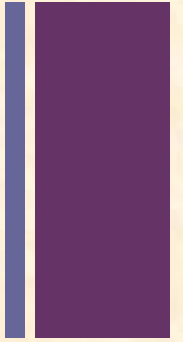




Build A Tent
“Alpaca Council” An
Opportunity

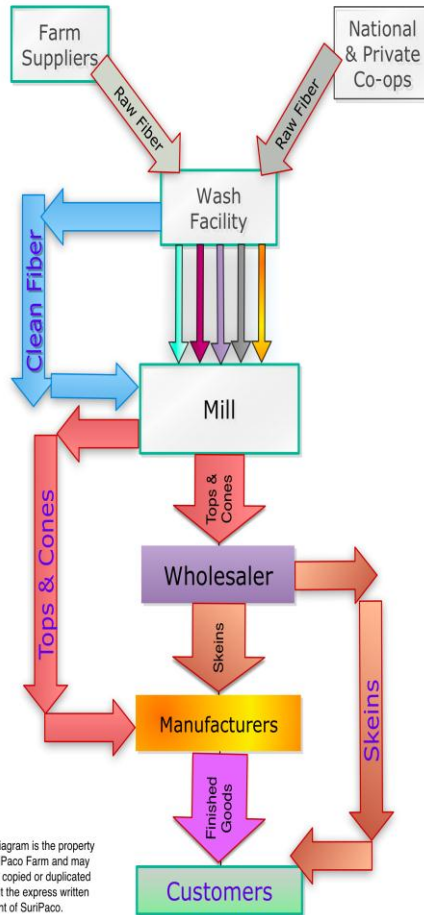
+ Ideas



Challenge: Concise, Simple and Understandable

+ A Project

Suripaco LLC Material Flow ©

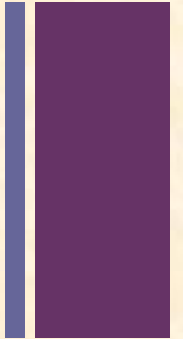


This diagram is the property of Suripaco Farm and may not be copied or duplicated without the express written consent of Suripaco.

Diagram by Bill Smith



+ Legal Structures 101

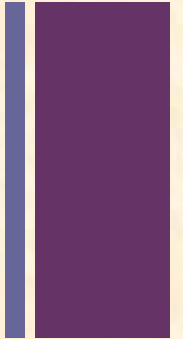


- Basic Corporation – governed by a Board of Directors
 - Can be for-profit/non-profit
 - We have all “kinds” in our industry – (c)(3)s; (c)(6)s; and (c)(5)s
- Limited Liability Company – think of a “hybrid”
 - Has “members” instead of “shareholders”
 - Equity interest is called “units” instead of “shares”
 - Has the same “liability protections” as a corporation, but more flexible tax options (partnership or disregarded entity)
 - Maximum flexibility in how it is operated
 - Can be for-profit or non-profit – State law determination



Fundamentals of the L3C – the Hybrid Model

- Legal Structure – L3C – a model for Creative Capitalism
- Social Focus and Sustainability – Blend of non-profit and for-profit principles
- Benefits
 - Flexible Partnerships and Governance
 - Attract philanthropic and private investing
 - “Tranched” or “layered investing”
 - Taxed at individual investor level
- Goals
 - Connect Social Needs with Capital Markets
 - Maximize - Range of investment resources

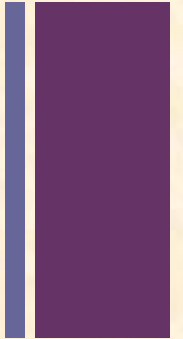


+ Statistics

- 8 States now have L3C statutes – 100 formed and operating
- 3 primary reasons for pursuing
 - Attract PRI funding creating social impact (the 5% qualified distribution rule)
 - Branding vehicle – Social “good” side of the for-profit world
 - Support trends in sustainability.
- Change in non-profit culture

Source: Alliance Trends, November, 2010

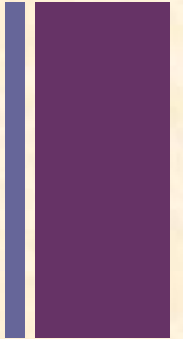
+ Basics



- Driving force – Americans for Community Development
 - Lobbying
 - Legislation
 - Industry education
 - Source of support

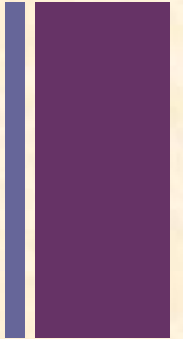
- Used in newspaper industry, deteriorating business districts, manufacturing for production improvement and job retention.

