

Business Case for Building a 1/ST RACING Facility at Palm Meadows.

Executive Summary:

This business case aims to construct the 1/ST Racing Facility to produce recycled bedding in a single location. We have established feasibility relationships and partnerships in the industry, both past and present. We have proven its viability through past production, usage and sales of our recycled shaving bedding samples in barns. Additionally, we can confirm that horse owners find it desirable to have better bedding at a better price with lower disposal and bedding operational costs. Finally, our P&L statement supports that we can be more profitable than traditional bedding manufacturers, and by constructing this 1/ST Racing Facility, we can have an ROI in less than five years with ongoing profitable EBITDA while simultaneously making a positive impact on the environment.

HiPoint proposes establishing a proof of concept commercial-pilot wood shavings recycling facility at Palm Meadows, Florida, a prominent equestrian region. This facility addresses the increasing demand for eco-friendly, cost-competitive alternatives in the horse bedding industry. By implementing innovative sorting, drying, separating, infusion, and bagging processes, HiPoint seeks to recycle horse stall residual waste efficiently, producing high-quality wood shavings with added benefits, including anti-viral, anti-mould, hypoallergenic properties and reduced environmental impact. The secondary stream of manure after separation, through bioreactors, offers a non-woody biofertilizer in five days vs. months in traditional composting to use on their grounds and landscaping with additional product to local golf courses.

The purpose is to make recycled bedding that is comparable to virgin shavings, can be recycled more than once and can be sold at lower or equal pricing to traditional bedding with a higher margin for HiPoint, all while protecting the environment from deforestation, methane off-gassing, and leaching phosphorus that is prevalent in disposing of horse stall residual waste and the horse industry today.

Key Findings:

There are 50 million horses in the world, with each horse producing around 50 lb of manure per day creating 0.8- 1 ton of stall waste per month with horse Racing and show jumping using mainly wood shavings made up of 80% wasted wood shavings and 20% fecal matter, leading to millions of tons of waste that can be reused as a resource and recycled into multiple bio products wasting nothing in process. This has led to HiPoint finding a massive opportunity to reuse the dry manure waste as a resource across the global in every country.

The US horse industry currently needs help with the inadequate disposal of 36 million tons of waste, predominantly made up of dry manure and wood shavings. HiPoint's approach involves repurposing this waste through advanced technology, resulting in wood shavings that surpass the quality of virgin shavings. Initial trials with infused recycled bedding have positively affected horse health, reduced ammonia smells, and improved overall barn conditions. Currently, the cost of hauling and new bedding is costing the horse industry billions per year to stay in business. This model can be expanded to chicken, duck, hemp or other dry manure bedding for animals. Initial trials at the University of Guelph and traditional horse farms showed the recycled bedding improved lung capacity over horses bedded on straw. Stalls and barns smelt better with less ammonia and have a noticeable reduced fly count. Horses were happy on the bedding which is important to their lifestyle. The Infusion compound of natural tree oils is approved through the VHP program. All compounds have been monographed, and safety/efficacy dossiers can be shared. Each equipment manufacturer is an expert in their field, directly related to the processing of wood waste biproducts.

The one welfare model for horse Racing, encourages incremental improvements in horse, human and environmental impact across the Racing sector. A relevant few key findings are listed below.

There are 40,000 horse races on the flat in 48 countries and 8,000 jump races in 16 countries per year. In 2020, the 57-country International Federation of Horse Racing Authorities (IFHA) issued its standards based on the Five Domains model.

- 1. Physical Environment:** This causes negative effects such as aversive **odors and air pollutants** (such as ammonia and dust); the horse is an obligate nasal breather and needs optimal airways. *(HiPoint uses bedding to improve breathing, colic, and reduced smell.)*
- 2. Work Environment:** Organic and inorganic **dust** create hazards that may cause acute or chronic respiratory diseases. *(HiPoint infusion and dust free bedding will assist better barn environment)*
- 3. Environmental Impact: waste and recycling,** commercial partnerships, and the supply chain, including reputation management and social responsibility. *(This is the HiPoint business model)*
- White Griffin observed that most people who participated in this study cited **Waste and Recycling as their foremost environmental priorities.**
- 5. Climate Change:** The Thoroughbred breeding and Racing industry's use of water is of growing importance as the planet faces the consequences of anthropogenic climate change. Racetracks, auction venues, and breeding establishments use significant amounts of water. *(HiPoint creates two million gallons of water annually from the process.)*



