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Utah Association of Counties

Robert Grow
Envision Utah

Evan Curtis
State Planning Coordinator

Andrew Gruber
Executive Director

WFRC Budget Committee Agenda – October 12, 2017

There will be a meeting of the Budget Committee on Thursday, October 12, 2017 at 11:00 a.m. in the WFRC offices located at 295 North Jimmy Doolittle Road, Salt Lake City, Utah.

The agenda for the meeting will be as follows:

1. Call to Order / Approval of Minutes from May 11, 2017 and July 7, 2017
2. Public Comment
3. Budget Committee
 - a. ACTION: Recommend for approval - WFRC Personnel Policy
 - b. ACTION: Recommend for approval - WFRC Accounting and Administrative Policy
 - c. ACTION: Recommend for approval - FY18 Budget and Work Program Amendments
 - d. Review WFRC Audit Report for FY17
4. WFRC Office move update

If the WFRC Budget Committee determines it is warranted, this will be a Closed Session, pursuant to the Utah Open and Public Meetings Act, Sections 52-4-204, 52-4-205, 52-4-206 (d) strategy sessions to discuss the purchase, exchange, or lease of real property, including any form of a water right or water shares, if public discussion of the transaction would:

 - (i) disclose the appraisal or estimated value of the property under consideration; or
 - (ii) prevent the public body from completing the transaction on the best possible terms;

(e) strategy sessions to discuss the sale of real property, including any form of a water right or water shares, if:

 - (i) public discussion of the transaction would:
 - (A) disclose the appraisal or estimated value of the property under consideration; or
 - (B) prevent the public body from completing the transaction on the best possible terms;
 - (ii) the public body previously gave public notice that the property would be offered for sale; and
 - (iii) the terms of the sale are publicly disclosed before the public body approves the sale
5. ACTION on items discussed in the closed session, if needed
6. Executive Director's Report
7. Other Business

NOTE: Informational material can be located at www.wfrc.org.

Public participation is solicited without regard to age, sex, disability, race, color or national origin. Persons who require translation for a meeting should contact the WFRC's Title VI Administrator at 801-363-4250 or apearson@wfrc.org at least 72 hours in advance.

Se solicita la participación del público, sin importar la edad, el sexo, la discapacidad, la raza, color o nacionalidad. Personas que requieran servicios de traducción deben contactar a WFRC's Administrador de Título VI al teléfono 801-363-4250 o apearson@wfrc.org por lo menos 72 horas antes de la reunión.



WFRC BUDGET COMMITTEE

Minutes of Meeting held May 11, 2017, 10:03 am
 295 N Jimmy Doolittle Rd, Salt Lake City, UT 84116

2017 BUDGET COMMITTEE	IN ATTENDANCE
DAVIS COUNTY	
Commissioner Bret Millburn (Vice Chair)	Yes
MORGAN COUNTY	
Councilmember John Barber	Yes
SALT LAKE COUNTY	
Councilmember Michael Jensen	No
Mayor Tom Dolan (Chair)	Yes
TOOELE COUNTY	
Councilmember Brad Pratt	No
Alternate: Commissioner Shawn Milne	No
WEBER COUNTY	
Mayor Mike Caldwell	Yes
Alternate: Commissioner Kerry Gibson	Yes
BOX ELDER COUNTY	
Mayor Karen Cronin	Yes
Others in Attendance	
Andrew Gruber	WFRC
Loveit Baumgardner	WFRC
Wayne Bennion	WFRC
Andrea Pearson	WFRC

1. **Call to Order and ACTION on Minutes of meetings held on March 9, April 19, and April 20, 2017.**
 Mayor Tom Dolan called attention to the first item on the agenda. A motion to approve the minutes for the past three meetings was made by Commissioner Bret Millburn. It was seconded by Mayor Dolan and unanimously approved.
2. **Opportunity for Public Comment**
 Mayor Dolan opened the meeting for public comments. There were none.
3. **Budget Committee**
 - a. **ACTION: Approve Draft FY18 Budget and Unified Planning Work Program (UPWP)**
 Mayor Dolan noted the copy of the Draft FY Budget and UPWP materials in the packet materials and asked if there were any questions or issues that needed to be reviewed. There were none. Commissioner Bret Millburn motioned that these documents be brought before the Council, in order for action to be taken to approve the draft UPWP and budget for fiscal year 2018. The motion was seconded by Councilman John Barber and the vote was unanimous in the affirmative.
4. **Closed Session, pursuant to the Utah Open and Public Meetings Act Sections 52-4-204, 52-4-205 and 52-4-206**
*“(d) strategy sessions to discuss the purchase, exchange, or lease of real property, including any form of a water right or water shares, if public discussion of the transaction would:
 (i) disclose the appraisal or estimated value of the property under consideration; or*

- (ii) prevent the public body from completing the transaction on the best possible terms;*
- (e) strategy sessions to discuss the sale of real property, including any form of a water right or water shares, if:*
 - (i) public discussion of the transaction would:*
 - (A) disclose the appraisal or estimated value of the property under consideration; or*
 - (B) prevent the public body from completing the transaction on the best possible terms;*
 - (ii) the public body previously gave public notice that the property would be offered for sale; and*
 - (iii) the terms of the sale are publicly disclosed before the public body approves the sale”*

Mayor Karen Cronin motioned that the Committee move into Closed Session, for the purpose of discussing the status of the relocation of WFRC's office. The motion was seconded by Commissioner Kerry Gibson and unanimously approved.

After the discussion, Councilmember John Barber motioned for the Closed Session to be concluded. The motion was seconded by Mayor Karen Cronin and unanimously approved.

5. ACTION on any items discussed in the Closed Session

There was nothing discussed during the Closed Session that required an action. No ACTION taken.

6. Executive Director's Report

Andrew Gruber, WFRC, had no report for this meeting.

7. Other Business

There was no other business.

Adjourn: Commissioner Kerry Gibson made a motion to adjourn the meeting. It was seconded by Mayor Karen Cronin and unanimously approved.



WFRC BUDGET COMMITTEE

Minutes of Meeting held July 7, 2017 – 1:30pm
 295 N Jimmy Doolittle Rd, Salt Lake City, UT 84116

2017 BUDGET COMMITTEE	IN ATTENDANCE
DAVIS COUNTY	
Commissioner Bret Millburn (Vice Chair)	Yes
MORGAN COUNTY	
Councilmember John Barber	No
SALT LAKE COUNTY	
Councilmember Michael Jensen	No
Mayor Tom Dolan (Chair)	Yes
TOOELE COUNTY	
Councilmember Brad Pratt	No
Alternate: Commissioner Shawn Milne	Yes
WEBER COUNTY	
Mayor Mike Caldwell	Yes
Alternate: Commissioner Kerry Gibson	Yes
BOX ELDER COUNTY	
Mayor Karen Cronin	No
Others in Attendance	
Andrew Gruber	WFRC
Loveit Baumgardner	WFRC
Ned Hacker	WFRC
Andrea Pearson	WFRC
Chris Kirk, Broker	CBC ADVISORS

1. Call to Order by Mayor Tom Dolan, who turned the time to Andrew Gruber for introductions

2. Closed Session, pursuant to the Utah Open and Public Meetings Act Sections 52-4-204 and 52-4-205

“(d) strategy sessions to discuss the purchase, exchange, or lease of real property, including any form of a water right or water shares, if public discussion of the transaction would:

(i) disclose the appraisal or estimated value of the property under consideration; or

(ii) prevent the public body from completing the transaction on the best possible terms;

(e) strategy sessions to discuss the sale of real property, including any form of a water right or water shares, if:

(i) public discussion of the transaction would:

(A) disclose the appraisal or estimated value of the property under consideration; or

(B) prevent the public body from completing the transaction on the best possible terms;

(ii) the public body previously gave public notice that the property would be offered for sale; and

(iii) the terms of the sale are publicly disclosed before the public body approves the sale”

Mayor Tom Dolan motioned that the Committee move into Closed Session, for the purpose of discussing the status of the relocation of WFRC’s office. The motion was seconded by Mayor Mike Caldwell and unanimously approved.

Andrew Gruber, WFRC, provided an update regarding the relocation of WFRC's offices. There was group discussion. There were no action items brought forward for a vote, as it was an informational meeting only.

Mayor Tom Dolan motioned for the Closed Session to be concluded. The motion was seconded by Mayor Mike Caldwell and unanimously approved.

Commissioner Bret Millburn motioned to adjourn the meeting. The motion was seconded by Mayor Mike Caldwell and unanimously approved.

A recording of this meeting will be made available upon request in accordance with the Utah Open and Public Meetings Act. More information about Wasatch Front Regional Council may be found on the WFRC website at www.wfrc.org

DATE: October 12, 2017
AGENDA ITEM: 3a
SUBJECT: ACTION: Recommend for approval – WFRC Personnel Policy
PREPARED BY: Loveit Baumgardner

BACKGROUND:

As part of our goal of promoting organizational excellence WFRC does periodic, proactive review of all our internal policies to ensure full compliance with applicable laws, regulations, and best practices.

The Council revised its Articles of Association and Bylaws in January 2014. In October 2015, the Council adopted updated Accounting and Administrative Policy and Procedures. During this last year we have been reviewing our personnel policies.

Personnel policies compilation, updating, and legal review.

Over the course of many years the Council has adopted various personnel policy elements. WFRC staff compiled all of those individual policies into one policy document. We then did some technical cleanup that included organizing the policies into chapters, formatting, clarifying with examples, and updating various benefits providers. We also drafted some new policies that were (1) required by law such as the Family Medical Leave Act (FMLA) and the Fair Labor Standards Act and (2) recommended as best practice by the Office of the Legislative Auditor General for the State of Utah. The entire policy was then reviewed by outside legal counsel, who recommended some clarifications to our existing discipline and appeals process, non-harassment policy, and civil rights policy to ensure compliance with laws and regulations as well as a few other minor adjustments and clarifications.

Proposed modifications to benefits. This updated policy also proposes two benefit modifications:

(1) The Funeral Leave policy is modified to allow for “compassionate leave”. Compassionate leave is defined as paid time off for an employee to attend to an immediate family member in the case of grave illness *in lieu of* funeral leave. Compassionate leave has the same five-day limitation as funeral leave. If an employee uses only a portion of the allowed time they may use the remainder upon death of the family member as long as the total does not exceed five days.

(2) WFRC’s current policy provides employees with a benefit of receiving 2/3 pay for employees who experience a qualifying “short-term disability” (including maternity, surgical or medical recovery). However, there is a two-week waiting period before an employee is eligible for benefits, i.e., there is no benefit for the first two weeks of their “disability.” We are proposing to provide a new benefit of up to 80 hours (i.e., two weeks) at 2/3 pay for any FMLA-qualifying event. This benefit enhancement will provide a modest income for that waiting period as well as provide a small benefit for employees who would not otherwise be entitled to short-term disability (e.g. paternity leave and FMLA-qualifying care for sick children or elderly parents).

We are presenting this draft for your review and comments. After this review staff will prepare a final draft that will be provided to the Council for final action at the October 26th Council meeting.

RECOMMENDATION: The Budget Committee recommends that the Council approve the WFRC Personnel Policy as presented.

EXHIBITS: Draft Personnel Policy

CONTACT INFORMATION: Loveit Baumgardner, (801) 363-4230 x 1102

WASATCH FRONT REGIONAL COUNCIL
PERSONNEL POLICY

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INTRODUCTION

The Personnel Practices of the Wasatch Front Regional Council (WFRC) are intended to:

- Establish and maintain personnel practices in regard to recruitment, classification, changes in employee status, placement, and employee benefits;
- Establish and maintain timekeeping and payroll practices; and
- Assist in planning for the personnel requirements of existing and future WFRC programs.

All personnel matters are a basic responsibility of the WFRC Executive Director, subject to this Policy and any other policies adopted by WFRC, and subject to the annual WFRC Budget and Unified Planning Work Program.

WFRC is committed to the principles of equal employment opportunity. It is WFRC's policy to hire qualified applicants, and with respect to all employment decisions to treat employees without regard to race, creed, color, religion, sex, age (if over 40 years of age), national origin, disability, sexual orientation, or gender identity.

CHAPTER I CLASSIFICATION PLAN

Section 1 – Position Classification

The classification plan comprises a list of classes supported by written specifications outlining the parameters of each class. A class shall comprise one or more positions that are nearly alike concerning the essential character of their duties and responsibilities in order that the same pay scale, title and qualification requirements can be applied and that the positions can be fairly and equitably treated under similar conditions.

Approved classifications will constitute official titles and pay ranges for all positions in the respective departments and shall be used in all relevant personnel records and forms. Employees may be classified as regular or temporary and full-time or part-time. The definition for full time regular, part-time regular, seasonal and temporary project employees is as follows:

Full-time Regular Employee--An employee who regularly works at his/her assigned duties for forty (40) hours or more a week is considered a full-time regular employee. Full-time regular employees are eligible for benefits as set forth in the personnel policies and procedures.

Part-time Regular Employee--An employee who regularly works at his/her assigned duties for less than forty (40) hours a week is considered part-time. Part-time regular employees are eligible for pro-rated benefits based on hours worked in a month or as specified by the benefits provider. To be eligible for the Utah State Retirement pension and the Group Health and Dental Insurance, an employee must average a minimum of 20 hours per week. To be eligible for disability and life insurance, the employee must work a minimum of 30 hours per week. Vacation, sick leave and holiday pay are calculated as a percentage of hours worked/full-time hours available in the month (e.g. If there are 172 full-time hours in a month and the employee works 86 hours, the percentage applied to leave is 50% or 86/172).

Seasonal or Temporary Employee--Seasonal and temporary appointments are made to carry out necessary seasonal or temporary work. Employees in this category may work full or part-time as may be required. Employment for seasonal and temporary employees is terminated no later than upon completion of the assignment for which the employee was hired. The employee will be told the anticipated ending date of seasonal or temporary employment. Seasonal and temporary employees may or may not be entitled to benefits dependent upon hours worked and length of the assignment.

Individuals employed through temporary employment agencies are employees of the temporary employment agency and not employees of WFRC.

No employee shall be appointed or promoted to any position until the position has been properly classified.

No salaries will be approved unless they conform to the approved classification and compensation plans.

Section 2 – Job Descriptions

A written description of duties, responsibilities, qualifications, skills, and knowledge will be maintained for each position.

Job descriptions will be used by the WFRC Executive Director for determining whether an applicant or employee meets the minimum requirements for a particular class of position. Job descriptions will be used by supervisory personnel as tools to orient new employees to their duties and responsibilities. They will also be used as a basis for performance evaluation of employees.

Job descriptions will be used to determine grade and salary levels as outlined in the compensation plan.

CHAPTER II COMPENSATION PLAN

Each fiscal year the Council approves an overall compensation budget for WFRC staff. Within that budget the Executive Director may allocate portions for cost of living adjustments, performance-based merit increases, performance awards, and promotions.

Section 1 – Salary Determination

The WFRC Council shall establish a salary schedule with pay grades for all positions and job titles based on a classification system and job descriptions. Salaries will be determined using the salary schedule for each position. WFRC shall conduct salary surveys on a periodic basis to keep the salary schedule and ranges for each position in line with comparable positions in other similar agencies or industries. The results of these surveys shall be used to update the salary ranges for all positions.

At the time of initial appointment of a new employee, a job description, pay grade, and corresponding salary range will be determined for the position. The employee must be paid within the established range for the specific position.

Performance-based merit increases may be awarded to individual employees on the basis of performance evaluation scores. At the beginning of each fiscal year, the employee and the employee’s Area Coordinator (AC) will agree on a performance plan that includes weighted performance factors. Performance standards for employees will be commensurate with their level of experience and pay grade. At the end of each fiscal year, each non-probationary employee will be evaluated by the employee’s AC and the employee will receive an overall score for their performance. The AC will discuss the review with the employee and both the employee and the AC will sign the performance evaluation. An employee may request a review with the Executive Director and the Area Coordinator of their performance evaluation within 30 days of the signed initial evaluation.

Performance will be scored on a scale of 0 to 5 with 3 being the level of minimal acceptable performance. Performance will be compensated according to the following schedule where “M” equals the merit allocation percentage as determined by the Executive Director within the Council-approved budget:

Performance Score	0.00 – 2.99	3.00 – 3.99	4.00 – 5.00
Base Rate Increase	0.0%	.5M	M

Performance-based salary increases are independent of any cost of living adjustments (COLA).

Employees performing below the minimal performance standard are not eligible for a performance-based rate increase. Employees receiving sub-standard performance evaluations are subject to disciplinary actions up to and including termination.

Section 2 – Cost of Living Increases

The Executive Director may allocate a percentage of approved salary increases as a cost of living increase for all employees. When cost of living increases are approved, salary ranges will be adjusted upward using the same percentage as the cost of living increase. Cost of living adjustments may only be awarded to all employees with six or more months of service.

Section 3 – Salary Adjustments

In the case of employees promoted or reassigned to a new position, if the employee's salary is lower than the minimum prescribed for the position, the salary will be increased automatically to the minimum of the new salary range. The employee may receive a salary increase in addition to the promotion even if their pre-promotion salary falls within their new pay range.

Upon reclassification of a position, the incumbent employee will be paid the same salary that he/she received prior to the reclassification if such salary coincides with the salary range of the class to which he/she is reclassified. If such salary does not coincide with the salary range of the class to which he/she is reclassified, his/her salary shall not be lowered.

Certain employees may be designated as Area Coordinators and as a result may receive additional special compensation for duties specific to that position. If the Area Coordinator designation is ended the special compensation shall also end.

Section 4 – Performance Awards

The WFRC recognizes an effective employee awards system is an important element of quality management. The WFRC Performance Awards System is designed to recognize and reward high performance and significant contributions to the WFRC Work Program tasks.

The source of funds for the WFRC Awards System is the annual employee compensation budget approved by the Council. Performance awards are discretionary, are determined by the Executive Director, and are subject to available funding and may not cause the expenditures on compensation to exceed the approved budget.

The System consists of three elements:

Performance Awards - Employees that consistently exceed performance standards or who take on and complete extra work will be eligible for a performance award. Two types of Performance Awards are available. The first is a one-time cash award of up to \$2000. The second is a Quality Increase (QI), which is a permanent increase in regular pay. A QI may be used to adjust salaries of long-term employees who have consistently exceeded performance standards but whose salaries do not reflect current market conditions. These awards are in addition to the annual salary increases provided for in Section 1.

Performance Awards will be based on Employee Performance Plans and Evaluations and on recommendations from Area Coordinators. The Executive Director may consider employees for Performance Awards for taking on added responsibilities, for taking the initiative to identify new projects for the WFRC to be involved in and the resources to complete these projects, and for other significant work efforts deemed worthy of an award.

Special Act Awards - The Special Act Award recognizes individual or team achievements that contribute significantly to the WFRC mission and goals or that increase Work Program efficiency and effectiveness. These one-time cash awards can range up to \$500.

Peer Award - The WFRC Peer Award is designed to allow an employee (or group of employees) to recognize another employee (employee-to-employee) in the office for "individual excellence." The Peer Award criteria include performance or service that excels, achievements in promoting teamwork, and recognition of a professional accomplishment or training/education milestone.

The initiator (employee) of the award develops a brief narrative justification for the award and submits the recommendation to the Executive Director and Area Coordinator(s) for review; the Executive Director may approve or modify the award. Employees may receive two Peer awards per year. The Peer award is a \$100 cash award.

Section 5 – Payroll

Pay periods are from the first (1st) to the fifteenth (15th) and from the sixteenth (16th) to the last day of the month. Employees are paid by direct deposit on the last working day of the pay period.

Section 6 – Time Records

All employees will turn in time records using the appropriate form to their Area Coordinators on the first working day of the new month. Area Coordinators will compare time records against Unified Planning Work Program work assignments, sign the time sheet indicating that it has been reviewed and forward time records to the Accounting office by the third working day of the month. Hourly employees will make their time records available to the Accounting office when requested, and a final time sheet will be submitted to their Area Coordinator on the first working day of the new month. Each employee must sign his/her time sheet. Employees will ensure that time reports are correct to the closest 15 minutes. Employees must be pre-approved to work any overtime if they are non-exempt employees.

CHAPTER III RECRUITMENT AND APPOINTMENT

Section 1 – Recruitment

When a position needs to be filled, the Executive Director may promote or hire from within the existing staff and/or publicize the position in a widely distributed or used media to ensure broad exposure to the public. Any WFRC employee may apply for any posted position.

Minimum requirements as outlined on the position job description will be the basis for recruiting, examining, and retaining all personnel.

Section 2 – Evaluation

When evaluating candidates (external or internal) for hire WFRC will use appropriate methods to determine the employee's suitability for the position. These methods may include verbal or written examinations and inquiry of former employers or other references. All candidates are evaluated on an open and competitive basis.

Section 3 – Appointment

The Executive Director will make the determination for employment based on the results of the evaluation process.

The employee will participate in a six (6) month probationary period, beginning on their first day of employment, to determine his/her abilities and values to the WFRC. During the probationary period, the employee will be closely monitored for adequacy of knowledge, skills, and ability to work effectively within the agency. The probationary period may be extended for up to an additional six (6) month period upon written notice given to the employee that includes the reason(s) for the extension. At the completion of the probation, the Executive Director will determine whether the employee will continue in the position. Probationary employees are at-will employees and not subject to the same rights and processes of regular employees.

Employees shall be designated full-time regular, part-time regular, seasonal, or temporary project.

CHAPTER IV WORK STANDARDS AND HOURS

Section 1 – Working Hours and Rest Periods

Normal working hours are from 8:30 a.m. to 5:00 p.m., Monday through Friday, including unpaid one-half (1/2) hour for lunch.

The Executive Director may set other hours of work if such hours are deemed necessary or desirable that may include flex-time, compressed work week, or telecommuting. In order to be considered for flex-time, compressed work week, or telecommuting the employee must be able to demonstrate that the alternative work schedule will not adversely affect the employee's ability to complete the work or coordinate with other staff when needed. In the interest of equity and uniformity, hours shall total 40 hours a week for full time employees. (Temporary and part-time employees may have standard hours of fewer than forty (40).

A minimum of ½ hour unpaid lunch break will be allowed to be taken each work day. Each employee is entitled to two paid fifteen-minute rest periods per day. Rest periods may be taken during the lunch period, thus increasing the lunch period to one hour. However, if this is done, additional rest periods shall not be taken at other times of the day.

Rest periods will be taken at such times as will not hinder the progress of the work of the agency.

Section 2 – Tardiness

An employee's workday begins at the exact starting time of his/her shift; therefore tardiness is not permissible and is grounds for disciplinary action. At the discretion of the supervisor, tardiness may be made up, preferable on the day on which the tardiness occurred. Tardiness must be made up during the week in which it occurs.

Supervisors will ensure that time reports are correct to the closest fifteen (15) minutes.

Section 3 – Reporting Absences

Employees should report absence to their Area Coordinator before the beginning of their regularly scheduled day and in no instance later than two hours after the beginning of their regularly scheduled day. Failure to report within this period can be considered justification for disallowing health care or vacation leave for that day. Unless otherwise determined by the Area Coordinator, employees are expected to call, text or email their Area Coordinator on each day of absence.

Section 4 – Overtime

Overtime will be paid to all non-exempt employees as defined by the Fair Labor Standards Act at the rate of one and one-half times their normal hourly rate for time worked in excess of forty (40) hours in any one week, which shall run from mid-day Friday to mid-day Friday the following week. Overtime should

be authorized in advance by the employee's Area Coordinator. Employees who work overtime without advance authorization may be subject to disciplinary action up to and including termination for repeat offenses.

Section 5 – Holidays

The following holidays shall be observed by the Council and shall be granted to all regular, full-time employees with pay, and to regular, part-time employees with hours pro-rated based on hours worked (e.g., if there are 172 full-time hours in a month and the employee works 86 hours, the percentage applied to leave is 50% or 86/).

- New Year's Day (January 1)
- Martin Luther King Day (3rd Monday in January)
- President's Day (3rd Monday in February)
- Memorial Day (Last Monday in May)
- Independence Day (July 4)
- Pioneer Day (July 24)
- Labor Day (First Monday in September)
- Thanksgiving Day (4th Thursday in November)
- Christmas Day (December 25)
- 3 Personal Holidays – (as requested by employee)

Additional legal holidays, when designated by the Governor of Utah or the President of the United States, shall also be recognized for Council employees.

Section 6 – Outside Employment

Outside employment is permitted, subject to Executive Director review, only if it does not represent a conflict of interest, does not conflict with WFRC work schedules, does not interfere with employee's performance in service to WFRC, and does not utilize WFRC resources or assets.

Section 7 – Political Activity by Employees

The Wasatch Front Regional Council is a voluntary association of local governments providing services to members. To maintain this service function, WFRC must remain non-partisan. Certain forms of political activity on the part of employees would threaten the non-partisan status of the WFRC. Employees must, as a condition of employment, understand and agree to refrain from political activity of this nature during work hours or while representing WFRC, and may never utilize work assets (e.g., computers, email) for partisan political activity. Political activity by an employee that violates this section may be subject to discipline, up to and including termination. Employees who engage in political activity outside of work must never hold themselves out as acting on behalf of WFRC. (The Hatch Act will apply.)

Section 8 – Drug Free Workplace Policy

It is the policy of WFRC to provide a drug free, healthy, and safe work environment. The unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on the premises. The term “controlled substance” is defined in Schedules I through V of Section 202 of the Controlled Substance Act. A copy is available from the Accounting Office.

The presence of any detectable amount of any controlled substance on WFRC premises or in the possession of any employee while performing any business for WFRC is prohibited and is in violation of this policy and may result in disciplinary action up to and including termination.

Employees are required by federal law (Drug Free Workplace Act, 1988) to notify the Executive Director of any criminal drug statute conviction for a violation occurring in the workplace no later than 5 business days after such conviction. As a condition of employment, all WFRC employees are required to sign an agreement acknowledging that they received a copy of this policy and agree to abide by all terms of this policy.

Section 9 – Equal Employment Opportunity and Discrimination Prevention

Equal Employment Opportunity Policy

WFRC is an equal employment opportunity employer. WFRC prohibits any discrimination based on race, color, creed, sex, sexual orientation, gender identity, religion, disability, age, national origin, veteran status, genetic information and any other characteristic protected by applicable law. Discrimination is prohibited throughout all phases of your employment, including being interviewed, hired, promoted, compensated, bonuses, benefits, hours of work, issuance of discipline, promotion, transfer, work assignments, and termination.

WFRC prohibits retaliation against anyone for reporting or participating in an investigation of prohibited discrimination or harassment. WFRC’s policy is to investigate any complaints of unlawful discrimination and to take any necessary corrective action, up to and including termination, against employees who harass, embarrass, or retaliate in any respect against one who has made a complaint regarding unlawful discrimination or harassment.

These policies apply to all applicants and employees, and prohibit harassment, discrimination and retaliation whether engaged in by fellow employees, by a supervisor or manager or by someone not directly connected to WFRC (*e.g.*, an outside vendor, consultant or customer). Conduct prohibited by these policies is unacceptable in the workplace and in any work-related setting outside the worksite, such as during business trips, business meetings and business-related social events.

Sexual Harassment

As set forth in WFRC’s Equal Employment Opportunity Policy, WFRC prohibits any form of harassment in the workplace, including sexual harassment. Sexual harassment is generally

defined as unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature, where:

- Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment;
- Submission to or rejection of such conduct by an individual issued as the basis for employment decisions affecting such individual; or
- Such conduct has the purpose of interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

Sexual harassment may include a wide variety of behaviors and occurs on various levels, including harassment perpetrated by or against supervisors, co-employees, customers, and any business invitees or guests. Sexual harassment can occur by and between individuals of the opposite or same sex, and may be perpetrated by both males and females. Examples of conduct that may constitute sexual harassment include, but are not limited to, the following:

- Unwelcome physical contact of a sexually suggestive nature such as patting, pinching, unnecessary touching, or brushing against another's body.
- Overt or implied threats against an individual to induce him or her to perform sexual favors or to engage in an unwelcome sexual relationship.
- Verbal harassment or abuse of a sexual nature including hints of a desire for sexual relations, explicit sexual propositions, sexual innuendos, sexually suggestive jokes, jokes about gender-specific traits, or foul or obscene language or gestures to or in front of a person who finds them offensive.
- Use of sexually suggestive terms or gestures to describe a person's body, clothing, or sexual activity.
- Displaying, forwarding, or posting in the workplace any printed or visual material (including material on computer monitors and e-mails) which is foul, obscene, or otherwise contains sexually suggestive pictures, videos, or jokes.
- Gender stereotyping. For example: making jokes or derogatory comments about individuals who do not conform to prevailing standards of masculinity or femininity, or who otherwise express their gender differently from prevailing societal standards for their biological sex.
- Offensive remarks including unwelcome comments about appearance.
- Leering or staring at a person's body.
- Questions about a person's sexual activity.

Other forms of Discrimination and Harassment

As set forth in WFRC's Equal Employment Opportunity Policy, discrimination and harassment in the workplace is not limited to sexual harassment. Discrimination and harassment may take many different forms, all of which are prohibited by WFRC. The conduct may include, but is not limited to:

- Verbal harassment, innuendos, suggestive jokes, racial or ethnic slurs or epithets, or offensive language or gestures about an individual's race, religion, disability, age, gender (even if it is not sexual), sexual orientation, or gender identity.

- Displaying, forwarding, or posting in the workplace any printed or visual material (including material on computer monitors and e-mails) about an individual's race, religion, age, gender, sexual orientation, gender identity, or disability which is obscene or offensive or might be viewed as such by other individuals.

Procedure for Reporting Harassment and Discrimination

All employees of WFRC are responsible for helping to enforce this policy against harassment/discrimination. While it is expected that all employees will act responsibly to establish a pleasant and respectful work environment, any employee who feels he or she has been subjected to any form of discrimination or harassment should advise the offending individual that the conduct should be stopped. While addressing the issue with the offending individual may often bring a quick resolution to a complaint, employees are not required to confront the offending individual before reporting concerns to a supervisor or Administration.

WFRC cannot help you if you do not take the steps necessary to inform WFRC of the issue.

Any employee who feels that he or she has been subjected to harassment or discrimination should immediately report the incident to his or her immediate supervisor. Any employee who learns about or observes conduct which he or she feels constitutes harassment or discrimination should immediately report the incident to his or her immediate supervisor. If reporting an incident to an immediate supervisor would make any employee uncomfortable, or if the employee's immediate supervisor is the individual whom the employee believes is engaging in the offending conduct, the employee should report the incident to a manager or Administration.

Any supervisor (or other employee) who receives a report of, information concerning, or otherwise observes conduct which may constitute harassment or discrimination should immediately report the same to a manager or Administration regardless of whether or not the supervisor believes the incident or conduct involved constitutes harassment or discrimination. The manager should immediately report the incident to Administration. Any supervisor who fails to report any such incident or conduct to a manager or Administration may be subject to disciplinary action as set forth in this policy, up to and including termination.

In reporting alleged harassment or discrimination, the employee must provide such information as is necessary for WFRC to promptly investigate and remedy the alleged harassment or discrimination. WFRC will endeavor to investigate each complaint of harassment and discrimination and take appropriate action as warranted by each situation, including possible disciplinary steps or termination.

WFRC will not tolerate retaliation or adverse employment action against any individual who reports any alleged incident of or participates in the investigation of harassment or discrimination and will take corrective action, up to and including termination, against any individual who harasses, embarrasses, demeans, or retaliates in any respect against any individual who reports or participates in the investigation of any alleged incident of harassment or discrimination.

Americans with Disabilities Act

It is WFRC's intent to fully comply with the Americans with Disabilities Act and thus to provide reasonable accommodations to allow qualified people with disabilities to apply for and perform their jobs. If you have a disability that affects your job performance, let your manager know as soon as possible. We will then discuss with you the reasonable accommodations we may be able to provide to enable you to perform the essential functions of your job. If you become unable to perform your essential job functions, even with reasonable accommodation, we will assist you in identifying other jobs that may become available and for which you may be otherwise qualified. As with other aspects of WFRC's Equal Employment Opportunity Policy, you should report any harassment or discrimination based on disability through the policy reporting procedures.

Section 10 – Acceptable Use Policy for Information Technology Resources

The purpose of the information technology resources (e.g. E-Mail, Voice Mail, Computer Equipment, Facsimile, the Internet) provided by WFRC is to assist staff in achieving the mission and goals of WFRC. Effective use of these resources is of primary concern. Incidental and occasional personal use is permitted, as long as such use occurs on the employee's personal time and does not violate existing rules and policies, involve a for-profit personal activity, involve lewd or distasteful activities which may create a hostile environment for other employees, involve illegal activities, or have the potential to harm WFRC. Any costs incurred for personal use must be reimbursed to WFRC.

