

**Mountain States Lamb Cooperative** (MSLC) was established in 1999 to explore the feasibility of developing a vertically integrated marketing system based on the premium quality of lamb and wool produced in the Rocky Mountain region. MSLC is organized as a closed, value-added cooperative consisting of 125 members in ten western states.

Mountain States Lamb & Wool Cooperative (MSL&W) is a separate cooperative organized under Wyoming's new cooperative processing statute ("New Act"), which became effective July 1, 2001. Mountain States Lamb Cooperative is the sole member of Mountain States Lamb and Wool. MSL&W was formed for the purpose of marketing and processing the lamb and wool of its patron members and possibly other nonpatron members, and to contract or otherwise provide lamb meat and wool processing, storage, and other facilities and related services for its patron members and possible nonpatron members.

The New Act provides certain tax and organizational advantages over cooperatives formed under Wyoming's other cooperative law (the "Old Law"). Specifically, since the New Act allows processing cooperatives to be organized in a manner similar to limited liability companies rather than corporations, the cooperative members, rather than the cooperative itself, are taxed on cooperative income provided that the income is paid to patron members in the form of patronage dividends. In other words, the New Act eliminates the possibility that the cooperative will suffer from double taxation (a tax at the entity level and a tax at the member level). Furthermore, because distributions of profits to nonpatron members of a traditional marketing cooperative are taxed as dividends and then limited to 8% of the equity of the principal of the equity contributed, the structure of a traditional marketing cooperative has effectively precluded outside (nonpatron) investment. The New Act allows nonpatron members to receive an investment return on contributed capital. This flexibility allows members who so desire to invest capital without a corresponding delivery requirement.

Mountain States/Rosen LLC was formed to acquire, own and operate the Rosen Companies' lamb and veal fabrication and distribution business. In February 2003, MSL&W purchased an interest in MSR, with the remaining interest being held by B. Rosen & Sons, Inc. which purchased the assets of the Rosen Companies. At the time of purchase, Rosen had an established market presence, a history of solid financial performance, and represented 25% of the domestic lamb distribution in the United States. This purchase resulted in the first vertically integrated lamb marketing system in the United States.

Mountain States Lamb Cooperative encourages its members to market quality, market ready lambs, through the use of a grid payment system. Carcasses that meet yield and weight targets are paid a premium, while those that miss the target incur a discount. MSLC provides their producers with detailed information on their lamb carcasses, as well as ongoing education through a monthly newsletter. MSLC employs a Procurement Director who works with producers individually to market premium lambs at the optimum time.