+ The Moo Cow Story



- The “Moo” Story
 - Create a distribution network
 - Own the product from the day it leaves the Farm
 - Board is comprised of 7 people
 - 4 elected by farmers
 - 3 chosen by investors
 - Needed a CEO – the world wants to talk to someone with authority and the Company needed a face
 - Biggest mistake – Not advertising

+ Investment



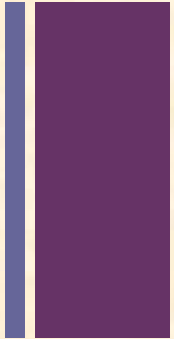
- Producers own a different class of shares
 - Possible securities law exemption
- 45% producers/45% investors and 10% in reserve
- Potential for charitable contributions
- Biggest Advantages:
 - Rural and land preservation
 - “Buy local” – but now regional
 - Business partners in the industry

+ Dealing with the concepts.....

Cooperatives	L3C s	For Profit
Agricultural	Limited business purposes (charitable)	Any business purpose
Covers services that may be unprofitable in an IOF setting	For-profit with non-profit soul	Profit maximization
Financial Structure <ul style="list-style-type: none"> •Credit for “crop” •Profit sharing – product sales •Favorable wholesale pricing •Earnings come out as patronage income 	Financial Structure <ul style="list-style-type: none"> Equity/Loan Foundation - PRIs 	Financial Structure <ul style="list-style-type: none"> Equity/Loan



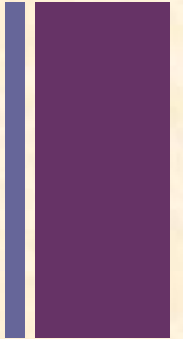
Dealing with the concepts.....



Cooperatives	L3Cs	IOFs
Advantages <ul style="list-style-type: none">•Pool resources•Risk adverse•Some anti-trust protections but co-op must be limited to producers	Advantages <ul style="list-style-type: none">•Broader investment pool•Required “social enterprise” purpose•Amends well understood LLC law	Advantages <ul style="list-style-type: none">•For profit discipline•Control•Change quickly
Types <ul style="list-style-type: none">•Supply•Marketing•Others		



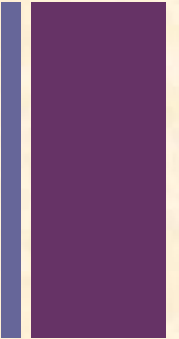
Reworking the Assumptions



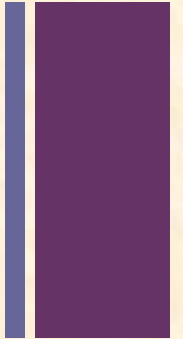
- Producers need their own fiber company independent of other organizations.
- Must bring value to the industry
- Nike logo – “just do it”
- Start up – creating something – ROI will take some time
- Needs to work for producers – but also mills and consumers

+ BHAGs

- From the book *Father, Son & Company* by Thomas J. Watson Jr. & Peter Petre about IBM
 - *BHAGs - serve as a powerful mechanism to stimulate progress; reach a finish line, or climb a summit.*
 - *Quite Simply – you and I can think of BHAGs as part of the American Way.*



+ Business Projects



- Commercial – Build a Commercial Bale
- Cottage
- Individual Producers

- Common Project – Developing an industry brand

+ A little “info” on Marks

- Wool Bureau stat - \$10 million to “explain what the curly thing is” , Cotton’s Renaissance at 162
- 1992-1999 – wool consumption grew 42% to 200 million lbs. – volume share estimated at 18%
- In 2000 – 5 states produced 51% of the U.S. wool - but statistic is that there has been an 87% decline in total production in the last 60 years.