Enhanced One Welfare Model applied to the Thoroughbred Breeding and Racing Industry

Direction:

With this 1/ST RACING Facility, we can complete extensive testing and improvements to customer/trainers' demand with fully automated process mechanics for efficient low-manpower operations while making a profit through commercial sales. The technology & process have been proven and have been shown to eliminate mould and most pathogens and have little to no dust, making it the viable alternative to traditional bedding.

HiPoint's focus in building a scaled 1/ST RACING Facility will showcase all equipment in one place, producing a high volume of shavings, validating the bagged bedding in horse stalls, and running the bioreactor to understand the value of NPK from non-woody horse manure bio-fertilizer with low operational overhead.

Patent:

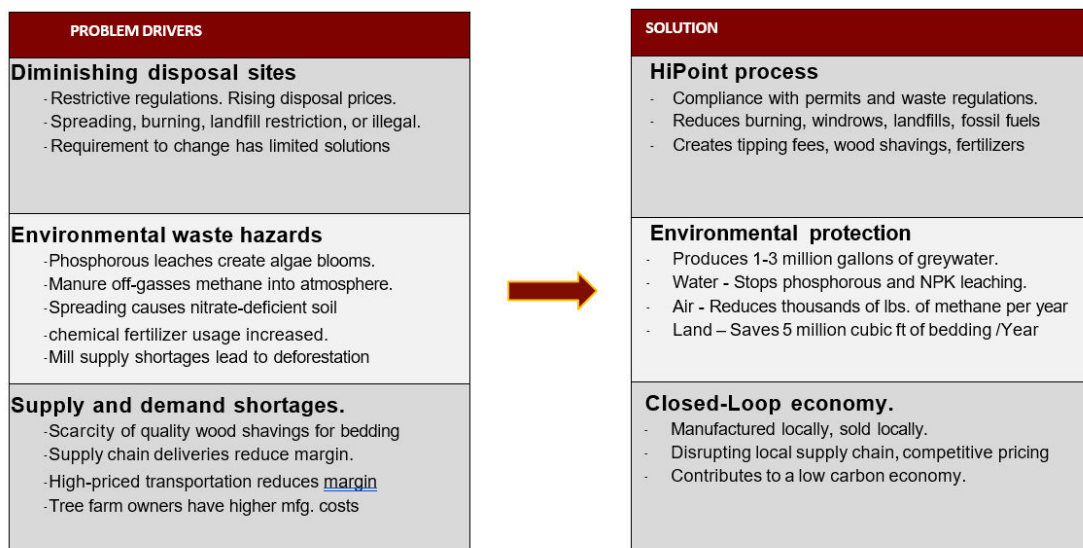
HiPoint also holds a patent-pending application #17/184,587 and will assign a PCT application across North America and Europe for its eco-friendly systems and methods for recycling animal bedding, which will limit harmful gas emissions and promote a healthy and hygienic stall environment. This showcase Facility will offer the data and value proposition to drive company success and direction.

Problem Drivers:

1. Diminishing disposal sites and rising disposal costs.
2. Environmental waste hazards include phosphorus leaching, methane emissions, nitrate-deficient soil.
3. Supply and demand shortages, including high transportation costs and deforestation concerns.

Problem Solution:

1. The HiPoint process will follow regulatory compliance, generate greywater, mitigate phosphorus and reuse NPK nutrients for reuse rather than leaching.
2. Reduce the negative impact of waste on humans, animals and the planet by cutting down methane emissions, preserving land resources, and supporting the local economy.
3. Closed loop economy, offering local bedding at competitive pricing, with distribution emissions contributing to a low-carbon economy.
4. Offers workers of all social and economic levels the ability to perform duties within the Facility.



