

BUILD A TENT FAQ

Industry Collaboration Supporting the Branding and Production of Domestic Alpaca Fiber¹

What is BAT?

Build-A-Tent is a collaborative, industry initiative. The objective is to promote the branding and production of domestically grown alpaca fiber.

Who is Behind BAT?

In August, 2010, the AOBA Board of Directors as part of AOBA's 2010 Strategic Plan approved \$10,000 in seed capital and access to administrative support to start the BAT conversation. To date, this money has been used to pay for: (1) an industry wide meeting held in Nashville, TN on November 19, 2010 (2) costs associated with industry communication; and (3) initial consulting services from Nick Hahn, former CEO of Cotton Incorporated and owner of Hahn Consulting.

From inception, however, the model for BAT was envisioned and designed to be an industry collaboration that will be "owned and governed" by individual alpaca owners and organizational investors. Ownership and governance of the legal entity will be a majority controlled producer organization. Producer controlled is important from a number of perspectives ranging from funding to project implementation.

How is BAT Ultimately Going to Be Structured?

It has been currently proposed that a new legal organization will be established. The current model under consideration is a low-profit, limited liability company (L3C). This model – described as a for-profit vehicle with a soul – has been used in other industries as a means to raise capital, return a small profit to investors and promote projects that have a social/community benefit purpose. This is not the only model that could be used, however, and it will be up to a Steering Committee to make a recommendation to the Founding investors.

How is BAT Going to Be Funded?

First: What is a Founding investor and investment?

Founding investors are the initial individuals and organizations responding to a first request to buy one **voting** share² in the new organization for \$250. **The deadline for investing as a "Founding Investor" is February 12, 2011.** There is no limit on the number of Founding investors. Any individual or organization investing by February 12 will automatically be in the Founding investor category.

The role of the Founding investors is as follows:

1. Opportunity to participate in a Steering Committee to oversee the organizational set up. Selection for this Committee will be from within the pool of Founding investors. As individuals or organizations buy their "one voting share", they are being asked whether they want to be considered for the Steering Committee.
2. Based on the recommendations of the Steering Committee, the Founding investors will vote on a legal and governance structure for the new entity.
3. Based on the recommendation of the Steering Committee, approve an interim budget for the remainder of 2011.
The Target Date for holding this vote by the Founding Investors and approval of a budget is May 31, 2011.

Second: What is the difference between a Founding investor and someone who invests after February 12?

To start "doing business" and making decisions, a group of investors had to be established that could begin defining the governance structure, authorize how to spend the funds raised and help the BAT leadership set the agenda for the remainder of 2011. After Feb. 12, investors will continue to be signed up under the same terms – the one share, one vote for \$250 model. With the exception of the initial decisions described above, going forward all investors will participate in the same manner.

¹ This FAQ is not intended to serve as legal advice and is designed solely to provide a general overview proposed for industry collaboration.
² The term used for equity investments in corporations is "shares" and "shareholders". If an LLC structure is chosen, the equity investment is described in terms of "units" and "members". To minimize confusion, however, this informational FAQ is using the generic term "shares", "shareholders" and "investors".

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Third: What if I want to invest more than \$250? Does this buy “more votes”?

Additional equity investments are needed and welcome. Equally important, however, was the understanding and belief that a successful industry collaboration would require a governance model where each investor has one “voting share” that is not automatically tied to dollars invested. A for-profit business model provides the flexibility necessary to achieve this result and allows for additional investments beyond the \$250 to be classified as investment shares. Investment shares will not impact voting, but will increase the potential for an investor’s economic return.

Fourth: Where will future funding be obtained?

Following the initial round of equity funding and with the leadership established, BAT will immediately begin to identify additional funding sources. Along with looking at traditional sources such as industry grants, a significant advantage of an L3C structure is the potential to approach private foundations for investment dollars. The real intent, however, is to build a business model and undertake activities that generate a small, but sustainable return while providing value added services promoting the fiber side of our industry and the individual and organizational business activities of investing producers.

How Will I Keep Track of What is Happening and Where the Money is Being Spent?

To ensure transparency, a recommendation will be made to the Steering Committee to initially “publish” on a weekly basis an on-going cash flow report and update as to expenditures. This financial report along with updates as to the business activities will be web-based and accessible to investors. In the meantime, all monies raised are being segregated in a bank account and held “in trust” for BAT. All expenses to date have been covered by the initial seed capital commitment made by AOBA.

How Will BAT Move Forward After February 12?

Step One: Retain Mr. Hahn as the interim CEO and for the time period necessary to complete the organizational set up.

Step Two: Establish a Steering Committee from within the Founding investors. Individuals interested in serving on this Committee are being asked to notify Kate Eggleston at BuildATent@aobamail.com. The criteria for selecting the Committee is being developed and will be based on geographic representation, industry experience, commitment and the professional expertise necessary to get BAT established and working. Input as to Steering Committee composition from Founding investors and others is welcome. A final determination as to Committee representation based on the criteria and industry input will be made by Mr. Hahn.

If an LLC model is selected as the new legal entity, a great deal of flexibility exists in how to set up the governance structure, management and the relationship with investors. The Steering Committee working in collaboration with the CEO will review the possibilities for a recommendation to the Founding investors. The current thought is to follow a governance model that is well understood in the industry, comprised of a governing board with up to 15 members and the establishment of key committees whose leadership and Board officers will comprise an Executive Committee for purposes of working directly with the CEO.

Why Nick Hahn?

As the former CEO of Cotton Incorporated combined with fifteen years of private consulting for business development and branding for natural fiber related projects all over the world, Nick offers expertise and experience ranging from strategic planning to brand development. He has a “feet on the ground” approach to running a business and “an outside the industry” perspective that should serve us well as we move forward in the fiber and textile world. The expectation is that Nick will be retained beyond the initial start-up phase both to ensure continuity and the training of future leadership as the budget permits.

Who Can I Contact For Additional Information?

Currently, the BAT initiative and the communications are being managed through the AOBA office. Questions regarding BAT may be directed to:

Kate Eggleston at BuildATent@aobamail.com or Claudia Raessler at Claudia@suripaco.com

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