses on the sale of natural, organic and wholesome food and beverages; nutritional supplements; and personal care products (source: Lifestyles of Health and Sustainability 2007 estimates). Many manufacturers are using Aloe Vera to meet consumer demand for healthy ingredients that are all-natural with a medicinal effect. Long known for its healing properties for treatment of burns, scrapes and minor injuries to the skin, Aloe Vera has since expanded its beneficial role in a variety of industries.

Aloe is now used as a value-added ingredient in many pharmaceutical and cosmetics products, such as vitamin supplements, moisturizers, gels, shampoo, etc. In the natural, organic food and beverage sector, Aloe is added to yogurts, smoothies, juices, teas and other bottled beverages. Total consumer products containing Aloe Vera exceeded \$110 Billion worldwide, \$34 Billion in the U.S. alone. (source: International Aloe Council).

### STOCK INFORMATION



<b>Business:</b>	<b>Farming &amp; Nursing</b>
<b>OTC BB Symbol:</b>	<b>USFM</b>
<b>Market Price:</b>	<b>\$0.035 (01/28/09)</b>
<b>52 Week Range:</b>	<b>\$0.03 - 7.50</b>
<b>3 mo. Avg. Volume:</b>	<b>109,500</b>
<b>Est. Public Float:</b>	<b>13.5 Million</b>
<b>Shares Outstanding:</b>	<b>13.7 Million</b>
<b>Market Cap:</b>	<b>\$0.5 Million</b>
<b>Fiscal Year End:</b>	<b>December 31</b>

### WHOLLY OWNED SUBSIDIARIES

U.S. Farms is a vertically integrated organization that acquires established operations in the Agricultural business. Its wholly-owned subsidiaries are:



**AMERICAN NURSERY EXCHANGE, INC.**

American Nursery Exchange, Inc. (ANE) - A fast-growing floriculture supplier of select ornamental shrubs, color plants, container-grown plants, and exotic palms and cycads. Live foliage and trees are sold through wholesale distribution to supermarkets, large retailers, garden center and home improvement stores on a national scale. ANE leases its nursery which will be used for growing as well as staging orders for its customers.



**AMERICAN ALOE VERA GROWERS, INC.**

American Aloe Vera Growers, Inc. (AAVG) - One of the largest, high-volume domestic growers of Aloe Vera. AAVG grows, packs and ships Aloe Vera plants, produce and bulk leaves through wholesale, retail and direct-to-consumer channels throughout North America. AAVG products are sold in supermarkets, garden and home improvement centers, landscapers and retail outlets.

## CURRENT OPERATIONS

Southern California is the hub of the country's nursery business. US Farms, Inc. operates a total of three nurseries in San Diego, totaling 25 acres. It has built a two-acre shade house facility in Rainbow CA, located 15 minutes north of Escondido in San Diego North County, where hundreds of nurseries call home. This shade house uses a special cloth canvas that has the ability to shield sunlight, while increasing the productivity of any plant grown by up to 30%. This improvement stands to make a major impact to top- and bottom-line profits of US Farms, Inc.'s Nursery business moving forward.

### Aloe Vera

US Farms, Inc. has over 250,000 Aloe Vera plants on 70 acres that can produce in excess of 6 million pounds of leaf annually. Current farming operations can easily be expanded to accommodate growth.

Full-grown Aloe Vera plants produce around 6 million or more Aloe Vera "pups" per year. Pups are little shoots that sap energy from the mother plant and must be removed. Rather than tossing them away for weeds, US Farms, Inc. generates another revenue stream by re-potting millions of its pups at its 100,000 sq. ft. greenhouse facility located in Valley Center, CA.

US Farms, Inc. currently generates three revenue streams from its Aloe Vera operations:

1. *Bulk Leaf Sales* – USFM sells Aloe in bulk form to nutraceutical and cosmetics companies, and for private labeling, currently at \$0.30 per pound, bringing margins in the 50% range.
2. *Produce Sales* – Aloe Vera leaves are transported to market daily and are sold primarily through brokers and regional distributors who represent health food retailers and grocery store clients.
3. *Potted Plant Sales* – Potted plants (from millions of Aloe Vera offspring) are sold to nurseries and nursery brokers, who distribute the plants to major retail stores and grocery chains.