Privacy and Confidentiality Implications

WFRC is committed to respecting the rights of its employees, including a reasonable expectation of privacy, however, it is also responsible for servicing and protecting its electronic communication networks. WFRC has the right to access and disclose the contents of electronic files, as required for legal, audit or legitimate operational or management purposes. There is **NO** guarantee of privacy or confidentiality and it is therefore recommended that employees do not store or transmit personal information on WFRC equipment. E-mail or other electronic files may be accessible through the discovery process in the event of litigation. Each of these technologies create a 'record' and may be subject to judicial use or a Governmental Records Access Management Act (GRAMA) request for information.

Responsibilities for employees

1. Access only files or data that are your own, that are publicly available or to which you have been given authorized access.
2. Use resources efficiently and productively. Refrain from monopolizing systems, overloading networks with excessive data, playing games or wasting supplies.
3. Keep passwords confidential and change them from time to time.
4. Use of virus detection software is required on all WFRC equipment and all disks, drives, and files brought in from outside sources should be scanned.
5. Adhere to copyright law regarding use of software.

6. DO NOT distribute offensive, abusive or harassing statements, emails, jokes, or the like which disparage others based on race, national origin, sex, age, disability, sexual orientation, or political or religious beliefs. DO NOT distribute incendiary statements which might incite violence or promote the use of weapons or devices associated with terrorist activities. DO NOT view or distribute or solicit sexually oriented messages or images. DO NOT distribute any materials in violation of federal, state or local law.

Unacceptable Use of Information Resources

- Illegal use.
- Religious or partisan political lobbying.
- Copyright infringement.
- Unnecessary use of resources.
- Viewing, distributing or soliciting sexually oriented material.
- Security violations, accessing records or data that you are not authorized to access.
- Knowingly or inadvertently spreading computer viruses.
- Distributing junk mail such as advertisements, chain letters or unauthorized solicitations.
- Unauthorized distribution of confidential information.

Section 11 – Ethics

WFRC employees are expected to maintain high standards of personal and professional integrity, truthfulness, and honesty. WFRC employees are subject to the provisions of Title 67, Chapter 16, Utah Public Officers' and Employees' Ethics Act. WFRC employees must not engage in any behavior on behalf of or while representing WFRC that is considered fraudulent, wasteful or abusive. The following are examples of prohibited behavior:

- Improper disclosure of private, protected or controlled information.
- Use of official position to secure special compensation, gifts (valued over \$50) or privileges.
- Engagement in other employment that would impair independence or good judgement in the performance of his/her duties.
- Engagement in any activity which is, or appears to be, in conflict with his/her public duties.
- Failure to comply with public disclosure and transparency regulations.
- Destruction or obfuscation of public records and information.

Employees are encouraged to report any violations or suspected violations to anyone in management, the Chair of WFRC, or the Council's independent external auditor. Reports may be made anonymously if warranted. No adverse action will be taken against an employee who makes such a report in good faith.

Violation of this policy is subject to disciplinary action up to and including termination.

CHAPTER V LEAVE

Leave is an authorized absence during regularly scheduled work hours. Leave may be authorized by the Executive Director with or without pay. An employee who is absent without permission is considered unauthorized absence, and shall be subject to disciplinary action up to and including dismissal. The Executive Director or Area Coordinators shall approve all leave requests except their own; Executive Director leave requests will be reviewed by the WFRC Chair or, in the absence of the Chair, the Vice-Chair.

Section 1 – Vacation Leave

Employees earn vacation for each full calendar month of employment. The amount earned is based on years of service as follows:

- 1 – 5 years – 8 hours per month or 96 hours per year
- 6 – 10 years – 10 hours per month or 120 hours per year
- 11 -15 years – 12 hours per month or 144 hours per year
- 16 years and over – 13.33 hours per month or 160 hours per year

Regular part-time employees earn vacation pro-rated based on hours worked (e.g., an employee who works 24 hours per week would earn vacation at the rate of 60% of the schedule shown above). No vacation accrual is made for unpaid time.

Employees of WFRC may carry forward into the next calendar year accrued vacation leave up to a maximum of 40 days or 320 hours. Once an employee has reached the maximum accrual, no further monthly accrual will be made until the employee has taken vacation leave. Vacation leave lost as a result of the employee reaching the maximum accrual may not be recovered in subsequent months regardless of the number of vacation hours used later in the year. For example: if an employee has an accrued vacation balance of 315 hours at the end of the month and during the subsequent month does not use any vacation and would normally accrue an additional 8 hours, in this instance they would only accrue 5 hours that subsequent month bringing them to the maximum accrual of 320 hours. If that same employee uses 40 hours the following month, they would only accrue 8 hours and the 3 hours lost as a result of reaching the maximum accrual would not be recovered at the later date.

Upon termination of employment an employee shall be paid for the unused portion of his/her accumulated vacation leave up to 40 days, provided he/she has completed six consecutive months of service and has terminated without cause.

No employee may be allowed vacation leave with pay for any period of time beyond, or in advance of, time already accrued.

Taking any vacation leave without authorization may be reason for disciplinary action.

Section 2 –Sick Leave

Sick leave may be used when employee, employee's spouse, employee's child, or employee's parent are incapacitated by sickness or injury; for medical, dental, or optional diagnosis or treatment; to avoid

exposure to a contagious disease when the attendance at duty jeopardizes the health of others; for well care health screenings or examinations, and fitness related activity by the employee. False or fraudulent use of health care leave shall be cause for disciplinary action and may result in dismissal. Reasonable limits may be imposed by the Executive Director.

All employees holding full-time and permanent positions accumulate sick leave at the rate of one day per month. Regular part-time employees accumulate sick leave pro-rated based on hours worked.

1. Employees are allowed to convert unused sick leave to paid health insurance benefits or cash payments upon termination of employment.
2. At the end of each fiscal year any amount of sick leave over 80 hours will be paid to the employee. The employee may contribute this to a deferred savings plan or be paid in cash for the unused leave over 80 hours.
3. A doctor's certificate may be required for sick leave in excess of three working days.
4. Sick leave must be reported by the employee at the same time sick leave is needed.
5. Except as herein provided, all employees will be able to convert twenty-five (25) percent of the unused sick leave accumulated during the previous twelve (12) month period into vacation. The remaining seventy-five (75) percent of the unused sick leave accumulated during the previous twelve (12) month period will be carried over for use in the next year, if needed. In calculating the unused sick leave under this section, any sick leave used will be considered as coming from the current twelve (12) month period and not from accrued sick leave.

Section 3 – Family Medical Leave (FMLA leave)

1. WFRC employees who have been employed by WFRC for at least one year and for at least 1,250 hours during the preceding 12-month period are eligible for FMLA leave. Employees claiming FMLA leave will be returned to the same or equivalent position at the end of the leave period granted pursuant to this policy.
2. FMLA leave will consist of appropriate paid leave or unpaid leave. WFRC will provide the first 80 hours at 2/3 pay for any employee with a qualifying FMLA event. After the first 80 hours at 2/3 pay the employee must use all of his or her accrued paid leave, including vacation leave and sick leave. In some cases, short-term disability may also be available. The remainder of the leave period will then consist of unpaid leave.
3. Employees who meet the applicable time of service may be granted FMLA leave consisting of appropriate accrued paid leave and unpaid leave for a period of 12 weeks, or 26 weeks pursuant to paragraph 5, during the 365 days following the invocation of FMLA leave. Leave may be taken intermittently as long as the total does not exceed 480 hours or 12 weeks. FMLA leave may be taken for the following reasons:
 - a. The birth of the employee's child and in order to care for the child;
 - b. The placement of a child with the employee for adoption or foster care;

- c. To care for a spouse, child or parent who has a serious health condition; or
 - d. A serious health condition that renders the employee incapable of performing the functions of his or her job.
 - e. Because of any qualifying exigency (as the Secretary of Defense shall, by regulation, determine) arising out of the fact that the spouse, or a son, daughter, or parent of the employee is on active duty (or has been notified of an impending call or order to active duty) in the Armed Forces in support of a contingency operation.
4. The entitlement to leave for the birth or placement of a child for adoption or foster care will expire 12 months from the date of birth or placement.
 5. An eligible employee who is the spouse, son, daughter, parent or next of kin of a covered military service member shall be entitled to a total of 26 work weeks of leave during a 12-month period to care for the service member. The leave described in this paragraph shall only be available during a single 12-month period.
 6. During the single 12-month period described in paragraph 5, an eligible employee shall be entitled to a combined total of 26 work weeks of leave under paragraphs 3 and 5. Nothing in this paragraph shall be construed to limit the availability of leave under paragraph 3 during any other 12-month period.
 7. In all cases, an employee requesting leave under this policy must complete an "Application for Family Medical Leave" and return it to their supervisor with a copy to the human resource department. The completed application must state the reason for the leave, the duration of the leave, and the starting and ending dates of the leave.
 8. An employee intending to take FMLA leave because of an expected birth or placement, or because of a planned medical treatment, must submit an application for leave at least 30 days before the leave is to begin. If leave is to begin within 30 days, an employee must give notice to the supervisor and human resource department as soon as the necessity for the leave arises.
 9. An application for leave based on a serious health condition of the employee or the employee's spouse, child or parent must also be accompanied by a "Medical Certification Statement" completed by a health care provider. The certification must state the date on which the health condition commenced, the probable duration of the condition, and the appropriate medical facts of the condition. If the employee has a serious health condition, the certification must state that the employee cannot perform the functions of his or her job. In the case of a serious health condition, WFRC may, at its own expense, require a second medical opinion as a condition of approved leave. A "Medical Certification Statement" is not required for the birth of a child.
 10. If the employee is needed to care for a spouse, child or parent, the certification must so state, along with an estimate of the amount of time the employee will be needed.
 11. During a period of FMLA leave, an employee will be retained on WFRC's health plan under the same conditions that applied before leave commenced. To continue health coverage the employee must continue to make any contributions that he or she made to the plan before taking leave. Failure of the employee to pay his or her share of the health insurance premium may result

in loss of coverage. If the employee fails to return to work after the expiration of the leave, the employee will be required to reimburse WFRC for payment of health insurance premiums during the leave, unless the reason the employee fails to return is the presence of a serious health condition which prevents the employee from performing his or her job or for circumstances beyond the employee's control.

12. An employee is not entitled to the accrual of any seniority or other employment benefits, including, but not limited to, vacation and sick leave accrual and retirement contributions, during any period of unpaid FMLA leave. However, an employee who takes FMLA leave will not lose any employment benefits that accrued before the date leave began.
13. An employee eligible for FMLA leave will be restored to his or her former position or to an equivalent position with equal pay, benefits and other terms and conditions of employment. WFRC cannot guarantee that an employee will be returned to his or her original job.
14. An employee must complete a "Notice of Intention to Return from Family Medical Leave" before he or she can be returned to active status. If the employee was on FMLA leave for a serious health condition that prevented the employee from performing the duties of his or her job, the employee must submit a signed "Health Provider Release" form. If an employee wishes to return to work prior to the expiration of the FMLA leave of absence, written notice must be given to the employee's supervisor and the human resource department at least five business days prior to the employee's planned return.
15. The failure of an employee to return to work upon the expiration of FMLA leave will subject the employee to immediate termination unless an extension is granted. An employee who requests an extension of FMLA leave due to the continuation, recurrence or onset of her or his own serious health condition, or of the serious health condition of the employee's spouse, child or parent, must submit a request for an extension, in writing, to the employee's supervisor and the human resource department. This written request should be made as soon as the employee realizes that she or he will not be able to return at the expiration of the leave period. Approval of the request for extension will be considered on its merits and may be approved by the Executive Director
16. Application for FMLA leave, medical certification statements and other notices shall be on forms approved and prepared by the Human Resources department.

Section 4 – Leave of Absence without pay

The Executive Director may grant a leave of absence without pay in extraordinary circumstances.

Section 5 – Military Leave

Under the Uniformed Services Employment and Reemployment Rights Act (USERRA), WFRC is required to grant an unpaid military leave of absence to any employee who requests such leave in order to perform service in the uniformed services. It is the policy of WFRC to comply with USERRA and all other state,

federal and local laws. In case of any conflicts between this policy and federal, state or local laws, such applicable laws shall control, subject to conflict of law principles.

It is the employee's responsibility give notice of the need for military leave. It is the employee's responsibility to notify WFRC when they are ready for reemployment after military duty.

Contact the Human Resources Representative for more specifics.

Section 6 – Court Leave

Wasatch Front Regional Council employees shall not lose regular employment pay or time while serving on jury duty. If the dollar amount received for jury duty is less than an employee's WFRC salary, WFRC will pay the difference between the amount paid and full salary on receipt of a voucher showing the amount received for jury duty.

Section 7 – Funeral and Compassionate Leave

Time off with pay will be granted a regular (full or part-time) employee who suffers the loss of a member of his/her immediate family. Immediate family shall mean the employee's parents, step-parents, grandparents, brothers, sisters, wife, husband, children, grand-children, mother-in-law, father-in-law, grandparents-in-law, sister-in-law, and brother-in-law. In the event of a death of a member of the employee's immediate family, the employee will be paid his/her regular base pay for scheduled work time a maximum of five days. In the case of grave illness an employee may be granted compassionate leave to attend the ailing immediate family member in lieu of funeral leave. Compassionate leave will have the same time limitations as funeral leave. An employee who uses a portion of the five (5) day funeral leave for compassionate leave may use the remainder upon death of the immediate family member, however the total time may not exceed five days. If additional time is needed the employee may use Sick Leave or Vacation Leave, if available. If other paid leave is not available, the employee may request leave without pay.

CHAPTER VI

TERMINATIONS, DISCIPLINE, APPEALS AND PERFORMANCE EVALUATION

Section 1 – Resignations

All resigning employees shall present their reasons for resignation to their immediate supervisor, who will then forward the written resignation to the Executive Director. The letter of resignation will then be filed in the employee's personnel file.

Notification of at least two weeks is requested for all resignations.

Section 2 – Dismissals and Lay Offs

The Executive Director may dismiss or lay off an employee under the following conditions:

1. When the position in which the employee has been assigned is abolished.
2. When funds are no longer available for that particular position.
3. When the employee demonstrates unsatisfactory performance in his/her work.
4. When the employee violates state or federal law or WFRC rules, policies or procedures, including those set forth in this Personnel Policy.

All regular personnel subject to termination have the right to make appeals as outlined in the appeals section.

Section 3 – Discipline

The WFRC discipline policy provides a means of ensuring efficient and effective personnel practices. Both employees and supervisors must attempt to correct errors and faults which conflict with the rules and sound judgement of the WFRC management.

Disciplinary action serves two purposes; first, to redirect or correct an employee who has been delinquent, irresponsible, or has failed to perform in a satisfactory manner. Second, the action serves as a warning or to deter future misconduct. Under typical circumstances WFRC endorses a policy of progressive discipline in which it attempts to provide employees with notice of deficiencies and an opportunity to improve. Discipline will normally begin at the lowest level, unless circumstances dictate more severe discipline. Severe incidents may require a higher level of discipline, including termination, without being preceded by lesser forms of discipline.

1. **Step 1 – Oral Reprimand** – The employee's Area Coordinator (AC) will discuss the unsatisfactory areas of his/her work or behavior and provide instructions as to how improvement can be made. ACs will record name, date, and areas discussed as reference for future disciplinary problems and place that notation in the employee's personnel folder.

2. Step 2 – **Written Reprimand** – A written reprimand will include a detailed statement of the problem, situation and remedy sought by the employee’s AC. The AC will discuss the written reprimand with the employee and have the employee acknowledge by signature that they have received a copy of the written reprimand. Subsequent to receiving a written reprimand the employee’s performance and/or behavior while at work will be closely monitored to determine whether or not the problem has been rectified. A copy of the written reprimand will be retained in the employee’s personnel folder. A report of this action will be submitted to the Executive Director within five (5) business days of the action taken.
3. Step 3 – **Suspensions** – An employee may be suspended for violations of WFRC rules or regulations, for misconduct, or for unacceptable performance. The employee will be provided with written notice of the suspension and asked to acknowledge by signature that they have received a copy. The suspension is for a period not to exceed fifteen (15) business days and will be without pay. More than two suspensions per year is grounds for dismissal.

See number 6 below explaining how discipline involving suspensions, demotions or terminations will be handled.

4. Step 4 – **Demotion** – An employee may be demoted to a lesser position for serious violations of WFRC rules, continued misconduct, or other serious and detrimental misconduct.

See number 6 below explaining how discipline involving suspensions, demotions or terminations will be handled.

5. Step 5 – **Termination of Employment** – When steps 1 through 4 fail to rectify the problems and the employee continues to violate WFRC rules or for severe, serious, or flagrant misconduct, or for unacceptable performance, the employee’s employment may be ended.
6. In the case of a suspension without pay, or demotion, or termination, the employee will be given a written Pre-Disciplinary Notice setting forth the violation, including any policies, practices or regulations that have been violated; the conduct or unacceptable performance which violates those policies, practices or regulations; and the proposed discipline. The employee will then have five (5) business days to request a Pre-Disciplinary meeting with the Executive Director.

At the Pre-Disciplinary meeting, the employee will have the opportunity to present his or her explanation of what occurred, explain any mitigating factors that should be considered, and any other evidence that the employee wants the Executive Director to consider. The employee may not call witnesses but may ask someone to accompany him or her to the meeting.

Within five (5) business days of the pre-Disciplinary meeting, the Executive Director will issue a disciplinary letter setting forth: 1) the policies, practices or regulations the employee has violated or other misconduct or unacceptable performance the employee has engaged in; 2) a brief recitation of the facts supporting the violation; and 3) the discipline that the employee

will receive (i.e., a suspension, demotion, or termination). If the Executive Director decides not to issue any discipline, this will also be set forth in a letter to the employee. The employee will then have five (5) business days to appeal the discipline (if they choose) by following the steps outlined in Section 4.

Section 4 – Appeals Procedure

Oral or written reprimands may only be appealed to the Executive Director. An employee wishing to appeal a reprimand must submit a letter within five (5) business days of receiving the discipline to the Executive Director explaining their position and why they do not feel the discipline is warranted (or should be lessened.) The Executive Director will respond in writing within five (5) business days.

If a regular employee wishes to appeal a termination, demotion, or suspension without pay, the employee must submit a written request for an appeal to the Human Resources Department within five (5) business days of receiving the discipline. The written request should set forth: 1) the discipline being appealed (include a copy of the discipline); 2) a brief statement of what occurred; 3) the relief the employee would like; 4) witnesses, if known; and 5) information on how the employee may be contacted.

WFRC will retain a neutral hearing officer to conduct a full and fair hearing. The employee may retain a lawyer to represent them (at their own expense) and will be allowed to call witnesses, cross examine witnesses presented by WFRC, present documentary and other evidence, and make opening and closing statements. The hearing shall be held at a place and time determined by the WFRC within thirty (30) calendar days of the disputed action. The hearing officer will prepare a written decision within twenty (20) calendar days of the hearing and serve it on both WFRC and the employee by mail or email or both.

Section 5 – Performance Evaluation

The purpose of the performance evaluation is to provide both the employee and the Area Coordinator (AC) the opportunity to review the employee's work record and behavior. The evaluation may include both negative and positive aspects of the employee's work and the employee-AC relationship as deemed essential by either or both parties. Although the employee's views must be considered, the responsibility of the AC is to ensure efficient and effective work performance.

Evaluations may be given at any time to assist the employee in improving his/her situation. It is to the advantage of both the employee and AC to make the evaluation as effective as possible with well-defined expectations and steps for improving performance when needed.

An evaluation will be conducted at the discretion of the AC, but must be done at least once each year.

The employee may request an evaluation at any time in an effort to improve a situation in which the employee feels a problem exists.

A copy of the evaluation shall be given to the employee following the meeting and another copy will be placed in the personnel file of the employee.

CHAPTER VII

TRAVEL AND SUSTENANCE REIMBURSEMENT

Travel and sustenance expenses will be reimbursed to employees as follows:

Section 1 – Reimbursement for Travel by Private Automobile within the State

As authorized by the Executive Director, an employee may use his/her own automobile to accomplish the work of the Wasatch Front Regional Council. The employee shall be reimbursed for the use of his/her automobile at the GSA-published mileage rate. Mileage will be computed from the odometer reading or the latest official road map and will be limited to the most economical, usually traveled routes. Any staff member who is required to use his/her own automobile in the performance of Council business must carry automobile insurance to protect WFRC liability. It is recommended that such insurance be large enough to account for the increased risk due to increased use of the employee's automobile. WFRC may utilize a Driver Qualification standard that would require employees to provide their driver's license numbers to the Accounting Department for the purpose of obtaining monthly motor vehicle records.

Section 2 – Reimbursement for Travel by Common Carrier within the State

As authorized by the Executive Director, actual transportation costs of travel by common carrier for work purposes will be reimbursed.

Section 3 – Reimbursement for Travel Out-of-State

As authorized by the Executive Director, transportation costs for out-of-state travel by the most economical and feasible means will be paid. Travel time will be allowed for travel to and from the location of WFRC business. If additional travel time is taken, it will be deducted from annual leave. All air travel accommodations will be "coach" class.

Meals and incidental expenses for out-of-state travel will be reimbursed at the GSA-published per diem rate for the area of travel, except that if a meal is provided as part of a work event the employee will not be reimbursed for that portion of the per diem rate. Reimbursement for lodging will be made using the published GSA rate unless it can be demonstrated that a substitute rate should appropriately be used, e.g., if an employee attends an approved professional conference and stays at the hotel where the conference is being held.

Section 4 – Other Sustenance

Employees who are required to attend a meeting at which a meal is served that they have to pay for will be reimbursed for the cost of the meal. Employees who are required to attend a meeting outside a normal working day at which no meal is served may be allowed a meal expense. Prior approval for these expenses shall be obtained from the Executive Director.

CHAPTER VIII

EMPLOYEE BENEFIT PROGRAMS

Section 1 - Health Insurance

WFRC offers a group health and dental insurance plan for all regular full-time and regular part-time employees who work a minimum of 20 hours per week. Coverage is for the employee and his/her spouse and children subject to a 10% premium cost share. A description of specific benefits is available upon request.

Employees may purchase Retiree Health Insurance as allowed under the PEHP Group Health Insurance Plan. The full amount of the premium for Retiree Health Insurance is the responsibility of the employee.

Section 2 - Retirement

WFRC regular full-time and regular part-time employees who work a minimum of 20 hours per week are automatically enrolled in the Utah State Retirement System non-contributory, defined benefit (pension) plan and a Utah State Retirement System defined contribution 401(k) plan. WFRC pays the cost of the non-contributory pension and may also make contributions to the 401(k).

WFRC does not participate in the Social Security System. In lieu of a Social Security benefit, if an employee voluntarily makes up to a 7.65% of salary contribution to either a 457 or 401(k) deferred savings plan administered by the Utah State Retirement System, WFRC will match that contribution at 100%. The matching funds are contributed to the employee's 401(k) account. Employees may voluntarily elect to contribute more than 7.65%, up to the legal limit, to either or both a 401(k) or 457 plan, however WFRC will not match the contributions over 7.65%.

Employees are also able to voluntarily contribute to a ROTH IRA administered through the Utah State Retirement System.

A description of the retirement benefit programs is available from the Accounting Department.

Section 3 - Worker's Compensation, Disability, and Life Insurance

WFRC provides Worker's Compensation insurance for all of its employees. This insurance provides medical coverage and limited income for employees who are injured while on the job. WFRC will assist employees to return to a safe and productive work environment. Although an employee may not be able to perform his/her regular job, WFRC will work with the employee to provide light duty assignments, if possible, based upon the employee's medical restrictions.

The Council also provides life and disability insurance to all regular full-time and regular part-time employees who work a minimum of 30 hours per week. A description of the insurance benefits is available from the Accounting office.

Section 4 – Flexible Spending Plan

Employees may participate in a Flexible Spending Plan for dental and other insurance premiums, out-of-pocket medical expenses and dependent care expenses. Contributions for out-of-pocket medical expenses and dependent care expenses are subject to IRS limitations. All contributions are deducted pre-tax from the employee's payroll check.

Section 5 – Time Release for Fitness Activity

Employees may be eligible for up to 30 minutes 3 times per week to engage in fitness related activities as part of a Wellness Program during the work day. Employees who abuse the time release will lose the privilege for a period of not less than six months.

Section 6 – Staff Development and Educational Assistance Policy

WFRC will provide support for employee professional development activities, including related schooling up to fifty percent (50%) of the eligible school costs with a limit of \$1,500 available in any one calendar year, subject to policies established by the Executive Director.

DATE: October 12, 2017
AGENDA ITEM: 3b
SUBJECT: ACTION: Recommend for approval – WFRC Administrative and Accounting Policy
PREPARED BY: Loveit Baumgardner

BACKGROUND:

As part of our goal of promoting organizational excellence WFRC does periodic, proactive review of all our internal policies to ensure full compliance with applicable laws, regulations, and best practices. In October 2015, the Council adopted the “Administrative and Accounting Policy” for the organization. The policy includes descriptions of staff assignments designed to ensure appropriate levels of separation of duties and internal control over the administrative and financial functions of the organization.

In June 2017, the Utah Office of the Legislative Auditor General prepared a report to the Utah Legislature titled “A Review of Best Practices for Internal Control of Limited Purpose Entities”. Included in this report was a checklist of best practices for such entities. Staff reviewed the checklist and report and compared it with our existing policies. With a few exceptions, WFRC has already adopted policies and procedures that conform to the best practice standards as outlined in the report. The attached redline draft includes a few minor edits regarding procedure and a few new policies described below.

Appointment of a Treasurer and a Clerk.

The Council has a statutory duty to appoint a Treasurer (Utah Code 17B-1-633(1)) and a Clerk (Utah Code 17B-1-631(1)). The Treasurer is responsible for duties that relate to the custody and control of money including disbursement, deposit and investment of the cash. The Clerk is responsible for duties that relate to the accounting of money including bookkeeping and reporting. These positions must be held by different persons and neither person can be the Board Chair. In practice WFRC has already accomplished this separation of duties; however, this action will make the appointment official and more clearly define the duties assigned to these positions.

Staff is proposing that the Council appoint the Chair of the Budget Committee as the Treasurer and the Chief Financial Officer as the Clerk. Both the Treasurer and the Clerk may make appropriate delegations of duties as long as: (1) the principle of separation of duties is maintained; (2) they retain overall responsibility; and (3) they provide adequate oversight of the delegated duties.

Addition of Records Management and Retention policy.

WFRC is subject to the Public Records Management Act (Utah Code 63A-12) and the Governments Records Access and Management Act (Utah Code 63G-2). WFRC is already complying with the provisions of these laws; however, the draft updated policy includes language stating that WFRC will comply.

Appointment of a staff person to act as a Compliance Administrator.

The Board should verify that WFRC has complied with applicable state laws including: certification and filing of the annual budget (Utah Code 17B-1-614), notice of public meetings (Utah Code 52-4), notice of board member contact information (Utah Code 17-B-1-303), participation in the Utah public finance website (Utah Code 63A-3-405.4) and financial reporting requirements (Utah Code 51-2a-202). WFRC staff are already tracking compliance but this will formalize those duties by the appointment of a Compliance Administrator. The Compliance Administrator will keep a record of all required reports or actions and will note when they have been completed. This record will be made available to the Council.

Addition of a statement on Ethics.

WFRC has an organizational culture of honesty, transparency and accountability with policies in place to ensure it. Adding this statement explicitly conveys that commitment.

RECOMMENDATION AND MOTION: The Budget Committee recommends that the Council approve the updated Administrative and Accounting Policy.

EXHIBITS: Draft Administrative and Accounting Policy and Procedure

CONTACT INFORMATION: Loveit Baumgardner, (801) 363-4230 x 1102

**WASATCH FRONT REGIONAL COUNCIL/WASATCH FRONT ECONOMIC
DEVELOPMENT DISTRICT
ADMINISTRATIVE AND ACCOUNTING POLICY
10/26/2017 (revised)**

DESIGNATION OF THE TREASURER AND CLERK

In compliance with Utah Code 17B-1-633 (1) and Utah Code 17B-1-631 (1) the Wasatch Front Regional Council/Wasatch Front Economic Development District (WFRC) designates the Budget Committee Chair as its Treasurer and the Council's Chief Financial Officer as its Clerk.

The duties of the Treasurer include:

- Sign checks after determining that sufficient funds are available.
- Maintain custody of all money
- Deposit and invest all money in accordance with the Utah State Money Management Act
- Receive all public funds and money payable to the Council.
- Keep an accurate, detailed account of all money received.
- Issue a receipt for money received.

The Treasurer must be bonded in an amount not less than 5% of the annual budget.

The duties of the Clerk include:

- Attend meetings and keep a record of the proceedings
- Maintain financial records
- Prepare checks after determining that the claim:
 - o Was authorized by the board or financial officer
 - o Does not over expend the budget
- Present a financial report to the board at least quarterly

The Treasurer and the Clerk may make appropriate delegations of duties as long as the principle of separation of duties is maintained AND the Treasurer and Clerk retain overall responsibility AND provide adequate oversight of the designated responsibilities.

ETHICS

WFRC Council members and staff are subject to the Utah Public Officers' and Employees' Ethics Act (Title 67, Chapter 16). This Act prohibits: improper disclosure of private, protected or controlled information; use of official position to secure special compensation, gifts (in excess of \$50) or privileges; engage in activities that would impair independent or good judgement; engage in any activity which is, or appears to be, in conflict with public duties; failure to comply with public disclosure or transparency and; destruction of public records and information.

BUDGET

WFRC receives its revenues from member contributions and various granting agencies that contract with WFRC for specified work programs. Each year WFRC staff prepares a budget and a Unified Planning Work Program (UPWP) for the next fiscal year that begins on July 1. The budget includes prior year actual expenditures, current year estimated expenditures and anticipated budgeted expenditures for the next fiscal year. The budget also provides details of the sources of funds, expenditures by function and expenditures by work program. The UPWP describes the anticipated work to be accomplished. The budget and UPWP are

presented to Council at their regularly scheduled meeting held the 4th Thursday of March. Once the Council has reviewed the draft it is released to the member County Councils of Government for their review and comment. The draft budget is also posted on the WFRC website.

A final draft budget and UPWP are presented to the Council for approval at their regularly scheduled meeting held on the 4th Thursday of May. No less than ten days prior to this meeting the final draft budget is made available to the public. No less than 7 days prior to the Council meeting, notice is posted in at least one issue of a newspaper of general circulation and on the Utah Public Notice Website that a public hearing will be held before a call for a vote to approve the budget.

The budget may be amended during the year to include additional funds from grants or contracts for specific projects. These budget amendments are subject to the same notification and public hearing as is required during the initial adoption. The Council staff, with prior written approval from the Council Chair and the Budget Committee Chair, may move budgeted expenses from one budgeted line item to another without a public hearing or formal budget amendment as long as the adjustment does not increase total expenditures of the fund, create on-going additional payroll expenses or impact debt service. Any such changes shall be reported to the Council in the regularly provided financial reports.

ACCOUNTING

WFRC contracts with various granting agencies for specified projects. Once a project has been approved, the Chief Financial Officer (CFO) sets up the grant accounting framework and expenses can then be charged. The original signed contract is kept by the accounting department.

Each quarter the CFO prepares a report that compares year-to-date expenditures with the approved budget. This report, along with monthly check registers and balance sheets are provided to the Council prior to their regularly scheduled meetings.

All policies and procedure guidelines are designed to comply with federal and state accounting and administrative standards. The WFRC uses an outside auditing firm selected and directed by the Council for an annual audit of the Council's financial records. Copies of the annual audit are provided to the Council, Federal Clearinghouse, the Utah State Auditor's Office, and its funding agencies and to others upon request.

PROCUREMENT

The procurement policies are intended to ensure fair and equitable treatment for all persons who wish to do business with WFRC and to foster effective broad-based competition within the free enterprise system to ensure that WFRC will receive the best possible service or product at the lowest possible price. WFRC shall designate a Procurement Agent who shall be responsible for:

- 1) Ensuring that all procurement complies with federal and state regulations where applicable.
- 2) Ensuring that all procurement is allowed under the Council's approved budget.
- 3) Ensuring that all procurement complies with all terms and conditions of the grant for which the purchase is being made.
- 4) Overseeing the Small Purchase procedures.
- 5) Identifying and documenting single source procurements.
- 6) Soliciting bids, quotes and proposals for goods or services and preparing contracts for Executive Director's signature when needed.

There are generally four classes of procurement: small purchase less than \$5,000; purchases over \$5,000 but under \$25,000; single source; and competitive bid (over \$25,000).

Small Purchase – Purchases less than \$5,000 do not require bids or quotes however effort should be made to use assorted vendors who provide comparable merchandise/service at comparable prices. Purchases may not be artificially divided so as to constitute a small purchase. All small purchases must have a properly completed and approved purchase order prior to making the purchase. The purchase order may be signed by the Procurement Agent or his designee. A copy of the completed and signed purchase order is to be given to the accounting department. When possible WFRC should use providers who have contracted with the State of Utah in order to receive best prices and terms.

