

**BYLAWS OF THE
PACIFIC NORTHWEST LLAMA FIBER COOPERATIVE, LLC**

Article 1: Name

- 1.1: The name of this cooperative organized as a limited liability company is Pacific Northwest Llama Fiber Cooperative, LLC.

Article 2: Organization, Jurisdiction and Duration

- 2.1: The Articles of Organization were filed November 10, 2005.
- 2.2: The cooperative is regional operating within the boundaries of Oregon.
- 2.3: The duration of the cooperative is perpetual.
- 2.4: The fiscal year of the cooperative shall run from December 1 until November 30 of the following year. The fiscal year may be referred to as the current year or the collection year elsewhere in these bylaws.

Article 3: Statement of Purpose

- 3.1: To promote llama fiber as a high quality fiber.
- 3.2: To develop llama fiber products.
- 3.3: To collect, grade, ship and have fiber processed into value added products.
- 3.4: To identify market outlets and develop strategies for selling fiber and fiber products.

Article 4: Membership Requirements

- 4.1: Members can be individuals, farms or ranches. Farms or ranches that have multiple owners will be treated as a single member.
- 4.2: A person, farm or ranch desiring membership must fill out a membership application. The Directors must approve the application. Completing an application does not guarantee membership will be granted.
- 4.3: Each member will pay a membership fee when they are accepted as a member.
- 4.4: The membership fee will be established by the Board of Directors and may be changed from time to time.
- 4.5: Members shall provide an employer identification number or social security number to the cooperative for the purpose of maintaining records of profits and reporting to state and federal tax agencies.
- 4.6: Members will produce and donate fiber or labor to the cooperative on a regular basis.
- 4.7: Members will volunteer labor and expertise to sort and grade fiber for processing.
- 4.8: Members need not live within the boundaries of Oregon to join the cooperative.

Article 5: Member Voting Rights and Quorums

- 5.1: Each membership shall be entitled to one (1) vote on all matters submitted to a vote of the membership. Memberships including more than one owner must decide who shall cast the vote for that membership.
- 5.2: Voting to be done by a mail ballot or voting in person at a regular or special meeting.
- 5.3: There will be no provisions for voting by proxy.
- 5.4: A quorum of members when voting by mail or in person shall be a simple majority of those present at a meeting or those who return mail ballots.
- 5.5: Approval of any item presented to the membership for approval shall be a simple majority of those voting.
- 5.6: A member that has been notified at their last known address as having their membership suspended shall not have the right to vote on any matter presented to the membership for voting.

Article 6: Termination and Withdrawal of Membership

- 6.1: Members may terminate their membership at any time. The request or notice of termination shall be made to the cooperative in writing directed to the Board of Directors. The request shall be mailed to the official address of the cooperative.
- 6.2: Members who do not contribute fiber or labor to the cooperative for two consecutive years shall be notified that their membership is being suspended. A written notice of suspension shall be mailed to the member at their last known address.
- 6.3: If after receiving a notice of suspension, a member fails to make required contributions to the cooperative in the following twelve-month period, they shall be notified that their membership has been terminated. The notice of termination shall be mailed by the cooperative to the last known address of the member.
- 6.4: Upon termination the member loses all rights of membership including but not limited to voting rights, member product discounts and the right to share in the receipt of revenue earned after the date of termination.
- 6.5: Members who terminate membership or have their membership terminated by the cooperative shall retain the right to receive any share of profit allocated to their membership prior to the date of termination.
- 6.6: The payment of profit shares paid to a terminated member shall be paid on the regular distribution schedule of the cooperative.
- 6.7: Upon voluntary or involuntary termination the membership fee paid to the cooperative upon joining the cooperative shall not be refunded but will be retained by the cooperative.

Article 7: Regular and Special Membership Meetings

- 7.1: There shall be an annual meeting of the cooperative membership.
- 7.2: The Board of directors shall determine the time and place of the meeting and shall send written or electronic notice of the meeting to each member at the last known mailing address or electronic address of the member.
- 7.3: The meeting shall be held within three months after the end of the fiscal year of the cooperative.
- 7.4: Special meetings for the membership may be called by a majority vote of the Board of Directors or by a petition from the membership. Such petition shall bear the signatures of 20% or more of the members whose dues are paid for the current fiscal year.

