

Alpaca Owners and Breeders Association (AOBA)

Build A Tent Initiative, an industry collaboration Executive Summary

October 12, 2010

Objective: To support the increased growth of a domestic alpaca fiber industry and, to the extent possible, domestic production. ¹

Issues:

In accomplishing this objective, producers must address issues involving (a) leadership, (b) coordination and sharing of industry expertise, (c) lack of economic resources to undertake infrastructure development and (d) creation of a “unification” plan. Such a plan would allow industry leaders to leverage on the work that has been done to date and, going forward, work collaboratively within a relationship supporting the business objectives of producers – be it through a nonprofit structure, a cooperative or for-profit setting.

Structure:

The Structure – Formation of an L3C – a model for social entrepreneurship allowing for non-profit and for-profit investment collaborations – tag line is – *creative capitalism!*

- Must be premised on socially beneficial – industry improvement, jobs, and/or community development
- Profit is a secondary goal – but a goal
- Flexible from a governance perspective
- Flexible “ownership” and participation structure
- Structured to encourage private foundation investments²
- Invest at multiple levels – i.e. flexibility in capitalizing – “tranche” financing

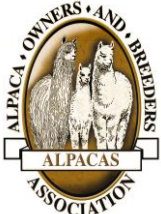
Participants³:

Participants in this project will be self-identifying based on expressed interest and willingness to make a small capital contribution as seed money for start up. A current list of organizations and/or individuals who have expressed an initial interest in a collaborative project include, but are not limited to:

¹ This summary is designed as background information only and not intended to serve as legal advice or a final recommendation for an establishing a business model.

² The IRS generally requires private foundations to distribute a portion of their assets (5%) to socially beneficial investments. Typically this is done in the form of grants that offer no return of equity or investments. L3Cs are designed to provide qualified equity investments permitting a small rate of return. L3Cs are a new business model and the IRS has not made any definitive rulings to date.

³ This is a preliminary list only and not intended to be exclusive. Prior to an initial meeting of interested parties, a general producer and organizational invitation will be announced.



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- AOBA and Affiliates
- AFCNA;
- AFS;
- ARI;
- Suri Network;
- Private co-ops
 - NAAFP;
 - NAAF;
- Private producers – representatives across the production chain from mini-mills, consultants and commercial mills.

Funding Initiatives:

AOBA has identified \$10,000 in seed money to be used over the next 18 months to coordinate the start up of this effort. Additional small funding commitments will be sought from interested stakeholders subsequent to an organizational meeting. Following the seed capital for formation activities, projects will only be undertaken where a funding source has been identified either through fee for service income consistent with the business plan for the Initiative; grant funding; or private foundation funding.

A more detailed list of possible funding alternatives is being completed, but initial discussions with the USDA options focusing on:

- Farms – both small and medium sized;
- Development of value added grants are awarded by State which lends itself well to an application process with multiple submissions from state's representing various regions of the country, i.e. demonstration projects.
- LaPiana Industry Collaboration Prize
- Others

Areas that can be targeted as possible sources consistent with industry activities are:

- Agriculture;
- Rural Development;
- Manufacturing;
- Tourism; and
- Small business such as SBIR grants.

Next Steps:

An 18 month implementation plan follows addressing the timing for an initial meeting; next steps and resources.

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