Purchases over \$5,000 and under \$25,000 – Purchases over \$5,000 and under \$25,000 will require three quotes that are to be documented. Requests for quotes shall include a description of the product or service and terms of the sale. Documentation shall include any written quotes and/or a completed quote form that includes the name of vendor, vendor contact name, vendor address and phone number, product/service description and total cost. Selection of a vendor will be made on the basis quality of the service or product and cost. All quotes and/or quote forms shall be attached to the signed purchase order and given to the accounting department.

Single Source – This may be used when there is only one provider available or there is a clear advantage to WFRC for using the single source. This may also be used to resolve an emergency situation. A purchase shall be deemed an emergency purchase if it is required to maintain health and safety and/or to avoid an interruption in work activity such as a mechanical, structural, plumbing, or equipment malfunction. All single source procurement decisions must be documented by the Procurement Agent and approved by the Executive Director.

Competitive bid – Goods or services with an annual aggregate total price of more than \$25,000 must be procured through a competitive bid process. An invitation to bid shall include a description of the goods or services and all terms and conditions that will apply. Public notice shall be placed in a general circulation publication not less than 15 days prior to close of bid solicitation. A committee shall be identified to make the selection based on the requirements set forth in the invitation to bid. The sealed bids shall be opened publicly in the presence of one or more witnesses at the time and place designated in the invitation for bids. The names of the bidders, the amounts of the bids, and any other relevant information shall be recorded and available for public inspection. Bids shall be unconditionally accepted without alteration or correction. The bid shall be awarded to the lowest bidder who meets the requirements and criteria set forth in the invitation to bid. All bid documentation shall be given to the WFRC accounting department.

In lieu of WFRC initiating a competitive bid process, the Procurement Agent may use contractors from the WFRC or UDOT Consultant Pool who have been pre-qualified and selected using the competitive bid process. If this method is used no more than \$150,000 in services per contract may be awarded to any single provider. Written explanation must be documented in writing and provided to the WFRC accounting department.

INTERNAL CONTROL: The Procurement Agent is separate from the accounting process and is responsible for ensuring all purchases are authorized by WFRC budget and made using the policy set forth in this section.

PURCHASING CARDS

The WFRC may issue Purchasing Cards to selected employees. Those employees are responsible for ensuring

that all purchases made using their card are properly pre-approved according to the Council's procurement policy (see above) or its approved travel policies contained within the WFRC Employee Handbook. The employee shall reconcile the statement for their card with receipts each month within 5 days of receiving the statement. Under no circumstances may the purchasing card be used for personal purchase. Upon termination, any purchasing card shall be surrendered immediately along with any receipts, purchase orders and other documentation.

INTERNAL CONTROL: The statements and documentation are given to the Procurement Agent who reviews the material and provides approval. The accounting department reviews the statements and receipts for proper pre-approval before entering the expense into the Accounts Payable system. When the statement is selected for payment the material and the Accounts Payable check is given to the Executive Director and the Council Chairperson for their review and signature.

ACCOUNTS PAYABLE

Vendor invoices (accompanied by purchase orders and receiving documentation when necessary) are entered into the Accounts Payable system by the accounting department as they are received. Invoices are selected by the CFO for payment according to due date and cash availability. At no time shall checks be disbursed that create an overdraft on the bank account. Checks are printed by the accounting department and given, along with all supporting documentation, to the Executive Director or Deputy Director for review and signature. Once reviewed and signed by Executive Director or Deputy Director the checks and supporting documentation are presented to the WFRC Chairperson or WFRC Vice-Chairperson or Budget Committee Chairperson for review and signature. All checks require two of the following signatures: WFRC Chairperson, WFRC Vice Chairperson, WFRC Budget Committee Chairperson, the Executive Director or the Deputy Director. At least one signature must be an elected official. The signed checks are returned to the Administrative Assistant for mailing. The invoices and supporting documentation along with check stubs containing appropriate information are filed alphabetically by vendor and kept together by fiscal year. This alphabetical file contains a record of all A/P disbursements.

Each month the CFO prints a copy of the check register that provides a numerical record of all Accounts Payable disbursements and is used by the CFO to reconcile the bank account. The bank reconciliation and bank statement are provided to the Executive Director and the WFRC Chairperson for review each month.

INTERNAL CONTROL: Invoices are reviewed for approval prior to generating a check. Checks are pre-numbered and accounted for (void checks are marked as such and filed with accounting working papers). The accounting software also generates a check number that must match the pre-printed check number. If the software generated numbers do not match up with the numbers on the pre-printed checks it would indicate a missing check or a check voided through the software and would trigger investigation. All checks are issued through the Accounts Payable software system (no manual checks) and require two authorized signatures. The CFO reconciles the bank statement to the general ledger each month and provides a copy of the bank statement and reconciliation to the Executive Director, Treasurer and WFRC Chair for review and approval.

PAYROLL

Direct deposit payroll is prepared semi-monthly by an outside payroll processing vendor. Hours worked by hourly employees are gathered by the accounting department for payroll and reconciled monthly to timesheets that are signed by the employee and the employee's supervisor. Any salary changes are documented by a memo signed by the Executive Director and kept in the personnel files. The payroll journal

is printed and reviewed by the CFO before being given to the Executive Director and the Chairperson or Vice-Chairperson for review and approval. The payroll processing vendor also generates an electronic transfer for payment of all payroll taxes and guarantees accuracy and timeliness. The payroll processing vendor also prepares and electronically files quarterly and year end payroll tax returns and W-2's, copies of which are delivered to WFRC for review.

INTERNAL CONTROL: Payroll is reviewed and approved by the CFO, Executive Director and the WFRC Chairperson. Salary amounts are documented and signed by the Executive Director. Hours reported for payroll are verified by timesheets signed by the employee and the employee's supervisor. A third party guarantees accuracy and timeliness of payroll tax payment (subject to WFRC's ability to meet cash requirements) and returns.

COST ALLOCATION

Labor costs represent the majority of total expenditures. Each employee keeps a timesheet that records how much time is spent on each work item. All time worked is accounted for on the timesheets. These timesheets are signed by the employee and submitted to the appropriate supervisors monthly for review and signature and are then given to the accounting department for payroll cost allocation. A spreadsheet is prepared that totals gross salary and benefits and arrives at a cost per hour for each employee. Using the time sheets the accounting department allocates the cost per hour per employee to the various work programs in the general ledger.

When a cost can be determined to benefit a specific program, it is expensed directly to that program. Fixed asset costs are charged to the programs by way of depreciation. Travel expenses are reimbursed as per the personnel policy using GSA rates and guidelines based on actual expense receipts. Every effort is made to assign costs accurately and fairly to each program. Those shared expenses that benefit several or all programs are accounted for as indirect expense and allocated to each program based on hours worked each month (as per time sheets). Further detail on cost allocation is provided in WFRC's Cost Allocation Plan

INTERNAL CONTROL: Each fiscal year the CFO prepares a Cost Allocation Plan that is reviewed by the Executive Director and submitted to the Utah Department of Transportation's Director of Fiscal Audit (WFRC's federal cognitive agency designee). The UDOT Director of Fiscal Audit issues a letter approving the plan that is kept on file with the accounting department and made available to funding agencies upon request. The allocation of charges can be monitored using the budget to actual expense reports provided quarterly to the Council.

GENERAL LEDGER

Each month the CFO transfers the entries from the Accounts Payable, Accounts Receivable, and Payroll (used for allocating payroll costs generating the payroll summary entry) software systems to the general ledger. General journal entries are made for depreciation, bank reconciliation, payroll, closing and recurring allocations. The CFO keeps a 'working papers' file by month that contains supporting documentation for entries made to the general journal. General ledger accounts are reviewed for accuracy using external documentation where available. The general ledger work should be completed no later than twenty-five days following the end of the month. Any exceptions to this are discussed with the Executive Director.

INTERNAL CONTROL: All entries to the general ledger are made by the CFO. Supporting documentation for general journal entries is maintained. The general ledger detail is provided monthly to the Executive Director for review. Where possible, real accounts are verified with external documentation (bank statements,

inventories, etc.). EDP files are backed up daily and hard copies are generated monthly.

ACCOUNTS RECEIVABLE

Each month or on a quarterly basis (as determined by the funding agency) the CFO requests reimbursement from the funding agencies for WFRC's actual expenses for the prior month(s). Some local contributions are requested in advance and held as deferred revenue until needed for matching requirements or other approved expenditures. Requesting reimbursements should occur no later than twenty-five days following the end of the month. Any exceptions to this are discussed with the Executive Director. At no time should reimbursement requests exceed actual costs incurred. Some requests for reimbursement must be accompanied by progress reports, product samples, etc. These are prepared by individuals other than the CFO.

Checks for A/R remittances are received by the Administrative Assistant who date stamps the check (or stub), endorses them 'for deposit only', makes a photo copy of each check, and prepares a two copy bank deposit form. WFRC receives all remittances by either check or electronic deposit. Supporting documentation for electronic deposits is kept in the monthly working papers file. Any cash deposited is negligible (postage or copies paid for by employees). The original deposit form is submitted to the bank with the deposit. The copy remains in the book as a chronological record of checks received. The Administrative Assistant makes the deposit and obtains a dated receipt from the bank. Checks are deposited daily when received. The Administrative Assistant gives the bank receipt and check copies to the accounting department for posting to accounts receivable and filing.

Any funds not received within six weeks of the date of reimbursement request are followed up with a phone call or written note and any problems are noted and addressed.

INTERNAL CONTROL: The Administrative Assistant is responsible for the custody of the cash receipts and the CFO is responsible for the accounting function only. Any write offs of accounts receivable must be approved by the Executive Director. Exception may be made for amounts under \$10.00.

OTHER ASSETS

Office equipment is purchased by the WFRC General Fund. Usage allocations for equipment costs are assigned to individual programs using straight-line depreciation. All equipment having a useful life of more than one year is included in the fixed asset group of accounts however purchases which are less than \$1,000 are expensed in the month of purchase. When fixed assets are purchased they are assigned an inventory number and placed on a fixed asset list that records original cost, accumulated depreciation, net book value and the employee in possession of the asset. At least once every two years a physical inventory is taken and compared with fixed asset list. When equipment is determined by the Equipment Committee to be beyond its useful life a list of said equipment is given to the Director of Operations who is charged with overseeing the sale or disposal of the asset by the Equipment Committee. Retired assets are disposed of on a highest bid basis.

Personnel policy prohibits the personal use of WFRC resources by employees. Employees may purchase incidental postage or copies at WFRC cost however they have been advised not to use WFRC assets or open account arrangements with WFRC vendors for personal use. WFRC will not advance money to employees other than pre-approved travel advances that must be returned and/or accounted for within one month of the travel for which the advance was given. All travel expense reports and advances must be approved by

the Executive Director or Area Coordinators.

INTERNAL CONTROL: The Director of Operations reviews and approves of any disposition of fixed assets and is advised of any missing assets. The purchase order process prohibits employees from charging personal purchases to WFRC open accounts with vendors. Inventory of fixed assets is maintained.

RECORDS MANAGEMENT AND RETENTION

WFRC is committed to proper maintenance and retention of records and will comply with all applicable record retention laws. The Public Records Management Act (PRMA), mandates state ownership of government records and requires their effective management (Utah Code 63A-12). Additionally, WFRC is committed to following the Government Records Access and Management Act (GRAMA), the comprehensive law dealing with management of government records and access to those records (Utah Code 63G-2).

Falsifying records, deliberately concealing records, destroying records in bad faith, exploiting confidential information, or otherwise mishandling records is not acceptable. Employees must take steps to ensure potentially relevant information is not inadvertently destroyed pursuant to document retention schedules or by routine computer operations or common computer settings, such as the automated deletion of emails.

As a public agency, WFRC will also adhere to the Utah State General Records Retention Schedule. It can be found on the Utah Division of Archives and Records Services website. <https://archives.utah.gov/recordsmanagement/grs/stgrslist.html>

WFRC will, at a minimum:

- 1) establish and maintain a records management system on a continuing and active basis;
- 2) create and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions, designed to furnish information to any agency or person affected by the activities of WFRC;
- 3) identify and take adequate steps to protect confidential and vital records;
- 4) ensure that all information potentially relevant to any GRAMA request, internal or government investigation or lawsuit filed or reasonably anticipated to be filed against WFRC is preserved and provided upon request in a timely manner; and
- 5) cooperate with the Utah Division of Archives and Records Services and all other State Agencies in the conduct of agency records management requirements and requests.

PERSONNEL

Personnel policies are established by the Council and made available to all employees. The Executive Director is responsible for administering the personnel policies. All changes to personnel policy require Council approval.

MANAGEMENT REPORTS

Each month the WFRC CFO prepares and distributes to the Executive Director and the management team an expense/budget comparison report for each active program. This report is used to monitor the monthly and accumulated expenses charged to each program and relates this information to both time and budget completion and allows management to direct WFRC resources appropriately.

Each month the CFO reviews the outstanding accounts payable and accounts receivable and discusses any cash flow or collection problems that exist with the Executive Director and the management team. In addition, the CFO prepares a projection of cash flow and cash requirements and requests management input for future planning of cash needs.

Interim verbal and written reports regarding accounts receivable and accounts payable are made when significant changes in status occur.

COMPLIANCE

WFRC will comply with all applicable state and federal laws and regulations regarding financial reporting, budget, public notice, records management and retention, and transparency.

Council members and staff are subject to the Utah Public Officers' and Employees' Ethics Act (Title 67, Chapter 16).

INTERNAL CONTROL: The WFRC Executive Director, in consultation with the WFRC Chair and Budget Committee Chair, will appoint a Compliance Administrator responsible for verifying compliance with applicable laws and regulations, including but not limited to: certification and filing of annual budget (Utah Code 17B-1-614), notice of public meetings (Utah Code 52-4), notice of board member contact information (Utah Code 17B-1-303), participation in Utah public finance website (Utah Code 63A-3-405.4), and financial statement reporting requirements (Utah Code 51-2a-202), and other applicable laws and regulations referenced in this policy. The Compliance Administrator will maintain such verification information and provide it as requested to the Council members and employees.

DATE: October 12, 2017
AGENDA ITEM: 3c
SUBJECT: **PUBLIC HEARING AND ACTION:** Amend FY'18 Budget and Unified Planning Work Program (UPWP)
PREPARED BY: Loveit Baumgardner

BACKGROUND:

As WFRC completed FY'17 and we reviewed the final expenditures, actual spending came in lower than budgeted by \$939,801. This resulted mainly from spending on some contractual items that occurred more slowly than was anticipated or from items that were added to the FY'17 budget in the later months but did not begin work until FY'18. As a result, the amount of funds that carried forward from FY'17 into FY'18 was higher than was anticipated, resulting in an increase in the FY'18 budget as some spending shifts from FY'17 to FY'18.

There are also two new funding sources reflected in the proposed amended FY'18 budget including:

- \$30,000 in additional State and local funding for the Morgan County-Ogden Valley Regional Planning Organization (RPO).
- \$50,000 from Economic Development Administration and CDBG funds to conduct a feasibility study for a revolving loan fund for the Wasatch Front Economic Development District.

The adjustments described above, along with a few minor changes in estimated expenditures, are reflected in the line items on the Expenditure by Function page. The adjustments also impact the projected carry-forward into FY'19, again reflecting on-going programs or multi-year projects that bridge the FY'18 and FY'19 years.

This budget also proposes to set aside \$250,000 to be used to furnish and equip (capital outlay) for the new office space. To do this, the Council needs to transfer \$189,683 from undesignated, carried forward Special Projects funds in addition to using \$60,317 from the FY'18 member contributions. Capital outlay is shown as an expense at the fund level at the time of purchase. Capital outlay is recovered over a period of 3-5 years through depreciation expense charged to the programs. To illustrate how this \$250,000 affects the budget at the fund level we have included two tables: General Fund and Special Projects Fund.

The footnotes that accompany this proposed amended budget provide more detail on the changes to funding sources, expenditures by function, expenditures by program and changes to the fund balances.

RECOMMENDATION:

The WFRC Budget Committee and staff recommend that the Council take action "to amend the WFRC FY'18 Budget and Unified Planning Work Program as proposed."

CONTACT PERSON:

Loveit Baumgardner (801) 363-4250 ext. 1102
Wayne Bennion (801) 363-4250 ext. 1112

EXHIBITS:

Draft Amended Budget FY'18 with Footnotes
Draft Amendment to FY'18 Unified Planning Work Program

**Draft Amended
Wasatch Front Regional Council FY 2018 Budget**

Source of Funds

	FY 2018 As approved May 25, 2017	FY 2018 As proposed	FY 2018 Difference	
Federal Sources:				
Federal Highway Administration - PL	2,138,261	3,114,381	976,119	46% 1
Federal Highway Administration - STP	1,600,000	1,768,718	168,718	11% 1
Federal Transit Administration	646,026	646,026	0	0%
Dept. of Housing and Urban Development	50,000	50,000	0	0%
Economic Development Administration	70,000	120,000	50,000	71% 2
Total Federal Sources	4,504,287	5,699,124	1,194,837	27%
State Sources:				
Utah GOMB (CPG match)	140,000	140,000	0	0%
Community Impact Board	2,000	2,000	0	0%
UDOT - TLC	300,000	300,000	0	0%
UDOT - Model Development	72,000	72,000	0	0%
UDOT - Morgan RPO	0	20,000	20,000	3
UDOT - Corridor Preservation SL County	25,000	0	-25,000	-100% 4
Total State Sources	539,000	534,000	-5,000	-1%
Local Sources:				
Dedicated Project Funds	709,515	849,964	140,449	20% 5
UTA - TLC	100,000	140,000	40,000	40% 1
UTA - Transit Sales Tax	139,615	152,798	13,182	9% 1
Local Contribution	308,014	348,578	40,565	13% 1
Total Local Sources	1,257,144	1,491,340	234,196	19%
TOTAL SOURCES	6,300,432	7,724,464	1,424,033	23%

**Draft Amended
Wasatch Front Regional Council FY 2018 Budget**

Expenditure by Function

Expenditure	FY 2018 As approved May 25, 2017	FY 2018 As proposed	FY 2018 Difference	
Salaries/Employee Benefits	3,789,224	3,789,224	0	0%
Contractual	1,800,877	2,402,847	601,970	33% 6
Equipment Maintenance	16,100	16,100	0	0%
Equipment Depreciation	30,100	30,100	0	0%
Rent	250,000	250,000	0	0%
Building Operation/R & M	90,000	90,000	0	0%
Travel	70,050	70,050	0	0%
Training	42,000	42,000	0	0%
Printing and Publication	3,650	8,650	5,000	137% 7
Supplies/Software & Licenses	90,900	90,900	0	0%
Telephone/Data	35,300	35,300	0	0%
Audit and Accounting	16,000	16,000	0	0%
Dues & Subscriptions	23,505	23,505	0	0%
Insurance	14,000	14,000	0	0%
Legal	5,000	50,000	45,000	900% 8
			0	
Total Expenditures	6,276,705	6,928,675	651,970	10%
Amounts expected to carry into next FY	23,726	795,789	772,063	1
TOTAL BUDGET	6,300,432	7,724,464	1,424,033	23%

**Draft Amended
Wasatch Front Regional Council FY 2018 Budget**

Expenditure by Program

Program	FY 2018 As approved May 25, 2017	FY 2018 As proposed	FY 2018 Difference		
Consolidated Transportation Planning Grant	3,941,100	4,988,101	1,047,001	27%	1
Transportation & Land Use Connection	1,601,500	2,025,333	423,833	26%	1
Economic Development	140,000	190,000	50,000	36%	2
Local Government Service	104,260	43,943	-60,317	-58%	9
UTA Project Support	96,557	109,739	13,182	14%	1
Salt Lake County Council of Governments	73,015	0	-73,015	-100%	4
Model Development	147,000	147,000	0	0%	
Utah State Legislative Consultant	50,000	50,000	0	0%	
CDBG - Tooele	50,000	50,000	0	0%	
Corridor Preservation - Salt Lake County	25,000	0	-25,000	-100%	4
Mobility Management	10,000	10,000	0	0%	
Tooele Valley RPO	10,000	8,031	-1,969	-20%	1
Morgan RPO	0	30,000	30,000		3
Community Impact Board	2,000	2,000	0	0%	
WC2050 Consortium	50,000	50,000	0	0%	
GPI Decision Support	0	1,757	1,757		1
Oquirrh Connection	0	18,561	18,561		1
TOTAL EXPENDITURES	6,300,432	7,724,464	1,424,033	23%	

**Draft Amended
Wasatch Front Regional Council FY 2018 Budget**

Local Contributions

County	FY 2018 <small>As approved May 25, 2017</small>	FY 2018 <small>As proposed</small>	FY 2018 <small>Difference</small>	FY 2019 <small>Projected</small>	
Box Elder, 1 voting member	12,533	12,533	0	12,658	1%
Davis, 4 voting members	66,842	66,842	0	67,510	1%
Morgan, 1 voting member	12,533	12,533	0	12,658	1%
Salt Lake, 8 voting members	133,682	133,682	0	135,019	1%
Tooele, 1 voting member	12,533	12,533	0	12,658	1%
Weber, 4 voting members	66,842	66,842	0	67,510	1%
TOTAL	304,965	304,965	0	308,015	1%

**Draft Amended
Wasatch Front Regional Council FY 2018 Budget**

General Fund

	FY 2018 <small>As approved May 25, 2017</small>	FY 2018 <small>As proposed</small>	FY 2018 <small>Difference</small>	
Revenue				
Federal Sources	44,342	44,342	0	
State Sources	4,155	4,155	0	
Local Sources	11,603	71,920	60,317	9
Interest	6,000	6,000	0	
Total revenue	<u>66,100</u>	<u>126,417</u>	<u>60,317</u>	
Expenditures				
Operating expenses	1,700	1,700	0	
Capital outlay	45,000	295,000	250,000	9
Total expenditures	<u>46,700</u>	<u>296,700</u>	<u>250,000</u>	
Excess of revenue over expenditures (usage of fund balance)	19,400	-170,283	-189,683	
Other sources				
Transfers in		189,683	189,683	9
Transfers out			0	
Net change in fund balance	<u>19,400</u>	<u>19,400</u>	<u>0</u>	

Special Projects Fund

	FY 2018 <small>As approved May 25, 2017</small>	FY 2018 <small>As proposed</small>	FY 2018 <small>Difference</small>	
Revenue				
Federal Sources	4,459,945	5,654,782	1,194,837	1,2
State Sources	534,845	529,845	-5,000	1,3
Local Sources	1,245,541	1,419,420	173,879	1,4
Total revenue	<u>6,240,332</u>	<u>7,604,047</u>	<u>1,363,716</u>	
Expenditures				
Planning	6,240,332	7,604,047	1,363,716	1,2,3,4
Total expenditures	<u>6,240,332</u>	<u>7,604,047</u>	<u>1,363,716</u>	
Excess of revenue over expenditures (usage of fund balance)	0	0	0	
Other sources				
Transfers in			0	
Transfers out		189,683	189,683	9
Net change in fund balance	<u>0</u>	<u>-189,683</u>	<u>-189,683</u>	

Wasatch Front Regional Council

Draft FY'18 Amended Budget – October 12, 2017

Footnotes

1. These changes include amounts budgeted in FY'17 but not spent prior to fiscal year end or changes in estimated amounts that were anticipated to be carried forward from FY'17. These changes reflect the multi-year nature of ongoing projects, most of which are expected to be completed in FY'18 or FY'19.
2. The increase in funds from Economic Development Administration reflects potential additional funding to conduct a feasibility study for a revolving loan fund under the Wasatch Front Economic Development District (WFEDD). In this budget, the funding source is shown as Economic Development Administration although it is anticipated that some funding may be provided through the CDBG program and other sources.
3. The additional \$20,000 in funds from UDOT are for the support of the Morgan County Regional Planning Organization (RPO). An additional \$10,000 in local funds are also included below under "Dedicated Project Funds" (footnote 5). The total new funding for this effort will be \$30,000 in FY'18.
4. The previously approved FY'18 budget included funds for administrative support for the Salt Lake County Council of Governments and Salt Lake County Corridor Preservation. Subsequently it was agreed that Salt Lake County would take over those tasks associated with these two programs. This budget amendment removes those programs and associated funding.
5. The change to Dedicated Project Funds includes funds carried forward from FY'17 and the addition of new funding for the Morgan County RPO. The funding shown here includes:
 - \$8,031 for Tooele Valley RPO
 - \$75,000 for Model Development (MAG)
 - \$50,000 for Wasatch Choice 2050 Consortium
 - \$10,000 for Morgan County RPO
 - \$18,561 for Oquirrh Connection Feasibility Study
 - \$1,757 for GPI Demographic Data Support
 - \$686,615 for Transportation and Land Use Connection
6. The bulk of the increase in contractual expenditures results from projects budgeted in FY'17 that are ongoing and expected to be completed in FY'18 and FY'19. The increase also includes new contractual expense for the WFEDD and additional contractual expense for Communications. The increase in the Communications contract is to assist with the personnel transition as a result of the resignation of the Council's Communications Director and to assist WFRC in updating its communications plan. Anticipated contractual expenditures include:
 - \$77,000 for travel model development
 - \$100,000 for communications and public outreach
 - \$50,000 for Wasatch Choice 2050 Consortium

- \$5,000 for accounting system update
- \$6,586 for Oquirrh Connection Feasibility Study
- \$7,500 for key travel model enhancements
- \$4,993 for Provo/Orem BRT Study
- \$30,000 for Unified Transportation Plan Financial Model Update
- \$100,000 for I-15 Front Runner Corridor/Central Corridor
- \$5,000 for National Scenario Planning
- \$2,500 for Effect of Compact Development on Traffic Study
- \$3,000 for community organization outreach
- \$10,000 for Core Routes study
- \$5,000 for Greenbike reorganization analysis
- \$3,750 for High-level transit scenario analysis tool
- \$10,000 for WC2050 Centers Research
- \$50,000 for Access to Opportunity application assistance
- \$141,480 for Planning Studies, undesignated
- \$30,000 for Fiscal Impact Model
- \$40,000 for Parking Best Practices for Wasatch Front
- \$1,621,038 for Transportation and Land Use Connection projects
- \$50,000 for WFEDD Revolving Loan Feasibility Study
- \$50,000 for Legislative Consulting

7. The increase in Printing and Publication is for expenses associated with new social media public outreach efforts.
8. The increase in Legal expense is for costs associated with two specific projects: 1) legal review of the Council's updated personnel policy to ensure compliance with applicable law, and 2) legal review of documents associated with the sale of the office building and lease of new office space. In May 2017, the Council amended the FY'17 budget to include funds for these projects however the funds were not spent in FY'17 and are being carried forward to FY'18.
9. The decrease in the Local Government Services line item is to facilitate a transfer from the Special Projects Fund to the General Fund for the purpose of purchasing furnishings for the new office space. This budget reserves \$250,000 in local funds which includes \$189,683 in funds carried forward from FY'17 and \$60,317 from FY'18 funds. Purchasing furniture and equipment represents an expense at the fund level but not at the program/grant level. The cost of furniture and equipment is recovered by way of depreciation (equipment rental) expense that is charged to the various programs over the course of 3 – 5 years at the program/grant level. The first four pages of this budget are prepared at the program/grant level and the last two pages show the budgeted changes to the General and Special Projects funds.

**AMENDMENT TO THE
WASATCH FRONT REGIONAL COUNCIL
UNIFIED PLANNING WORK PROGRAM**

**FOR THE OGDEN-LAYTON AND
SALT LAKE-WEST VALLEY URBANIZED AREAS**

FISCAL YEAR 2018

OCTOBER, 2017

**In Cooperation With:
Utah Department of Transportation
Utah Transit Authority**

G.6 MORGAN COUNTY - OGDEN VALLEY RURAL PLANNING ORGANIZATION

OBJECTIVES:

To work with local governments and UDOT to provide a structured transportation planning process for Morgan County and Upper Ogden Valley.

To develop a Long Range Transportation Plan and transportation priorities for Morgan County and Upper Ogden Valley.

To provide a public involvement process.

ANTICIPATED PRODUCTS:

- A Long Range Transportation Plan for Morgan County and Upper Ogden Valley
- Updated priorities for consideration in the STIP development process
- A public involvement process

WORK STATEMENT:

In September, 2017 Morgan City, Huntsville Township, Morgan County, Weber County and WFRC signed an interlocal agreement establishing the Morgan County – Ogden Valley Rural Planning Organization (RPO) in order to cooperatively plan transportation system improvements and priorities. UDOT is initially providing most of the funding for the work by WFRC staff to assist these local jurisdictions in developing these plans and priorities. The RPO will help facilitate UDOT consultation with local officials.

Initial stages in developing a Long Range Transportation Plan will occur during this fiscal year. The plan will address capital roadway needs and also active transportation.

Coordination

WFRC staff will provide technical support for the Morgan County - Ogden Valley RPO. The RPO will meet about six times a year. Local governments, UDOT, and WFRC staff will raise and discuss transportation issues of importance to the area.

Long Range Plan

The WFRC staff will work with the RPO and UDOT in gathering and analyzing information about existing and future transportation needs in and between the two valleys. This will include items such as evaluating existing and future traffic volumes, consideration of economic development plans, review of previous studies, collection of bicycle compatibility index data, and other work. The initial stages may also include an opportunity for public input on transportation needs.

Near and Mid-Term Priorities

The WFRC staff will gather information and evaluate it with the RPO in order to assist in identifying near and mid-term priorities. WFRC will also participate in efforts to move highway and active transportation projects forward.

RESPONSIBLE AGENCIES:

WFRC, UDOT, UTA

LEVEL OF EFFORT FY 2018:

Agency	Months	Non-Federal	Total
WFRC	2.5	30,000	30,000

DATE: October 12, 2017
AGENDA ITEM: 3d
SUBJECT: **ACTION:** Acceptance of the FY'17 Audit Report
PREPARED BY: Loveit Baumgardner

BACKGROUND:

An annual audit of the Council's financial records was performed and a final draft of the report issued as a result of that audit is included with this memo.

The auditors have issued an ***unqualified opinion***. A summary of the audit results may be found on page 44 of the report. Tim Rees from the auditing firm of Karren Hendrix Stagg & Allen will be present at the Budget Committee to review the final draft of the audit report.

The final audit report will be submitted to those agencies requiring a copy of the report within 180 days of the close of the fiscal year.

RECOMMENDATION AND MOTION:

The WFRC Budget Committee makes a motion that the Council take action "to accept the WFRC FY'17 Audit Report as presented."

CONTACT PERSON:

Loveit Baumgardner (801) 363-4250 ext. 1102

EXHIBITS:

Wasatch Front Regional Council Financial Statements with Independent Auditors' Report for the Year Ended June 30, 2017.

WASATCH FRONT REGIONAL COUNCIL

**Financial Statements
With Independent Auditors' Report
For the Year Ended June 30, 2017**





Mission Statement

The Wasatch Front Regional Council builds consensus and enhances quality of life by developing and implementing visions and plans for a well-functioning multi-modal transportation system, livable communities, a strong economy, and a healthy environment.



**WASATCH FRONT REGIONAL COUNCIL
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INDEPENDENT AUDITORS' REPORT

Members of the Council
Wasatch Front Regional Council
Salt Lake Council, Utah

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Wasatch Front Regional Council, Utah, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Wasatch Front Regional Council, Utah, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3 through 8 and 29 through 34, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wasatch Front Regional Council's basic financial statements. The schedule of revenue and expenditures by program on pages 46 through 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of revenue and expenditures by program are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of revenue and expenditures by program have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them. The schedule of expenditures of federal financial awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal financial awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

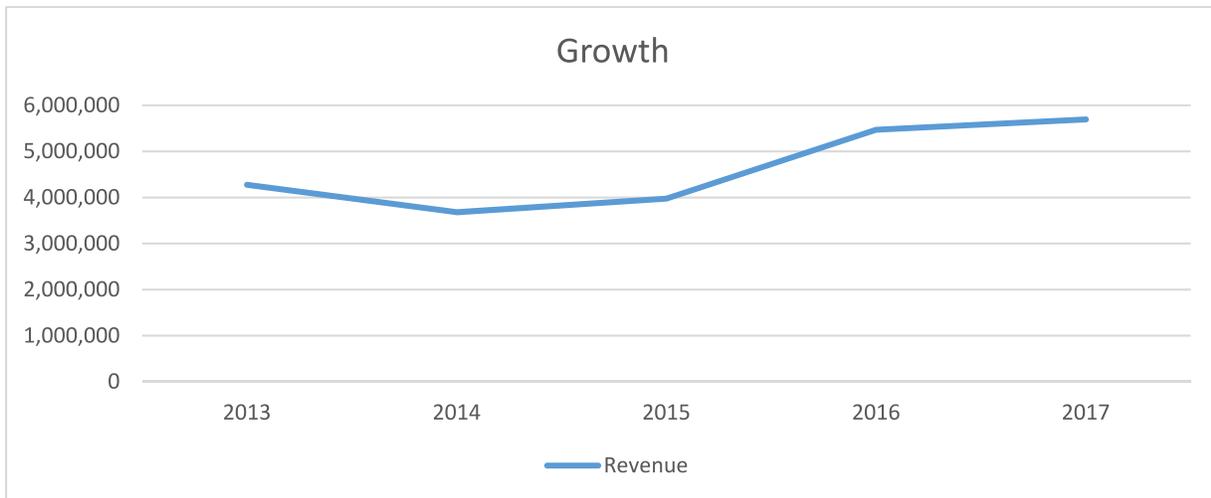
In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017, on our consideration of the Wasatch Front Regional Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wasatch Front Regional Council's internal control over financial reporting and compliance.