Article 8: Officers, Duties and Election

- 8.1: Officers of the Cooperative shall be the President, Secretary and Treasurer.
- 8.2: The directors shall elect offices at the annual member meeting held at the end of the fiscal year.
- 8.3: The President shall be the chief executive officer, preside at all member and Board of Director meeting and direct the business of the cooperative. The President shall insure the bylaws of the cooperative and all government regulations relevant to the cooperative are properly administered. The President shall be a voting member of the board, shall appoint committees and perform duties incident to the office.
- 8.4: The Secretary shall keep an accurate record of the members of the cooperative or see that such record is kept. The record shall include the current mailing address of each member. The Secretary shall record and maintain in the official records minutes of all board of director and membership meetings. The Secretary shall perform other duties usually incident to that office.
- 8.5: The Treasurer shall receive, deposit and account for all monies of the cooperative or see that such functions are performed. That person shall also ensure that operating budgets, periodic financial reports, annual corporate and tax reports are prepared and filed. The Treasurer shall prepare financial reports as directed by the Board in addition to preparing annual financial, accounting and tax reports or see that such

reports are properly and timely prepared. All reports shall follow any generally accepted standards set forth for cooperatives by the state or federal government or prescribed by professional accounting organizations. The directors shall receive at least quarterly a report of revenue and expenses and a balance sheet.

- 8.6: The Treasurer shall sign all negotiable instruments on behalf of the cooperative. A second member of the board of directors shall also have authority to sign negotiable instruments in the absence or illness of the treasurer.
- 8.7: The Treasurer shall not sign any negotiable instrument on which the treasurer is the payee.

Article 9: General Manager

- 9.1: The General Manager (GM) is responsible for the business operations of the cooperative. Those operations include overseeing and coordinating fiber collecting and storage, sorting and grading, shipping for processing, receipt and storage of finished products, inventory management and coordination of marketing venues and outlets. The General Manager shall maintain or oversee maintenance of records pertaining to each aspect of operation and the determination of member proportionate shares each collection year.
- 9.2: The General Manager may be responsible for deposit of monies and maintaining certain accounting records in cooperation with and under direction of the treasurer. The General Manager shall not have authority to sign negotiable instruments on behalf of the cooperative.
- 9.3: The General Manager shall attend Board of Director and membership meetings.
- 9.4: The General Manager will not be a voting member of the Board of Directors.
- 9.5: The General Manager may be a paid position. The amount of payment, if any and conditions of the payment shall be negotiated between the Board of Directors and the General Manager.
- 9.6: The operations of the cooperative need not be located at the physical address of the General Manager.

Article 10: Board of Directors, Terms, Quorums and Conduct of Business

- 10.1: A Board of Directors shall govern and manage the affairs of the cooperative. The President shall act as Chairman of the Board.
- 10.2: There shall be five Directors. All Directors must be members in good standing.
- 10.3: The Directors shall be elected by and from the membership at large.
- 10.4: The term for each director shall be five years.
- 10.5: The director positions shall be numbered one through five and a record of the duration of each kept by the Secretary. The term of one position shall expire each year.
- 10.6: Each member of the board is entitled to one vote. No member shall hold more than one Director position at the same time.
- 10.7: Approval of any matter by the Board requires a simple majority vote.
- 10.8: A quorum of the Board is a simple majority.
- 10.9: Business shall be conducted using Roberts's rules of Order or some other acceptable method of conducting orderly business meetings.
- 10.10: To conduct business of the cooperative, a quorum of the Directors must be present for an in-person meeting or on a teleconference call at which minutes are recorded. A quorum of directors should hear the same explanation of the issues to be decided and have the opportunity to hear the opinions expressed by other board members. Business shall not be conducted by polling individual directors.
- 10.11: The General Manager shall attend board meetings and report the status of the cooperative to the Board.
- 10.12: Directors are non-paid positions.
- 10.13: The term of office for a director shall run from the annual business meeting immediately after the fiscal year in which the director is elected until the annual meeting two years later.
- 10.14: The Directors shall meet at least quarterly. Special meetings may be called as needed by the President or at the request of a quorum of the directors.

