



Membership and Marketing Agreement

Class A Shareholder

Parties:

Alpaca Fiber Cooperative of North America, Inc., a Colorado Corporation (hereinafter AFCNA)

--AND--

Member Name: _____

Farm Name: _____

Address: _____

Phone: _____

E-mail Address: _____

Tax Reporting #: _____

Effective Date: _____

Current Number of Alpacas: _____

How Did You Hear About AFCNA? _____

Recitals:

A. AFCNA is an agricultural cooperative organized under the laws of the State of Colorado.

B. Member of the AFCNA is a producer of alpaca fiber.

C. Member has purchased one share of common voting stock from AFCNA for the sum of Two Hundred Fifty Dollars, U.S. (\$250.00) as specified in Member's membership application, the receipt of which is acknowledged, as an equity investment in AFCNA. This entitles Member to all the benefits of membership in AFCNA as long as Member complies with the Bylaws of AFCNA, as they exist now or are later amended, and the provisions of this Agreement. Member hereby acknowledges receipt of a copy of the current AFCNA Bylaws. Specific notice is given by AFCNA to Section 12.1 of the Bylaws that

have been adopted by AFCNA and contains important income tax requirements and implications for Member.

Agreement

1a. Acceptance and Delivery of Alpaca Fiber; Reporting. AFCNA agrees to accept, subject to the provisions contained in paragraph 4, all or a portion of Member's annual clip of alpaca fiber, as directed by AFCNA, while this Agreement is in effect. AFCNA shall give Member at least sixty (60) days written notice of the date Member's fiber must be delivered to AFCNA, but in no event shall delivery be required earlier than March 1st of any year. Member hereby represents to AFCNA that as of the effective date of this Agreement, Member is the owner of Huacaya alpacas and/or Suri alpacas located in North America that will be shorn by or at the direction of Member

1b. Alternate Sale of Alpaca Fiber. In the event that AFCNA fails to call for delivery of all or any portion of Member's fiber clip by April 1st, Member shall be entitled to sell, transfer or otherwise dispose of the uncalled for clip in whole or part as Member sees fit, without obligation to AFCNA.

2. Delivery; Collection Points. Unless otherwise agreed to in writing, Members shall deliver their fiber to collection points located in the United States as may be designated by AFCNA. Member shall deliver all alpaca fiber, at Member's expense. Such alpaca fiber shall be at the risk of Member until delivery and acceptance by AFCNA.

3a. Inspection and Grading. Member agrees to prepare and clearly label all alpaca fiber to be delivered to AFCNA according to the Clip Call as established by AFCNA from time to time. Member's efforts are intended to reduce AFCNA's costs to all members.

3b. Acceptance of Grading Results; Rejection of Fiber. Prior to acceptance by AFCNA, all alpaca fiber shall be inspected, and at the discretion of AFCNA representatives, graded and re-weighed according to the guidelines established by AFCNA from time to time AFCNA may reject or discount any or all of Member's alpaca fiber for any reason affecting the quality of the fiber. AFCNA will reject or destroy any fiber that is infested with insects. Member agrees to accept the fiber weight and grade declared by AFCNA.

4. Production Practices. Member agrees to follow the guidelines and practices contained in the Alpaca Clip Care Manual provided by the AFCNA. Member hereby acknowledges receipt of a copy of the Manual. Member agrees that the primary goal of AFCNA, and therefore Member, is to market and sell the highest quality alpaca fleece, fiber or product found in North America.

5. Fiber Pooling. AFCNA shall market Member's alpaca fiber as raw fleece, partially or completely processed fiber, or as a finished product as determined by AFCNA. Separate pools may be established according to quality differentials as determined by AFCNA. Payment will be an average, pool-specific price over all fiber and products in a particular pool sold by AFCNA. AFCNA does not guarantee any sales of product at any particular price. AFCNA represents that it will act in the best interest of the membership in attempting to market and sell the membership's collective product at the highest price attainable.

6. Member Capital Account. AFCNA shall establish a capital account for each Member for the purpose of recording the income paid and expenses attributable to each Member. AFCNA hereby agrees to account to Member annually for all expenditures made, reserves held, capital credits allowed, and payments made as soon as possible but no later than May 15 of each year for the preceding fiscal year.

7a. Monetary Payment to Member. Member shall accept, as payment for Member's alpaca fiber investment, his or her portion of the Net Margin after deduction for reasonable reserves pursuant to AFCNA Bylaws. The Net Margin (Net Profit) of the AFCNA is defined as the net proceeds from the sale of the fleece, processed fiber or product, after deduction for services rendered and paid for by AFCNA. (See Article 10 of the AFCNA Bylaws) This payment or allocation to Member may be made in two ways:

1. Cash paid directly to Member and/or
2. As a credit to Member's capital account made through:
 - a) retained product allocations or,
 - b) net margin allocations.

Provided, AFCNA shall pay at least twenty percent (20%) of all net margin allocations made to Member directly to Member in cash as soon as possible after the end of each fiscal year but in any event no later than May 15 of the subsequent fiscal year.

7b. Product Payment to Member. Where possible as determined by AFCNA, Members may have the option of receiving products back as payment; not exceeding the value of their raw fiber delivered to an AFCNA sponsored processing pool. Fees for services rendered and paid for by AFCNA, and amounts for reasonable reserves pursuant to the Bylaws, may be deducted from the value of the products being returned to the Member.