Business Objectives:

Equine waste is a huge problem due to the sheer volume created and the rising negative environmental impact. HiPoint offers a sustainable solution to the problem of massive waste accumulation in the equine industry. The improper disposal of horse stall residual waste has led to unmanageable waste build-up and pollution, resulting in strict regulations from provincial, federal, state, and European unions on the responsibility of waste management in this sector.

The project aims to demonstrate the viability and profitability of recycled horse shavings and allow for a significant build-out of facilities in North America with a proven infrastructure and operations guide. The proposed facility, which we call “The Clydesdale,” aims to process 35,000 tons of waste from approximately 1,500 horses from two grounds, Gulfstream and Palm Meadows, producing 800,000 bags of hypoallergenic dust-free bedding and 10,000 tons of biofertilizer annually. This operation is projected to generate revenues far above the cost of running the business at full production. (ref: financial projections Stronach version 1.8)

The goal is to support therapeutically, sustainably, and financially the horse racing industry, the Stronach Group, and the equine industry in general. The data will be evaluated from the build out of the single-line system. The larger dual-line systems will be evaluated across the country. For the first facility proven, HiPoint’s goal is to establish five larger-scale facilities quickly for expansion in racing North America and then worldwide.

Market Analysis:

Targeting equestrian regions with over 5,000 horses, the initial focus includes Palm Beach County, Florida, USA and then a site in Canada at Spruce Meadows Calgary, Alberta. There are 40 identified regions in North America that will only require us to use less than 25% of the available supply and demand of the region. The Stronach 1/ST racetrack and training ground combined today remove 35,000 tons of waste at the cost of \$815,000, and the trainers buy over 800,000 bags per year at an average retail price of \$7.25 with 1,500 to 1,800 total horses at a cost \$5,917,000 the year 2023.

Market research indicates the need for eco-friendly alternatives. Estimated wood shaving bedding 2023-2024 ranges from \$7.00 to \$8.00 in bags of 7 cubic ft true coverage and can cost up to \$12 per bag for 40 lbs. of hemp. The average high-end stall uses one bag a day cleaned and added to each stall. The financial analysis supports the project's economic viability, with a \$7 million USD investment and a +/- 50% annual margin.

A. How much bedding is used?

Horse bedding usage depends on multiple factors, including the horse's worth, its discipline, and the quality of the stable and shavings. For example:

- The racing industry beds their horse well, but not too deep to affect the legs, with 6-7 bags and only add about one bag daily. On race days they may clean twice per day.
- Jumper barns run by Olympic riders bury their horses in shavings. They may use 10-12 bags to load up a stall and then add 2-3 bags a day.
- Dressage horses are very similar and will use the same amount of bedding as the jumpers.

- Client-based barns that don't have a big-name trainer (and, therefore, don't have a super wealthy bunch of owners as clients) might bed with 6-7 bags and only add one bag daily. They may restrict their shavings to only lightly bedding the stalls at home.
- The client-based barns that show Western may only use a couple of bags to charge the stall and only add shavings once or twice a week. –

B. What is the price per bag of bedding?

The price of bedding depends on type and quality. We are updating retail pricing for February 2024; however, the average price for a bag of shavings in Florida, USA, is \$7.25 to \$8.50

C. What is the wholesale to retail based on key factors?

- Bulk bags direct to a barn.
- Direct from a feed store.
- Event buy bedding and upcharge the bedding to the event horse owners.

D. Who is disposing of the waste, at what price per ton, and where is it being dumped?

- Northwest charges Stronach a flat fee of \$450 and \$510 for 20 tons removed from their centers
- From other haulers is around \$25 – 30 / ton + cost of transportation \$250 a load (7 tons)
- SWA Burning site on Jog Road WPB Florida is raising prices to \$32 a ton 2024
- Other haulers combine transport with tipping fees and drive 80 miles plus a round trip for disposal.
- The unfortunate truth is a lot of waste horse bedding is being dumped inadequately due to a lack of solution.

With HiPoint building the 1/ST RACING Facility, we can assist in resolving any potential dumping liability in the region for the Stronach Group, as we will be processing all the waste undercover on-site.