WASATCH FRONT REGIONAL COUNCIL MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

As management of the Wasatch Front Regional Council (the Council), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2017.

History and Background

The Wasatch Front Regional Council (WFRC) was organized as a volunteer association of local governments in March 1969, among Davis, Salt Lake, and Weber Counties and the cities within, for the purpose of establishing a review agency to comply with requirements to obtain federal grants and loans, and to address the solutions to regional problems. In June 1969, Tooele County and the municipalities within, and, in 1972 Morgan County and the municipalities within, joined the Regional Council. In June 2014, those portions of Box Elder County that were included in the Ogden/Layton urbanized area for transportation planning as defined by the U.S. Census Bureau joined the Regional Council. The WFRC was designated by the governor of Utah as the Metropolitan Planning Organization (MPO) for the Salt Lake and Ogden metropolitan areas in 1971. MPOs are agencies responsible for transportation planning in urbanized areas throughout the United States. Transportation planning in the region is a cooperative effort of state and local agencies, and as the MPO, the WFRC is responsible for coordinating this transportation planning process. In addition to the transportation planning process, the WFRC provides assistance to small communities with Community Development Block Grant (CDBG) applications, participates in developing comprehensive economic development strategies for the region, and provides a forum for local governments to cooperate in resolving problems and developing plans that are common to two or more counties or are regional in nature.



The Council consists of a governing board of twenty-one voting members, 19 elected officials representing local governments from Box Elder, Davis, Morgan, Salt Lake, Tooele and Weber counties, and one representative each from the Utah Department of Transportation and the Utah Transit Authority. The Council also includes six non-voting members representing the Utah State Senate, the Utah House of Representatives, the Utah State Planning Director, the Utah League of Cities and Towns, the Utah Association of Counties, and Envision Utah.

Transportation planning in the Salt Lake Area has been a continuing effort for over four decades. In the 1960's UDOT developed the first Long Range Plan for the area. Since 1973, the WFRC has developed Regional Transportation Plans and has updated them regularly. The process is comprehensive in nature, addressing all modes of transportation, including highways, transit, and active transportation.

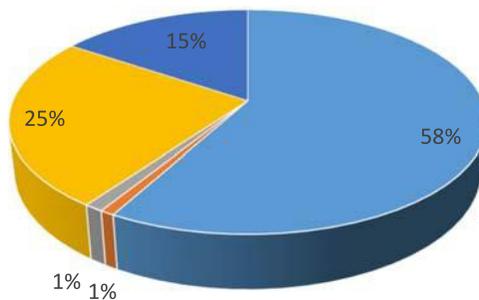
Transportation plans are also part of the comprehensive planning for the overall development of the region.

Two main products are developed through the transportation planning process. The first is a Regional Transportation Plan (RTP), which recommends improvements to highways, transit, and other modes, to meet the transportation needs of the area with a minimum 20-year planning horizon. The second is a Transportation Improvement Program (TIP). The TIP is a six-year capital improvement program for highway and transit and other transportation projects contained in the RTP. The RTP is updated every four years, while the TIP is approved annually.

During the fiscal year ended June 30, 2017, Wasatch Front Regional Council received funding from the following sources:

U.S. Department of Transportation	\$ 3,457,439	58.0%
U.S. Department of Housing/Urban Development	50,000	0.8%
U.S. Department of Commerce	66,000	1.1%
State of Utah	1,465,686	24.6%
Local Governments	<u>926,902</u>	<u>15.5%</u>
Total	<u><u>\$ 5,966,027</u></u>	<u><u>100.0%</u></u>

Revenue



- Dept Transportation
- State of Utah
- Housing Urban Development
- Dept of Commerce
- Local Governments

Financial Highlights

The following table summarizes changes in the Council's assets, liabilities, deferred outflows and deferred inflows:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Current assets	\$ 1,431,028	\$ 3,105,574	\$(1,674,546)
Pension assets	-	94	(94)
Capital Assets	<u>273,281</u>	<u>333,295</u>	<u>(60,014)</u>
Total assets	<u>\$ 1,704,309</u>	<u>\$ 3,438,963</u>	<u>\$(1,734,654)</u>
Deferred outflows	<u>\$ 669,444</u>	<u>\$ 531,328</u>	<u>\$ 138,116</u>
Current liabilities	819,092	2,312,269	(1,493,177)
Non-current liabilities	<u>1,339,026</u>	<u>1,404,373</u>	<u>(65,347)</u>
Total liabilities	<u>\$ 2,158,118</u>	<u>\$ 3,716,642</u>	<u>\$(1,558,524)</u>
Deferred inflows	<u>\$ 154,584</u>	<u>\$ 104,403</u>	<u>\$ 50,181</u>
Net position			
Net investment in capital assets	273,281	(42,706)	315,987
Restricted net position	-	94,633	(94,633)
Unrestricted net position	<u>(212,230)</u>	<u>97,320</u>	<u>(309,550)</u>
Total net position	<u>\$ 61,051</u>	<u>\$ 149,247</u>	<u>\$ (88,196)</u>

Management considers the fluctuation in cash, receivables, prepaid expenses, and accrued payroll liabilities to be normal for this organization. Unearned revenue is advance payments received from local government and other sources for projects in process. Those projects are anticipated to be completed in subsequent fiscal years. The lease revenue bonds were paid off during the year. Throughout the year, the Council invested funds not immediately needed for operations with the Utah State Public Treasurer's Investment Fund (PTIF). Proceeds from those invested funds were \$15,865 for the year.

There was an 8% increase in revenue and expenditures for the year. The bulk of this is due to new projects that included: Mountain Accord Phase II Project Management; Oquirrh connection feasibility study, GPI demographic data support and several joint planning projects with Utah Department of Transportation, Utah Transit Authority, and Mountainland Association of Governments. Management considers this to be normal for this organization. From time to time the Council enters into agreements with other agencies to conduct various transportation and other studies and support. For this fiscal year those included work on Transit Support, Salt Lake County Corridor Preservation, Salt Lake County Council of Governments administrative support, Community Impact Board, Economic Development planning, CDBG Small Cities support, Transportation and Land Use Connection Program, Tooele Valley Rural Planning Organization, Mobility Management, Transportation Model Development, and several joint planning projects.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to Wasatch Front Regional Council's basic financial statements. This report is similar to the last fiscal year's and is in compliance with Governmental Accounting Standards Board Statement No. 34. In addition to the Management's Discussion and Analysis, the report consists of government-wide financial statements, fund financial statements, and notes to the financial statements. The first several statements are highly condensed and present a government-wide view of the Council's finances. The governmental activities of the Wasatch Front Regional Council include transportation planning, providing technical assistance to and workshops

for small communities for CDBG applications, administrative support to Salt Lake County Council of Governments, Economic Development planning, and other planning.

Government-wide Financial Statements. The government-wide *financial* statements are designed to provide readers with a broad overview of the Council's finances in a manner similar to private-sector business reporting.

The *statement of net position*, a component of the government-wide financial statements, presents information on all of the Council's assets and liabilities, with the difference between the two reported as *net position*. The Council's capital assets (land, buildings, and equipment) are included in this statement and reported net of their accumulated depreciation. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating. In evaluating the government's overall condition, however, additional non-financial factors should be considered such as the Council's economic outlook, changes in its demographics, and the condition of its capital assets.

The *statement of activities* presents revenue and expense information showing how the Council's net position changed during the fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net position are reported whenever an event occurs that requires a revenue or expense to be recognized, regardless of when the related cash is received or disbursed (the accrual basis of accounting). For example, assessment revenue is reported when the assessments are billed, even though they may not be collected for some time after that date; and an obligation to pay a supplier is reported as an expense when the goods or services are received, even though the bill may not be paid until sometime later.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts (revenue, expenses, assets, and liabilities) that is used to control resources that have been segregated for specific activities. The Wasatch Front Regional Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds utilized by the Council are accounted for in two governmental funds: the general fund and the special projects fund.

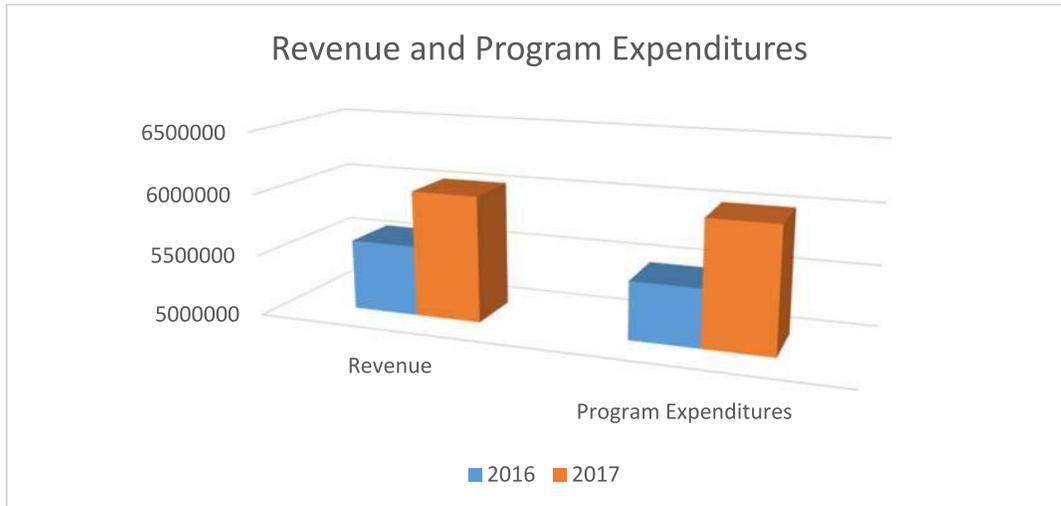
Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the *government-wide financial statements*. However, for accounting and reporting purposes, government fund numbers are determined with a different approach. At the fund level, the focus is on changes in short-term spendable resources and the balance available to spend, rather than the long-term focus used for determining government-wide numbers. Because the focus is so different between fund statements and government-wide statements, reconciliation between the two types is necessary to understand how the numbers differ. Such reconciliation is provided on pages 12 and 14 of this report. The Council has two major funds which are the General Fund and the Special Projects Fund. The General Fund is used for administrative activities of the Council. The Special Projects Fund is used to account for regional planning activities. To demonstrate legal compliance, statements comparing budget-to actual numbers for both funds are included in the financial statements.

Financial Analysis

The Council's fund balance may serve over time, as a useful indicator of an organization's financial position. In the case of the Council, assets exceeded liabilities by \$61,050 at the close of the fiscal year ended June 30, 2017. Net assets are comprised of current assets and capital assets (property and equipment). Currently, the Council's capital assets net of related debt and depreciation is \$272,779. The Council records depreciation on the building using a straight-line method over the same seventeen-year period. The remaining fixed assets, including leasehold improvements and furniture and equipment, have a value net of depreciation of \$273,281 with no related debt. The Council uses these capital assets for

day to day operations; consequently, these assets are not available for future spending.

The Council's net position decreased by \$88,179 during the fiscal year due to interest earned on cash balances and differences in pension expense from implementing GAS B 68.



Key elements of the increase in net assets are as follows:

	<u>2017</u>	<u>2016</u>
Revenue		
Federal sources	\$ 3,573,438	\$ 3,453,520
State sources	1,465,686	1,141,234
Local sources	972,841	972,987
Interest income	15,856	8,133
Total revenue	<u>\$ 6,027,821</u>	<u>\$ 5,575,874</u>
Expenses		
Program	\$ 6,065,772	\$ 5,472,495
Interest	5,747	7,823
Total expenses	<u>\$ 6,071,519</u>	<u>\$ 5,480,318</u>
Increase in net position	\$ (88,179)	\$ 95,557
Net position, beginning	<u>149,246</u>	<u>53,689</u>
Net position, ending	<u>\$ 61,067</u>	<u>\$ 149,246</u>

The Council has two funds that are deemed major funds. The general fund is the fund that pays for the administration of the council and activities not accounted for in the special projects fund. The special projects fund accounts for the major projects of the Council. At the end of June 2017, the general fund showed a decrease of \$67 and the special projects fund showed a decrease of \$366,760. The major

reason for the decrease was to pay off the lease revenue bonds and for completion of projects.

Debt

The Council paid off the lease revenue bonds in 2017.

**Wasatch Front Regional Council Outstanding Debt
Revenue Bonds**

	2017	2016
Revenue bonds	\$ -	\$ 376,000

Use of Reserved Funds

The Council has funds with various restrictions. When an expense is incurred which meets the requirements to release the restriction, such restricted funds are first used to satisfy the expense followed by any unrestricted funds needed to satisfy the expense. The Council has reserved a portion of its cash for compensated absences.

Cash	\$ 456,543
Restricted cash	555,878

Budgetary Highlights

The Council approved its fiscal year 2017 budget on May 26, 2016. During the year the 2017 budget was amended to include \$2,112,847 in additional funding for projects such as GPI demographic data support, Oquirrh connection feasibility study, Transportation and Land Use Connection Program, and to account for funds carried forward from the previous year that was estimated at the time the budget was adopted. Several of these projects are multi-year in nature and are anticipated to be completed within the next two years.

Capital Assets

The Council's investment in property and equipment as of June 30, 2017, amounts to \$273,281, net of accumulated depreciation. This investment includes land, buildings, furniture, equipment and related improvements. The total decrease in the Council's investment in property and equipment for the current fiscal year was 18%. During the year the Council purchased furniture and equipment and leasehold improvements in the amount of \$29,504. The Council uses the straight-line method of depreciation over the estimated useful life of the assets.

Property and Equipment
(Net of Depreciation)

	<u>2017</u>	<u>2016</u>
Land	\$ 105,889	\$ 105,888
Buildings	112,118	168,176
Improvements	17,185	19,954
Furniture and equipment	<u>38,089</u>	<u>39,277</u>
Total	<u>\$ 273,281</u>	<u>\$ 333,295</u>

Requests for Information

This financial report is designed to provide a general overview of the Council's finances for all those with an interest. Questions regarding any of the information provided in this report or requests for additional information should be addressed to:

Wasatch Front Regional Council
295 North Jimmy Doolittle Road
Salt Lake City, Utah 84116
Attention: Loveit Baumgardner, Chief Financial Officer

WASATCH FRONT REGIONAL COUNCIL

Statement of Net Position

June 30, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 456,542
Cash - restricted	555,878
Accounts receivable	411,432
Prepaid expenses	7,176
Total current assets	<u>1,431,028</u>

NON-CURRENT ASSETS (Net of depreciation)

Pension asset	
Capital assets	
Land	105,889
Building	112,118
Leasehold improvements	17,185
Furniture and equipment	38,089
Total capital assets	<u>273,281</u>

Total assets 1,704,309

Deferred outflows of resources
Deferred outflows relating to pensions 669,444

Total assets and deferred outflows of resources 2,373,753

LIABILITIES

CURRENT LIABILITIES

Accounts payable	163,214
Unearned revenue	555,878
Compensated Absences (due within one year)	100,000
Total current liabilities	<u>819,092</u>

Noncurrent Liabilities

Pension Liability	1,186,281
Compensated Absences (due after one year)	152,745
Total noncurrent liabilities	<u>1,339,026</u>

Total liabilities 2,158,118

Deferred Inflows of resources
Deferred inflows relating to pensions 154,584

Total deferred inflows of resources 154,584

NET POSITION

Investment in capital assets, net of related debt	273,281
Restricted net position	-
Unrestricted net position	<u>(212,230)</u>

Total net position \$ 61,051

Total liabilities, deferred inflows and net position 2,373,753

The accompanying notes are an integral part of this statement.

WASATCH FRONT REGIONAL COUNCIL

Statement of Activities

For the Year Ended June 30, 2017

Net (Expense)				
Revenue and Changes in Net Position				
		Program Revenue		Primary Government
<u>Functions and Programs</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Other Grants and Contributions</u>	<u>Government Activities</u>
PRIMARY GOVERNMENT				
Government activities				
General government	\$ 6,065,771	\$ 5,966,527	\$ -	\$ (99,244)
Interest on long term debt	5,747	-	-	(5,747)
Total government activities	6,071,518	5,966,527	-	(104,991)
Total primary government	\$ 6,071,518	\$ 5,966,527	\$ -	\$ (104,991)
General revenue				
Investment earnings				16,795
Total general revenue				16,795
Changes in net assets				(88,196)
NET POSITION, JULY 1				149,247
NET POSITION, JUNE 30				\$ 61,051

The accompanying notes are an integral part of this statement.

WASATCH FRONT REGIONAL COUNCIL
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>	<u>Special Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 95,367	\$ 361,176	\$ 456,543
Cash - restricted	-	555,878	555,878
Accounts receivable	-	411,432	411,432
Prepaid expenses	-	7,176	7,176
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 95,367</u>	<u>\$ 1,335,662</u>	<u>\$ 1,431,029</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ -	\$ 163,214	\$ 163,214
Unearned revenue	-	555,878	555,878
Total liabilities	<u>-</u>	<u>719,092</u>	<u>719,092</u>
FUND BALANCES			
Assigned - compensated absences	-	292,786	292,786
Assigned - special projects	-	323,784	323,784
Restricted	-	-	-
Unassigned	95,367	-	95,367
Total fund balances	<u>95,367</u>	<u>616,570</u>	<u>711,937</u>
Total liabilities and fund balances	<u>\$ 95,367</u>	<u>\$ 1,335,662</u>	<u>\$ 1,431,029</u>

The accompanying notes are an integral part of this statement.

WASATCH FRONT REGIONAL COUNCIL
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balance		\$ 711,937
Total net assets reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 105,889	
Building	952,993	
Leasehold improvements	44,263	
Furniture and equipment	315,196	
Less accumulated depreciation	<u>(1,145,060)</u>	
Total capital assets	<u>273,281</u>	273,281
Liability for compensated absences is not recognized at the fund level but is recognized for the government wide statement of net assets.		(252,746)
Pension liability is not recognized on the funds statement but is recorded on the government wide statement.		(1,186,281)
Deferred outflows is not recognized on the funds statement but is recorded on the government wide statement.		669,444
Deferred inflows is not recognized on the funds statement but is recorded on the government wide statement.		<u>(154,584)</u>
Total net assets of governmental activities		<u><u>\$ 61,051</u></u>

The accompanying notes are an integral part of this statement.

WASATCH FRONT REGIONAL COUNCIL
Statement of Revenue, Expenditures,
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2017

	<u>General</u>	<u>Special Projects</u>	<u>Totals</u>
REVENUE			
Federal sources	\$ 82,182	\$ 3,491,256	\$ 3,573,438
State sources	4,049	1,461,637	1,465,686
Local sources	185,274	742,567	927,841
Interest	15,856	-	15,856
Total revenue	<u>287,361</u>	<u>5,695,460</u>	<u>5,982,821</u>
EXPENDITURES			
Administration	1,659	-	1,659
Planning	-	5,937,306	5,937,306
Capital outlay	28,937		28,937
Debt service			
Principal	376,000	-	376,000
Interest	5,746	-	5,746
Total expenditures	<u>412,342</u>	<u>5,937,306</u>	<u>6,349,648</u>
Revenue and other sources (under) over expenditures and other uses	<u>(124,981)</u>	<u>(241,846)</u>	<u>(366,827)</u>
Other sources			
Transfers	124,914	(124,914)	-
Total other sources	<u>124,914</u>	<u>(124,914)</u>	<u>-</u>
Total revenue under (over) expenditures and other sources	(67)	(366,760)	(366,827)
FUND BALANCE, JULY 1	<u>95,434</u>	<u>983,330</u>	<u>1,078,764</u>
FUND BALANCE, JUNE 30	<u>\$ 95,367</u>	<u>\$ 616,570</u>	<u>\$ 711,937</u>

The accompanying notes are an integral part of this statement.

WASATCH FRONT REGIONAL COUNCIL
Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Funds Balances - Governmental Funds to the Statement of Activities
June 30, 2017

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (366,827)
<p>The change in net assets reported for governmental activities in the statement of activities is different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$29,504) is less than depreciation expense (\$89,520).</p>	
	(60,019)
<p>The increase in compensated absences is reported in the statement of activities but the liability is not recorded at the fund level.</p>	
	56,944
<p>Pension expense is reduced by deferred outflows on the government wide statement.</p>	
	(94,294)
<p>Repayment of principal is an expenditure in the governmental funds but reduced the liability in the statement of net assets.</p>	
	<u>376,000</u>
Change in net position of governmental activities	<u><u>\$ (88,196)</u></u>

The accompanying notes are an integral part of this statement.

**WASATCH FRONT REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1—ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Wasatch Front Regional Council (Council) is a voluntary organization comprised of representatives of local governments located along the Wasatch Front. The Council was organized in 1969 for the purpose of meeting at regular intervals to discuss and study community challenges of mutual interest and concern and to develop policy and action recommendations for ratification and implementation by the governments in the area served by the Council.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units according to the criteria set forth in Governmental Accounting Standards Board's (GASB) Statement No. 14 and concluded there are no entities that are considered to be component units of the Council, nor is the Council considered a component unit of any other entity

The Council's programs are funded by Federal grants, state appropriations and grants, and various local contributions, primarily on a year-to-year basis.

Basis of Accounting and Measurement Focus - Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Government-wide statements are comprised of the statement of net position and the statement of activities. They contain information on all of the activities of the primary government. Most effects of inter-fund activities have been eliminated from these statements. The Statement of Net Position and the Statement of Activities are accounted for using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis of accounting, revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred or the economic asset is used. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The statement of activities is presented to show the extent that program revenue of a given activity supports direct expense. Direct expenses are those that can clearly be associated with a particular activity or program. Program revenue is grants or other contributions that are restricted to operations or a specific activity. General revenue is investment earnings.

The *Governmental Fund Balance Sheet*, and the *Statement of Governmental Fund Revenue, and Expenditures and Changes in Fund Balance* use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Expenditures related to principal and interest on the general long-term debt is paid as incurred and compensated absences are recorded only when payment is due.

The accounting policies of the Council conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of the more significant of such policies:

Short-Term Investments – Short-term investments are held by the Utah Public Treasurer's Investment Fund and are recorded at cost which approximates market value.

Capital Assets – The Council capitalizes all assets over \$1,000 and values the assets at historical

cost. Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

Building and leasehold improvement	17 years
Furniture, fixtures and equipment	3-5 years

Unemployment Benefits – The Council, by agreement with the Utah State Department of Workforce Services, does not pay unemployment taxes. Instead, the Department of Workforce Services bills the Council directly for applicable unemployment benefits payable to former Council employees. Claims are recognized as an expense when the claim is filed.

Accrued Vacation Expense – The cost of employee vacations is recorded as an expenditure at the time it is earned by the employee and is charged to the programs on which the employee works.

Accrued Sick Leave – Sick leave benefits are vested and any unused benefits may be redeemed once annually as cash payments for any accrued hours over 80 hours or upon termination of employment.

Program Revenue – The Council reports program revenue, operating grants and contributions, and capital grants and contributions. General revenue includes all investment earnings.

Reconciliation of Government-Wide and Fund Statements – Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenue, and expenses or expenditures reported in the fund financial statements and the government-wide financial statements. As a result, there must be reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

Inter-fund Transactions – In the normal course of its operations, the Council has various transactions between funds. Transfers are recognized as operating transfers in and out, respectively, by the funds receiving and providing the transfer.

Minimum Fund Balance – Utah Code requires that a minimum fund balance of 5% of the total general fund revenue be maintained and not budgeted.

Revenue from Local Sources – Revenue from local sources is generally used to meet matching revenue requirements related to Federal grants and for other approved projects. Such revenue from local sources is recognized in the period in which the funds are received. This revenue and the related receivables are principally with local governmental entities represented by the Council.

Governmental Funds – Major individual funds are reported in separate columns in the governmental fund's statements. A fund is considered major if it is the general fund of the Council. Other funds are considered major if total assets, liabilities, revenue or expenditures are at least 10% of the corresponding total for all funds of that category or type.

Wasatch Front Regional Council has two major governmental funds; the general fund and the special projects fund. The general fund is the main operating fund and accounts for all the financial resources of the Council except those required to be accounted for in another fund. The special projects fund accounts for resources dedicated to regional planning projects.

Prepays – Payments made for goods and services that will benefit periods beyond June 30, 2017, are recorded as prepaid.

Unearned Revenue – Funds which are specifically restricted as to their use are recorded as revenue

when the related costs are incurred. Such funds received in advance of costs incurred are recorded as unearned revenue. Restricted sources are used before unrestricted sources.

Indirect Costs – Indirect costs are charged to the various programs on a monthly basis. Such costs are comprised of total overhead costs for the month and are allocated based on the total person-hours worked in each program.

Budget – Annual budgets are adopted by the Board of Council members. Budgets are submitted to the State of Utah. The budgets are adopted using *the modified accrual basis of accounting*.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Council to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimated maturities.

Deferred Inflows and Outflows

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, Wasatch Front has only one deferred outflow relating to pensions.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement, deferred inflows of resources, represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Wasatch Front has only one deferred inflow related to pensions.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2—CASH AND INVESTMENTS

The Council maintains a cash and investment pool, which includes cash on hand, one cash account, and one investment account.

The Council's deposit and investment policy is to follow the Utah Money Management Act. The Council does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the Council is exposed.

Utah State law requires that the Council's funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize the risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Council and conditions for making investment transactions.

Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2017, the Council had the following deposits and investments:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>
Cash on deposit	\$ 459,531
State Treasurer's investment pool	<u>552,587</u>
Total	<u>\$ 1,012,118</u>

The Council is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. As of June 30, 2017, the Utah Public Treasurer's Investment Fund was unrated.

As of June 30, 2017, the Council had the following investments:

Investment Maturities (in Years)

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 10 Years</u>	<u>More Than 10 Years</u>
State of Utah Public Treasurer Investment fund	\$ 552,557	\$ 552,557	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 552,557</u>	<u>\$ 552,557</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk – Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

Interest Rate Risk – Interest rate risk is the risk that, changes in interest rates of debt investments, will adversely affect the fair value of an investment. The Council manages its exposure to declines in fair value by only investing in the PTIF.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Council's deposits may not be returned. As of June 30, 2017, \$354,619 of the Council's deposits were covered by federal insurance.

Custodial Credit Risk – Investments – In the case of investments, this is the risk that in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments that are in the possession of an outside party. The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in

money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are uncollateralized, and are subject to the same market risks as any similar investment in money market funds.

Components of cash and investments (including interest earning deposits) on June 30, 2017, are as follows:

Cash on hand	\$ 300
Cash on deposit	459,231
Utah State Treasurer's investment pool	<u>552,587</u>
Total	<u>\$ 1,012,118</u>

Cash and investments are included in the accompanying statement of net assets as follows:

Cash on deposit	\$ 456,542
Restricted cash	<u>555,878</u>
Total	<u>\$ 1,012,420</u>

NOTE 3—ACCOUNTS RECEIVABLE

Accounts receivable from all sources as of June 30, 2017, consisted of the following:

There is no allowance for uncollectable accounts.

UDOT Consolidated Planning Grant	\$ 289,079
UDOT Corridor Preservation	1,347
Department of Workforce Services CDBG	17,440
UDOT TLC SL	31,763
UDOT TLC WD	42,766
UTA Mobility Management	3,487
Mountainland Association of Governments	<u>25,550</u>
Total	<u>\$ 411,432</u>

NOTE 4—PROPERTY AND EQUIPMENT

A summary of changes in property and equipment for the year ended June 30, 2017, is as follows:

	Balance June 30, 2016	Additions	Retirement	Balance June 30, 2017
Non-depreciated assets				
Land	\$ 105,888	\$ -	\$ -	\$ 105,888
Total non-depreciated assets	<u>105,888</u>	<u>-</u>	<u>-</u>	<u>105,888</u>
Depreciated assets				
Building	952,993	-	-	952,993
Leasehold improvements	44,262	-	-	44,262
Equipment, furniture, and fixtures	298,572	29,507	(12,881)	315,198
Total depreciated assets	<u>1,295,827</u>	<u>29,507</u>	<u>(12,881)</u>	<u>1,312,453</u>
Less accumulated depreciation				
Building	784,817	56,058	-	840,875
Leasehold improvements	24,308	2,769	-	27,077
Equipment, furniture, and fixtures	259,295	30,693	(12,880)	277,108
Total accumulated depreciation	<u>1,068,420</u>	<u>89,520</u>	<u>(12,880)</u>	<u>1,145,060</u>
Net property and equipment	<u>\$ 333,295</u>	<u>\$ (60,013)</u>	<u>\$ (25,761)</u>	<u>\$ 273,281</u>

Depreciation expense was \$89,520 for general government.

NOTE 5—LONG-TERM DEBT

On September 4, 2001, the Council acquired land and a building to house its offices. The building was acquired through the Davis County Municipal Building Authority (“Authority”). The Authority issued \$1,153,000 of Lease Revenue Bonds with adjustable interest rates ranging from 1.49% to 5.1% with an interest rate renewal every five year. The Lease Agreement between the Authority and the Council calls for semi-annual payments of interest and principal each February and August through September 1, 2019, which coincides with the payments due on the Lease Revenue Bonds. The lease was paid in 2017, and the Council will receive title to the property.

A summary of changes in long-term debt for the year ended June 30, 2017, is as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within Within One Year
Lease revenue bond	\$ 376,000	\$ -	\$ 376,000	-	\$ -
Compensated absences					
Pension liability	1,004,144	182,137	-	1,186,281	-
Sick leave	121,243	-	(4,762)	116,481	50,000
Vacation	188,444	15,021	(67,201)	136,264	50,000
Total	1,313,831	197,158	(71,963)	1,439,026	100,000
Total long-term liabilities	<u>\$ 1,689,831</u>	<u>\$ 197,158</u>	<u>\$ 304,037</u>	<u>\$ 1,439,026</u>	<u>\$ 100,000</u>

NOTE 6—NET POSITION

The unrestricted net position of the special projects fund on June 30, 2017, was designated by the Council for future programs, local matching for Federally-funded projects and compensated absences, and unemployment compensation.

NOTE 7—RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Council carries commercial insurance. The Council carries a Workers' Compensation Policy for which the premiums are based on past experience.

NOTE 8—RETIREMENT PLANS

General Information About the Pension Plan

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following Pension Trust Funds:

- Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost-sharing, public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost-sharing, public employee retirement system;

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in title 49 provides for the administration of the Systems under the direction of the Utah State Retirement

Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

System	Final Average Salary	and/or Age Eligible For Benefits	Per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 Years any age 25 Years any age* 20 Years age 60* 10 Years age 62* 4 Years age 65	2.0% Per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 Years any age 20 Years age 60* 10 Years age 62* 4 Years age 65	1.5% Per year all years	Up to 2.5%

* With actuarial reductions

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2017, are as follows:

	Employee Paid	Employer Contribution Rate	Employer Rate for 401(k) Plan
Contribution System			
111 Local Government Div Tier 2	N/A	14.91	1.78
Noncontributory System			
15 Local Government Div. Tier 1	N/A	18.47	N/A
Tier 2 DC Only	N/A	6.69	10.00
211 Local Government			

Tier 2 rates include a statutorily required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory system	\$ 282,809	N/A
Tier 2 Public Employees System	72,155	-
Tier 2 DC Only System	5,968	N/A
Total contributions	<u>\$ 360,931</u>	<u>-</u>

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 System are used to finance the unfunded liabilities in the Tier 1 Systems.

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, we reported a net pension asset of \$0 and a net pension liability of \$1,186,281.

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share Dec. 31, 2015	Change (Decrease)
Noncontributory System	\$ -	\$ 1,180,234	0.1838020%	0.1774581%	0.0063499%
Tier 2 Public Employees System	-	6,047	0.0542080%	0.0430644%	0.0111436%
Total	<u>\$ -</u>	<u>\$ 1,186,281</u>			

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017, and rolled forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2017, we recognized pension expense of \$455,151.

