

## ***Natural Harmony Foods*** Update. December 9, 2008

**Retail Progress: Super Target.** We have now replaced the Southwestern Pouch with the Natural Canadian style Turkey Bacon Muffin. The new product is now in stores. I bought a number of packages while in Orlando. The quality and shelving location was great. We were offered the opportunity to present new breakfast items to Target this month. While we do have an omelet line in development, these items are not ready for presentation and distribution at this point. We hope to build a strong sales history, so that we will be in a good position to present our new products and expand the product line offered at Super Target in the coming months. We are very excited about now having two breakfast muffins which offer great value, great taste, and great nutritional. Target has a new buyer and we are again offering to do demos. Sales have been steady, but we have not yet been “discovered” to the degree we would like. We continue to rely mostly on word of mouth, which is truly the best advertising, but slow in maturing. Beyond the release of the new Canadian style Turkey Bacon Muffin there will be no additional changes at Super Target over the next 6 months. We encourage all shareholders to go to Super Targets in your area, buy the products and help spread the word to friends and family. If you find a Super Target without the products please send an e-mail to [admin@naturalharmonyfoods.com](mailto:admin@naturalharmonyfoods.com).

**Tree of Life.** We now have both muffin products set up at Tree of Life. Orders are beginning to come in.

**Kehe.** Our products are now set up in the Kehe system and the brokers are making their presentations to retailers.

**UNFI.** This is the 600 pound gorilla when it comes to natural foods distributors. They are the primary distributor and one we’ve tried to crack for a couple of years. Desi presented to UNFI about a week ago. The buyer approved our products for the Chesterfield warehouse. After Desi had concluded the meeting, the buyer passed out samples to all the other workers in her office. Ten minutes later, she called Desi on his cell phone to put the products into three additional UNFI warehouses. Even with these approvals, it will be weeks before we see significant orders. The sales people have to drive retail demand. We are hopeful that Whole Foods North Atlantic and Mid Atlantic will approve us, but it has not been officially announced. The Mid Atlantic buyer has discontinued our closest competitor’s breakfast pouches, which we believe was done to make room for SoLean.

### **Report on Shows.**

Tree of Life 1 on 1 September 25-26 – Arlington, TX – We met with a large audience of Tree of Life’s District Managers who really liked what they saw. We are currently in the stage of providing sales materials and samples for them to push out to their sales force.

Natural Products Expo East - October 15-18 - Boston – This was a very poorly attended show. There are no immediate developments to report. However, we were able to bring on a solid broker for the North East and provide training to their sales people. Since this show they have gotten us appointments at Price Chopper, Wakefern and Cavallaro (distributor).

American Dietitians Show - October 26-28 - Chicago. This was a very good show in that we further cemented our relationship with the American Dieticians group and confirmed that all of our product lines are aligned with the market demand and health goals they strive for. We do not currently have the resources to fully capitalize on the food service market, but we plan to expand into this market in the future.

Tree of Life Northeast - November 15-16 - NJ – We decided not to attend this show.

SoHo Show - December 6-7 – Orlando. This show was very gratifying as we sampled the two muffins, got the universal acclaim we've come to expect and wrote orders for fifteen or so retailers. They are small but they do get the attention of our broker sales people and those of the distributors. We also got verbal approval from the buyer for a 6 store natural foods chain owned by UNFI which should get us into the Florida UNFI distribution center.

**Stock Sales.** In the June update we outlined our plans to sell discounted blocks of restricted shares directly to accredited investors. This was to raise \$200-300,000 to properly execute our growth plans and become a fully reporting company without selling free trading shares to those dealers who are only interested in the short term. Again, the goal was to issue no more shares beyond the 240 million authorized at that time. We've had four sales of restricted stock for \$57,000. This amount was not as much as needed and we recently sold about 14 million free trading shares. To enable this, the board approved increasing the authorized shares to 300 million. As before, we hope to not exceed that number. As of now there are 272,938,196 shares outstanding. We still need to raise a minimum of \$20,000 each month until we get monthly shipments to \$100,000 or more. That breakeven was pushed out as a result of our difficulty getting funds and the delays in getting from distributor approval to retail orders.

We have 6-8 great products in the pipeline, however, those delays in getting good retail distribution have led to the decision to not launch the "Under 200 Calorie" line until the Expo West Show in March. If we preview our new line before we have gotten good distribution on our existing breakfast line there will be a tendency for our brokers to jump to the new items.

3rd Quarter & Releases: We will be posting 3<sup>rd</sup> quarter results on our website shortly. While our results are improving, they are not as strong as we would have liked due largely to the previously mentioned delays. Our distribution channels continue to grow at an encouraging rate. We will have more press releases forthcoming as the aforementioned developments become official.

Thank you for your continued support.

Sam Dewar