



Annual Benefit Report
Other Half Processing, SBC

A Minnesota Specific Public Benefit Corporation

March 27, 2024

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."

OTHER HALF PROCESSING SBC

Other Half Processing SBC (OHP) partners with US farmers and ranchers to source and market identity-preserved byproducts from the "other half" of US livestock raised under regenerative and organic systems.

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

OHP had mixed success in 2023 continuing to build demand for traceable and verified regenerative hides for leather. Timberland® remains a key customer and market partner, but OHP expanded work with other brands as well, including Coach, Range Revolution, and more. OHP also continued exploring and conducting some sales of byproducts for pet food and other markets in 2023. However, a slowdown in the apparel and luxury goods sector resulted in a significant drop-off in hide sales to OHP's partners. This reduced hide purchases by OHP, and as a result, OHP payments were reduced to a total amount of \$127,740 going to partnering regenerative farmer and rancher organizations in 2023 as premiums for the hides.

In 2023, OHP worked with the American Sustainable Business Initiative (ASBI) and many other partners to move forward the \$35 million USDA Climate Smart Commodity grant secured in 2022. Work kicked off in 2023, and is ramping up quickly in 2024. A significant amount of the granted funds – over \$15 million – are budgeted to go to farmers and ranchers in Minnesota and throughout the US to increase incentives and value from regenerative grazing systems over the 5 years of the grant project tied to climate-smart byproduct sales.

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While OHP sales were negatively impacted by a slowdown in the apparel and luxury goods sector, the USDA grant provides significant resources to help OHP continue to meet its specific public benefit goals in 2023.

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:

1, 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