At June 30, 2017, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,636	\$ 37,134
Changes in assumptions	163,330	38,965
Net difference between projected and actual earnings on pension plan investments	264,580	78,485
Changes in proportion and differences between contributions and proportionate share of contributions	39,477	-
Contributions subsequent to the measurement date	176,421	-
Total	<u>\$ 669,444</u>	<u>\$ 154,584</u>

\$176,421 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year-end, but subsequent to the measurement date of December 31, 2016. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	Deferred Outflows (Inflows) of Resources
2017	\$ 104,096
2018	105,119
2019	125,795
2020	1,399
2021	165
Thereafter	1,865

Actuarial assumptions: The total pension liability in December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 Percent
Salary increases	3.35 - 10.35 Percent, average, including inflation
Investment rate of return	7.20 Percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used on January 1, 2017, the valuation was based on the results of an actuarial experience study for the five-year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Annual Return Arithmetic Basis	Expected Portfolio Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0%	0%
	100%		5.23%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employees will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of currently active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20% from 7.50% from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1- percentage-point higher (8.20%) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Non-contributory System	\$ 2,444,664	\$ 1,180,234	\$ 125,136
Tier 2 Public Employees System	41,159	6,047	(20,665)
Total	\$ 2,485,823	\$ 1,186,281	\$ 104,471

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Savings Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as primary retirement plans. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Wasatch Front Regional Council participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan
- Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contributions Savings Plans for the fiscal year ended June 30, were as follows:

	2017	2016	2015
401(k) Plan			
Employer contributions	\$ 17,535	\$ 15,086	\$ 14,046
Employee Contributions	48,287	52,913	43,502
457 Plan			
Employer contributions	-	-	-
Employee contributions	137,664	164,779	130,912
Roth IRA Plan			
Employer contributions	N/A	N/A	N/A
Employee contributions	N/A	N/A	N/A

NOTE 9— ECONOMIC DEPENDENCY

The Council receives a substantial amount of its revenue from the U.S. Department of Transportation. This agency provides 60% of the Council's total revenue. Loss of this support could adversely affect the Council's activities.

NOTE 10— RESTRICTED CASH

The Council has restricted cash in the amount of \$555,878 for advanced grant payments.

NOTE 11 – NEWLY ISSUED ACCOUNTING STANDARDS

The GASB has issued the following statements that will apply to government reporting in future years:

GASB 81 Irrevocable Split-Interest Agreements

GASB 82 Pension Issues and Amendment OF GASB Statements NO 67, No 68, and No 73

GASB 83 Certain Asset Retirement Obligations

GASB 84 Fiduciary Activities

GASB 85 Omnibus 2017

GASB 86 Certain Debt Extinguishment Issues

GASB 87 Leases

The statements should not have a material effect on the financial statements.

NOTE 12— FUND BALANCE

These financial statements include the provisions of GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statement. Fund balances are classified as follows:

Non-spendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Council.

Assigned – Amounts that are designated by the Council for a specific purpose but are not spendable until specific conditions are met.

Unassigned – All amounts not included in the other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 11). Restricted funds are used first as appropriate. Assigned funds are used when specific conditions are met such as a request for reimbursement to Department of Workforce Services for a claim for unemployment compensation. Decreases to the fund balance first reduce Unassigned Fund Balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

NOTE 13 — FUND TRANSFERS

The Council had fund transfers of \$124,914 from the special projects fund to the general fund to pay off the lease revenue bonds.

REQUIRED SUPPLEMENTARY INFORMATION

WASATCH FRONT REGIONAL COUNCIL
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	
REVENUE				
Federal sources	\$ 82,182	\$ 82,182	\$ 82,182	\$ -
State sources	4,049	4,049	4,049	-
Local sources	37,569	183,910	185,274	1,364
Interest	4,500	15,000	15,856	856
Total revenue	<u>128,300</u>	<u>285,141</u>	<u>287,361</u>	<u>2,220</u>
EXPENDITURES				
Operating expenses	1,300	1,300	1,659	359
Capital outlay	45,000	45,000	28,937	(16,063)
Principal	76,000	376,000	376,000	-
Interest	6,000	6,000	5,746	(254)
Total expenditures	<u>128,300</u>	<u>428,300</u>	<u>412,342</u>	<u>(15,958)</u>
Excess of revenue over expenditures (usage of fund balance)	-	(143,159)	(124,981)	18,178
Other sources				
Transfers in	-	124,914	124,914	-
Transfers out	-	-	-	-
Net change in fund balance	-	(18,245)	(67)	18,178
FUND BALANCE, JULY 1	<u>95,434</u>	<u>95,434</u>	<u>95,434</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 95,434</u>	<u>\$ 77,189</u>	<u>\$ 95,367</u>	<u>\$ 18,178</u>

The accompanying notes are an integral part of this statement.

Wasatch Front Regional Council
Budgetary Comparison Schedule
Special Projects Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	
REVENUE				
Federal sources	\$ 4,210,653	\$ 4,830,550	\$ 3,491,256	\$ (1,339,294) ^a
State sources	1,163,579	1,519,154	1,461,637	(57,517)
Local sources	925,833	1,458,603	742,567	(716,036)
Total revenue	<u>6,300,065</u>	<u>7,808,307</u>	<u>5,695,460</u>	<u>(2,112,847)</u>
EXPENDITURES				
Planning	6,300,065	7,808,307	5,937,306	(1,871,001)
Total expenditures	<u>6,300,065</u>	<u>7,808,307</u>	<u>5,937,306</u>	<u>(1,871,001)</u>
Excess of revenue over expenditures (usage of fund balance)	<u>-</u>	<u>-</u>	<u>(241,846)</u>	<u>(241,846)</u>
Other sources				
Transfers out	-	(124,914)	(124,914)	-
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	124,914	(116,932)	(241,846)
FUND BALANCE, JULY 1	<u>983,330</u>	<u>983,330</u>	<u>983,330</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 983,330</u>	<u>\$ 1,108,244</u>	<u>\$ 866,398</u>	<u>\$ (241,846)</u>

Footnote revenue variance

a - When new projects are added the entire contract is included in the budget year in which it was received. However many projects are multi-year projects. Amounts not spent at the end of the fiscal year are carried forward and re-budgeted in subsequent years until the project is complete.

Wasatch Front Regional Council
Schedule of Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
December 31, 2017
Last 10 Fiscal Years*

	<u>Noncontributory System</u>	<u>Tier 2 Public Employees System</u>
Proportion of the net pension liability (asset)		
2015	0.1707007%	0.0407256%
2016	0.1774581%	0.0430644%
2017	0.1838020%	0.0542080%
Proportionate share of the net pension liability (asset)		
2015	\$ 741,223	\$ (1,234)
2016	1,004,144	(94)
2017	1,180,234	6,047
Covered employee payroll		
2015	\$ 1,402,300	\$ 199,888
2016	1,449,896	278,274
2017	1,507,181	444,548
Proportionate share of the net pension liability (asset as a percentage of its covered employee payroll)		
2015	52.9%	-0.06%
2016	69.3%	-0.03%
2017	78.3%	1.36%
Plan fiduciary net pension as a percentage of the total pension liability		
2015	90.2%	103.5%
2016	87.8%	100.2%
2017	87.3%	95.1%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history proportionate share of the Net Pension Liability (Asset) in their RSI. This schedule will be built prospectively. The schedule above is only for the current year.

WASATCH FRONT REGIONAL COUNCIL
Schedule of Required Supplementary Information
Schedule of Contributions
Utah Retirement Systems

As of Fiscal Year Ended June 30	Actuarial Determined Contributions	Contributions in Relation to the		Contribution Deficiency (excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
		Contractually Required Contribution	Covered Employee Payroll			
Noncontributory system						
2015	\$ 252,255	\$ 252,255	\$ -	\$ -	\$ 1,365,759	18.47%
2016	275,203	275,203	-	-	1,489,997	18.47%
2017	282,809	282,809	-	-	1,531,176	18.47%
Tier 2 Public employees system *						
2015	33,858	33,858	-	-	226,625	14.94%
2016	52,322	52,322	-	-	350,920	14.91%
2017	72,155	72,155	-	-	483,938	14.91%
Tier 2 Public Employees DC only system *						
2015	6,728	6,728	-	-	100,120	6.72%
2016	5,914	5,914	-	-	88,400	6.69%
2017	5,968	5,968	-	-	89,203	6.69%

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were rerated effective July 1, 2011.

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

The accompanying notes are an integral part of this statement.

WASATCH FRONT REGIONAL COUNCIL

Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2017

Changes of Assumptions

The following actuarial assumptions changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumption were decreased by 0.15% from the prior year's assumption.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

We have audited the Wasatch Front Regional Council's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2017. The general compliance requirements applicable to the Council are identified as follows:

Cash Management	Fund Balance
Budgetary Compliance	Utah Retirement Systems Compliance
Utah Public Website	Treasure Bond
Restricted Cash and Related Revenue	Open and Public Meetings Act

The Council did not receive any major state grants during the year ended June 30, 2017.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the Council's management.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the Council and its major programs, occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Council's compliance with those requirements.

Opinion on General State Compliance Requirements

In our opinion, the Wasatch Front Regional Council complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Wasatch Front Regional Council is responsible for establishing and maintaining effective internal control over compliance with the compliance requirement referred to above. In planning and performing our audit, we considered the Wasatch Front Regional Council's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Wasatch Front Regional Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with government auditing standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karren, Hendrix, Stagg, Allen & Company
Salt Lake City, Utah
October 3, 2017

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Council
Wasatch Front Regional Council, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wasatch Front Regional Council, Utah, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Wasatch Front Regional Council, basic financial statements and have issued our report thereon dated October 3, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wasatch Front Regional Council's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wasatch Front Regional Council, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wasatch Front Regional Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wasatch Front Regional Council, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions, laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karren, Hendrix, Stagg, Allen & Company
Salt Lake City, Utah
October 3, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE REQUIREMENTS

Wasatch Front Regional Council
Salt Lake City, Utah

Report on Compliance for Each Major Federal Program

We have audited the Wasatch Front Regional Council's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Wasatch Front Regional Council, major federal programs for the year ended June 30, 2017. Wasatch Front Regional Council, major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Wasatch Front Regional Council, major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Those standards and the Uniform Guidance required that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the type of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Wasatch Front Regional Council, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Wasatch Front Regional Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Wasatch Front Regional Council, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Wasatch Front Regional Council, Utah is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Wasatch Front Regional Council, internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Wasatch Front Regional Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirements of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance which we consider to be a material weakness. However, martial weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirement of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Karren Hendrix Stagg Allen and Company
Salt Lake City, Utah
October 3, 2017

WASATCH FRONT REGIONAL COUNCIL
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department	Description	Federal CFDA Number	2015-2016 Expenditures (Accrual Basis)
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Highway Administration	Consolidate Planning Grant (through Utah Department of Transportation)	20.205	\$ 3,045,597
Federal Highway Administration	Consolidated Planning Grant (through UDOT, through Mountainlands AOG)	20.205	62,990
Federal Highway Administration	STP Funds (through Utah Department of Transportation) Local	20.205	206,507
Federal Highway Administration	STP Funds (through Utah Department of Transportation) Local Planning Resource Program Weber & Davis Counties	20.205	138,858
Total Federal Highway Administration			<u>3,453,952</u>
Federal Transit Administration	Mobility Management Study (through Utah Transit Authority)	20.513	3,487
Total Federal Transit Administration			<u>3,487</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>3,457,439</u>
<u>U.S. Department of Commerce</u>			
Department of Economic Development	Support for Planning Organizations	11.302	66,000
TOTAL DEPARTMENT OF COMMERCE			<u>66,000</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Community Development Block Grant	Small city CDBG assistance (from State Dept. of Community and Economic Development through Tooele County)	14.228	50,000
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 3,573,439</u></u>

The accompanying notes are an integral part of this statement.

**WASATCH FRONT REGIONAL COUNCIL
NOTES TO FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 - PURPOSE OF THE SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards is a supplementary schedule to the Council's financial statements and is presented for purposes of additional analysis. Because the schedule presents only a selected portion of the activities of the Council, it is not intended to, and does not present financial position, changes in fund balances, or the current funds, revenue, expenditures, and other changes of the Council.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in the schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards.

Federal Awards.

Pursuant to Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* assistance is defined by a federal agency, either directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriation. Accordingly, non-monetary federal assistance, including federal surplus property, would be included in federal awards, if applicable, and therefore, would be reported on the schedule in federal awards. Federal awards include direct federal cash assistance to individuals.

Type A and Type B Programs

The Single Audit Act Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* establish the levels of expenditures or expenses to be used in defining Type A and Type B federal award programs. Type A programs, for the Council, are those programs which exceed \$750,000 in federal expenditures, distributions, or issuances for the fiscal year ended June 30, 2017.

Reporting Entity

The reporting entity is fully described in Note 1 of the Council financial statements. The schedule includes all federal award programs administered by the Council for the year ended June 30, 2017.

Basis of Accounting

The expenditures in the schedule are recognized as incurred based on the modified accrual basis of accounting and the cost accounting principles contained in the Uniform Guidance, Cost Principles for State and Local Governments. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

Matching Costs

The schedule does not include matching expenditures.

10% de minimis indirect cost rate

The entity did not choose to use the 10% minimis cost rate.

Direct and Indirect Flow-Through Federal Assistance

Some of the Council's Federal awards are received directly from the granting federal agency. However, the majority of federal awards as identified on the schedule are passed through a separate entity prior to receipt by the Council.

Sub-recipients

The Council does not pass through to any sub-recipients.

**WASATCH FRONT REGIONAL COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements.
2. No significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Wasatch Front Regional Council were disclosed by the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the accompanying schedule.
5. The auditors' report on compliance for the major federal award program of Wasatch Front Regional Council expresses an unqualified opinion.
6. There are no audit findings relating to the federal award programs that are required to be reported.
7. The program tested as a major program was Federal Highway Administration, CFDA Number 20.205.
8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. Wasatch Front Regional Council was determined to be a low-risk auditee as defined by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDING AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

None

**WASATCH FRONT REGIONAL COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PRIOR YEAR**

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDING AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

None

**WASATCH FRONT REGIONAL COUNCIL
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2017**

DESCRIPTION	CPG GRANT	TRANSIT SUPPORT	TOOELE VALLEY RPO	LOCAL GOVT SERVICE	CORRIDOR PRESERVATION
REVENUES					
Federal sources:	3,045,596.84	-	-	-	-
Total federal sources	3,045,596.84	-	-	-	-
State sources:					
State funds	140,000.00	-	-	-	8,114.07
Total state sources	140,000.00	-	-	-	8,114.07
Local sources:					
Cities and counties	38,100.63	-	2,484.46	101,291.49	-
Transfer between funds					
Other	43,058.76	64,905.81	-	-	-
Total local sources	81,159.39	64,905.81	2,484.46	101,291.49	-
TOTAL REVENUE	3,266,756.23	64,905.81	2,484.46	101,291.49	8,114.07
EXPENDITURES					
Salaries and employee benefits	2,356,307.42	51,101.15	2,093.12	70,916.13	6,786.81
Contractual services	192,634.59	-	-	-	-
Equipment - purchase	-	-	-	-	-
Equipment - rental	17,927.66	-	-	-	-
Equipment - repair/maintenance	-	-	-	-	-
Rent - building	46,093.14	1,122.84	32.95	1,349.93	107.90
Rent - building operating exp	48,815.95	1,213.19	31.01	857.26	104.77
Travel	49,008.81	-	-	4,418.85	23.55
Training	27,396.15	-	-	-	-
Publications	5,420.41	-	-	-	-
Supplies & software	33,017.74	-	-	5,407.60	-
Telephone & data	23,680.56	453.94	12.91	464.18	42.50
Accounting	-	-	-	-	-
Dues and subscriptions	8,380.00	-	-	4,000.00	-
Insurance	-	-	-	-	-
Legal	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Bank charges and other	-	-	-	-	-
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
Indirect cost	458,073.80	11,014.69	314.47	13,877.54	1,048.54
TOTAL EXPENDITURES	3,266,756.23	64,905.81	2,484.46	101,291.49	8,114.07
OTHER REVENUE/(EXPENSE)					
Interest income	-	-	-	-	-
TOTAL OTHER REV/(EXP)	-	-	-	-	-
Excess of revenue over (under) expenditures	(0.00)	(0.00)	-	0.00	(0.00)

DESCRIPTION	SALT LAKE COG	CIB \$2K GRANT	ECONOMIC DEVELOPMENT	CDBG TOOELE	TLC ADMIN
REVENUES					
Federal sources:	-	-	66,000.00	50,000.00	-
Total federal sources	-	-	66,000.00	50,000.00	-
State sources:					
State funds	-	2,000.00	-	-	-
Total state sources	-	2,000.00	-	-	-
Local sources:					
Cities and counties	64,820.64	-	66,000.00	-	-
Transfer between funds					
Other	-	-	-	-	-
Total local sources	64,820.64	-	66,000.00	-	-
TOTAL REVENUE	64,820.64	2,000.00	132,000.00	50,000.00	-
EXPENDITURES					
Salaries and employee benefits	52,060.01	1,639.26	96,342.94	38,974.91	-
Contractual services	-	-	-	-	-
Equipment - purchase	-	-	-	-	-
Equipment - rental	-	-	-	-	-
Equipment - repair/maintenance	-	-	-	-	-
Rent - building	874.81	32.19	2,361.51	711.04	315.25
Rent - building operating exp	949.25	20.32	2,467.23	831.98	318.10
Travel	978.07		2,542.17	2,006.19	-
Training	-	-	-	473.40	-
Publications	-	-	521.71	146.12	-
Supplies & software	1,234.26	-	2,535.84	-	-
Telephone & data	347.68	12.13	1,449.16	307.41	123.66
Accounting	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-
Insurance	-	-	-	-	-
Legal	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Bank charges and other	-	-	-	-	-
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
Indirect cost	8,376.56	296.10	23,779.44	6,548.95	(757.01)
TOTAL EXPENDITURES	64,820.64	2,000.00	132,000.00	50,000.00	-
OTHER REVENUE/(EXPENSE)					
Interest income	-	-	-	-	-
TOTAL OTHER REV/(EXP)	-	-	-	-	-
Excess of revenue over (under) expenditures	-	-	-	(0.00)	-

**WASATCH FRONT REGIONAL COUNCIL
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2017**

DESCRIPTION	TLC SL	TLC WD	TOOELE VALLEY RTP UPDATE	MOBILITY MGMT	LEGISLATIVE CONSULTANT
REVENUES					
Federal sources:	206,507.06	138,857.72	-	3,486.61	-
Total federal sources	<u>206,507.06</u>	<u>138,857.72</u>	<u>-</u>	<u>3,486.61</u>	<u>-</u>
State sources:					
State funds	-	-	3,196.54	-	-
Total state sources	<u>-</u>	<u>-</u>	<u>3,196.54</u>	<u>-</u>	<u>-</u>
Local sources:					
Cities and counties	235,259.46	31,998.69	-	-	50,000.00
Transfer between funds					
Other	-	-	-	-	-
Total local sources	<u>235,259.46</u>	<u>31,998.69</u>	<u>-</u>	<u>-</u>	<u>50,000.00</u>
TOTAL REVENUE	<u>441,766.52</u>	<u>170,856.41</u>	<u>3,196.54</u>	<u>3,486.61</u>	<u>50,000.00</u>
EXPENDITURES					
Salaries and employee benefits	34,772.15	38,466.67	2,691.72	2,962.19	-
Contractual services	395,185.64	118,233.84	-	-	50,000.00
Equipment - purchase	-	-	-	-	-
Equipment - rental	-	-	-	-	-
Equipment - repair/maintenance	-	-	-	-	-
Rent - building	711.71	1,094.43	41.48	40.23	-
Rent - building operating exp	896.28	1,293.58	33.37	44.75	-
Travel	-	-	-	-	-
Training	-	-	-	-	-
Publications	-	-	-	-	-
Supplies & software	-	-	-	-	-
Telephone & data	301.56	465.58	18.08	16.80	-
Accounting	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-
Insurance	-	-	-	-	-
Legal	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Bank charges and other	-	-	-	-	-
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
Indirect cost	9,899.18	11,302.31	411.89	422.64	-
TOTAL EXPENDITURES	<u>441,766.52</u>	<u>170,856.41</u>	<u>3,196.54</u>	<u>3,486.61</u>	<u>50,000.00</u>
OTHER REVENUE/(EXPENSE)					
Interest income	-	-	-	-	-
TOTAL OTHER REV/(EXP)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over (under) expenditures	<u>(0.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>-</u>	<u>-</u>

DESCRIPTION	MAG MODEL DEVELOPMENT	GPI DECISION SUPPORT	MTN ACCORD PROJECT MGMT	STREET CONNECTIVITY	OQUIRRH CONNECTION
REVENUES					
Federal sources:	54,989.90	-	-	8,000.00	-
Total federal sources	<u>54,989.90</u>	<u>-</u>	<u>-</u>	<u>8,000.00</u>	<u>-</u>
State sources:					
State funds	-	-	1,281,073.32	31,301.71	-
Total state sources	<u>-</u>	<u>-</u>	<u>1,281,073.32</u>	<u>31,301.71</u>	<u>-</u>
Local sources:					
Cities and counties	-	-	-	-	181,439.03
Transfer between funds					
Other	-	47,542.90	-	-	-
Total local sources	<u>-</u>	<u>47,542.90</u>	<u>-</u>	<u>-</u>	<u>181,439.03</u>
TOTAL REVENUE	<u>54,989.90</u>	<u>47,542.90</u>	<u>1,281,073.32</u>	<u>39,301.71</u>	<u>181,439.03</u>
EXPENDITURES					
Salaries and employee benefits	-	10,078.49	-	-	7,179.79
Contractual services	54,989.90	34,995.33	1,281,073.32	39,301.71	172,720.74
Equipment - purchase	-	-	-	-	-
Equipment - rental	-	-	-	-	-
Equipment - repair/maintenance	-	-	-	-	-
Rent - building	-	209.03	-	-	128.55
Rent - building operating exp	-	141.61	-	-	147.14
Travel	-	-	-	-	-
Training	-	-	-	-	-
Publications	-	-	-	-	-
Supplies & software	-	-	-	-	-
Telephone & data	-	91.16	-	-	50.90
Accounting	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-
Insurance	-	-	-	-	-
Legal	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Bank charges and other	-	-	-	-	-
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
Indirect cost	-	2,027.28	-	-	1,211.91
TOTAL EXPENDITURES	<u>54,989.90</u>	<u>47,542.90</u>	<u>1,281,073.32</u>	<u>39,301.71</u>	<u>181,439.03</u>
OTHER REVENUE/(EXPENSE)					
Interest income	-	-	-	-	-
TOTAL OTHER REV/(EXP)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

DESCRIPTION	ALLOCABLE			TOTAL
	INDIRECT	SPECIAL PROJ/ GENERAL	FUND	
REVENUES				
Federal sources:	-	-	-	3,573,438.13
Total federal sources	-	-	-	3,573,438.13
State sources:				
State funds	-	-	-	1,465,685.64
Total state sources	-	-	-	1,465,685.64
Local sources:				
Cities and counties	-	-	-	771,394.40
Transfer between funds	-	-	-	-
Other	-	-	1,364.73	156,872.20
Total local sources	-	-	1,364.73	928,266.60
TOTAL REVENUE	-	-	1,364.73	5,967,390.37
EXPENDITURES				
Salaries and employee benefits	-	-	430,369.40	3,268,721.01
Contractual services	-	-	-	2,339,135.07
Equipment - purchase	-	-	-	28,938.03
Equipment - rental	-	-	12,198.37	(30,126.03)
Equipment - repair/maintenance	-	-	17,428.08	17,428.08
Rent - building	-	-	9,580.72	(64,572.96)
Rent - building operating exp	-	-	9,967.08	68,132.87
Travel	-	-	4,568.49	63,546.13
Training	-	-	1,920.00	29,789.55
Publications	-	-	-	6,088.24
Supplies & software	-	-	23,616.69	65,812.13
Telephone & data	-	-	5,198.51	33,036.72
Accounting	-	-	15,016.92	15,016.92
Dues and subscriptions	-	-	-	12,380.00
Insurance	-	-	14,370.83	14,370.83
Legal	-	-	3,284.00	3,284.00
Miscellaneous	-	-	-	-
Bank charges and other	-	-	-	1,659.13
Debt service - principal	-	-	-	376,000.00
Debt service - interest	-	-	-	5,745.60
Indirect cost	-	-	(547,519.09)	329.20
TOTAL EXPENDITURES	-	-	-	6,349,648.26
OTHER REVENUE/(EXPENSE)				
Interest income	-	-	-	15,856.32
TOTAL OTHER REV/(EXP)	-	-	-	15,856.32
Excess of revenue over (under) expenditures	-	-	-	(366,401.57)

DATE: October 12, 2017
AGENDA ITEM: 4
SUBJECT: Lease of Space from Cicero Group at Gateway
PREPARED BY: Ned Hacker

BACKGROUND:

As you may remember in July we updated you on potential new office space we had identified at the north end of the Gateway in Salt Lake City. We had already been engaged in productive discussions with the Cicero Group about leasing the space and WFRC Chair Mike Caldwell and Vice-Chair Bret Millburn toured the facility.

The proposed space is ideal for WFRC in several ways:

- It is centrally located in the region, with easy access to I-15 and dedicated underground parking, and is within easy walking distance of TRAX and FrontRunner, as well as being highly accessible by biking and walking.
- The space itself has approximately 11,000 “usable square feet” (which translates to approximately 13,000 “rentable square feet”). This compares to our current building which has approximately 16,000 usable square feet; however due to the size of our organization, and our office’s less-than-ideal location and configuration, much of our current space is underutilized. The new space will allow for good, collaborative accommodations for staff as well as excellent meeting and conference space for Council and other meetings.
- The new space is at a mixed-use location, with commercial, business, and residential uses served by multiple transportation modes. This provides a meaningful “practice what you preach” opportunity for WFRC.

Since July we have continued our lease negotiations with the Cicero Group. Forwarded with this Memo is the Final Draft Lease Agreement, for your review and consideration. The following are key terms of the Lease:

- Base lease rate of \$22.50 psf, with 3% annual inflation. This is a middle-of-the-road rate for office space downtown.
- Five-year lease term, with an option for renewal for another five years.
- Tenant improvements would be added to the lease, and amortized over ten years, with no inflation. Therefore, if the improvements cost \$500,000, that would be \$50,000 per year, which translates to a lease add-on of \$3.75 per rentable square foot.
- Dedicated parking spaces for \$65 per month, with additional room for validated parking for visitors.
- Anticipated lease starts February 1, 2018, with the first three (3) months rent free.

Under these terms, the total annual cost for WFRC would be approximately \$350,000 per year. That cost represents approximately 6% of our total annual budget. We believe that this expense is reasonable for the organization, and a fair deal given market conditions.

The budgetary approach for the lease costs was detailed in a memo provided to the Budget Committee on July 5, 2017, and was discussed in detail with the Budget Committee on July 7, 2017. The current FY’18 budget is adequate to cover the lease costs. The FY’19 budget will be prepared to reflect the final projected costs, including the transfer of an additional \$100,000 in STP funding as we discussed.

The costs for furnishing and equipping the new office space can be accommodated within the existing WFRC FY’18 budget.

Adjustments to the FY'18 budget needed to reallocate resources among funds within the budget will be detailed in a separate memo relating to FY'18 budget amendments.

RECOMMENDATION:

The WFRC Council has authorized the WFRC Chair, in consultation with the WFRC Budget Committee, to execute documents regarding the purchase or lease of new office space. Pending any concerns or recommendations by the WFRC Budget Committee, we will move forward with the WFRC Chair signing the Lease Agreement.

EXHIBITS: This is informational only.

CONTACT INFORMATION:

Andrew Gruber, (801) 824-0055

Ned Hacker, (801) 363-4250 x 1120

Loveit Baumgardner, (801) 363-4230 x 1102

LEASE
Cicero Building

between

Fielding Group, LLC,
a Utah limited liability company,
as Landlord,

and

Wasatch Front Regional Council,
a Utah interlocal entity,
as Tenant

Dated October ____, 2017

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EXHIBIT A WORK LETTER Exhibit A-1

EXHIBIT B RULES..... Exhibit B-1

LEASE

THIS LEASE (this “*Lease*”) is entered into as of the [redacted] day of October, 2017, between Fielding Group, LLC, a Utah limited liability company (“*Landlord*”), and Wasatch Front Regional Council, a Utah interlocal entity created pursuant to Utah Code Title 11, Chapter 13 (“*Tenant*”). (Landlord and Tenant are referred to in this Lease collectively as the “*Parties*” and individually as a “*Party*.”)

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

1. **Definitions.** As used in this Lease, each of the following terms shall have the meaning indicated:

“*ADA*” means the Americans with Disabilities Act of 1990, as amended and with its associated regulations.

“*affiliate*” means an entity that directly or indirectly controls (including a direct or indirect parent), is controlled by (including a direct or indirect subsidiary), or is under common control with, the entity concerned, where “*control*” is the holding of fifty percent (50%) or more of the outstanding voting interests, or the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract or otherwise.

“*Alteration*” means any alteration, change, addition, improvement or repair to the Premises, including, without limitation, the attachment of any fixture (including any so-called “trade fixture”), equipment or signage, or the addition of any pipe, line, wire, cable, conduit or related facility for water, electricity, natural gas, telecommunication (including Tenant’s voice and data lines, wiring, cabling and facilities), sewer or other utility, but excluding (i) the moving of Tenant’s furniture (including cubicles), phones, computers and other personal property, provided that each of the foregoing is readily movable and unattached to the Premises, and (ii) the hanging of typical pictures, diplomas and similar items.

“*applicable municipality*” means the City of Salt Lake City, Utah.

“*Base Year*” means calendar year 2018.

“*Base Year Operating Expenses*” means Operating Expenses that are actually incurred in the Base Year, as adjusted in accordance with this Lease.

“*Basic Monthly Rent*” means the following amounts commencing on the date that is three (3) calendar months after the Commencement Date (or, if the Commencement Date does not occur on the first day of a calendar month, on the date that is three (3) calendar months after the first day of the calendar month following the Commencement Date) and continuing thereafter for the periods indicated based on 12,600 rentable square feet, which amounts are subject to adjustment as set forth in the definition of “Premises”; *provided, however*, that if the Commencement Date occurs on a date other than the Projected Commencement Date, then the periods set forth below shall begin on such other date that is the Commencement Date (as memorialized in a certificate entered into between the Parties) and shall shift accordingly in a manner consistent with the definition of “Expiration Date” (with the Expiration Date being on the last day of the relevant month):

Dates	Square Feet	Base Rent PSF	Basic Monthly Rent	Annual Base Rent
--------------	--------------------	----------------------	---------------------------	-------------------------

2/1/2018 – 4/30/2018	12,600	\$0	\$0	\$0
5/1/2018 – 12/31/2018	12,600	\$22.50	\$23,437.50	\$281,250
1/1/2019 – 12/31/2019	12,600	\$23.17	\$24,333.75	\$292,005
1/1/2020 – 12/31/2020	12,600	\$23.87	\$25,063.76	\$300,765.15
1/1/2021 – 12/31/2021	12,600	\$24.59	\$25,815.41	\$309,784.86
1/1/2022 – 12/31/2022	12,600	\$25.33	\$26,596.50	\$319,158
1/1/2023 – 4/30/2023	12,600	\$26.09	\$27,394.40	\$328,732.74

If the extension option is exercised pursuant to Section 3.3 herein, then the Basic Monthly Rent shall be as follows:

Dates	Square Feet	Base Rent PSF	Basic Monthly Rent	Annual Base Rent
5/1/2023 – 4/30/2024	12,600	\$26.09	\$27,394.40	\$328,732.74
5/1/2024 – 4/30/2025	12,600	\$26.87	\$28,216.34	\$338,596.02
5/1/2025 – 4/30/2026	12,600	\$27.68	\$29,059.91	\$348,718.86
5/1/2026 – 4/30/2027	12,600	\$28.51	\$29,935.50	\$359,226
5/1/2027 – 4/30/2028	12,600	\$29.37	\$30,833.57	\$370,002.78

“*best efforts*” means best, commercially reasonable efforts, exercised in good faith and with due diligence.

“*Building*” means the Cicero building with the street address of 41 N. Rio Grande, Salt Lake City, Utah, which contains approximately 63,556 rentable square feet, subject to final measurement and verification as set forth in the definition of “Premises”.

“*Building Hours*” means Monday through Friday from 7:00 a.m. to 7:00 p.m.

“*business day*” means any day other than a Saturday, Sunday or legal holiday on which banks in Utah are authorized by Laws to close.

“*Commencement Date*” means the earlier of the following, with either of such dates to be certified by Landlord’s architect to Tenant:

- (i) the date on which Substantial Completion occurs; or
- (ii) February 1, 2018.

“*Common Areas*” means all areas and facilities on the Property that are provided for the general, nonexclusive use and convenience of more than one tenant of the Building, including, without limitation, driveways, parking areas, walkways, delivery areas, trash removal areas, landscaped areas, entryways, lobbies, hallways, stairways, elevators and restrooms, subject to Paragraph 9.4.

“*Comparable Buildings*” means other comparable suburban office buildings in the Salt Lake County area.

“Condemnation Proceeding” means any action or proceeding in which any interest in the Property is taken for any public or quasi-public purpose by any lawful authority through the exercise of the power of eminent domain or by purchase or other means in lieu of such exercise.

