



Connecticut State University System

Developing a State of Minds

BR#2000-14



RESOLUTION

concerning

ACCEPTANCE OF PUBLIC OR NON-PUBLIC STOCK
OR OTHER ASSETS
IN EXCHANGE FOR GOODS OR SERVICES PROVIDED BY
THE INSTITUTE FOR INDUSTRIAL AND ENGINEERING
TECHNOLOGY
AT
CENTRAL CONNECTICUT STATE UNIVERSITY

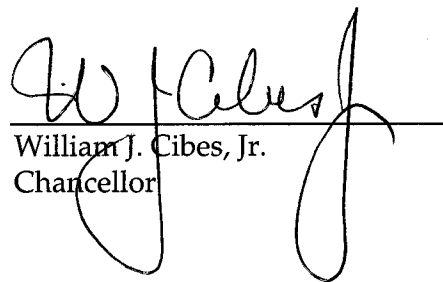
April 6, 2000

- WHEREAS, The Board of Trustees established the Institute for Industrial and Engineering Technology (IIET) at Central Connecticut State University (CCSU) to disseminate technical information and instructional services to businesses and industries so as to enhance economic development, and
- WHEREAS, IIET has in the past accepted stock from a non-public entity in exchange for services performed, and
- WHEREAS, Acceptance of stock or other assets as payment for goods and services is not normally acceptable practice within the System, and
- WHEREAS, Due to the limited resources of startup businesses generally, it would be difficult for IIET to fulfill its mission if it were unable to accept this type of consideration for services from time to time, therefore be it
- RESOLVED, That stock or other assets of a public or non-public corporate entity domiciled in the State of Connecticut shall be accepted as payment for goods and services rendered by IIET only in the event that the debtor company does not have the liquidity to meet its short-term obligations in any other way, and be it further
- RESOLVED, That acceptance of these forms of consideration shall be specifically by the President of Central Connecticut State University, and be it further
- RESOLVED, That stock certificates or titles to assets shall be in the name of Central Connecticut State University, and shall remain in the custody of the Chief Financial Officer of the university, and be it further

RESOLVED, That stock or other assets of the entity should be initially valued at the total cost of the services performed or goods furnished less other compensation received, and shall be recorded in the financial records of CCSU in accordance with Generally Accepted Accounting Principles, and be it further

RESOLVED That liquidation of the stocks or assets shall be the responsibility of the Chief Financial Officer of CCSU.

A Certified True Copy:


William J. Cibes, Jr.
Chancellor

ITEM

Acceptance of public or non-public stock or other assets in exchange for goods or services provided by the Institute for Industrial and Engineering Technology (IET) at Central Connecticut State University (CCSU).

BACKGROUND

The Board of Trustees established the Institute for Industrial and Engineering Technology (IET) at Central Connecticut State University on July 23, 1993, to disseminate technical information and instructional services to businesses and industries so as to enhance economic development. In 1998, IET was continued until 2003. In accordance with its mission, IET provides training and advisory services to startup businesses during the early years of their operations. Their emphasis is on operations in the technology field.

ANALYSIS

One of the first companies to which IET provided services was Rapor, Inc., a non-public corporation. This entity had no cash flow with which to pay IET for the work performed. Therefore, the Executive Director of IET agreed in an informal written agreement to accept 18,000 shares of no-par stock in exchange for the services performed. Subsequent to this agreement, Rapor had a stock split that resulted in CCSU holding 54,000 shares outstanding in the company. These shares have no readily determinable value and are not recorded on the financial records of CCSU. The stock is still in the custody of Rapor, Inc., mainly awaiting direction from IET as to whose name should be on the face of the certificates.

In both FYE 1998 and 1999, the audit firm of PricewaterhouseCoopers recommended in their Report to Management that the CSU Board of Trustees adopt a resolution to address this transaction and like kind transactions in the future.

Because of the limited resources of startup businesses generally, it would be difficult for IET to fulfill its mission if it were unable to accept this type of consideration for services from time to time. Therefore, it is recommended that the Board of Trustees authorize the acceptance of public or non-public stock of a corporation or other assets in exchange for goods and services provided by IET, subject to the following provisions:

- a) Stock or other assets shall only be accepted if the liquidity of the debtor company makes it impossible for them to meet its short term obligations in any other way.
- b) Acceptance of these forms of consideration shall be specifically by the President of Central Connecticut State University.
- c) Stock certificates or titles to assets shall be in the name of Central Connecticut State University, and shall remain in the custody of the Chief Financial Officer of the university. They shall be initially valued at the total cost of the services performed less other compensation received, and shall be recorded on the financial records of Central Connecticut State University in accordance with Generally Accepted Accounting Principles.

- d) Liquidation of the stocks or assets shall be the responsibility of the Chief Financial Officer of the university.

CHANCELLOR'S RECOMMENDATION

Authorize the acceptance of stocks or other assets in exchange for the services of IET, subject to the conditions and limitations enumerated above.