Financial Analysis: "THE CLYDESDALE" Built for Palm Meadows [Draft Review]

ESTIMATES	TOTAL
Mass flow system	\$ 572,300
Tripple Seperation	\$ 181,000
Bagger	\$ 800,000
Thermodynamic Drying	\$ 1,800,000
Grinders	\$ 35,000
Water towers X4	\$ 120,000
Bioreactors	\$ 900,000
Ventilation Alarm other	\$ 200,000
Recalibration equipment	\$ 30,000
Internal design modifications to building	\$ 250,000
General Contractors Onsite needs	\$ 150,000
Delivery Install	\$ 200,000
EPM & Installalation line	\$ 946,792
7% redundancy project costs	\$ 400,000
	\$ 6,585,092

G&A Costs \$ 545,000
Total Investment \$ 7,100,000 (rounded)

Financing Schedule Accurate 2024

		Month 1	Month 2	Month 4	Month 6	Month 8	Month 10
		March 1st	April 1st	June 1st	August 1st	October 1st	December 1st
TOTAL G&A BUDGET	\$ 535,000	\$ 99,050	\$ 51,067	\$ 112,283	\$ 101,950	\$ 73,450	\$ 97,200
TOTAL BUILD BUDGET	\$ 6,585,092		\$ 1,371,490	\$ 1,810,986	\$ 1,671,515	\$ 1,331,101	\$ 400,000
	\$ 7,120,092.00	\$ 99,050.00	\$ 1,422,556.67	\$ 1,923,269.46	\$ 1,773,464.52	\$ 1,404,551.36	\$ 497,200.00

Due to the building being offered by Stronach, we can reduce this cost by reusing key elements within the building, and our estimate is to reduce the full build to **\$6.5 Million, including G&A**

Risk Assessment:

Identified risks include **i.** potential resistance from trainers and horses, **ii.** mould and yeast issues, **iii.** compatibility concerns with the equipment manufacturers' operating manuals to interconnect to one continuous flow system anticipated, and **iv.** variations in manure nutrient levels for simple resale of the biofertilizer.

Risk reduction strategies involve extensive trials, budgeting the cost of influencers and trainers to endorse the bedding, academic endorsements, lab testing for safety, and collaborations with industry partners, as well as the reason for this project to be a lower cost smaller Facility where possible.

NPC Grant approved March 2024

A 40% Grant has been approved to assist with the starting schedule and sampling of bedding prebuild. (Details are on request.) This is a \$299,000 grant, with \$120,000 paid non-recourse by the Canadian government and NPC. This grant will be used to reduce the build costs of the Stronach Facility and support ahead of delivery, bedding samples.

Additional grants are being assessed by grantify in the UK and Europe. Additional county and federal grants within the USDA and Enterprise zones can reduce costs of build and reduce risk.

Equipment:

HiPoint spent two years choosing proven manufacturers for wood processing for our process in separation, drying, infusion, bagging, and bioreactors, respectively.

1. Separation: Our Mfg. has done hundreds of installations in screening equipment for wood and wood waste industries. Their oscillating screening and longevity were chosen as the project's key separation equipment suppliers.
2. Drying: Our Mfg. has worked with Class A Biosolids and can dry evenly to 10% on a bed, capturing urea and moisture to recapture water.
3. Infusion tank. A priority system to infuse chips evenly and create healthy horse bedding with anti-viral properties.
4. Bagging. Our Mfg. has offices in every province and is renowned for the low maintenance longevity of machines in the wood industry.
5. Bioreactors. Designed and built in Canada, using steel construction, and rotated 11 x per hour @ 11 HP for low utility use and removes pathogens for a biofertilizer in 5 days undercover.

Implementation Plan:

The step-by-step implementation plan includes site selection, permit verification, equipment acquisition, system implementation, and testing over 90 days to commercial sales to offset Operational and G&A costs.

Human resource requirements are minimal, emphasizing low-skill operations, as shown (6-9 staff per shift).

