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Annual Benefit Report
of
Other Half Processing, SBC
A Minnesota Specific Public Benefit Corporation

March 29, 2020

Other Half Processing was incorporated on July 16, 2017 as a Specific Benefit Corporation under Minnesota's Public Benefit Corporation Act (the "Act"). Pursuant to Section 304A.101 of the Act, Other Half Processing's specific public benefit purpose as stated in its Articles of Incorporation is:

To create high value and high quality products in ways that are ethical and respectful to the animal, and support regenerative farmers, ranchers and agricultural systems.

Throughout this report, Other Half Processing will be referred to as OHP or may refer to itself as "we", or "our" or "us."

OUR STORY

Most people are familiar with organic milk, grassfed beef and free-range eggs. Consumer support for these kind of more sustainable and ethical animal products has grown dramatically in recent years. Yet this same differentiation has not been applied to the highly useful byproducts - like leather or tallow - that come from the "other half" of the animal.

Despite the importance and value of byproducts, there hasn't yet been a commercial effort to separately process these materials that come from regenerative, organic, or other more sustainably raised animals. While the meat and milk from these animals goes to high demand markets, the other half gets combined with materials from conventional livestock operations and rendering streams. And as the majority of these more sustainably raised animals are processed at smaller, less integrated slaughter plants, the value returned for the byproducts is even less, due to higher collection costs and lower volumes of byproduct materials. This lack of separation is costly to both the producers that raise these animals and the smaller scale slaughter plants that support them, which ends up costing consumers as well, as the meat sales have to bear much higher overall prices to return a profit.

We believe people want more ethical and sustainable animal byproducts for the same reason they value the food items:

- they want to know livestock are respected and humanely treated throughout their lives
- they believe that healthy, well-raised animals result in higher quality, healthier products
- they support organic, regenerative and other more sustainable farming and ranching systems

So we founded a company to fill this gap. We are establishing identity preserved systems, processing and markets that increase the value of sustainable animal byproducts to the direct benefit of the producers and OHP's processing partners, with an initial focus on hides for leather.

With regard to the period covered by this report, from January to December 31, 2019, OHP pursued the specific public benefit purpose stated in its Articles of Incorporation in the following ways:

- We launched our regenerative hide supply work in partnership with regenerative grassfed farmers and ranchers, regional meat and hide processing plants, tanneries, and leather customers. OHP's major retail partner is Timberland, which is launching a line of OHP sourced boots in 2020.

<https://www.3blmedia.com/News/Timberland-Announces-Partnership-Build-Leather-Supply-Chain-Regenerative-Ranches>

- We continued work on building connections with sustainable regional and national livestock and meat companies around the country to enable increase in supply to meet OHP customer needs.
- We participated in major national meetings associated with regenerative agricultural systems criteria, market development, and supply chain connections to be able to influence and understand how byproducts will be involved.
- We further refined a business plan and began pursuing a launch strategy for OHP's initial product, regenerative hides for leather.

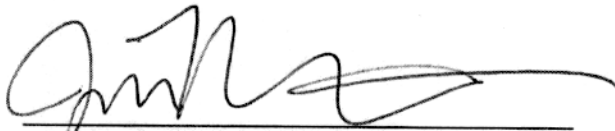
The following is a description of how we believe we succeeded in achieving the goals of our specific public benefit purpose.

- OHP successfully launched a business model in 2019 that pays a premium to farmers and ranchers and meat processing partners for ID preserved, verified regenerative hides.
- In 2019, OHP paid partnering regenerative farmers and ranchers almost \$17,000 in direct premiums for hides and the farm/regenerative traceability.
- OHP paid over \$75,000 to local meat processing partners for regenerative, ID preserved hide purchases at an amount well above the depressed 2019 commodity hide prices, which is expected to translate into higher hide credits for regenerative farmers and ranchers.
- OHP also helped direct additional funding (\$50,000) to support ranchers and farmer involvement in regenerative education, training and monitoring efforts.

OHP did not encounter any circumstances that hindered achieving our specific public benefit purpose in 2019.

CERTIFICATION BY THE BOARD OF DIRECTORS

The undersigned, being all the directors of Other Half Processing, hereby acknowledge and certify that we have reviewed and approved the enclosed Annual Benefit Report.




James Kleinschmit



Mark Kleinschmit

SUBMISSION:

I, the undersigned, certify that I am the Chief Executive Officer of this public benefit corporation. I further certify that I have signed this document no more than 30 days before the document is delivered to the secretary of state for filing, and that this document is current when signed. I further certify that I have provided all required information and that the information in this document is true and correct and in compliance with the applicable chapter of Minnesota Statutes. I understand that by signing this document I am subject to the penalties of perjury as set forth in Section 609.48 as if I had signed this document under oath.



James Kleinschmit, CEO



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Steve Simon

Steve Simon
Secretary of State