Article 11: Nomination and Election Procedure

- 11.1: The Board of Directors shall appoint a Nominating Committee of three members in good standing. None of the committee members shall be a sitting director or a candidate. The appointment shall be made three months prior to the end of the fiscal year. The committee shall recruit at least one candidate for each upcoming vacancy. All nominees must be voting members of the cooperative.
- 11.2: Nominations will be closed September 30 two months prior to the end of the fiscal year. Each nominee shall provide to the nominating committee a statement on behalf of his or her candidacy no later than October 15. The Nominating Committee shall establish the form of the ballot, its distribution to the membership, procedures to insure secrecy of each member's vote.
- 11.3: The Nominating Committee shall supervise the election, counting of ballots and tabulating the results.
- 11.4: No later than October 31st, a ballot containing the list of candidates shall be mailed to each membership. The statement of each candidate and voting instructions shall accompany the ballot. Each membership shall have one vote.
- 11.5: Each membership shall vote and mail the completed ballot to the Nominating Committee or someone designated to receive the ballots. No ballot shall be counted unless postmarked by the due date. That date shall be clearly marked on the ballot.
- 11.6: In the event there are no candidates the Nominating committee shall advise the Directors on the date the nominations close. The board at its next meeting shall approve a resolution to declare the nominees elected or that a vacancy exists on the board. In this situation no ballots need to be mailed to each membership.
- 11.7: Ballots shall be returned no later than November 15.
- 11.8: The Nominating committee, after tabulation of the votes, shall notify the President and all nominees of the result of the ballot. Such notice shall be given on or before the last day of the fiscal year.
- 11.9: If two candidates receive the same number of votes, the tie shall be broken by a flip of a coin.
- 11.10: The number of votes for each candidate shall be recorded in the official minutes of the cooperative. Should a vacancy occur on the Board, the directors shall first appoint the unsuccessful candidate with the highest number of votes in the last election. If there are no unsuccessful candidates from the last election a vacancy on the board shall be filled by the Board appointing any member in good standing who agrees to serve as a director.
- 11.11: Ballots and the tabulation of votes shall not be destroyed and shall be retained by the secretary in the records of the cooperative. The ballots may be purged after six months.

Article 12: Committees

- 12.1: The Board of Directors shall determine needed committees, purpose of the committee and the committee's authority to expend funds. Committees may include, but are not limited to Nominating, Sorting, Sales and Marketing, Product Development and Finance and Accounting.
- 12.2: Every committee shall have one director as a member, except the nominating committee.

Article 13: Operation at Cost and Equity Requirements

- 13.1: The cooperative shall operate on a service-at-cost basis for the mutual benefit of its members.
- 13.2: The cooperative will operate on fees collected for membership and on proceeds from the sale of fiber or fiber products.
- 13.3: The cooperative may pursue funding from non-repayable grants for working capital or product development. This money shall be used for business operations or product development and shall not represent net margin used to determine

- patronage refunds paid to members.
- 13.4: The cooperative may with approval of the Board of Directors obtain temporary loans from members, government entities or financial institutions to conduct operations of the cooperative. All such loans shall be recorded in the financial records of the cooperative.