8. Loans and Security. Member specifically grants the Cooperative the power to borrow money on the security of the alpaca fiber delivered to the Cooperative, the products derived therefrom, or cash or accounts arising from the sale thereof. The Cooperative may give a lien, either legal or equitable, on the fiber or products as the absolute owner and/or marketing agent thereof.

9. Deductions. Member hereby acknowledges and agrees that AFCNA may incur charges, and hereby authorizes AFCNA to incur charges, for shipping, handling, cleaning, processing, manufacturing, marketing and other activities reasonably necessary for AFCNA to carry out its stated purpose, and that all such charges will be reflected in service fees, or in the ultimate payment or credit allocated to Member for Member's alpaca fiber. Member further acknowledges that a certain percentage of all alpaca fiber will be lost, and the removal of dirt and moisture will reduce fiber weight, in the course of cleaning, processing and manufacturing the fiber. These factors shall be reflected in the ultimate payment or credit allocated to Member. Member hereby agrees to accept the loss calculated and declared by AFCNA.

10a. Termination and Renewal. The initial term of this Agreement shall extend through January 31st of the year following the year in which this Agreement is executed. Thereafter, this Agreement shall remain in effect for one year periods beginning February 1 and terminating January 31st. Either party may terminate this Agreement for the following year effective after the initial term by notifying the other party in writing between January 1 and January 31 of any year. It is mutually agreed that failure to so terminate in any year shall constitute conclusive evidence that the parties have automatically renewed this Agreement for another year.

10b. Termination Redemptions. Upon termination, Member shall return Member's share of common stock to AFCNA. AFCNA shall account to Member no later than May 15th of the year in which the termination occurs. If a Member's capital account shows allocated margin credits that are greater than the Member's equity requirement as of January 31st of the year in which termination occurs, the excess credits shall be distributed to Member in cash, together with Member's original purchase price for Member's share of

common stock. If a Member's capital account shows allocated margin credits less than the Member's equity requirement as of January 31st of the year in which the termination occurs, Member's original purchase price for Member's share of common stock will be paid to AFCNA to the extent necessary to satisfy

Member's owing equity requirements and the balance, if any, shall be paid to Member. In the event that there are insufficient funds available from both the capital account and Member's original stock purchase price, Member shall pay to AFCNA any balance due. AFCNA and Member may, in their discretion, pay to the other such sums which are due pursuant to this paragraph up to two years from the date of termination, provided however, that all sums due shall bear interest at the rate of Prime plus 1% per annum from the time of the final accounting.

11. Arbitration. Member and AFCNA agree to submit any dispute arising out of this Agreement to arbitration, the fees and costs of which to be borne by the non-prevailing party. The decision of the arbitrator shall be final and binding.

12. No Contrary Agreements. Member warrants that Member has not contracted to sell, market, consign or deliver, and will not contract to sell, market, consign or deliver any alpaca fiber that is committed to AFCNA during any effective term of this Agreement, to any person, firm or corporation, contrary to this Agreement. Member further warrants that Member is the owner of the fiber or has the right to sell the fiber and that all alpaca fiber delivered by Member to AFCNA during the term of this Agreement shall be free and clear of any and all liens of any kind or nature except liens of which Member shall notify AFCNA in writing at the time the fiber is delivered to AFCNA. AFCNA shall have the right to accept or reject any fiber that is subject to liens or owned by any person other than the person or entity having the fiber delivered to AFCNA.

13(a). Forfeiture of Membership. Violation of this Agreement in any material respect by Member, or violation of the terms and conditions of the Bylaws of AFCNA, shall be grounds for the AFCNA Board of Directors to terminate Member's membership in AFCNA.

13(b). Good Standing. From time to time, as it shall be necessary to determine a Member's level of participation and compliance herewith, a Member shall be deemed to be "in good standing" when such Member is in compliance with all the requirements set forth in this agreement, and has contributed fiber within a 12-month period immediately preceding such designation of standing, which fiber was accepted for credit pursuant to the requirements of AFCNA as established from time to time.

14. Amendments. AFCNA reserves the right to make changes at any time in the terms and conditions of this Agreement in its sole discretion upon electronic or printed regular mail notice of such changes to Member at Member's email or postal address on the list of members maintained by AFCNA. Member is solely responsible for having current e-mail and/or address in AFCNA records.

15. Assignment. This Agreement may be assigned by AFCNA in its sole discretion. Member may assign this agreement, but only upon written authorization granted by AFCNA.

16. Entire Agreement. It is agreed that this Agreement constitutes the entire agreement between the AFCNA and Member, and that there are no oral or other conditions, promises, covenants, representations, or inducements in addition to, or at variance with, any terms of this Agreement.

17. Governing Law and Venue. With respect to Members who are citizens of the United States, the laws of the State of Colorado shall govern this Agreement, and venue for enforcement of this agreement shall be in Denver, Colorado. With respect to Members who are residents of Canada, the laws in force in the Province of Alberta shall govern the agreement and venue for enforcement of this Agreement shall be in Calgary, Alberta.

IN WITNESS WHEREOF, these parties have executed this Agreement as of the day, month and year first above written:

MEMBER SIGNED: _____

AFCNA SIGNED BY: _____

Note: Print and mail this form along with your membership check of \$250 to:

Alpaca Fiber Cooperative of North America, Inc.
17494 State Hwy. 58 N
Decatur, TN 37322