### Exotic Palms/Cycads

US Farms, Inc. maintains and owns over 75,000 Palm Trees, which include over 265 species of cycads located at its facility in North County San Diego. Exotic and rare varieties of cycads are sold directly to interior and exterior landscapers,

hotels and high-end restaurants. The uniqueness and luxury use of these types of tropical and sub-tropical plants create high-margins for US Farms, Inc. The value of the Company's Palm Tree inventory is approximately \$1.5 Million.

### Jade Plants

Jade plants are popular houseplants around the world. As succulents, they require very little water in the summer, none in the winter, and will grow in full sun to light shade. US Farms, Inc. is one of the largest growers of jade in the U.S. The Company recently signed a five-year lease agreement for a 14 -acre Nursery Facility located in Fallbrook, CA that will be used for Jade Plant production and stock fields and incorporate its production-boosting shade house.

## ENTRY INTO NUTRACEUTICALS

The consumption of all natural, Aloe Vera-based products is one of the world's fastest growing health trends. In September 2008, USFM announced its intention to enter the energy supplement market as a natural complement to its large scale Aloe Vera farming activities.

According to Market Research Group, the energy drink category has grown by 440% since 2002 to approximately \$6.6 billion in 2007 and is expected to reach \$9 billion in 2011. US Farms, Inc.'s first product, the proprietary blended EnergyAloe®, targets explosive growth in the nutraceuticals. Nutraceuticals contain a functional ingredient that provides a specific nutritional benefit and falls into two categories: dietary supplements and functional foods. Globally, sales of nutraceuticals are projected to reach \$187.4 billion by 2010



## Corporate Highlights

**Multiple Revenue Streams:** Aloe Vera crops currently contribute three revenue streams for USFM, Produce, Plant and Bulk Leaf Sales, with gross margins between 40 and 60%. Plans to market and sell finished Aloe goods (dietary supplements) would elevate margins of up to 200%, depending on the product.

**Production Capacity:** USFM has access to an additional 40,000 acres of irrigated farmland (farmers own the rights to the water) in California's pristine Imperial Valley, along with a 100,000 sq. ft greenhouse facility and 100,000 sq ft shade house, creating a scalable production capacity to meet increasing demand.

**Strategic Partnerships:** Through an agreement with Morgan Creek Tropicals, who has a direct contract with international retailer IKEA, USFM acts as a fulfillment center for the nursery needs of 10 IKEA stores on the U.S. West Coast.

**Retail Distribution:** Through its wholly owned subsidiary American Aloe Vera Growers, Inc., USFM's distribution channels include nationally branded retailers and home center stores, such as Trader Joe's, Publix, The Home Depot and Safeway.

**Upside Potential:** In the early stages of creating a fully integrated vertical company for the production of Aloe Vera-based products, USFM offers investors near-term upside potential in the \$6.6 Billion U.S. energy drink market, along with long-term appreciation from entry into other high-growth commercial markets.

against an estimated \$155.9 billion in 2007.

While regular energy drinks are full of refined sugar and synthetic ingredients, EnergyAloe is the first, whole food liquid nutritional product designed to support healthy energy levels, stamina and endurance, without the use of synthetic “man-made” ingredients. EnergyAloe contains exclusive ingredients known for their supportive function in maintaining natural health and energy levels; alertness and vitality; improved concentration; increased physical stamina; increased metabolic rate and fat oxidation; help protect and strengthen adrenal glands; and support the body in times of stress.

Using a proprietary blend of plant-based, whole food ingredients, EnergyAloe provides all the nutrients that nature intended, not just the nutrients man has discovered. The Company plans to introduce EnergyAloe in a 32oz bottle to consumers in the first quarter of 2009.

## GROWTH STRATEGY

Going forward, U.S. Farms, Inc. is focused on expanding its existing Aloe Vera operations, which contribute a strong infrastructure of distributors, marketing and sales team, and multiple revenue streams with margins of 40 to 60%. USFM’s near-term growth strategy is to enter the manufacturing side of the business to create a vertically-integrated company for the farming, processing, bottling and marketing of Aloe Vera-containing consumer products. These finished goods carry margins of around 100% or greater.