Regulatory Compliance:

HiPoint has identified regulatory requirements and plans to navigate zoning approvals for construction, aligning with existing regulations on waste management and fertilizer usage. The baseline is whether the building is on-farm, or we need light industrial permits. Are the horses from one location or from multiple barns? Stronach is on-farm use. Finally, as HiPoint stores and recycles the waste bedding daily, there is no build-up of waste, which is the biggest regulatory issue for larger horse farms today. The on-farm use scenario has the benefits of easier build and operate permits. As a general rule of thumb, we can still process 49% off farm material as long as we process 51% total volume on-farm and still qualify. Therefore, an on-farm with 1500 horses would fit our full production facility. The smaller Morgan Facility, with 500 horses is profitable.

Horse Farm regulations must ensure that their manure is at least 30 meters from any body of water & 150 meters from any residence or building. The manure must also be at least one meter above the water table and 100 meters away from a well, and at least above the 1 in 25-year flood level. In wetter jurisdictions, horse manure can not be stored outside in the rainy season.

Land restrictions for dumping manure are only getting stronger, with strict environmental standards for the livestock industry in dumping or spreading used wood shavings and fecal mater (waste manure) where large operations, such as showgrounds, racetracks training grounds and high-end boarding barns would not qualify or fall short, without additional permitting. This is partly because farms replace their residual stall bedding daily, which contains 50% to 80% wood shavings waste (5-% is the maximum factor allowable for spreading by most regulators.) In addition, if the amount of manure exceeds 500 tons (which is only 50 horses year-round), additional permits may be required, and soil testing & records must be kept for five years. (ref AB Canada) Regulations are further enforced, including complaints about noises, flies, and odours. These restrictions are documented & are similar in many counties. Dade and PBC are being verified.

As of now, there are no restrictions on our ability to manufacture and sell recycled bedding or market a biofertilizer. Until we categorize our secondary sub-stream biofertilizer as organic, we do not require organic certifications. Moreover, each region has a "Fertilizer Act" to monitor the NPK levels allowed on land masses and these levels change per region.

Stakeholder Analysis:

Paul Cross owns the IP, process and patent applications, and its intent will be to manage and monitor Facility sites as they come online. The US Parent, a Delaware Corp doing business in Florida with a Florida TD Bank account, has a full in-perpetuity global licence and manages the Facility sites as they come online with local operators. This 1/ST RACING Facility will be built and run with HiPoint internal and local operations teams working together to run the facility.

This 1/ST RACING Facility is our top priority as it will have the most significant overall impact on the organization.

We have additional supporting documents, charts, graphs, or data that provide more in-depth information. These include supplementary materials such as market research reports, technical specifications, or reference documents.

Corporate Message

HiPoint Ag Environmental was developed in response to a sorely overlooked industry segment and pollution crisis that is part of the multi-billion horse racing and recycling industries.

HiPoint Ag is pioneering the build-out of self-sustainable centres of excellence in biomass recycling. We are revolutionizing the shavings market by producing premium-infused wood shavings, of which no bedding, bulked or bagged, has ever gone through this radical approach to creating better bedding and affording the ability to reduce horse farm operation disrupting the supply chain in the heart equestrian regions.

Our year-round production of premium-infused wood shavings, high-quality bi-products, biofertilizers, and recycled water, all derived from stall residual waste, is not just an environmental win. It's also a smart business move, as it significantly reduces the high disposal costs currently burdening farm operations and counties. This single wastestream has been a source of ecological crisis, but with the HiPoint AG process, it can now be a source of economic and environmental sustainability.

Through the development of an integral closed-loop waste management system that prioritizes biomass recycling, we are not just reducing deforestation, leaching, and methane off-gassing. We are actively safeguarding the future of our planet and making a significant contribution to global humanitarian and environmental causes, teaching optimism for a greener, more sustainable world.

Conclusion:

HiPoint's initiative offers a sustainable solution to the equine waste problem, presenting a Facility that will prove a commercially viable and environmentally friendly approach to wood shavings production. The project's potential impact on sustainability, environment, and profitability positions it as a compelling opportunity for testing, proving out and expansion.

