

5-21-89

5-22-89 agenda  
item 6a.

**APCO, INC.**  
**Board of Officers Meeting**  
**Charleston, WV**  
**May 21, 1989**

**Proposed Separation of APCO AFC, Inc. Subsidiary**

Modify the financial statements generated in the Solomon III Accounting System to generate separate financial reports as follows:

**Association:** Four cost centers designated as Publications, Membership Services (includes BULLETIN and APCO Reports income and Member Dues), Annual Conference, Education and Administrative Support Services.

**APCO AFC, Inc.:** A subsidiary corporation has already been created. Generate separate income statements, budgets and associated reports for the subsidiary. Cash transactions and receipts from the accounts receivable deposited in a separate bank account from which all AFC expenses would be paid.

The Association would continue to process payroll for AFC subsidiary. Payroll and expenses for shared services attributed to AFC and spectrum management would be reimbursed to the Association as "DUE TO" and "DUE FROM" in the financial reports. Settlement of funds between AFC and the Association would be made as necessary.

The billing computer presently used at the frequency coordination office would require an up-grade in the hard-drive to accommodate the installation of the Solomon III general ledger modules. Bill Kuhn would copy the present soft-ware to install in the AFC computer. Cost to the Association is estimated at \$500-\$600.

**Reasons for Creating a Subsidiary:**

1. Establish a separate identity for the parent-subsubsidiary relationship for tax purposes and filing returns with the Internal Revenue Services.

2. With the prospect of the Association owning property, structuring through a subsidiary corporation to hold title or jointly hold title with the Association may be a consideration.
3. The subsidiary would be a separate legal entity and would be solely responsible for its own debts. Consideration would be liability from personal injury, unfavorable antitrust or numerous problems involving the assistance of counsel.

The target to implement the separation in financial reporting would be October 1, 1989 to coincide with the new fiscal year. Training for the accounting clerk to parallel the parent system, set-up and define Solomon III financial statements would start approximately August 1st.

A similar separation for the APCO Institute, Inc., is contemplated, to be effected subsequently based on the experience and actual results of the AFC separation.