

# **Board Resolution – Reserve Fund Authorization**

## ***\$500,000 Reserve Fund for Expansion of Takoma Junction Store***

### *Purpose*

The purpose of this Board Resolution is to create a capital reserve fund, in accordance with Bylaw 4.2 and Board Policy L4.2. This reserve fund is limited to use to support a major expansion of the Takoma Junction store. The initial balance of the capital reserve is to be five hundred thousand dollars (\$500,000).

### *Goals*

The goal of this resolution is to assure that sufficient initial capital is available to support a major expansion of the Takoma Junction store. Another goal of this resolution is to demonstrate credibility and commitment of the Co-op regarding strategic expansion. It is a further goal of this resolution to establish a means of tracking investments and expenses associated with strategic expansion. It is an additional goal of this resolution to establish a means whereby grants, loans, funding and investments may be recruited, using the Strategic Expansion Reserve Fund to collect and segregate capital dedicated to use for strategic expansion.

It is not a goal of this resolution to imperil the liquidity or credit rating of TPSS Co-op. It is not a goal of this resolution to control or reduce either inventories or working capital to a level which restricts successful operations.

### *Hence the TPSS Co-op Board of Representatives is resolved:*

That all of the net income from fiscal year 2009–2010 be committed to a capital reserve fund, to be known as the Strategic Expansion Reserve Fund.

That sufficient further capital be committed to the Strategic Expansion Reserve Fund such that an initial balance of five hundred thousand dollars (\$500,000) is provided.

That the Expansion Task Force shall assure that management implements adequate accounting procedures to provide sufficient accountability, transparency and full documentation for the Strategic Expansion Reserve Fund.

That the Strategic Expansion Reserve Fund be prudently invested in compliance with Board Policy L6.8, with half of the balance kept highly liquid and readily available for use in operations, if authorized by management. That preservation-of-capital and return-on-investment are equal priorities in investing the Strategic Expansion Reserve Fund.

That investments of expenses budgeted for or directly related to strategic expansion activities may be charged against the Strategic Expansion Reserve Fund, reducing its balance.

That, to meet short-term needs for liquidity or working capital, the operating businesses may borrow interest-free from the Strategic Expansion Reserve Fund. That any borrowing from the Strategic Expansion Reserve Fund for any purpose other than expenses or investments related to strategic expansion must be explicitly authorized by the General Manager. That authorization of any borrowing from the Strategic Expansion Reserve Fund must include formal notification of the Board of Representatives and a plan for replenishing any capital borrowed from the Strategic Expansion Reserve Fund, with specific timelines for repayment. That any borrowing from the Strategic Expansion Reserve Fund must be re-authorized by the General Manager each month until all borrowed capital is fully repaid to the fund.