

CASE STUDY:

Other Half Processing SBC

Minneapolis, MN Founded in 2017 by Jim Kleinschmit & Mark Kleinschmit

ABOUT OTHER HALF

Other Half Processing (OHP) partners with US farmers and ranchers to source and market identity-preserved byproducts from the “other half” of US regeneratively raised livestock. As a Minnesota Specific Benefit Corporation (SBC), OHP’s mission is to create high value and high-quality products in ways that are ethical and respectful to the animal, and supportive of regenerative farmers, ranchers and agricultural systems. OHP is excited to be partnering with Timberland® to develop and build out a US traceable, verified regenerative leather supply, with a new line of boots featuring OHP sourced leather coming.



LEATHER

MAIN BARRIERS OR NEEDS

Need for expansion of stand-alone regenerative meat and byproduct sector and infrastructure, including meat and hide processing. 1) Need more widely implemented segregation and traceability technology. 2) Support existing supply chain/processors. 3) Expand science and technology around regenerative agriculture. 4) Document economic value and returns of regenerative systems to farmers and ranchers.



IMPACT AREAS



Economic Development/
Job Creation



Carbon Sequestration



Soil Improvement



Support Farming
Communities



Water Regulation



Animal Welfare



Waste Reduction

CURRENT CAPITAL STACK A/O INVESTMENT TO DATE

Beyond a few key Minnesota grants, OHP has been funded by its co-founders.

TYPE AND MAGNITUDE OF INVESTMENT SOUGHT

Interested in investments to support sector infrastructure and aggregation—magnitude of need depends on specific investment opportunity.

REVENUE MODEL & PROJECTED PROFITABILITY TIMELINE

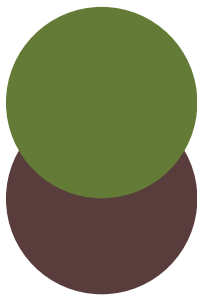
OHP’s revenue model is dependent upon adding value to byproducts based on their regenerative origin and traceability. OHP shares that additional margin with producers and processors. OHP is profitable on a small scale, based on the relatively low volumes of hide sales to this point (although for regenerative, the volumes are significant).

KEY RISKS

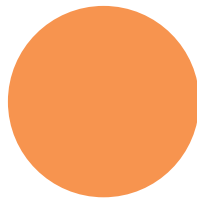
- Willingness of market/consumers to support fairly priced, regenerative leather goods (vs underpriced commodity materials)
- Inability of regenerative farm/ranch sector to meet demand for regenerative leather
- As sector grows, concern that it adopts processing models that limit segregation and traceability

INTEGRATED CAPITAL PATHWAY: OTHER HALF

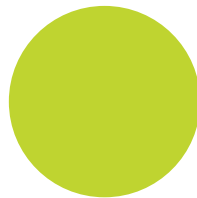
2017–2019 — 2017–2020 — 2018 — 2020 — 2021



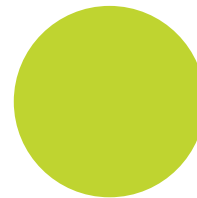
Co-founders provide initial capital (personal loans to companies) and sweat equity



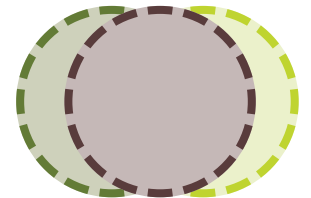
Founders leveraged connections with leaders in the regenerative and sustainable business sectors to develop customer leads and create key partnerships for OHP



Minnesota grant support for initial feasibility studies on adding value to segregated byproducts



Minnesota value-added grant to help OHP purchase equipment to improve hide quality and storage/transport options



Development systems for accurately tracking byproducts
Retrofitting existing processors to support traceability
Increase inventory of regenerative hides

TYPES OF CAPITAL



NON-FINANCIAL SUPPORT

Business Planning TA
Network Connections
Advisory Support



GRANTS

State & Federal Grants
Philanthropic Grants



LOAN GUARANTEES

Philanthropic Guarantees
Guarantee Pools



LOANS

Friends/Family Loans
Other Debt Financing
Bank Loans



INVESTMENTS

Revenue Share Agreements
PRIs & MRIs
Equity