

TO NISO Board of Directors

FROM: Carl Grant, Treasurer

DATE: June 18, 2002

RE: Policy re: Cash reserves

It is the recommendation that the Board adopt the following policy:

In stating this policy, it is hereby understood that the following definitions apply:

1. Reserves will be considered to be the combination of the cash and any securities or investments on hand.
2. Operating Expenses will be budgeted expenses minus grants (restricted funds).

It will be the policy of the Board, that the desired Reserve level should be 9 months (or 75%) of the operating expenses for the current budgeted year. Should it become necessary to spend the reserves below this level in order to cover the operating expenses, it is understood that such expenditure can only be done under the following circumstances:

1. The expenses must be for plans, approved by a majority of the Board, that show substantial promise of generating a ROI that will allow restoration of the reserves back to the 75% level within 12 months.
2. That reserves must not be spent below the 6 months (or 50%) level without a 2/3's approval by the Board and only then, with the clear understanding that all possible efforts will be focused on reducing expenditures and maximizing revenues to prevent spending the reserves any lower than 50%.