

Reason for the increase from 2,000,000,000 to 2,500,000,000

On 10 February 2011, the board decided that HTI will raise its authorized shares by 500,000,000 shares. 105 million shares were issued to Whalehaven as part of a settlement agreement. This settled the note in its entirety. Though 105 million shares may seem exorbitant, it was easier to accept the issuance rather than the alternative if Whalehaven had succeeded in being granted relief and judgment. At the time of the settlement, HTI had not obtained enough evidence to associate Whalehaven to the NIR countersuit the company has filed. Based on the current status of information, it is highly unlikely the company would have seen a favorable outcome if the suit was to make it into litigation. The board agreed it would not be prudent to spend money on litigation that was unlikely to have a favorable outcome. The 105 million shares issued placed the outstanding share count just below the 2 billion authorized. This left little room to raise capital to ensure the success of the company.

HTI is constructing the cash only settlement agreement with Truk Fund. HTI and Truk have agreed to 14 monthly installments of \$7000. HTI has already made the first payment in accordance with the settlement. When the settlement is signed by both parties, it will be made public via a supplemental document on Pinksheets.

It is widely known by our shareholders that we are in litigation with PIPE funder NIR Group. The nearly 6 million dollar note on the company's books is based on the assumption of a note that was constructed around a non-existent software program. Management considered this fraud and contested the note. HTI has filed a countersuit seeking compensatory and punitive damages. HTI retained the services of Sheppard Mullin, arguably one of the best law firms in the country. Management believes it will be successful; therefore, contesting NIR is the best course of action and in the best interest of its shareholders. The combination of legal expenses and maintaining company growth required the board to issue shares in December 2010. Two issuances of 20 million shares occurred.

<http://finance.yahoo.com/news/Highline-Technical-iw-2841638042.html?x=0>

HTI announced a joint venture with Dong Feng Motors in September 2010. In keeping with our agreement with Dong Feng, the company must raise funds to fulfill its part of the UTV project. The projected returns on the HOSS UTV project domestically and internationally are too great to risk jeopardizing the company's future by trying to absorb the cost of growth and paying its part of the obligation in the joint venture with Dong Feng.

<http://www.marketwire.com/press-release/Highline-Technical-Innovations-Inc-Announces-Joint-Venture-With-Dong-Feng-Motors-1322901.htm>

The decision to increase the authorized and outstanding shares is not taken lightly by the board or management. The board and management realize this decision may not be perceived as a positive action by some of its shareholders, however, the company is focused on the long term growth of the company and this decision helps ensure its goal of establishing a clean, successful, and highly profitable company.