In September 2008, US Farms, Inc. announced its plans to enter the U.S. Energy drink market through a nutraceutical offering. USFM benefits from scalable farming operations that can produce whole foods using healthy raw ingredients to make a “Made in the USA” product offering. The Company has established retail sales channels and a strong marketing and sales team to take its first product, EnergyAloe, to the US market in January 2009.

In addition, USFM’s agreement with Morgan Creek offers a

catalyst for future growth. Morgan Creek, a Canadian nursery, has a direct contract with IKEA, the largest furniture retail supplier in the world and newly expanding in North America. USFM acts as a fulfillment center and grower for IKEA plant orders for ten (10) out of a total of 40 IKEA stores in North America. IKEA Nursery sales in North America are less than one-half of a percent of their total store sales, and IKEA is aiming for a much larger piece of Nursery business, overall. As the Morgan Creek-IKEA relationship develops, USFM is poised to serve additional IKEA stores.

Currently, USFM is leasing all of its farm land in the Imperial Valley of California at \$300 per acre, per year. USFM also leases out its nursery facilities in San Diego County, which include a 5- and 15-acre nursery facility with a two-acre shade house that houses palms and cycads inventory and the Company’s greenhouses. These provide additional revenue streams for the Company.

## BULLISH OUTLOOK

Fiscal 2007 was a foundational year for US Farms, Inc. and one marked by accelerated revenue growth, with total revenues growing to more than \$9.4 million in 2007 (audited) compared to \$360,000 in 2006. In an effort to reach profitability, in the first half of 2008, USFM renewed its focus on expanding its higher margin plant and crop products, which include Aloe Vera, Jade, Palms and Cycads. The Company also has taken steps toward creating a vertically integrated company focused on the end-to-end production of finished Aloe Vera consumer goods. With multiple growth catalysts at play, USFM is poised to return to profitability and enhance shareholder value over the near- and long-term.

## Experienced Leadership

**Yan Skwara**, *President and Chairman of the Board*, spent 18 years on Wall Street as a NASD registered representative and investment banker. Mr. Skwara’s investment banking experience spans managing both small and large cap market portfolios with particular expertise in Mergers and Acquisitions. He formerly served as Vice President of Investments at AG Edwards and Executive Vice President of Whale Securities. Mr. Skwara brings over 11 years of experience managing early-stage private and public companies. He has been instrumental in raising capital, hiring experienced management and increasing shareholder value. In 1997, Mr. Skwara founded a Sports Marketing business, which owned and operated the Professional Soccer franchise in San Diego, California “San Diego Flash.” In 2005, Mr. Skwara founded and published the leading Premier Soccer Magazine, 90:00 Soccer Magazine. In 2006, Mr. Skwara entered the agriculture business of Farming and Nursery.

**Darin Pines**, *Chief Operations Officer and Director*, has over 18 years of experience in farming and nursery operations. He has been instrumental in the acquisition of both the farm and nursery properties, the strategic restoration of the nursery, development and planting of the Imperial Valley Aloe Vera acreage, and establishing USFM’s proprietary farming techniques that have provided superior quality and yields. In addition, Mr. Pines has overseen the successful targeting, acquisition and integration of Samlis, Inc. and USA Garlic & Spice, Inc. enterprises into US Farms. He began his career in 1988 with Carlsbad Floral Exchange Inc., where he was responsible for managing multiple nursery facilities, business development and customer retention initiatives.

**Neal Ford**, *CPA, Interim Corporate Controller*, has over 20 years of experience in corporate and public accounting. From 2003 to 2006, he was a Financial Consultant for a \$90 million manufacturer of dietary supplements. From 2001 to 2003, Mr. Ford was a Financial Consultant with a CFO Strategies, LLC where he provided clients CFO/Controller level services including industry specific engagements at Color Spot Nurseries and Am-Sod, Inc. Prior to this, Mr. Ford held financial management at Media DNA; Booz, Allen & Hamilton; Fisher-Price; Jungle Rags, Moss-Adams, and Performance Plastics. Mr. Ford holds a BS with double majors in Accounting and Marketing from the University of Maryland, and is an active CPA in the state of California.

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