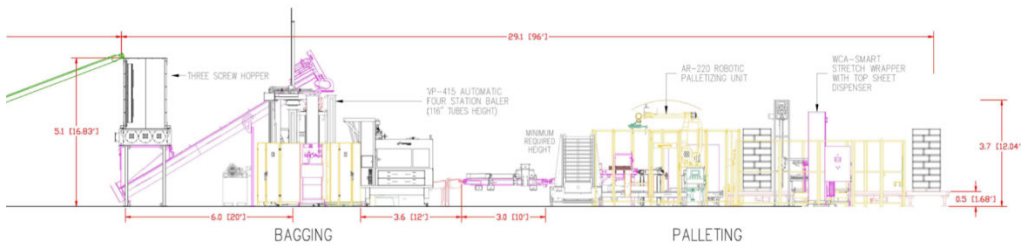
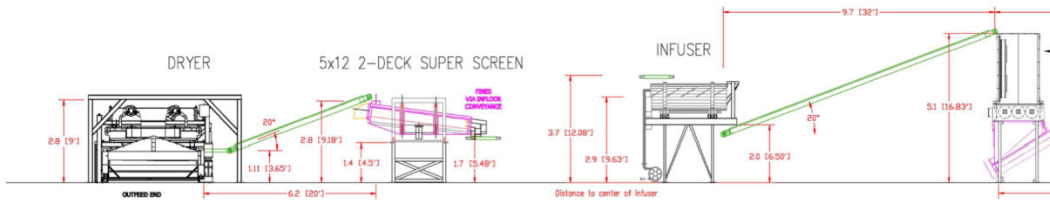
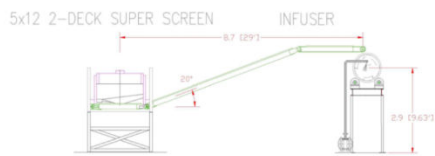
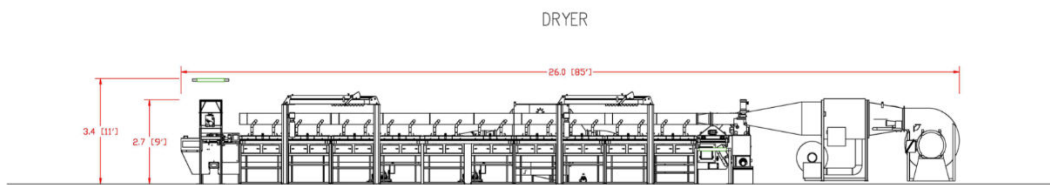
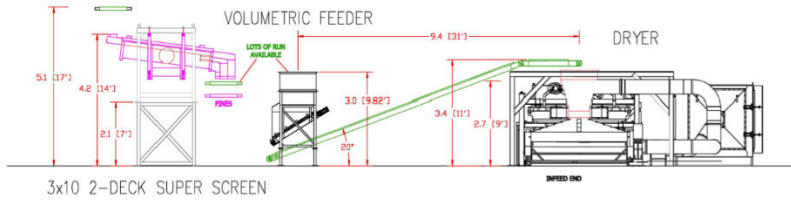
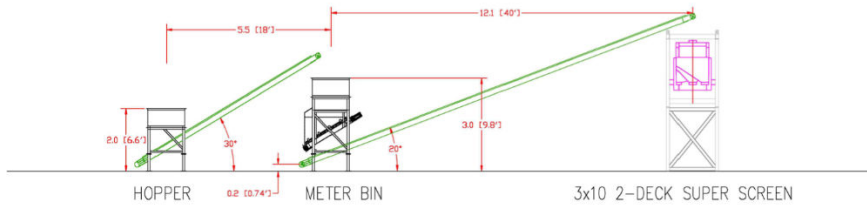
The business model has 3rd party verification from both engineering firms - Ram Engineering and WOOD PLC. HiPoint uses proven equipment that is adapted and integrated into the HiPoint process to optimize operations. The government and global community are putting pressure on livestock industries, including equine, to clean up the stall residual waste (SRW) manure in a sustainable way.

To further demonstrate viability, traditional bedding companies take ten steps, from owning a tree farm to manufacturing shavings and long distribution routes to third-party vendors and customers without a backhaul. HiPoint requires five steps: receiving feedstock from farms, manufacturing, and delivering back to the local market. It also builds in the heart of equestrian regions, reducing transportation costs and emissions.