“Default Rate” means the greater of (i) the Prime Rate plus four percent (4%) per annum, or (ii) twelve percent (12%) per annum.

“Environmental Laws” means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Hazardous Materials Transportation Act and the Resource Conservation and Recovery Act, each as amended and with its associated regulations, and all other Laws relating to Hazardous Materials existing on or after the date of this Lease.

“Estimated Operating Expenses” means the projected amount of Operating Expenses for any given Operating Year as reasonably estimated by Landlord in a manner consistent with Comparable Buildings.

“Expiration Date” means the date that is the last day of the month, sixty three (63) months after the later of the following:

(i) the Commencement Date, if the Commencement Date occurs on the first day of a calendar month; or

(ii) the first day of the first full calendar month following the Commencement Date, if the Commencement Date does not occur on the first day of a calendar month, as such date may be extended or sooner terminated in accordance with this Lease.

“force majeure” has the meaning set forth in Paragraph 22.2.

“Hazardous Materials” means substances defined as “hazardous materials,” “hazardous wastes”, “hazardous substances” or “toxic substances” or similarly defined in any Environmental Laws, as well as so-called industrial and biomedical wastes.

“HVAC” means heating, ventilating and air conditioning.

“Improvements” means the Building and the related improvements owned by Landlord.

“Interest Rate” means the Prime Rate plus two percent (2%) per annum.

“Landlord Default” has the meaning set forth in Paragraph 16.4.

“Landlord Delay” shall have the meaning set forth in Paragraph 2 of the attached Exhibit A.

“Laws” means any or all applicable federal, state and local laws, statutes, codes, ordinances, rules, regulations requirements, judgments, decrees, writs, orders, licenses, guidelines and policies, including, without limitation, the ADA and Environmental Laws, together with future enactments and amendments, insurance regulations and requirements, utility company requirements, administrative promulgations and governmental orders, and any requirements or conditions on or with respect to the issuance, maintenance or renewal of any

permits, consents, decisions, qualifications, licenses, certifications or exemptions from, and all filings with, and any notice to, any government or quasi-governmental authority.

“*Lease end*” means the expiration of the Term or the sooner termination of this Lease.

“*Non-Consent Transfer*” means any assignment or sublease permitted without Landlord’s consent, as described in Paragraph 10.2.

“*Operating Expenses*” means all reasonable, customary and actual costs, expenses, fees and other charges incurred or payable by Landlord in connection with this Lease (including, without limitation, those incurred or payable under Paragraphs 8.1, 9.1 and 12.2) and the ownership, operation, management, maintenance and repair of the Property (which operation, management, maintenance and repair shall be performed by Landlord in a manner consistent with Comparable Buildings), determined in accordance with generally accepted accounting principles consistently applied to the extent applicable to cash-basis accounting, including, without limitation, the reasonable, customary and actual costs, expenses, fees and other charges of the following, subject to the OpEx Adjustments and excluding the OpEx Exclusions:

- (i) real property taxes and assessments and, if applicable (e.g., lobby furniture, movable generators and other personal property directly and reasonably related to the operation of the Property), personal property taxes and assessments (and any tax levied in whole or in part in lieu of or in addition to such taxes and assessments);
- (ii) rent and gross receipts taxes, except to the extent imposed in lieu of income taxes;
- (iii) assessments for the Project levied under a common maintenance regime; *provided*, that such assessments shall not exceed assessments generally charged under common maintenance regimes for projects comparable to the Project, and the cost of common area maintenance allocated to the Building shall be determined by reference to the floor area of the Building compared to the floor area of all buildings included within such common maintenance regime;
- (iv) removal of snow, ice, trash and other refuse;
- (v) landscaping, cleaning, sweeping, janitorial, parking and security services;
- (vi) resurfacing, re-striping and resealing of parking areas, and replacing damaged or worn-out improvements (including lighting) located in the Common Areas;
- (vii) fire protection, including alarm and sprinkler systems;
- (viii) utilities (including, without limitation, the utilities used in the Premises, but excluding the cost of separately metered utilities provided to the Premises and paid directly by Tenant or provided to other premises in the Building);
- (ix) supplies and materials used in connection with the operation, management, maintenance and repair of the Property;
- (x) premiums for insurance carried by Landlord pursuant to Paragraph 12.2 (except for any increase in insurance premiums caused by the acts or omissions of other tenants of the Building);

(xi) licenses, permits and inspections directly and reasonably related to the operation of the Property;

(xii) administrative services, including, without limitation, clerical and accounting services, directly and reasonably related to the operation, management, maintenance and repair of the Property;

(xiii) labor and personnel directly and reasonably related to the operation, management, maintenance and repair of the Property (but excluding costs, expenses, fees and other charges for employees of Landlord above the senior building manager level);

(xiv) [reserved];

(xv) rental or a reasonable allowance for depreciation of personal property used for normal maintenance, repair and janitorial services in connection with the Property;

(xvi) improvements to and maintenance and repair of the Building and all equipment used in the Building, so long as such equipment is maintained as required by the manufacturer's specifications;

(xvii) management services attributable to the Property; *provided*, that:

(a) the cost of such management services shall not exceed management fees generally charged by property management companies for Comparable Buildings, and in no event shall such management fees exceed five percent (5%) of the monthly rents for the Building; and

(b) the cost of such management services comprising a part of Base Year Operating Expenses shall not be at a discounted cost;

(xviii) that part of office rent or the rental value of space in the Building or another building used by Landlord to operate, manage, maintain and repair the Property; *provided, however*, that the office rent or the rental value of such space and the amount of such space shall be reasonable under the circumstances; and

(xix) compliance with Laws.

“Operating Year” means each calendar year, all or a portion of which falls within the Term.

“OpEx Adjustments” means the following adjustments to Operating Expenses:

(i) All Operating Expenses shall be computed on an annual basis, and shall be reduced by all cash, trade or quantity discounts, reductions, reimbursements, refunds or credits received by Landlord (net of reasonable expenses incurred in obtaining the same, if any) in the purchase of any goods, utilities, insurance or services in connection with the operation, management, maintenance and repair of the Property.

(ii) All Operating Expenses that are considered capital repairs, replacements, improvements, and equipment under generally accepted accounting principles in excess of \$5,000 shall be amortized by Landlord over a period equal to the useful life of the improvement concerned in accordance with generally accepted accounting principles, such amortized cost and related interest shall only be included in Operating Expenses for that portion of the useful life of such

improvement that falls within the Term, and only the amortized portion of such cost and related interest applicable to a given Operating Year shall be included in the Operating Expenses for such Operating Year.

(iii) When Landlord, acting reasonably, deems it reasonable to do so, Landlord shall contest any real property taxes or assessments applicable to the Property, and any reduction in, or refund of, such taxes or assessments, less any reasonable expenses incurred by Landlord in achieving such reduction, shall inure to the benefit of Tenant and the other tenants of the Building.

(iv) If the Building is in operation for less than all of the Base Year, Base Year Operating Expenses shall be prorated by Landlord to the amount that Operating Expenses would have been if the Building had been in operation for all of the Base Year.

(v) If all or any portion of the Property is subject to any tax abatement program or otherwise not fully assessed for the purpose of real property taxes for the Base Year, Base Year Operating Expenses shall be grossed up to reflect what the real property taxes would have been for the Base Year if the Property had been fully assessed. After the retirement of any special assessments included in Base Year Operating Expenses, Base Year Operating Expenses shall be reduced to eliminate such special assessments to the extent that such special assessments are included in Base Year Operating Expenses but not included in Operating Expenses in the Operating Year concerned. Operating Expenses in any Operating Year following the Base Year shall not include any increases in real property taxes resulting solely from a new addition to the Building or other portions of the Property, such as the new addition of a Building floor or a structured parking terrace.

(vi) Operating Expenses (including, without limitation, Base Year Operating Expenses) that vary with occupancy (including, without limitation, real property taxes) and are attributable to any part of the Term in which less than ninety-five percent (95%) of the rentable area of the Building is occupied by tenants shall be adjusted by Landlord to the amount that Operating Expenses that were actually incurred or payable would have been if ninety-five percent (95%) of the rentable area of the Building had been occupied by tenants for the period concerned.

(vii) Base Year Operating Expenses shall not include any atypical, non-repetitive costs, expenses, fees or other charges incurred or payable by Landlord in the Base Year that would artificially inflate Base Year Operating Expenses, such as (without limiting the generality of the foregoing) costs comprising Landlord's reasonable insurance deductible related to a casualty occurring in the Base Year or a one-time governmental or quasi-governmental assessment made in the Base Year.

“OpEx Commencement Date” means January 1st of the Operating Year following the Base Year.

“OpEx Exclusions” means the following, which shall be excluded from Operating Expenses:

(i) costs incurred in connection with the initial development and improvement of the Property, including, without limitation, impact fees;

(ii) any expenditure required to be capitalized for federal income tax purposes that is in the nature of a new addition to the Building or other portions of the Property, such as the new addition of a Building floor or a structured parking terrace, as distinguished from such an expenditure (the amortized cost of which *shall* be included in Operating Expenses) that is in the nature of a replacement of an existing improvement, such as a replacement HVAC unit or the replacement of parking area surfaces;

(iii) non-cash items, such as but not limited to depreciation and amortization (except as expressly set forth in subparagraph (xv) in the definition of “Operating Expenses” with respect to certain personal property);

(iv) debt service on indebtedness secured by any mortgage, deed of trust or similar instrument encumbering the Property, and points, prepayment penalties and financing and refinancing costs for such indebtedness, including, without limitation, the cost of appraisals, title insurance and environmental, geotechnical, zoning and other reports;

(v) expenses of procuring tenants and marketing, negotiating and enforcing Building leases, including, without limitation, brokerage commissions, attorneys’ fees, advertising and promotional expenses, rent concessions and costs incurred in removing and storing the property of former tenants and other occupants of the Building;

(vi) expenses of any tenant improvement work that Landlord performs for any tenant or prospective tenant of the Building, including, without limitation, tenant improvement work to the Premises that Landlord performs for Tenant, and of relocating and moving any tenant in the Building;

(vii) items for which Landlord is otherwise reimbursed or entitled to be reimbursed, including, without limitation, by insurance or condemnation proceeds or under any warranties;

(viii) expenses (including, without limitation, penalties and interest) resulting from the violation of Laws or any contract by Landlord, Landlord’s employees, agents or contractors or other tenants of the Building;

(ix) penalties, charges and interest for late payment by Landlord;

(x) (a) Landlord’s income, franchise, capital stock, inheritance, estate, gift, sales, capital levy, excess profits, transfer and revenue taxes; (b) other taxes, assessments and charges imposed on or measured by gross income; (c) Landlord’s general corporate overhead; and (d) leasehold taxes on other tenants’ personal property;

(xi) to the extent of such excess, any expense paid to Landlord or an affiliate of Landlord for goods and services that is in excess of the amount that would be paid in the absence of such relationship for comparable goods and services delivered or rendered by unaffiliated third parties on a competitive basis;

(xii) expenses for repairs and other work caused by (a) construction or design defects, (b) subsurface or soil conditions, (c) the failure of the Improvements to comply as of the Commencement Date with any then-existing Laws, (d) the exercise of the right of eminent domain, or (e) fire, windstorm and other insured casualty (excluding costs comprising Landlord’s reasonable insurance deductible), and any uninsured or under-insured casualty;

(xiii) expenses as a result of the presence of Hazardous Materials in the Building or on the Property;

(xiv) expenses in connection with services or other benefits provided on an ongoing basis to other Building tenants that are not available to Tenant;

(xv) costs as a result of (a) the negligence or willful misconduct of Landlord or Landlord’s employees, agents or contractors, (b) the breach by Landlord of any lease in the Building, and (c) the negligence or willful misconduct of other identified tenants of the Building;

(xvi) costs for which Landlord bills other tenants directly (other than as a part of Operating Expenses) under the provisions of such tenants' leases, and the cost of any item or service for which Tenant separately reimburses Landlord or pays third parties;

(xvii) rental under any ground or underlying lease and under any lease or sublease assumed, directly or indirectly, by Landlord (e.g., a take-back sublease);

(xviii) charitable, civic and political contributions and professional dues;

(xix) costs for the acquisition, leasing, maintenance and insurance of paintings, sculptures and other objects of art located in the Building;

(xx) costs arising from actual and potential claims, litigation and arbitration pertaining to Landlord and the Property (including in connection therewith all attorneys' fees and costs of settlement and judgments and payments in lieu thereof);

(xxi) expenses for the use of the Building to accommodate events including, without limitation, shows, promotions, kiosks, displays, filming, photography, private events and parties and ceremonies;

(xxii) entertainment, dining and travel expenses;

(xxiii) costs of flowers (excluding flowers used to decorate the lobbies and other common areas in the Building), gifts, balloons, etc. provided to any person, including, without limitation, Tenant, other tenants, employees, vendors, contractors, prospective tenants and agents;

(xxiv) costs of selling, syndicating and otherwise transferring the Property and Landlord's interest in the Property, including, without limitation, brokerage commissions, attorneys' and accountants' fees, closing costs, title insurance premiums and transfer and other similar taxes and charges;

(xxv) costs of installing, operating and maintaining any specialty service such as an observatory, broadcast facility, luncheon, athletic or recreational club, child care, restaurant, cafeteria, delicatessen or other dining facility, hair salon or other retail use or commercial concession operated by Landlord, but Operating Expenses may include the costs of operating and maintaining any gym or fitness center for the general use of tenants in the Building (including Tenant);

(xxvi) costs of magazine, newspaper, trade and other subscriptions;

(xxvii) costs of "tenant relations" parties, events and promotions inconsistent with other Comparable Buildings;

(xxviii) costs of "tap fees" and sewer and water connection fees for the benefit of any particular tenant in the Building;

(xxix) costs of traffic studies, environmental impact reports, transportation system management plans and reports, traffic mitigation measures and other similar matters;

(xxx) auditing fees other than those incurred by Landlord in connection with the performance of its obligations under this Lease and other leases in the Building; and

(xxx) reserves of any kind.

“Permitted Use” means only the following, and no other purpose: general office purposes, including normal and reasonable uses customarily incidental thereto, such as executive, administrative, technical support, customer service and data functions. In no event may the Premises be used as a call center or as an executive office suite operation without Landlord’s prior consent; *provided, however*, that the prohibition of a call center shall not prohibit or limit any typical business or customer service telephone communication of the type currently conducted by Weave Communications, Inc.

“person” means any individual (male or female), corporation, limited liability company, partnership, joint venture, estate, trust, association or other entity.

“Premises” means Suite 102 on the second floor of the Building, consisting of approximately 12,600 rentable square feet, to be designed and constructed in accordance with the Work Letter attached hereto as Exhibit A and subject to final measurement and verification as set forth below in this definition. The Premises do not include, and Landlord reserves, the land and other area beneath the floor of the Premises, the pipes, ducts, conduits, wires, fixtures and equipment above the suspended ceiling of the Premises and the structural elements that serve the Premises or comprise the Building; *provided, however*, that, subject to Paragraphs 9.2 and 17.1, Tenant may, at Tenant’s sole cost and expense, install Tenant’s voice and data lines, wiring, cabling and facilities above the suspended ceiling of the Premises for the conduct by Tenant of business in the Premises for the Permitted Use. Landlord’s reservation includes the right to install, use, inspect, maintain, repair, alter and replace those areas and items and to enter the Premises in order to do so in accordance with and subject to Paragraph 9.3. Notwithstanding anything herein to the contrary, Landlord and Tenant agree that prior to the Commencement Date, the number of rentable square feet comprising the Premises shall be measured and confirmed in writing by a signed and stamped letter from Tenant’s licensed architect, to be attached to the Lease as an addendum. If the number of rentable square feet comprising the Premises is more or less than 12,600, the Basic Monthly Rent and other amounts that vary by the size of the Premises (including Tenant’s Percentage of Operating Expenses) will be appropriately adjusted.

“Prime Rate” means a variable interest rate per annum equal to the highest rate quoted in the “Money Rates” section (or replacement section) of the *Wall Street Journal* as the “Prime Rate” for such day (or the previous day of publication for days on which the *Wall Street Journal* is not published). The Prime Rate shall be adjusted on and as of the effective date of any change in the Prime Rate. If the *Wall Street Journal* ceases to publish the Prime Rate, the Prime Rate shall be the highest prevailing base or reference rate on corporate loans at U.S. money center commercial banks.

“Project” means the Cicero Building, located in Salt Lake City, Utah.

“Projected Commencement Date” means February 1, 2018.

“Property” means the Improvements and the related land owned by Landlord.

“reasonable” means “good faith and commercially reasonable” and **“reasonably”** means in good faith and in a commercially reasonable manner.

“Rent” means Basic Monthly Rent and Tenant’s Share of Operating Expenses.

“Security Deposit” means an amount equal to Basic Monthly Rent for the first month of full rent payment (\$23,437.50), which amount is subject to adjustment as set forth in the definition of “Premises”.

“**structural**” means only footings, foundations, floor slabs, load-bearing walls, exterior walls, roofs and beams that support the roof joists.

“**Substantial Completion**” means the date on which all of the following have occurred:

(i) Tenant Improvements have been completed in accordance with the attached Exhibit A, as evidenced by a certificate of substantial completion from Tenant’s architect or, if required, a certificate of occupancy for the Premises issued by the applicable municipality that will permit the conduct of business in the Premises for the Permitted Use;

(ii) Landlord has delivered vacant, “broom clean” and exclusive possession of the Premises to Tenant; and

(iii) the parking stalls constituting Tenant’s Parking Stall Allocation and other Common Areas requisite for the reasonable use and enjoyment of the Premises and the conduct of business in the Premises for the Permitted Use are, in fact, available for use by Tenant.

“**Tenant Default**” has the meaning set forth in Paragraph 16.1.

“**Tenant Improvements**” has the meaning set forth in the attached Exhibit A.

“**Tenant’s Estimated Share of Operating Expenses**” means the result obtained by subtracting Base Year Operating Expenses from the Estimated Operating Expenses for any given Operating Year, and then multiplying the difference by Tenant’s Percentage of Operating Expenses. Tenant’s Estimated Share of Operating Expenses for any fractional Operating Year shall be calculated by determining Tenant’s Estimated Share of Operating Expenses for the relevant Operating Year and then prorating such amount over such fractional Operating Year.

“**Tenant’s Occupants**” means any assignee, subtenant, employee, agent, contractor, licensee, franchisee or invitee of Tenant.

“**Tenant’s Parking Stall Allocation**” means up to thirty-nine (39) unreserved parking stalls.

“**Tenant’s Percentage of Operating Expenses**” means 19.825 percent, which is the percentage determined by dividing the rentable square feet of the Premises (12,600 rentable square feet) by the rentable square feet of the Building (63,556 rentable square feet) (whether or not leased), multiplying the quotient by 100 and rounding to the third (3rd) decimal place, which percentage is subject to adjustment as set forth in the definition of “Premises”.

“**Tenant’s Property**” means only the following if, but only if, installed in or made to the Premises by Tenant at Tenant’s sole cost and expense, and not paid for in whole or in part, directly or indirectly, by Landlord (which shall remain the property of Tenant, subject to Paragraph 17.1):

(i) Tenant’s furniture, phones, computers and other personal property, provided that each of the foregoing is readily movable and unattached to the Premises; *provided, however*, that typical pictures, diplomas and other similar items, and movable cubicles with electrical connections, shall not be considered to be “attached” to the Premises for purposes of this definition;

(ii) Tenant’s signage;

(iii) Tenant's voice and data lines, wiring, cabling and facilities; and

(iv) any other Alteration made by Tenant with Landlord's prior consent if, but only if, at the time such consent was given and prior to installation, Tenant also obtained Landlord's express consent and agreement to such Alteration remaining the property of Tenant and being removed from the Premises at Lease end.

"Tenant's Share of Operating Expenses" means the result obtained by subtracting Base Year Operating Expenses from Operating Expenses actually incurred in any given Operating Year, and then multiplying the difference by Tenant's Percentage of Operating Expenses. Tenant's Share of Operating Expenses for any fractional Operating Year shall be calculated by determining Tenant's Share of Operating Expenses for the relevant Operating Year and then prorating such amount over such fractional Operating Year. By way of explanation only, Tenant's Share of Operating Expenses in any given calendar year is, in essence, Tenant's pro rata share of the increase (only) of Operating Expenses for such calendar year over Operating Expenses for the Base Year. And, since Tenant's Share of Operating Expenses is calculated in reference to an increase of Operating Expenses over Base Year Operating Expenses, Tenant's Share of Operating Expenses during the Base Year shall be zero, and Tenant will not commence paying Tenant's Share of Operating Expenses until the OpEx Commencement Date.

"Term" means the period commencing at 12:01 a.m. of the Commencement Date and expiring at midnight of the Expiration Date, as such period may be extended or sooner terminated in accordance with this Lease.

"untenable" means that the Premises are reasonably incapable for use and occupancy by Tenant for the Permitted Use.

2. Agreement of Lease; Work of Improvement; Certain References.

2.1. Agreement of Lease. Subject to and in accordance with the provisions set forth in this Lease, Landlord leases the Premises to Tenant and Tenant leases the Premises from Landlord for the Term, together with a license for the nonexclusive use of the Common Areas in common with other tenants of the Building (subject to Paragraph 9.4), subject to any covenants, conditions and restrictions affecting the Property. Landlord shall not have the right to relocate Tenant to premises other than the Premises during the Term.

2.2. Work of Improvement. Tenant shall perform the Tenant Improvements diligently, in a first-class and workmanlike manner and in accordance with Laws, and shall use its best efforts to complete the Tenant Improvements. All improvements made to the Premises pursuant to the attached Exhibit A, whether made by or at the expense of either Party, shall on installation be and remain the property of Landlord, excluding only Tenant's Property.

2.3. Certain References. Whenever in this Lease (including in the Exhibits attached to this Lease):

(a) the consent or approval of either Party is required, such consent or approval shall not be unreasonably withheld, conditioned or delayed, unless expressly provided to the contrary;

(b) there is a reference to costs, expenses, fees or other charges (including, without limitation, attorneys' fees and costs), such reference shall be deemed to be to reasonable, reasonably necessary and actual costs, expenses, fees and other charges, of which the Party incurring such costs, expenses, fees or other charges has some reasonable documentation, record or evidence, a copy of which shall be provided to the other Party;

(c) either Party is given the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations, such Party shall act reasonably;

(d) there is a reference to “days”, such reference shall be deemed to be to “calendar days” unless the phrase “business days” is expressly set forth;

(e) payment or performance is required but a specific date or number of days within which payment or performance is to be made is not set forth, or the words “immediately”, “promptly”, “on demand” or the equivalent are used to specify when such payment or performance is due, then such payment or performance shall be due within ten (10) business days after receipt of written notice by the paying or performing Party;

(f) the date on which any payment is due under this Lease is not a business day, such payment shall be due on the immediately following business day; and

(g) there is a reference to a consent, approval, description, designation, estimate, notice, request, response, statement or other communication between the Parties, such reference shall be deemed to require the same to be in writing, unless otherwise expressly set forth.

3. Term; Commencement Date; Tenant Rights.

3.1. Term; Commencement Date. Tenant’s obligation to pay Basic Monthly Rent and other amounts due under this Lease shall commence on the Commencement Date unless otherwise set forth in the definition of “Basic Monthly Rent”, and shall be for the Term. Within ten (10) business days after the Commencement Date, the Parties shall execute an acknowledgement of the Commencement Date, the Expiration Date and the Basic Monthly Rent schedule, which acknowledgement shall be attached as an addendum to and be deemed to be a part of this Lease and, to the extent applicable, shall serve to amend this Lease, and shall be consented to by any guarantor of this Lease.

3.2. Commencement Date Delay.

(a) Subject to force majeure and Tenant Delay, if Substantial Completion has not occurred on or before the date that is ninety (90) days after the Projected Commencement Date (subject to postponement as set forth in this Paragraph 3.2, the “*Outside Date*”), then Landlord may give notice to Tenant of the termination of this Lease at any time after the Outside Date and prior to the occurrence of Substantial Completion; *provided, however*, that notwithstanding such notice of termination, if Substantial Completion occurs within thirty (30) days after Tenant’s receipt of such notice of termination, then such notice of termination shall be void *ab initio* (from the beginning) and have no force or effect whatever and this Lease shall continue uninterrupted. The Outside Date shall be postponed one day for each day of force majeure delay or Landlord Delay.

(b) Termination of this Lease in accordance with the foregoing subparagraph (a) shall (subject to the proviso contained in said subparagraph) be effective as of thirty (30) days after the date of receipt by Tenant of notice of termination from Landlord, the Parties shall thereafter be released and discharged from all further obligations under this Lease (except for any obligations that expressly survive Lease end and except as provided in the remainder of this sentence) and Tenant shall receive a refund of any Security Deposit and prepaid Basic Monthly Rent actually received by Landlord.

(c) In addition to the foregoing, Tenant may at any time give Landlord notice that Substantial Completion will not occur by the Outside Date, which notice shall also set forth Landlord’s then-current estimate of the date (the “*New Date*”) on which Substantial Completion will occur, and Landlord shall have ten (10) business days after receipt

of such notice to exercise the termination right set forth in the foregoing subparagraph (a), or such right will be deemed to have been waived (but such waiver shall not affect the termination right set forth in subparagraph (d) below).

(d) Subject to force majeure and Landlord Delay, if Substantial Completion has not occurred on or before the New Date, then Landlord may give notice to Tenant of the termination of this Lease at any time after the New Date and prior to the occurrence of Substantial Completion; *provided, however*, that notwithstanding such notice of termination, if Substantial Completion occurs within thirty (30) days after Tenant's receipt of such notice of termination, then such notice of termination shall be void *ab initio* and have no force or effect whatever and this Lease shall continue uninterrupted. Termination of this Lease in accordance with the immediately preceding sentence shall (subject to the proviso contained in said sentence) be effective as of thirty (30) days after the date of receipt by Tenant of notice of termination from Landlord, the Parties shall thereafter be released and discharged from all further obligations under this Lease (except for any obligations that expressly survive Lease end and except as provided in the remainder of this sentence) and Tenant shall receive a refund of any Security Deposit and prepaid Basic Monthly Rent actually received by Landlord. Notwithstanding anything herein to the contrary, Tenant shall complete the Tenant Improvements in accordance with Exhibit A and to the extent Exhibit A and this Paragraph 3.2 shall conflict or be inconsistent, Exhibit A shall control.

3.3. Extension.

(a) Tenant shall have the option to extend the initial period constituting the Term under this Lease for one (1) additional period of five (5) years, provided that Tenant gives Landlord notice of the exercise of each such option on or before the date that is six (6) months prior to the expiration of the then-existing period constituting the Term, and that at the time each such notice is given and on the commencement of the extension term concerned:

- (i) this Lease is in full force and effect;
- (ii) no Tenant Default then exists; and

(iii) Tenant has not assigned this Lease or subleased all or any portion of the Premises under any then-existing sublease (excluding any Non-Consent Transfer), and such extension is not being made in connection with or for the purpose of facilitating any such assignment or sublease.

Each such extension term shall commence at 12:01 a.m. on the first day following the expiration of the immediately preceding period constituting the Term.

(b) During each such extension term, all provisions of this Lease shall apply (but as to this Paragraph 3.3, only with respect to any remaining options to extend, if any), except for any provision relating to the improvement of the Premises by Landlord or at Landlord's expense. If Tenant exercises such option in a timely manner as provided in this Paragraph 3.3, the Basic Monthly Rent shall be as provided in the definition of "*Basic Monthly Rent*" and the new Expiration Date shall be extended five (5) years. In the event Tenant has not delivered notice of its exercise of an option to extend the Term as provided in Paragraph 3(a), Landlord shall deliver written notice to Tenant and Tenant's right to exercise such option shall terminate and be of no force or effect if notice of Tenant's exercise of the option is not delivered to Landlord within ten (10) days of receipt of Landlord's notice.

4. Basic Monthly Rent.

(a) Tenant covenants to pay to Landlord, without (except as expressly provided in this Lease) abatement, deduction, offset, prior notice or demand, Basic Monthly Rent in lawful money of the United States at the address for Landlord

set forth in Paragraph 22.3, or at such other such place as Landlord may designate to Tenant not less than ten (10) business days prior to the next payment due date, in advance on or before the first day of each calendar month during the Term, commencing on the Commencement Date unless otherwise set forth in the definition of “Basic Monthly Rent”. Tenant may make payments to Landlord under this Lease by electronic transfer or similar means, but each payment of Basic Monthly Rent shall be made pursuant to an automatic payment procedure set up by Tenant that ensures that each such payment will be received by Landlord on or before the first day of each calendar month.

(b) If the first day on which Basic Monthly Rent is due under this Lease is not the first day of a calendar month, on or before such due date Basic Monthly Rent shall be paid for the initial fractional calendar month prorated on a per diem basis. If the Term expires or this Lease terminates on a day other than the last day of a calendar month, Basic Monthly Rent for such fractional month shall be prorated on a per diem basis.

(c) In addition to the foregoing, concurrently with its execution and delivery of this Lease, Tenant shall pay to Landlord in advance Basic Monthly Rent for the first full calendar month following the Commencement Date in which full Basic Monthly Rent is payable (that is, \$22.50 per rentable square foot on an annual basis), which shall be applied by Landlord to pay Basic Monthly Rent for such month on the date due.

5. Operating Expenses.

5.1. Payment of Operating Expenses.

(a) In addition to Basic Monthly Rent, Tenant covenants to pay to Landlord, without (except as expressly provided in this Lease) abatement, deduction, offset, prior notice or demand, Tenant’s Share of Operating Expenses (to the extent that Operating Expenses in the Operating Year concerned are greater than Base Year Operating Expenses) in lawful money of the United States at the address for Landlord set forth in Paragraph 22.3, or at such other such place as Landlord may designate to Tenant not less than ten (10) business days prior to the next payment due date, in advance (as Tenant’s Estimated Share of Operating Expenses) on or before the first day of each calendar month during the Term, commencing on the OpEx Commencement Date, in accordance with the provisions of this Paragraph 5; *provided, however*, that Tenant’s Share of Operating Expenses for the Base Year and any prior year shall be zero.

(b) On or prior to the OpEx Commencement Date, and prior to each Operating Year after the Operating Year commencing on the OpEx Commencement Date, or as soon thereafter as is reasonably practicable (but not later than May 1st of the Operating Year concerned), Landlord shall furnish Tenant with a statement (the “*Estimated OpEx Statement*”) showing in reasonable detail, reasonably sufficient for Tenant verification, the component breakdown of the Estimated Operating Expenses for the Operating Year concerned and the computation of Tenant’s Estimated Share of Operating Expenses for such Operating Year. Each such estimate of Operating Expenses shall be based on the actual Operating Expenses for the immediately prior year and Landlord’s reasonable estimate of Operating Expenses for the coming year.

(c) On or prior to the OpEx Commencement Date, and on the first day of each month following the OpEx Commencement Date, Tenant shall pay to Landlord one-twelfth (1/12th) of Tenant’s Estimated Share of Operating Expenses as specified in the Estimated OpEx Statement for such Operating Year. If Landlord fails to give Tenant an Estimated OpEx Statement prior to any applicable Operating Year, Tenant shall continue to pay on the basis of the Estimated OpEx Statement for the prior Operating Year until the Estimated OpEx Statement for the current Operating Year is received. If at any time it appears to Landlord that Operating Expenses for a particular Operating Year will vary from Landlord’s original estimate, Landlord may (but if the variation is a material reduction in such Operating Expenses from Landlord’s original estimate, Landlord shall) deliver to Tenant (but not more than once in any Operating Year) a revised Estimated OpEx Statement for such Operating Year, and subsequent payments by Tenant for such Operating Year shall be based on such revised

Estimated OpEx Statement; *provided, however*, that in all events, Tenant shall be given at least ten (10) business days after the delivery of any original or revised Estimated OpEx Statement to make any payment required to be made pursuant to the statement concerned.

(d) As soon as reasonably practicable after the expiration of any applicable Operating Year (but not later than May 1st following the Operating Year concerned), Landlord shall furnish Tenant with a statement (the “**Actual OpEx Statement**”) showing in reasonable detail, reasonably sufficient for verification, the component breakdown of Operating Expenses for the Operating Year concerned, the computation of Tenant’s Share of Operating Expenses for such Operating Year and the amount by which Tenant’s Share of Operating Expenses exceeds or is less than the amounts paid by Tenant during such Operating Year, which shall be deemed to be certified by Landlord to be true and accurate when furnished. If the Actual OpEx Statement indicates that the amount actually paid by Tenant for the relevant Operating Year is less than Tenant’s Share of Operating Expenses for such Operating Year, Tenant shall pay to Landlord such deficit within thirty (30) days after delivery of the Actual OpEx Statement. Such payments by Tenant shall be made even though the Actual OpEx Statement is furnished to Tenant after Lease end, provided that Tenant receives the Actual OpEx Statement within ninety (90) days after Lease end. If the Actual OpEx Statement indicates that the amount actually paid by Tenant for the relevant Operating Year exceeds Tenant’s Share of Operating Expenses for such Operating Year, such excess shall be refunded to Tenant within thirty (30) days after delivery to Tenant of the Actual OpEx Statement. The Parties’ obligations set forth in this subparagraph (d) shall survive Lease end.