Article 14: Fiber Collection, Sorting and Allocation

- 14.1: Members shall contribute usable fiber or labor hours to the cooperative on a regular basis. Pounds of fiber and labor hours volunteered will represent the member's contribution for that year. The Directors may establish a table of labor hours and fiber pound conversion ratios. The Board may revise the conversion rates from time to time.
- 14.2: Fiber will be collected and weighed during the collection year. The collection year shall be the same as the fiscal accounting year of the cooperative.
- 14.3: Fiber contributions from each member will be weighed and a record kept in the records of the cooperative. These records shall be used to determine the member's percentage share of the profit, if any, for that collection year.
- 14.4: Fiber will be sorted and graded throughout the year. Any fiber collected after the end of the fiscal year will be counted in the next fiscal year.
- 14.5: Each member's fiber and their labor hours will be counted as a percentage of the total fiber collected during the collection year. For example if the total collection of fiber and converted labor hours is 2000 pounds for the collection year and the member's contribution is 100 pounds, then that member's contribution percentage is 5% for that year.
- 14.6: Fiber will be sorted throughout the year. Records will be kept at each sorting of the pounds sorted the grade of the fiber contributed by each member. The amount of fiber sorted out as unusable shall also be weighed and recorded. The pounds of unusable fiber need not be tabulated for each member but the total unusable fiber may be calculated as a percentage and be allocated to each member on a proportional basis.
- 14.7: Sorted fiber will be sent for processing. The Directors have final approval as to which mills are used, what products are made and the quantity of fiber allocated for each product.
- 14.8: If there are inadequate funds to process all fiber collected in a particular year, fiber that is not processed will be carried over into the next year at the same member contribution percentage. For example, the total collection of fiber is 2000 pounds for the collection year and the member's contribution percentage is 5% or 100 pounds. The Board decides to only process 1000 pounds. The remaining 1000 pounds is carried over into the next year. That member has a 5% contribution percentage in the inventory carried over into the next year.
- 14.9: The carryover contribution percentage from a previous year has no effect on the percentage contribution the member has in the new fiber contributed in the current year. The contribution percentage for the current year will be based on the member contribution in this fiscal year.

Article 15: Revenue and Patronage Refunds

- 15.1: Revenue will be generated by the sale of llama fiber and fiber products. These products may include but are not limited to finished goods, yarn, batting and roving. The cooperative may sell unprocessed fiber.
- 15.2: Revenue generated by sales and membership fees will be allocated to an annual operating fund. The operating fund will represent the amount needed to operate the cooperative for the fiscal year including processing fees and operational expenses. The Board of Directors and the General Manager will determine the amount required for the annual operating fund.
- 15.3: Once the operating fund is fully funded, any excess net margin will be considered as patronage refunds. Members will be paid patronage refunds based on their

contribution percentage for that fiscal year. The Directors shall determine in what form members shall receive their patronage refunds. It may be cash, products or other distributions.

- 15.5: Patronage refunds will be declared and distributed from the earliest year to the latest year using a first in first out inventory method.
- 15.6: Allocated patronage refunds may be retained by the cooperative for operating capital. Patronage refunds may not be declared until at least year five after the first year the cooperative operations result in a positive margin of revenue in excess of operating expense.

Article 16: Other Member Services

- 16.1: Members may purchase fiber and fiber products from the cooperative at retail price less a percentage determined by the Directors. This percentage may be changed from time to time as determined by the Board of Directors. The Directors shall notify the membership when a change is made.
- 16.2: The Cooperative may choose to offer additional services in the future as opportunities present themselves.

Article 17: Financial and member Records and Review Committee

- 17.1: The cooperative shall keep accurate and complete books and records of revenue and expenses.
- 17.2: The cooperative shall maintain a record of the name and current address of members of the Cooperative entitled to vote and to their share of revenue distributions by fiscal year. The records shall identify whether the distributions are taxable to the member or whether tax has been paid by the cooperative.
- 17.3: The Board of Directors shall appoint a Records Review Committee made up of three (3) members of the Cooperative, none of who shall be a Director, to review the cooperative records. This review will be conducted on an annual basis and should take place within 2 months after the end of the fiscal year.
- 17.4: The report of the record review committee shall not be construed to replace an independent audit of the records of the cooperative, which may be requested by the Directors or may be required under state or federal law.

Article 18: Dissolution

- 18.1: A resolution to dissolve the cooperative must be mailed to each Member of the cooperative entitled to vote. Approval of the resolution requires a simple majority vote.
- 18.2: Upon dissolution, all liabilities and obligations of the cooperative shall be paid, satisfied and discharged or adequate provisions made thereof. Remaining assets, if any, will be distributed to the Members based on their current contribution percentage.

Article 19: Amendment of Bylaws

- 19.1: Bylaws may be amended, repealed or added by a majority vote of the Board at any regular or special Board meeting.
- 19.2: Before changes become effective, they must be approved by a simple majority vote of the membership at a regular or special member meeting or by written ballot.
- 19.3: A record of bylaw changes and updates shall be kept to ensure an accurate copy of reformed bylaws is available to the members and to appropriate government agencies.

****APPROVED AND AMENDED****

Approved by Membership vote on July 15, 2008, effective upon approval.
Bylaws corrected only as to spelling and typographical errors, June 16, 2009.