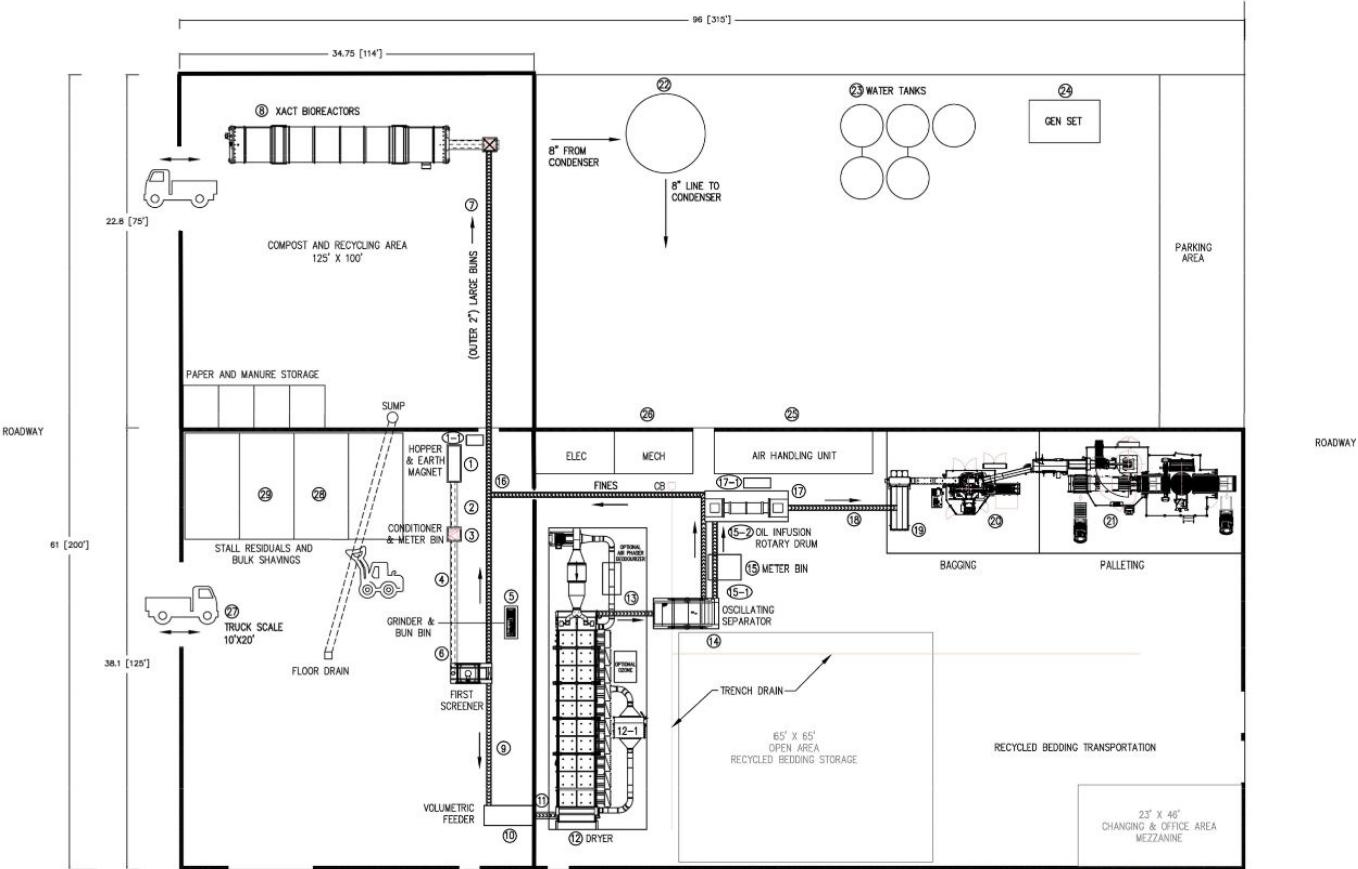
The Opportunity: HiPoint has identified a substantial opportunity to disrupt the existing supply chain profitably in the heart of equestrian regions for economic relief to the equine industry and viable profitability as a business.

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Appendix: 1. Work Flow



Facility layout The Clydesdale – pre rebuild design for Stronach building at Plam Meadows



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