(e) No failure by Landlord to require the payment of Tenant’s Share of Operating Expenses for any period shall constitute a waiver of Landlord’s right to collect Tenant’s Share of Operating Expenses for such period or for any subsequent period; *provided, however*, that, except for Operating Expenses that are being amortized over a term of years, Landlord shall not be entitled to collect from Tenant any Operating Expenses that are billed to Tenant for the first time more than twelve (12) months after the Operating Year in which such Operating Expenses arise. If Base Year Operating Expenses exceed Operating Expenses that were actually incurred or payable for any full or (on a pro rata basis) partial Operating Year after the Base Year, Tenant shall not be entitled to any refund, credit or adjustment of Basic Monthly Rent. Tenant shall, however, be entitled to receive a refund of, or credit for, any Estimated Operating Expenses paid by Tenant during such full or partial Operating Year.

(f) Landlord shall use its best efforts to control Operating Expenses to the extent reasonably practicable, and shall pay all Operating Expenses in a timely manner prior to delinquency, subject to payment of Rent by Tenant in a timely manner. For any particular Operating Year, Landlord may not collect Operating Expenses from tenants in the Building in an amount (as grossed up to account for any base year or expense stop provided to such tenants) that is in excess of one hundred percent (100%) of Operating Expenses actually paid or incurred by Landlord for such Operating Year.

(g) Notwithstanding the other provisions of this Paragraph 5, Tenant shall have sole responsibility for, and shall pay when due, all taxes, assessments, charges and fees levied by any governmental or quasi-governmental authority on Tenant’s use of the Premises or Tenant’s Property.

5.2. Resolution of Disagreement.

(a) Every statement given by Landlord to Tenant under Paragraph 5.1 at the address for notices to Tenant set forth in Paragraph 22.3 shall be conclusive and binding on Tenant unless within sixty (60) days after the receipt of such statement, Tenant:

(i) notifies Landlord that Tenant disputes the correctness of such statement, specifying the particular respects in which the statement is claimed to be incorrect;

(ii) requests reasonable clarification of Landlord's information and computations, including reasonable detail as to any questioned expense item; or

(iii) initiates an audit of such statement.

Pending the determination of such dispute by agreement between the Parties, Tenant shall, within thirty (30) days after receipt of such statement, pay the amounts set forth in such statement in accordance with such statement, and such payment shall be without prejudice to Tenant's position. Tenant may not audit Base Year Operating Expenses following the first audit of Operating Expenses for any Operating Year after the Base Year.

(b) If such dispute exists and it is subsequently determined that Tenant has paid amounts in excess of those then due and payable under this Lease, Landlord shall refund such excess to Tenant within thirty (30) days after such determination is made. If such dispute is not resolved between the Parties within sixty (60) days, then at the request of either Party, such dispute shall be resolved by an independent certified public accountant, whose decision shall be binding. The Parties, acting reasonably, shall mutually select, and equally share the cost of, such accountant.

5.3. Tenant Audit Right.

(a) Landlord shall maintain its books and records relating to Operating Expenses for a period of at least three (3) years following the year in which such Operating Expenses were incurred, in a manner that is consistent with generally accepted accounting principles consistently applied to the extent applicable to cash-basis accounting. Such books and records shall be available after at least five (5) business days' request by Tenant at Landlord's office during normal business hours for audit, examination and copying by Tenant and Tenant's employees or agents during such period, at Tenant's sole cost and expense (including Landlord's out-of-pocket costs incurred as a result of such audit), provided that:

(i) neither Tenant nor Tenant's employees or agents may divulge the contents of such books and records or the results of such examination to any third party, except as may reasonably be necessary in Tenant's business operations (so long as the person to whom such contents or results are divulged also agrees to maintain their confidentiality) or as may otherwise be required by applicable legal requirements;

(ii) Tenant has not previously examined such books and records with respect to the same Operating Year; and

(iii) Tenant provides to Landlord, at no cost, a copy of the report of such examination within ten (10) business days after receipt by Tenant.

(b) Notwithstanding the foregoing to the contrary, if such verification reveals that Tenant's Share of Operating Expenses set forth in any Actual OpEx Statement exceeded by more than five percent (5%) the amount that actually was due, Landlord shall reimburse Tenant for the lesser of the actual cost of such examination or the reasonable charges of such examination based on a reasonable hourly charge (even if such accountant is actually paid on some other basis), together with other reasonable expenses incurred by such accountant. Tenant may not hire an accountant or other person to perform such examination on a contingency, percentage, bonus or similar basis, unless such accountant or other person is nationally recognized, reputable and reasonable in its approach. Any overcharge or underpayment revealed thereby shall be reconciled between the Parties, acting reasonably and in good faith, within thirty (30) days after the completion of such verification and examination.

6. Security Deposit.

(a) Concurrently with its execution and delivery of this Lease, Tenant shall deposit with Landlord the Security Deposit as security for the faithful performance by Tenant of its obligations under this Lease. Landlord may intermingle the Security Deposit with Landlord's own funds. The Security Deposit is not a limitation on Landlord's damages or other rights under this Lease, a payment of liquidated damages or prepaid Rent and shall not be applied by Tenant to Rent for the last (or any) month of the Term, or to any other amount due under this Lease.

(b) If a Tenant Default occurs under this Lease, then Landlord may, prior to, concurrently with, or subsequent to, exercising any other right or remedy, use, apply or retain all or any part of the Security Deposit for the payment of any monetary obligation due under this Lease, or to compensate Landlord for any other expense, loss or damage that Landlord may reasonably incur by reason of Tenant's failure, including any damage or deficiency in the reletting of the Premises. If all or any portion of the Security Deposit is so used, applied or retained, Landlord shall promptly notify Tenant of such use, application or retention, and Tenant shall, within ten (10) business days following such notification, deposit with Landlord cash in an amount sufficient to restore the Security Deposit to its original amount.

(c) The Security Deposit shall be returned (without interest) to Tenant within thirty (30) days after Lease end and surrender of possession of the Premises to Landlord in accordance with Paragraph 17.1 if, at such time, Tenant has paid to Landlord all amounts payable under this Lease and no Tenant Default then exists; *provided, however*, that if such Tenant Default is a monetary default, and the Security Deposit is equal to or greater than the amount concerned, then Landlord shall apply the Security Deposit in full payment of such amount and remit to Tenant any remaining portion of the Security Deposit within such thirty (30)-day period, together with an itemization of any deductions therefrom, provided that Tenant has paid all other amounts payable under this Lease. Notwithstanding the foregoing, Landlord may withhold the Security Deposit after Lease end until Tenant has paid in full Tenant's Share of Operating Expenses for the Operating Year in which Lease end occurs, provided that Landlord provides to Tenant an Actual OpEx Statement for such Operating Year (or portion thereof) within ninety (90) days after Lease end, and concurrently returns to Tenant any remaining Security Deposit balance, together with an itemization of any deductions therefrom.

(d) If Landlord's interest in this Lease is conveyed, transferred or assigned and the transferee assumes in writing Landlord's obligations under this Lease, Landlord shall transfer or credit the Security Deposit to Landlord's successor in interest, and, upon such transfer or credit to Landlord's successor-in-interest, Landlord shall be released from any liability for the return of the Security Deposit.

7. Use and Operation.

7.1. Prohibitions. The Premises shall not be used or occupied for any purpose other than for the Permitted Use, and neither Tenant nor Tenant's Occupants shall do anything that will:

(a) increase the existing rate or violate the provisions of any insurance carried with respect to the Property (and Landlord represents that the Permitted Use does not do so);

(b) create a public or private nuisance, constitute a disreputable business or purpose, commit waste or unreasonably interfere with or disturb any other tenant or occupant of the Building or Landlord in the operation of the Building;

(c) overload the floors or otherwise damage the structure of the Building;

(d) increase the cost of any utility service beyond the level permitted by Paragraph 8 unless Tenant pays such increased cost in accordance therewith; or

(e) in its use of, operations in, and improvements to, the Premises, violate Laws.

7.2. Covenants. Tenant shall, at Tenant's sole cost and expense:

(a) use the Premises in a careful, safe and proper manner, consistent with normal business practices;

(b) in its use of, operations in, and improvements to, the Premises, comply with Laws; *provided*, that:

(i) subject to reimbursement as part of Operating Expenses to the extent permitted by Paragraph 5, Landlord shall be solely responsible for compliance with the ADA and other Laws in connection with the Building and the Common Areas (except to the extent of any additional costs incurred by Landlord solely as a result of Tenant's particular use of the Premises, which additional costs shall be payable solely by Tenant within ten (10) business days after receipt of an invoice therefor) and any improvements made by Landlord to the Premises; and

(ii) Tenant shall have no obligation to Landlord with respect to:

(A) any Hazardous Materials on the Property not stored, used or disposed of by Tenant or Tenant's Occupants; or

(B) any failure of the Improvements to comply as of the Commencement Date with any then-existing Laws, except to the extent of improvements made by Tenant;

(c) keep the Premises free of reasonably objectionable noises and odors; and

(d) not store, use or dispose of any Hazardous Materials on the Property, except for *de minimis* quantities of typical cleaning and office supplies, all of which shall be stored, used and disposed of in accordance with Laws.

7.3. Qualifications. Nothing contained in this Paragraph 7 shall be deemed to impose any obligation on Tenant to make any structural changes, repairs or improvements unless necessitated solely by reason of a particular use by Tenant of the Premises, or shall be deemed to impose any obligation on Tenant with respect to actions or omissions of persons other than Tenant and Tenant's Occupants. Tenant's Occupants will be required to smoke outside the Building in compliance with the Utah Indoor Clean Air Act.

7.4. No Continuous Operation. Systematic and continuous occupancy or operation in all or any portion of the Premises before or after Building Hours is not permitted. This includes, but is not limited to, any ongoing twenty-four (24) hour, seven (7) day a week operation or use of the Premises. However, the foregoing portion of this Paragraph 7.4 shall not:

(a) prohibit or limit the continuous operation of data servers or other similar equipment in the Premises; or

(b) prevent late or early hour or all night work that would be typical in the offices of a company similar to Tenant, including, without limitation, a limited number of employees working all day and all night for a limited number of days when necessary to complete a particular project,

and Tenant may have a limited number of technical and customer service employees regularly working after Building Hours in the Premises. To the extent set forth in the immediately preceding sentence, Landlord acknowledges that Tenant's employees may, from time to time, work in the Premises before and after Building Hours; *however*, in all events Tenant shall pay to Landlord the cost of any increased security, maintenance, repair (including repair as a result of any after-hours damage), janitorial and similar items resulting from such work within thirty (30) business days after receipt by Tenant of an invoice therefor.

8. Utilities and Services.

8.1. Services Provided.

(a) Landlord shall, as part of Operating Expenses, cause to be furnished to the Premises:

(i) electricity for normal lighting and office computers, servers, copiers and other typical office equipment used by Tenant for the Permitted Use;

(ii) HVAC in sufficient quantities for the reasonably comfortable use and occupancy of the Premises by Tenant;

(iii) janitorial services and window washing consistent with Comparable Buildings, with the janitorial service provider being bonded, insured and licensed, and its employees having passed appropriate criminal background checks;

(iv) cleaning and stocking services for restrooms;

(v) replacement bulbs and ballasts for Building standard ceiling fluorescent lighting;

(vi) hot and cold water in the restrooms and, if any, in Tenant's kitchen/break room area, and water for drinking in the water fountains;

(vii) functioning toilets;

(viii) snow removal, landscaping, grounds keeping and elevator service; and

(ix) security to the Building consistent with the security provided to other Comparable Buildings,

all in a manner consistent with Comparable Buildings. Tenant shall, at Tenant's sole cost and expense, provide telecommunication service to the Premises; provided, however, that Landlord represents and warrants that First Digital Fiber is part of the building condition to be delivered to Tenant in accordance with Exhibit A.

(b) Subject to the provisions of this Lease, Tenant shall have reasonable access over the Common Areas to the Premises at all times during the Term, twenty-four (24) hours a day, seven (7) days a week, including (if the

Premises are located above the first floor) passenger elevators without operators serving the floor on which the Premises are located and freight elevator service in common with other tenants of the Building.

(c) Tenant may not install its own backup generator. If Tenant elects to connect to the Building backup generator, such connection shall be made by Landlord for Tenant, at Tenant's sole cost and expense, and an additional \$0.50 per rentable square foot of the Premises (on an annual basis) shall be added to any Basic Monthly Rent payable on the Commencement Date.

8.2. Excess Services.

(a) If Landlord provides:

(i) electric current to the Premises for Tenant load (that is, excluding HVAC and lighting) in excess of two (2) watts per rentable square foot to enable Tenant to operate any office computers, servers, copiers or other equipment requiring extra electric current; or

(ii) any other utility or service that is in excess of that typically required for routine office purposes, including additional cooling necessitated by Tenant's equipment and additional services relating to after-hours usage of the Property as contemplated by Paragraph 7.4, all as determined by reference to general Building tenant usage and Comparable Buildings,

Landlord shall reasonably determine or calculate the actual, reasonable cost of such additional electric current, utility or service, and Tenant shall pay such cost, together with a reasonable charge for administrative costs related to such determination, calculation and billing, on a monthly basis to Landlord within ten (10) business days after receipt by Tenant of an invoice therefor.

(b) If Landlord reasonably believes that Tenant is using excess electricity or water, Landlord may cause an electric or water meter to be installed in the Premises in order to measure the amount of electricity or water consumed for any excess use described in the foregoing subparagraph (a), and if such meter actually evidences excess use, the reasonable cost of such meter and of any related wiring or plumbing and their installation shall be paid by Tenant within ten (10) business days after receipt by Tenant of an invoice therefor. (The Building will have one meter for electricity and one meter for water, with respect to each of which Landlord will receive a single bill; therefore, any meter installed in order to measure the amount of electricity or water consumed for any such excess use by Tenant will, in fact, be a sub-meter, and the actual cost of any electricity or water sub-metered to the Premises will be determined by Landlord by extrapolating from the Building cost concerned.) Any such utility expense that is separately billed to and paid for by Tenant pursuant to this Paragraph 8.2 shall not be part of Operating Expenses.

8.3. Certain After-Hours Services. Subject to the provisions of this Lease, and as part of Operating Expenses, Landlord shall furnish lighting and HVAC to the Premises during Building Hours. Tenant may require such services after Building Hours on demand, and may be separately billed, and if billed shall pay within ten (10) business days after receipt by Tenant of an invoice therefor Landlord's standard charges (set forth below), for any lighting and HVAC used in the Premises during any period other than during Building Hours, provided that such after-hours services are requested or activated by Tenant or Tenant's Occupants. Currently, Landlord's standard charges (which approximate actual costs) for such after-hours services are approximately \$3.00 per hour per zone for lighting and approximately \$45.00 per hour for HVAC. Landlord may, from time to time, increase the charge for providing such after-hours services to reflect any increase in Landlord's approximate actual costs, which increased charge shall be consistently applied to all Building tenants. Landlord shall use its best efforts to charge Tenant and other Building tenants for after-hours services in a consistent, non-

discriminatory manner. Any such charges for after-hours services that are separately billed to and paid for by Tenant pursuant to this Paragraph 8.3 shall not be part of Operating Expenses.

8.4. Service Interruption. Tenant shall immediately notify Landlord of the interruption (a “*Service Interruption*”) of any service furnished by Landlord under this Lease, and following the receipt of such notice, Landlord shall use its best efforts to restore such service to the Premises as soon as reasonably practicable. Subject to force majeure, and except in cases covered by Paragraphs 13 or 14, with respect to any Service Interruption that renders the Premises untenable and is not caused by Tenant or Tenant’s Occupants:

(a) commencing on the sixth (6th) consecutive business day of such Service Interruption, Tenant shall be entitled to an equitable diminution of Rent to the extent that the Premises are untenable as a result of such Service Interruption; and

(b) if the Premises will be or are untenable for a period of more than thirty (30) consecutive days as a result of such Service Interruption, Tenant shall be entitled to terminate this Lease on notice given to Landlord within ten (10) business days after the later of:

(i) the date on which Landlord provides to Tenant an estimate of the time required to cure such Service Interruption (which notice shall be given by Landlord to Tenant as soon as reasonably practicable, but Landlord shall use its best efforts to provide such notice to Tenant no later than ten (10) days after the occurrence of such Service Interruption); or

(ii) the expiration of such thirty (30)-day period,

and on such notice, Tenant shall vacate and surrender the Premises to Landlord in accordance with the applicable provisions of this Lease.

9. Maintenance and Repairs; Alterations; Access to Premises; Reserved Rights in Common Areas.

9.1. Maintenance and Repairs.

(a) Landlord shall, as part of Operating Expenses, maintain the Property (excepting the Premises and other leased premises in the Building) in good order, condition and repair, in a clean and sanitary condition and in compliance with Laws, in a manner consistent with those procedures and practices generally employed by owners or managers of Comparable Buildings; *provided, however*, that, subject to reimbursement of Landlord to the extent provided by Paragraph 5, and, subject to Paragraph 12.3, excluding damage caused by Tenant or Tenant’s Occupants, Landlord shall be solely responsible for maintenance and repair of the exterior windows and structural components of the Building, the electrical, gas, plumbing, fire, life safety, HVAC and other base systems and facilities of the Building (excepting any installed by Tenant) and the restrooms, lobbies and other Common Areas, in such manner. Any costs, expenses and fees incurred or payable by Landlord in connection with the maintenance, repair or replacement of any supplemental or other HVAC equipment (beyond the standard Building HVAC) for any data room of Tenant shall not be part of Operating Expenses and shall be directly reimbursed by Tenant to Landlord within ten (10) business days after receipt by Tenant of an invoice therefor. In addition, Tenant shall pay to Landlord the cost of any increased maintenance and repair (including repair as a result of any after-hours damage) resulting from Tenant’s employees’ work in the Premises before and after Building Hours, as set forth in Paragraph 7.4.

(b) Except as expressly set forth in the foregoing subparagraph (a) or elsewhere in this Lease, and excluding damage caused by Landlord or Landlord's employees, agents or contractors, Tenant shall, at Tenant's sole cost and expense, maintain the interior, nonstructural elements of the Premises (including, without limitation, all floor and wall coverings, doors and locks) and Tenant's Property in good order, condition and repair and in a clean and sanitary condition, subject to normal and reasonable wear and tear and the other provisions of this Lease regarding casualty, condemnation, insurance and indemnification.

(c) All work to be performed by either Party under this Paragraph 9.1 shall be completed promptly (and such work shall be performed by Landlord in a manner that is reasonably calculated to minimize disruption to Tenant's business to the extent reasonably practicable), but in any event each Party shall use its best efforts to complete such work within twenty-four (24) hours in any emergency and within ten (10) business days for all other repairs. If any work cannot reasonably be completed within twenty-four (24) hours or ten (10) business days, as the case may be, such work shall be commenced within the applicable period and thereafter prosecuted continuously and diligently until completed.

9.2. Alterations.

(a) Tenant shall not make or cause or permit to be made any Alteration, unless such Alteration:

(i) equals or exceeds the then-current standard for the Building, and utilizes only new and first-grade materials;

(ii) is in conformity with Laws, and is made after obtaining any required permits and licenses;

(iii) is made with the prior consent of Landlord, which consent, in the case of nonstructural, cosmetic Alterations such as carpeting or painting that have absolutely no impact or effect on the structure or the roof, exterior, mechanical, water, electrical, gas, plumbing, fire, life safety, HVAC, telephone, sewer or other systems or facilities of the Building, shall be given or denied within five (5) business days after receipt by Landlord of Tenant's written request therefor, accompanied by a reasonably detailed description of the change, addition or improvement to be made;

(iv) is made pursuant to plans and specifications approved in advance by Landlord or, if such Alteration does not require a building permit, is made pursuant to a description of such proposed work; *provided*, that Landlord may not charge Tenant a fee for the review of such plans and specifications or description;

(v) is carried out by persons approved by Landlord, who, if required by Landlord, deliver to Landlord before commencement of their work proof of such insurance coverage as Landlord may reasonably require, with Landlord named as an additional insured; and

(vi) is done only at such time and in such manner as Landlord may reasonably specify.

(b) Subject to Paragraph 17.1, any such Alteration (excluding only Tenant's Property) shall immediately become and remain the property of Landlord. Tenant shall pay when due the entire cost of any such Alteration. Within thirty (30) days following the imposition of any lien resulting from any such Alteration, Tenant shall cause such lien to be released of record by payment of money or posting of a proper bond.

9.3. Access to Premises.

(a) Landlord and Landlord's employees, agents and contractors may enter the Premises at reasonable times (including during Building Hours) on at least twenty-four (24) hours' prior written or verbal notice to Tenant (except in the event of an emergency) for the purpose of:

(i) cleaning, inspecting, altering, improving and repairing the Premises or other parts of the Building;

(ii) at reasonable intervals, ascertaining compliance with the provisions of this Lease by Tenant; and

(iii) showing the Premises to prospective purchasers, tenants or mortgagees (but with respect to prospective tenants for the Premises, only during the last six (6) months of the Term, as the same may be extended, and at any time a Tenant Default exists under this Lease).

Landlord shall have free access to the Premises in an emergency, but Landlord shall use its best efforts to notify Tenant of such emergency as soon as possible. Landlord shall at all times have a key with which to unlock all of the doors in the Premises (excluding Tenant's vaults, safes and similar areas designated by Tenant in advance); *provided, however*, that Tenant may designate a limited number of specified rooms, offices or closets within the Premises as off-limits to janitorial service providers, and such providers shall not be permitted to enter therein.

(b) In any entry into the Premises and in any work done by Landlord in the Building, Landlord and Landlord's employees, agents and contractors shall:

(i) use their best efforts to avoid and minimize any damage or injury to, interference with, and disturbance of, Tenant and the operation of Tenant's business in the Premises;

(ii) comply with all reasonable security regulations and procedures as may then be in effect with respect to Tenant's operations in the Premises; and

(iii) use their best efforts to maintain the confidentiality of any materials within the Premises.

Tenant may secure the Premises at all times and may require that any individual entering the Premises be accompanied by an employee of Tenant at all times (except in the case of an emergency).

9.4. Reserved Rights in Common Areas. Landlord reserves the right, at any time or from time to time, to:

(a) establish and enforce reasonable rules and regulations for the use of the Common Areas (including, without limitation, the delivery of goods and the disposal of trash), in accordance with and subject to Paragraph 21;

(b) use or permit the use of the Common Areas by persons to whom Landlord may grant or may have granted such rights in such manner as Landlord may from time to time reasonably designate;

(c) close all or any portion of the Common Areas to make repairs or changes to, to prevent a dedication of, to prevent the accrual of any rights of any person or the public in, or to discourage non-Tenant Occupant use of or parking on, the Common Areas;

(d) construct additional buildings in, or expand existing buildings into, the Common Areas and change the layout of the Common Areas, including, without limitation, enlarging or reducing the shape and size of the Common Areas, whether by the addition of buildings or other improvements or in any other manner;

(e) enter into operating agreements relating to the Common Areas with persons selected by Landlord; and

(f) do such other acts in and to the Common Areas as in Landlord's reasonable judgment may be desirable;

provided, however, that Landlord, in exercising its reserved rights under the foregoing portion of this sentence, shall exercise reasonable efforts to minimize any adverse impact on the Premises and the operation of Tenant's business in the Premises, and except during non-Building Hours, shall not materially impair the access to and from the Premises, or reduce the amount of Tenant's Parking Stall Allocation. If the Common Areas are diminished in accordance with and subject to the foregoing proviso, Landlord shall not be subject to any liability, Tenant shall not be entitled to any compensation or diminution of rent and such diminishment shall not be deemed to be an actual or constructive eviction.

10. Assignment and Subleasing.

10.1. Prohibition.

(a) Except as expressly provided in Paragraph 10.2, Tenant shall not do any of the following without the prior consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed:

(i) assign, transfer, mortgage, encumber, pledge or hypothecate this Lease or Tenant's interest in this Lease, in whole or in part, directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise;

(ii) sublease the Premises or any part of the Premises; or

(iii) permit the use and occupancy of the Premises or any part of the Premises by any persons other than (A) employees of Tenant, (B) employees of Tenant's affiliates, or (C) persons occupying a portion of the Premises for the purpose of transacting business with Tenant.

Consent to any assignment or sublease shall not operate as a waiver of the necessity for consent to any subsequent assignment or sublease and the terms of such consent shall be binding on any person holding by, through or under Tenant. At Landlord's option, any assignment or sublease without Landlord's prior consent, when such consent is required by the terms of this Lease, shall be void *ab initio* (from the beginning).

(b) Without limiting the other instances in which it may be reasonable for Landlord to withhold its consent, Landlord may withhold its consent under subparagraph (a) unless:

(i) Tenant provides to Landlord (A) the name and address of the proposed assignee or subtenant, (B) the terms and conditions of (including all consideration for) the proposed assignment or sublease, (C) any

information reasonably required by Landlord with respect to the nature and character of the proposed assignee or subtenant and its business, business history, activities and intended use of the Premises, (D) any references and current financial information reasonably required by Landlord with respect to the net worth, cash flow, credit and financial responsibility of the proposed assignee or subtenant, and (E) a copy of the proposed assignment or sublease;

(ii) the nature, character and reputation of the proposed assignee or subtenant and its business, activities and intended use of the Premises are suitable to and in keeping with the standards of the Building, and in compliance with this Lease (including, without limitation, the Permitted Use) and Laws, and the proposed assignee or subtenant is a reputable party whose net worth, cash flow, credit and financial strength are, considering the responsibilities involved, reasonably satisfactory to Landlord (and, whether or not this Lease is then guaranteed, Landlord may require the principal(s) of any assignee also to guaranty this Lease);

(iii) the proposed assignee or subtenant (and any affiliate of such assignee or subtenant) is not then an occupant of the Building or of any other building within the Project or a person who actively dealt with Landlord or any affiliate of Landlord or any employee, agent or representative of Landlord or any affiliate of Landlord (directly or through a broker) with respect to space in the Building or of any other building within the Project during the six (6) months immediately preceding Tenant's request for Landlord's consent (with "*actively dealt with*" meaning, at least, written correspondence and negotiation for the lease of space within the Project, but excluding, without more, the mere delivery of leasing or property information relating to the Project); *provided, however*, that Landlord shall not unreasonably withhold, condition or delay its consent to an assignment of this Lease or a sublease of the Premises to a proposed assignee or subtenant under the foregoing portion of this subparagraph (iii) if neither Landlord nor any affiliate of Landlord is willing and able to accommodate the space needs of such assignee or subtenant within the Project, and Tenant is able to do so by such assignment or sublease;

(iv) the proposed assignee or subtenant is not a governmental entity or instrumentality thereof, unless otherwise approved by Landlord, which approval may be withheld by Landlord if Landlord reasonably determines that the use to be made of the Premises by such governmental entity would be undesirable (such as, for example purposes only, and without limiting the generality of the foregoing, use as a welfare or other social services office for indigent individuals, as a court to which handcuffed defendants may be brought, or as an office to which uniformed or armed individuals may come and go);

(v) the proposed assignment or sublease will not violate any enforceable exclusive use or similar clause in another lease in the Project or give a tenant in the Project a right to cancel its lease;

(vi) neither Landlord nor its affiliates have experienced previous defaults by, and are not in litigation with, the proposed assignee or subtenant or its affiliates;

(vii) (A) the proposed assignee's or subtenant's anticipated use of the Premises does not involve the generation, storage, use, treatment or disposal of Hazardous Material; (B) the proposed assignee or subtenant has not been required by any other landlord, lender or governmental authority to take remedial action in connection with Hazardous Material contaminating a property if the contamination resulted from such assignee's or subtenant's actions or use of the property in question; or (C) the proposed assignee or subtenant is not subject to an enforcement order issued by any governmental authority in connection with the use, disposal or storage of a Hazardous Material;

(viii) the use of the Premises by the proposed assignee or subtenant will not violate Law, and will not violate Paragraph 7 or any other provision of this Lease;

(ix) the assignment or sublease is not prohibited by Landlord's lender;

(x) the proposed assignment or sublease will not result in a number of occupants on a floor that exceeds the design capacity of the Building systems;

(xi) the proposed assignment or sublease will not trigger incremental ADA or other legal requirements in the Common Areas or by Landlord in the Premises, or result in a materially greater burden to the Common Areas or require increased services by Landlord; and

(xii) the proposed assignee or subtenant is not a controversial entity such as a terrorist organization, is not an entity traditionally thought or perceived to be sexist such as Playboy, Hustler and Penthouse magazines and the like, and is not an organization traditionally perceived to be racist such as the Ku Klux Klan, American Nazi Party and the like.

(c) If the rent to be charged by Tenant during the term of any assignment or sublease is less than the rent being quoted by Landlord at the time of such assignment or sublease for comparable space in the Building for a comparable term, calculated using a present-value analysis, Tenant shall not advertise such rent and, further, shall require any such assignee or subtenant, in writing, to keep the amount of such rent confidential.

(d) (i) If Tenant requests Landlord's consent to an assignment of this Lease or to a subleasing of the whole or any part of the Premises where such consent is required, Tenant shall submit to Landlord the terms of such assignment or subleasing, the name and address of the proposed assignee or subtenant, such information relating to the nature of such assignee's or subtenant's business and finances as Landlord may reasonably require and the proposed effective date (the "*Effective Date*") of the proposed assignment or subleasing (which Effective Date shall be neither less than fifteen (15) days nor more than six (6) months following the date of Tenant's submission of such information). On receipt of such request and all such information from Tenant, Landlord shall have a reasonable period of time (not to exceed ten (10) business days) either to accept or reject such request. In addition, Landlord may, by notice within ten (10) business days after such receipt, terminate this Lease if the request is to assign this Lease or to sublease all of the Premises or, if the request is to sublease more than fifty percent (50%) of the Premises for more than two (2) years, terminate this Lease with respect to such portion, in each case as of the Effective Date, *unless* within ten (10) business days after notice from Landlord to Tenant of such termination, Tenant withdraws such request. On such withdrawal by Tenant, Landlord's related prior termination of this Lease with respect to all or a portion of the Premises shall have no further force or effect (and Tenant shall not assign this Lease or sublease the Premises as proposed). In the event Landlord does not deliver to Tenant written notice of acceptance or rejection of the requested assignment or sublease, or a notice of termination, within ten (10) business days of its receipt of same, Landlord shall be deemed to have approved such request.

(ii) If Landlord exercises such termination right, Tenant shall surrender possession of the entire Premises or the portion that is the subject of the right, as the case may be, on the Effective Date in accordance with the provisions of Paragraph 17, and Tenant shall be released from all obligations arising under this Lease for the period on and after (but not prior to) the date of such termination if this Lease is terminated as to the entire Premises or, if this Lease is terminated as to only a portion of the Premises, Tenant shall be released from all obligations arising under this Lease for the period on and after (but not prior to) the date of such termination to the extent, but only to the extent, that such obligations relate to the portion of the Premises as to which this Lease is terminated, excepting (in each case) any obligation that expressly survives Lease end. If this Lease is terminated as to a portion of the Premises only, the Premises shall be redefined to exclude such portion and the Rent payable by Tenant under this Lease shall be reduced proportionately commencing as of the Effective Date, based on the percentage of the Premises as to which this Lease has been terminated.

(iii) Alternatively, Tenant may give Landlord earlier notice (a “*Notice of Intent*”) that Tenant intends to assign this Lease or sublease the whole or any part of the Premises and the projected Effective Date of the intended assignment or subleasing (which projected Effective Date shall be not less than sixty (60) days nor more than six (6) months following the date of Landlord’s receipt of such Notice of Intent). Landlord may, by notice given within ten (10) business days after such receipt, terminate this Lease if the request is to assign this Lease or to sublease all of the Premises or, if the request is to sublease a portion of the Premises only, terminate this Lease with respect to such portion, in each case as of the projected Effective Date set forth in such Notice of Intent. If Landlord fails so to terminate this Lease in accordance with the immediately preceding sentence, then Landlord’s right of termination under this subparagraph (d) shall not apply to an assignment of this Lease or to the sublease of the Premises described in such Notice of Intent, so long as such assignment or sublease actually occurs within six (6) months after Landlord’s receipt of such Notice of Intent. If such assignment or sublease does not actually occur within six (6) months after Landlord’s receipt of such Notice of Intent, then Tenant shall once again be subject to, and Landlord shall once again have the rights set forth in, this subparagraph (d).

(iv) If Landlord exercises the termination right set forth in this subparagraph (d), the Parties shall promptly enter into a termination agreement for this Lease or, if the termination is as to only a portion of the Premises, an amendment to this Lease, on Landlord’s standard form, memorializing such termination.

