# Policy

The Bureau of Services to the Blind and Visually Impaired (BSBVI), Business Enterprises of Nevada Program (BEN), as approved by the Nevada Committee of Blind Vendors (NCBV), has established the Initial Stock Policy. The BEN Program will provide adequate initial stock of products, merchandise and supplies for establishment and operation of each BEN location, excluding facilities managed in conjunction with partnership agreements, in accordance with the procedures stated in this policy and subject to funds availability.

The Initial Stock Policy is established as pursuant to 20 USC Section 107b(2) & 107b(5); 34 CFR Sections 395.4, 361.48(p), 395.3(a)(2) and (5), 395.6; Nevada

Revised Statue 426.675 2.(c)(2); and Nevada Administrative Code 426.235, NAC 426.330-360.

# Description

Initial Stock: An Initial Stock is an inventory supplied by the BEN Program and consists of products, merchandise and supplies needed for meeting specific business needs of that BEN location.

The monetary value of the Initial Stock provided to Operators or Trainees will equal to the amount of 2 weeks of average gross sales for the previous 12 month period. If the location is new or has gone through a significant remodel, the value of the Initial Stock provided will equal to 2 weeks of projected sales, as determined by the BEO and approved by the Chief Enterprise Officer (BEN Chief).

The policy of providing Initial Stock of merchandise to Operators or Trainees will not be retroactive to currently managed BEN Sites and will only occur in the event of: 1) Change of Operators in existing sites or 2) When a new BEN Site is established.

A count and verification of BEN owned merchandise inventory (Initial Stock) will be taken in situations when an Operator/Trainee initially (within 6 months) takes over operation or exits operation of the BEN Site, for any reason. Initial Stock is an asset of the BEN Program.

Purchase of Initial Stock inventory as described in this policy is an optional benefit provided to Operators and Trainees. Operators/Trainees can decline to take advantage of this benefit, unless the Initial Stock inventory has already been purchased by the BEN Program for that BEN location in which case they will have the option of buying it back from the Program. If an Operator elects to eliminate his/her Initial Stock obligation, he/she can choose one of the following two options for paying back the supplied dollar value of the Initial Stock: (1) making a one-time payment or (2) agreeing to an approved

payment schedule not to exceed a period of maximum of 24 months. Trainees do not have the option of buying back Initial Stock inventory. If an Operator/Trainee declines the option of the Initial Stock provided to them, they will not have the ability to seek or utilize start-up loan funds for the purposes of purchasing or buying back the Initial Stock inventory, as described in this policy.

# Procedure

The Licensed Operator/Trainee, or designee, must be present throughout the time of the inventory verification count process. Following the completion of the inventory verification and count, Operator will be required to sign the *Verification of Initial Stock Inventory Purchased by BEN* Form as an acknowledgment and agreement of the inventory stock level. The BEN Program will set up a tracking system for the monetary (dollar) value of the Initial Stock for each facility.

By signing the *Verification of Initial Stock Inventory Purchased by BEN Program*, the Licensed Operator or Trainee accepts full responsibility for this amount of Initial Stock and agrees to maintain, at a minimum, equivalent value of Initial Stock which was supplied by the BEN Program. The BEN Program has no obligation to adjust the inventory or reimburse for outdated or otherwise non-salable products after this agreement has been signed.

In the event that the site’s monthly Profit and Loss Statement reports Ending Merchandise Inventory amount (P&L Form Line G-6), to be lower than the minimum amount that is required to be maintained (Initial Stock value), Operator/Trainee will have 60 days to correct the exception. If the exception is not corrected within a 60 day period or more than two exceptions occur in a rolling 12 month period, Operator/Trainee will be required, at BEN Chief’s discretion, to begin reimbursing the Program for the balance of the Initial Stock provided. Payments due will be calculated using the table established in the NAC 426.235 for advancement of money by the BEN Program. If the repayment process has not been set up or payments not made, Operator/Trainee will be charged a penalty fee of $100 per month or 5% of the net profits, whichever is less, per month for every month of the exception during the subsequent 12 month time period.

The transaction of purchasing Initial Stock inventory will be completed via purchase order, subject to funds availability. BEN staff will complete the appropriate processing and approval forms, ensuring that needed merchandise, supplies and products are justified, approved and funds are available. In collaboration with the site Operator/Trainee, the BEO will select which products and supplies need to be purchased, taking into consideration proposed menu, governing agreements, industry trends, business type, demographics of the area and any other relevant information. The purchase order will be completed by BEN staff and issued to companies who

accept purchase orders and are registered with the State as vendors, or will reimburse the Operator/Trainee for the purchases made following the submission of proof of purchase, if they chose to acquire whole or part of the initial stock inventory at alternate retail establishments. The reimbursement funds will be issued to the Operator/Trainee within 15 days of submission of all required documents.

Incoming Initial Stock: The incoming Initial Stock acts as a verification of working capital (the value of salable product). It is conducted onsite by the incoming and outgoing Operators in the presence of the Business Enterprise Officers (BEOs). If there are any personal items noted in the BEN Site file, the outgoing Operator shall remove these items prior to the start of the inventory. Small wares, decorative displays, serving utensils, knives and similar items purchased with State funds must remain with the BEN Site as a State property. Agreement must be reached by the incoming and outgoing Operators regarding the count of incoming Initial Stock and documented by the BEO.

Outgoing Initial Stock: The outgoing Operator shall be responsible for having the following:

1. The inventory forms prepared on an Excel spreadsheet or equivalent with item description and unit cost.
2. Copies of invoices on site to verify unit cost (no more than 6 months old), the outgoing Operator or Trainee shall not receive credit on products without corresponding valid invoices.

The inventory will be ‘extended’ and totaled immediately at the end of the inventory count. Both Operators will receive printed copies of the inventory and the signed Initial Stock forms. The BEO will retain the original documents.

In situations in which the BEN Program is accounting for the Outgoing Initial Stock, the merchandise that falls in the definition of stale inventory, as described below, will not be counted as part of the Initial Stock inventory. Exiting Operator/Trainee will have the option of selling that stale inventory to the Incoming Operator/Trainee at a discounted price if both parties agree.

Initial Stock Inventory Value Discrepancies: When leaving a BEN Site, an exit Initial Stock inventory sometimes results in a working capital overage or shortage. If there is an overage, the BEN Program pays the Operator the amount owed to them within 30 days of receiving the last PNL and set aside levy. If there is a shortage, the Operator pays the BEN Program the amount owed within 30 days of notification by the Program. Licensed Operators will not be permitted to apply for posted site opportunities or sign the Operating Agreement if they have any current outstanding debt owed to the BEN Program or any other unresolved issues, regarding the Initial Stock shortage from any facility including their current facility.

Stale Inventory: Stale inventory refers to merchandise or product inventory that is at the end of its product life cycle and has had zero (0) sales over a 4 week period of time or is a slow moving item and sells at a rate of less than 1 unit per week for the past six months. Exclusions under extenuating circumstances may be considered at BEN Chief’s discretion.

When purchasing Initial Stock from an Operator/Trainee who is exiting a Site, BEN Program will not purchase products that fall in the above definition.

Exiting Operator/Trainee will have the option of selling that stale inventory to the Incoming Operator/Trainee at a discounted price if both parties agree.

Operator-Partner Site Management Process: As stated earlier in the text, the benefits granted by this policy exclude sites managed in conjunction with partnership agreements. If an Operator has been awarded a location and plans to enter into a partnership agreement with another party to manage that BEN site the following process will be mandatory:

1. If the BEN Program is the owner of the exit Initial Stock of the inventory in that site, the Partner will be required to purchase that Initial Stock from the BEN Program following procedures listed in this policy. The Partner will need to issue a payment to the BEN Program, within 60 days of the physical takeover of the location.
2. If the outgoing Operator is the owner of the exit merchandise inventory, the partner will be required to purchase that inventory using the methods and procedures listed in this policy, referring to the process that the BEN Program would follow when purchasing the Initial Stock from the outgoing Operator. The Partner is required to issue a payment to the outgoing Operator, within 60 days of the physical takeover of the location.
3. If the Partner does not fully reimburse the BEN Program or the outgoing Operator within the 60 day period, the end of the month balance owed will be charged a 5% monthly compounding interest rate. If after 4 months the balance has not been paid in full, the Operating agreement will be subject to termination as determined by the Chief Enterprise Officer.