(v) Notwithstanding the foregoing to the contrary, although all other provisions of this Paragraph 10 shall apply, the termination right set forth in this subparagraph (d) shall not be triggered by a sublease of not more than one-half (½) of the Premises made by Tenant to an unaffiliated third party for the purpose of creating a synergistic business relationship in the Premises.

10.2. Affiliate and Certain Other Transfers. Notwithstanding anything contained in Paragraph 10.1 to the contrary, Tenant may, without the consent of Landlord, assign this Lease or sublease all or any portion of the Premises to:

- (a) an affiliate or related entity of Tenant;
- (b) a person that acquires all or substantially all of the assets or stock of Tenant; or
- (c) an entity resulting from a merger, consolidation or reorganization with Tenant,

provided that (i) such assignee or subtenant assumes the relevant obligations of Tenant under this Lease, (ii) Tenant gives Landlord notice of such assignment or sublease no later than five (5) business days thereafter, accompanied by an executed counterpart of any assignment or sublease agreement concerned (from which any financial terms may be redacted) if such an assignment or sublease agreement exists, and (iii) such assignee or subtenant has a net worth, cash balance and operating income immediately following such transaction that is reasonably sufficient to satisfy the financial obligations under this Lease or such sublease, as the case may be. In addition, the sale of stock or other equity interests in Tenant on a public stock exchange (e.g., NYSE or NASDAQ), whether in connection with an initial public offering or thereafter, shall not be deemed an assignment of this Lease and shall not require Landlord’s consent.

10.3. Landlord’s Rights.

(a) If this Lease is assigned or if all or any portion of the Premises is subleased or occupied by any person without obtaining Landlord’s prior consent when such consent is required, Landlord may collect Rent and other charges from such assignee or other person, and apply the amount collected to Rent and other charges payable under this Lease, but such collection and application shall not constitute consent or waiver of the necessity of consent to such assignment, sublease or occupancy, nor shall such collection and application constitute the recognition of such assignee, subtenant or

occupant as Tenant under this Lease or a release of Tenant from the further payment and performance of all obligations of Tenant under this Lease.

(b) No consent by Landlord to any assignment or sublease by Tenant (and no assignment or sublease by Tenant, whether made with or without Landlord's consent) shall relieve Tenant of any obligation to be paid or performed by Tenant under this Lease, whether occurring before or after such consent, assignment or sublease, but rather Tenant and Tenant's assignee or (to the extent of its obligations under its sublease) subtenant, as the case may be, shall be jointly and severally primarily liable for such payment and performance (including, without limitation, the provisions of this Lease limiting the use of the Premises), which shall be confirmed to Landlord in writing on Landlord's standard form, and any guarantor of this Lease shall remain fully liable under such guarantor's guaranty, which also shall be confirmed to Landlord in writing on Landlord's standard form.

(c) Tenant shall reimburse Landlord for Landlord's reasonable attorneys' and other fees and costs, not to exceed \$1,000 per occurrence (assuming that Landlord is not asked to prepare the assignment or sublease agreement, or to negotiate or revise substantially Landlord's standard form consent documents) incurred in connection with both determining whether to give consent and giving consent when such consent is required.

(d) No assignment under this Lease requiring Landlord's consent shall be effective unless and until Tenant provides to Landlord an executed counterpart of the assignment agreement concerned in form and substance reasonably satisfactory to Landlord, in which the assignee has assumed and agreed to perform all of Tenant's obligations under this Lease on and after the effective date of such assignment, and Landlord has executed and delivered a consent thereto on Landlord's standard form. No subleasing under this Lease requiring Landlord's consent shall be effective unless and until Tenant provides to Landlord an executed counterpart of the sublease agreement concerned in form and substance reasonably satisfactory to Landlord.

(e) Without affecting any of its other obligations under this Lease, if this Lease is assigned or all or any portion of the Premises is subleased (excluding any Non-Consent Transfer), and the rent, additional rent, compensation and other economic consideration received or to be received by Tenant in connection with such assignment or sublease (including, without limitation, any payment in excess of fair market value for services rendered by Tenant to the assignee or subtenant or for assets, fixtures, inventory, equipment or furniture transferred by Tenant to the assignee or subtenant) exceeds Rent payable by Tenant under this Lease for the period concerned (calculated on a per rentable square foot basis if less than all of the Premises is subleased), then Tenant shall pay fifty percent (50%) of such excess to Landlord when received, after deducting reasonable advertising expenses, brokerage commissions, tenant improvement costs and attorneys' fees actually incurred by Tenant and payable to non-affiliated third parties in connection with such assignment or subleasing, all of which must be amortized over the applicable assignment or sublease term. Prior to Landlord consenting to any such assignment or sublease, Tenant shall provide to Landlord a detailed written schedule of all rent, additional rent, compensation and other economic consideration received or to be received by Tenant in connection with such assignment or sublease, and all reasonable advertising expenses, brokerage commissions, tenant improvement costs and attorneys' fees actually incurred or to be incurred by Tenant and payable to non-affiliated third parties in connection with such assignment or subleasing, which schedule shall be certified by Tenant to Landlord as true, correct and complete in all respects, with such certification executed by Tenant. As used in this subparagraph (e), the term "Tenant" refers to the assignor in the event of an assignment, and to the sublandlord in the event of a sublease.

11. Indemnity.

11.1. Indemnity by Tenant. Subject to Paragraph 12.3, Tenant shall indemnify, defend and hold harmless Landlord and Landlord's employees from and against all demands, claims, causes of action, judgments, losses, damages, liabilities, fines, penalties, costs and expenses, including attorneys' fees, arising from either of the following:

(a) the occupancy or use of the Premises by Tenant or Tenant's Occupants (including, without limitation, any slip and fall or other accident on the Property involving Tenant or Tenant's Occupants), unless directly and proximately caused by Landlord or Landlord's employees, agents or contractors; or

(b) any Hazardous Materials deposited, released or stored by Tenant or Tenant's Occupants on the Property.

If any action or proceeding is brought against Landlord or Landlord's employees by reason of any of the matters set forth in the preceding sentence that creates an obligation under the preceding sentence for Tenant to defend, Tenant, on notice from Landlord, shall defend Landlord and Landlord's employees at Tenant's sole cost and expense with competent and licensed legal counsel reasonably satisfactory to Landlord, but selected by Tenant. The provisions of this Paragraph 11.1 shall survive Lease end.

11.2. Indemnity by Landlord. Subject to Paragraph 12.3, Landlord shall indemnify, defend and hold harmless Tenant and Tenant's agents, officers and employees from and against all demands, claims, causes of action, judgments, losses, damages, liabilities, fines, penalties, costs and expenses, including attorneys' fees, arising from either of the following:

(a) the occupancy, management, operation or use of any portion of the Property (other than the Premises) by Landlord or Landlord's employees, agents or contractors (including, without limitation, any slip and fall or other accident on the Property involving Landlord or Landlord's employees, agents or contractors), unless directly and proximately caused by Tenant or Tenant's Occupants; or

(b) any Hazardous Materials deposited, released or stored by Landlord or Landlord's employees, agents or contractors on the Property.

If any action or proceeding is brought against Tenant or Tenant's employees by reason of any of the matters set forth in the preceding sentence that creates an obligation under the preceding sentence for Landlord to defend, Landlord, on notice from Tenant, shall defend Tenant and Tenant's employees at Landlord's sole cost and expense with competent and licensed legal counsel reasonably satisfactory to Tenant, but selected by Landlord. The provisions of this Paragraph 11.2 shall survive Lease end.

Notwithstanding anything contained in this Paragraph 11 to the contrary, the indemnities set forth in this Paragraph 11 shall not cover employees of Federal Express, United Parcel Service, the United States Postal Service or other mail/package courier companies who enter onto the Property to service multiple tenants of the Building or the Building generally.

12. Insurance.

12.1. Tenant's Insurance. On or before the date of this Lease, Tenant shall, at Tenant's sole cost and expense, procure and continue in force the following insurance coverage:

(a) commercial general liability insurance with a combined single limit for bodily injury and property damage of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate, and at least a \$2,000,000 umbrella;

(b) property insurance with special causes of loss including theft coverage, insuring against fire, extended coverage risks, vandalism and malicious mischief, and including boiler and sprinkler leakage coverage, in an amount equal to the full replacement cost (without deduction for depreciation) of Tenant's Property; and

(c) workers' compensation insurance satisfying Tenant's obligations under the workers' compensation laws of the state of Utah, and other insurance required by Laws for the protection of employees of Tenant working on or around the Property with no less than the limits required by Laws,

and furnish Landlord with certificates of coverage of such insurance. Such minimum limits shall in no event limit the liability of Tenant under this Lease. Such liability insurance shall name Landlord as an additional insured, and both such liability and property insurance shall be with companies authorized to do business in Utah and having a rating of not less than A:XII in the most recent issue of Best's Key Rating Guide, Property-Casualty. All such policies shall be written as primary policies, not contributing with and not in excess of the coverage that Landlord may carry, and shall only be subject to reasonable deductibles. Tenant may maintain all or any part of the insurance required pursuant to this Lease in the form of a blanket policy covering other locations in addition to the Premises, and Tenant may satisfy its obligations under this Lease with its umbrella policies. Tenant shall, at least ten (10) days prior to the expiration of such policies or as soon thereafter as the same are received by Tenant, furnish Landlord with renewed certificates of insurance. Landlord shall use its best efforts to impose the foregoing insurance requirements on all tenants of the Building.

12.2. Landlord's Insurance. Landlord shall, as part of Operating Expenses, procure and continue in force:

(a) commercial general liability insurance with a combined single limit for bodily injury and property damage of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate, and at least a \$5,000,000 umbrella;

(b) at least basic form property insurance covering the Building for its full replacement cost, subject to such reasonable deductibles as Landlord may select, together with rental income insurance in a reasonable amount;

(c) any insurance required by Laws for the protection of employees of Landlord working on or around the Property (including, without limitation, worker's compensation insurance) with no less than the limits required by Laws; and

(d) such other reasonable insurance as may reasonably be (i) deemed prudent by Landlord, (ii) required by Landlord's mortgage lender, or (iii) carried by landlords in Comparable Buildings.

Such minimum limits shall in no event limit the liability of Landlord under this Lease. All such insurance shall be with companies authorized to do business in Utah and having a rating of not less than A:XII in the most recent issue of Best's Key Rating Guide, Property-Casualty.

12.3. Waiver of Subrogation. Tenant shall cause the property insurance policy required to be carried by Tenant pursuant to Paragraph 12.1(b), and Landlord shall cause the property insurance policy required to be carried by Landlord pursuant to Paragraph 12.2(b), to be written in a manner so as to provide that the insurance company waives all right of recovery by way of subrogation against the other Party in connection with any loss or damage covered by such policy. Regardless of

whether such waivers are included in the applicable property insurance policies, and notwithstanding any other provision of this Lease to the contrary:

(a) Tenant waives (with the intent that the waiver be effective against Tenant itself and against any third party claiming by, through or under Tenant, including any insurance company claiming by way of subrogation) all rights that Tenant may have now or in the future against Landlord for compensation for any damage to or destruction of Tenant's Property caused by fire or other casualty to the extent that Tenant is or will be compensated by property insurance or would be but for a failure of Tenant to maintain property insurance for the full replacement cost of Tenant's Property (excluding a reasonable deductible) that is required to be carried by Tenant pursuant to Paragraph 12.1(b); and

(b) Landlord waives (with the intent that the waiver be effective against Landlord itself and against any third party claiming by, through or under Landlord, including any insurance company claiming by way of subrogation) all rights that Landlord may have now or in the future against Tenant for compensation for any damage to or destruction of the Building caused by fire or other casualty to the extent that Landlord is or will be compensated by property insurance or would be but for a failure of Landlord to maintain property insurance for the full replacement cost of the Building (excluding a reasonable deductible) that is required to be carried by Landlord pursuant to Paragraph 12.2(b).

The foregoing provisions of this Paragraph 12.3 shall survive Lease end.

13. Damage and Destruction.

13.1. Repair. If the Premises are damaged or destroyed by any casualty, then unless this Lease is terminated in accordance with this Paragraph 13, Landlord shall, as soon as reasonably practicable, in a reasonable, good and workmanlike manner and in accordance with Laws, repair the Premises to the condition in which the Premises were immediately prior to such damage or destruction; *provided, however*, that Landlord shall not be required to repair any damage to, or to make any restoration or replacement of, Tenant's Property. If Tenant does not occupy the Premises during the period of such repairs, then during such period, Landlord shall regularly communicate with Tenant regarding the progress of such repairs so that Tenant can reasonably plan for the recommencement of Tenant's occupancy of the Premises. Landlord shall permit Tenant and its agents to enter the Premises during the thirty (30)-day period prior to the completion of such repairs to prepare the Premises for Tenant's use and occupancy, including the installation of Tenant's Property. Any such permission shall constitute a license only and shall be subject to the conditions set forth in Paragraph 4 of the attached Exhibit A.

13.2. Abatement. Until such repair is complete or this Lease is terminated in accordance with this Paragraph 13, Rent shall be abated proportionately commencing on the date of such damage or destruction as to that portion of the Premises rendered untenable by such damage or destruction, if any; *provided*, that if only a portion of the Premises is damaged, but such damage causes the entire Premises to be untenable, the entire Rent shall be abated. If the damage is caused by the negligence or willful misconduct of Tenant or Tenant's Occupants, Rent shall not abate except to the extent of rental income insurance proceeds relating to this Lease actually received by Landlord, or which would have been received by Landlord had Landlord carried the rental income insurance required to be carried by Landlord pursuant to Paragraph 12.2. Landlord shall use its best efforts to collect such insurance proceeds. If Landlord elects to repair any such damage and Tenant has not elected to terminate this Lease as provided below, any abatement of Rent shall end on the date on which a factually correct notice is given by Landlord to Tenant that the Premises have been repaired, and exclusive possession of the Premises is delivered to Tenant.

13.3. Termination by Landlord. If:

(a) the Premises are damaged as a result of a risk not required to be covered by insurance;

(b) the Premises are damaged in whole or in part during the last twelve (12) months of the Term existing as of the date immediately prior to such damage or destruction;

(c) the Building (whether or not the Premises are damaged) is damaged to the extent of forty percent (40%) or more of its then-replacement value;

(d) the Premises are damaged to the extent that it would take, according to the reasonable estimate of Landlord's architect or contractor, in excess of nine (9) months after the date on which such damage occurs to complete the requisite repairs; or

(e) insurance proceeds adequate to repair the Property are not available to Landlord for any reason beyond Landlord's reasonable control (other than any applicable deductible amount) (excluding Landlord's failure to carry the insurance required under Paragraph 12.2),

then Landlord may either elect to repair the damage or terminate this Lease by notice of termination given to Tenant within thirty (30) days after such event, so long as Landlord terminates leases in the Building covering an aggregate of at least seventy-five percent (75%) of the rentable square footage of the Building.

13.4. Termination by Tenant. If the Premises are damaged, Landlord shall provide to Tenant as soon as reasonably practicable, but in no event later than thirty (30) days after the occurrence of such damage, a reasonable estimate of Landlord's architect or contractor, setting forth the estimated time required to complete the requisite repairs. If the Premises are damaged to the extent that it would take, according to such estimate, in excess of six (6) months after the date on which such damage occurs, or three (3) months after the date on which such damage occurs if such damage occurs within the last twelve (12) months of the Term, to complete the requisite repairs, and the Premises or a material portion thereof would be untenable for such six (6)-month or three (3)-month period, respectively, Tenant may elect to terminate this Lease by notice of termination given by Tenant to Landlord within ten (10) business days after Landlord provides to Tenant such estimate. If Tenant has the right to, but does not, terminate this Lease pursuant to the immediately preceding sentence, but, subject to force majeure, Landlord fails to repair or restore the Building and Premises within thirty (30) days after the later of (a) the date set forth in such estimate, or (b) the expiration of such six (6)-month or three (3)-month period, respectively, then Tenant may terminate this Lease as of the date of such damage by giving notice of such termination to Landlord within ten (10) business days after the expiration of such thirty (30)-day period.

13.5. On Termination. If this Lease is terminated pursuant to Paragraphs 13.3 or 13.4, Tenant shall vacate and surrender the Premises to Landlord as soon as reasonably practicable in accordance with Paragraph 17.1, but in no event later than thirty (30) days after Tenant receives or gives a notice of termination. If this Lease is so terminated, Landlord shall return the Security Deposit to Tenant in accordance with Paragraph 6.

14. Condemnation.

14.1. Termination. If the whole of the Premises is taken through a Condemnation Proceeding, this Lease shall automatically terminate as of the date of the taking. The phrase "*the date of the taking*" means the date of taking actual physical possession by the condemning authority, the entry of an order of occupancy or such earlier date as the condemning authority gives notice that it is deemed to have taken possession. If part, but not all, of the Premises is taken, either Party may terminate this Lease as set forth in this Paragraph 14.1. Landlord may terminate this Lease if any portion of the Property (whether or not including the Premises) is taken that, in Landlord's reasonable judgment, substantially interferes with Landlord's ability to operate or use the Property for the purposes for which the Property was intended, so long as Landlord

terminates leases in the Building covering an aggregate of at least seventy-five percent (75%) of the rentable square footage of the Building. Tenant may terminate this Lease if any portion of the Property (not including the Premises) is taken that:

(a) terminates all physical access to and from the Premises and the public rights-of-way abutting the Property, and Landlord fails to provide reasonably acceptable substitute access; or

(b) reduces the parking available to Tenant and Tenant's Occupants on the Property below Tenant's Parking Stall Allocation, unless Landlord provides to Tenant replacement parking within reasonable proximity to the Building.

Any such termination must be accomplished through notice given no later than thirty (30) days after, and shall be effective as of, the date of the taking. If this Lease is so terminated, Landlord shall return the Security Deposit to Tenant in accordance with Paragraph 6.

14.2. Restoration. In all other cases, or if neither Landlord nor Tenant exercises its right to terminate, this Lease shall remain in effect and Landlord shall restore the remaining portion of the Property and, to the extent affected thereby, the Building and the Premises to the extent of Building standard improvements, to its and their former condition as nearly as is reasonably practicable, and any condemnation award paid in connection with such taking shall be used to the extent necessary for such purpose.

14.3. General. If a portion of the Premises is taken and this Lease is not terminated, Rent shall be reduced in the proportion that the floor area of the Premises taken bears to the total floor area of the Premises immediately prior to such taking. Whether or not this Lease is terminated as a consequence of a Condemnation Proceeding, all damages or compensation awarded for a partial or total taking, including any award for severance damage and any sums compensating for diminution in the value of or deprivation of the leasehold estate under this Lease, shall be the sole and exclusive property of Landlord; *provided*, that Tenant shall be entitled to any award for loss of, or damage to, Tenant's Property, loss of business and moving expenses, if a separate award is actually made to Tenant.

15. Landlord's Financing. Within ten (10) business days after Landlord's request, Tenant shall execute a subordination, non-disturbance and attornment agreement or other similar document, subordinating this Lease to any mortgage, deed of trust or similar instrument covering the Property, and providing a non-disturbance agreement in favor of Tenant, all in reasonable form and substance reasonably satisfactory to Tenant and the lender concerned. If the holder of any mortgage or deed of trust elects to have this Lease superior to the lien of its mortgage or deed of trust and gives written notice of such election to Tenant, this Lease shall be deemed prior to such mortgage or deed of trust, whether such notice is given before or after foreclosure. On any sale, assignment or transfer of Landlord's interest under this Lease or in the Premises, including any such disposition resulting from Landlord's default under a debt obligation, Tenant shall attorn to Landlord's successors and assigns and shall recognize such successors or assigns as Landlord under this Lease, regardless of any rule of law to the contrary or absence of privity of contract, provided that such successors and assigns recognize this Lease and do not disturb Tenant's use and occupancy of the Premises so long as no Tenant Default exists under this Lease. On Tenant's request, Landlord shall use its best efforts to obtain a subordination, non-disturbance and attornment agreement in favor of Tenant from Landlord's current mortgage lender in form and substance reasonably satisfactory to the Parties and such lender, and Tenant shall be solely responsible for any costs, expenses or fees payable in connection therewith.

16. Default.

16.1. Tenant Default. The occurrence of any of the following events shall constitute a "*Tenant Default*" under this Lease:

(a) Tenant fails to pay any Rent or other sum on the date when due under this Lease, and such failure is not cured within five (5) business days after notice is given to Tenant that the same is past due;

(b) Tenant fails to observe or perform any other term, covenant or condition to be observed or performed by Tenant on the date when due under this Lease, and such failure is not cured within ten (10) business days after notice is given to Tenant of such failure; *provided, however*, that if more than ten (10) business days is reasonably required to cure such failure, no Tenant Default shall occur if Tenant commences such cure within such ten (10)-business day period and thereafter diligently prosecutes such cure to completion;

(c) Tenant or any guarantor of this Lease (i) files a petition in bankruptcy, (ii) becomes insolvent, (iii) has taken against it in any court, pursuant to state or federal statute, a petition in bankruptcy or insolvency or for reorganization or appointment of a receiver or trustee (and such petition is not dismissed within sixty (60) days), (iv) petitions for or enters into an arrangement for the benefit of creditors, or (v) suffers this Lease to become subject to a writ of execution;

(d) Tenant vacates the Premises, if such vacation would adversely affect or render void the property insurance carried by Landlord on the Building; *provided, however*, that if the sole, adverse effect caused by such vacation is an increase in the premium for such property insurance and Tenant pays the incremental amount of such increase within ten (10) business days after notice thereof, such vacation shall not be a Tenant Default under this Lease; or

(e) any guarantor of this Lease attempts to rescind or terminate its guaranty.

16.2. Remedies.

(a) On any Tenant Default under this Lease, Landlord may at any time, without waiving or limiting any other right or remedy available to Landlord:

(i) perform in Tenant's stead any obligation that Tenant has failed to perform, and Landlord shall be reimbursed within ten (10) business days after demand for any reasonable cost incurred by Landlord, with interest thereon at the Default Rate from the date of such expenditure until paid in full, with interest;

(ii) terminate Tenant's rights under this Lease by notice;

(iii) reenter and take possession of the Premises by any lawful means (with or without terminating this Lease); or

(iv) pursue any other remedy allowed by Law.

(b) Tenant shall pay to Landlord the reasonable cost of recovering possession of the Premises, all reasonable costs of reletting (including reasonable renovation, remodeling and alteration of the Premises in a manner that is typical and customary for Comparable Buildings), the reasonable amount of any commissions paid by Landlord in connection with such reletting, and all other reasonable costs and damages proximately caused by the Tenant Default, including attorneys' fees and costs actually incurred, and shall repay to Landlord all free rent and any other similar concession given to Tenant; *provided, however*, that for purposes of Tenant's liability under the foregoing portion of this sentence, such costs of reletting and commissions (only) shall be amortized over the initial term of the new lease, with interest thereon at the Interest Rate, and Tenant shall be liable only for that portion so amortized falling within the remaining portion of the Term.

(c) Notwithstanding any termination or reentry, the liability of Tenant for Rent payable under this Lease shall not be extinguished for the balance of the Term, and Tenant agrees to compensate Landlord on demand for any deficiency (which deficiency shall be reduced by all amounts actually received by Landlord from reletting the Premises). In the event of a Tenant Default, Landlord shall use its best efforts to mitigate its damages in accordance with Utah law.

(d) No reentry or taking possession of the Premises or other action by Landlord or Landlord's employees, agents or contractors on or following the occurrence of any Tenant Default shall be construed as an election by Landlord to terminate this Lease or as an acceptance of any surrender of the Premises, unless Landlord provides Tenant notice of such termination or acceptance.

16.3. Past Due Amounts.

(a) If Tenant fails to pay when due any amount required to be paid by Tenant under this Lease, such unpaid amount shall bear interest at the Default Rate from the due date of such amount to the date of payment in full, with interest.

(b) Notwithstanding the foregoing to the contrary, such interest shall not apply if the failure by Tenant to pay when due any amount required to be paid by Tenant under this Lease is cured within three (3) business days after the date on which Landlord gives Tenant written or verbal notice of such failure; *provided*, that such three (3)-day notice and cure period shall not be applicable more than once in any twelve (12)-month period. Therefore, on the second time in any twelve (12)-month period that Tenant fails to pay when due any amount required to be paid by Tenant under this Lease, such interest and late payment charge will be due and payable by Tenant and such notice and cure period will be inapplicable. (Such notice and cure period applies only to such interest and late payment charge.)

(c) All amounts due under this Lease are and shall be deemed to be rent or additional rent, and shall be paid without (except as expressly provided in this Lease) abatement, deduction, offset, prior notice or demand. Landlord shall have the same remedies for a failure to pay any amount due under this Lease as Landlord has for the failure to pay Basic Monthly Rent.

16.4. Landlord Default. Landlord shall be in default under this Lease (a "**Landlord Default**") if Landlord fails to perform an obligation required of Landlord, or to correct a representation or warranty of Landlord made, under this Lease within thirty (30) days after notice by Tenant to Landlord and the holder of any mortgage or deed of trust covering the Property whose name and address have been furnished to Tenant, specifying the respects in which Landlord has failed to perform such obligation, and such holder fails to perform such obligation within a second thirty (30)-day period commencing on the expiration of such first thirty (30)-day period; *provided, however*, that if the nature of such obligation is such that more than thirty (30) days are reasonably required for performance or cure, no Landlord Default shall occur if Landlord or such holder commences performance or cure within its thirty (30)-day cure period and thereafter diligently prosecutes the same to completion. In no event may Tenant terminate this Lease or withhold the payment of rent or other charges provided for in this Lease as a result of a Landlord Default, unless Tenant first obtains a judicial order expressly authorizing Tenant to do so pursuant to a judicial proceeding, notice of which has been given to Landlord by personal service as required by the Utah Rules of Civil Procedure for such proceeding. Subject to the foregoing provisions of this Paragraph 16.4 and to the provisions of Paragraph 22.8, in the event of a Landlord Default, Tenant shall have the right to pursue all rights and remedies (legal and equitable) available to Tenant under Utah law. Notwithstanding the foregoing portion of this Paragraph 16.4, on receipt of any notice of default from Tenant, Landlord shall promptly commence, and thereafter diligently prosecute to completion, the cure of such default, whether or not Tenant gives notice of such default to the holder of any mortgage or deed of trust covering the Property whose name and address have been furnished to Tenant.

17. Expiration and Termination.

17.1. Surrender of Premises.

(a) Prior to Lease end, Tenant shall, at Tenant's sole cost and expense:

(i) remove only Tenant's Property; *provided, however,* that Tenant shall not remove Tenant's Property from the Premises without Landlord's prior consent if such removal will impair or damage the structure of the Building;

(ii) repair any damage to the Property caused by or in connection with the removal of any property from the Premises by or at the direction of Tenant; and

(iii) deliver all keys and access cards to the Premises to Landlord, and promptly and peaceably surrender the Premises to Landlord "broom clean," in good order and condition, subject to normal and reasonable wear and tear and the other provisions of this Lease regarding maintenance, repair, casualty, condemnation, insurance and indemnification.

(b) Any of Tenant's Property not removed from the Premises on the abandonment of the Premises or on Lease end for any cause shall conclusively be deemed to have been abandoned and may be appropriated, removed, sold, stored, destroyed or otherwise disposed of by Landlord without notice to, and without any obligation to account to, Tenant or any other person unless required to do so by Laws. Tenant shall pay to Landlord all reasonable expenses incurred in connection with the removal and disposition of such Tenant's Property in excess of any amount received by Landlord from such removal and disposition.

(c) In addition, Landlord may require Tenant to remove any other Alteration made to the Premises by Tenant or by Landlord for Tenant and to restore the Premises to their condition prior to making such Alteration; *provided,* that, except as set forth in subparagraph (a)(i) above with respect to Tenant's Property, Tenant shall have no obligation to remove:

(i) the Tenant Improvements made pursuant to Exhibit A; or

(ii) any other Alteration made by Tenant with Landlord's prior consent if, but only if, at the time such consent was given and prior to installation, Tenant also obtained Landlord's express consent and agreement to such Alteration remaining in the Premises at Lease end.

17.2. Holding Over.

(a) Tenant must obtain the prior consent of Landlord in order to remain in possession of the Premises after Lease end. If Tenant remains in possession of the Premises after Lease end *without* obtaining the prior consent of Landlord:

(i) such holdover shall not be deemed to be a renewal of this Lease but shall be deemed to create a month-to-month term which may be terminated by either party on twenty (20) days' written notice to the other party. In the event that any such holdover exists, all of the terms and provisions of this Lease shall be applicable during such holdover period, except that Tenant shall pay one hundred twenty-five percent (125%) of the Rent in effect on the termination date computed on a daily basis for each day of the holdover period.; and

(ii) Tenant shall reimburse Landlord within thirty (30) business days after the receipt of an invoice therefor, accompanied by such detail as may reasonably be requested by Tenant, for all reasonable out-of-pocket costs, expenses, fees, charges or penalties incurred or payable by Landlord in connection with any other tenant or lease for the Premises resulting from the delay by Tenant in surrendering the Premises in accordance with the provisions of this Lease, including, without limitation, penalties or holdover rent paid or credit given to the next tenant for the Premises as a result of late delivery to such tenant of the Premises.

(b) If Tenant remains in possession of the Premises after Lease end *with* the prior consent of Landlord, such occupancy shall be a tenancy from month-to-month on all of the terms of this Lease and provisions of Utah law applicable to a month-to-month tenancy (which tenancy shall be terminable as of the end of any calendar month by written notice given by either Party to the other at least fifteen (15) days prior to the end of the month concerned) at a rental (and not as a penalty) in the amount of one hundred twenty-five percent (125%) of the last Rent payable by Tenant to Landlord each month of such occupancy thereafter, plus all other charges payable under this Lease.

(c) Notwithstanding anything contained in this Paragraph 17.2 to the contrary, on any termination of this Lease pursuant to Paragraphs 13 or 14, Tenant shall have up to thirty (30) days to surrender the Premises after the effective date of such termination, and the provisions of this Paragraph 17.2 shall not be applicable until after the expiration of such thirty (30)-day period.

17.3. Survival. The provisions of this Paragraph 17 shall survive Lease end.

18. Estoppel Certificate; Financial Statements.

18.1. Estoppel Certificate. Either Party shall, within ten (10) business days after request by the other Party, execute and deliver to the requesting Party an estoppel certificate in commercially reasonable form in favor of the requesting Party and such other persons as the requesting Party may reasonably request setting forth the following:

(a) a ratification of this Lease;

(b) the Commencement Date and Expiration Date;

(c) that this Lease is in full force and effect and (if Landlord is the responding Party, to Landlord's current, actual knowledge) this Lease has not been assigned, subleased, modified, supplemented or amended (except by such writing as shall be stated);

(d) that, to the current, actual knowledge of the responding Party, all conditions under this Lease to be performed by the requesting Party have been satisfied or, in the alternative, those claimed by the responding Party to be unsatisfied;

(e) that, to the current, actual knowledge of the responding Party, no defenses, claims or offsets exist against the enforcement of this Lease by the requesting Party or, in the alternative, those claimed by the responding Party to exist;

- (f) that, to the current, actual knowledge of the responding Party, the responding Party is not in default under this Lease;
- (g) that (if true) Tenant has accepted and occupied the Premises;
- (h) the amount of advance Rent, if any (or none if such is the case), paid by Tenant;
- (i) the date to which Rent has been paid;
- (j) the amount of the Security Deposit; and
- (k) such other factual information reasonably related to this Lease as the requesting Party may reasonably request.

The requesting party and third parties reasonably designated by the requesting Party shall be entitled to rely on any such estoppel certificate. Any estoppel certificate executed and delivered by Tenant shall also be executed by any guarantor of this Lease, along with a confirmation of the guaranty concerned.

18.2. Intentionally Omitted.

19. Parking; Signage; Satellite Antenna/Roof.

19.1. Parking. Tenant shall pay as additional rent an amount equal to \$65 per parking stall in the Tenant's Parking Stall Allocation (up to 39 unreserved parking stalls), totaling up to \$2,535 per month. Additional parking may be provided on a "as-available" basis under the same terms hereof. Tenant and its contractors shall have free parking access during the period of construction of Tenant Improvements.

19.2. Signage.

(a) Tenant shall have the option to install one exterior sign, at Tenant's sole cost and expense, located on the 2nd floor, South end corner, above and to the left or right of the Gateway Office Plaza awning on the exterior of the Building (the "**Building Sign**"). The Building Sign shall be no larger than eight (8) feet wide and three (3) feet tall and shall comply with applicable ordinances, laws, and regulations. The location, materials, lighting and design on such sign shall be subject to the prior approval of Landlord and its architects, which approval shall not be unreasonably withheld or delayed. Tenant shall maintain the Building Sign installed by Tenant at its sole cost and expense, in a safe and presentable condition and, without limiting the generality of any other provision of this Lease, agrees to hold Landlord harmless from and against any liability, costs or expense arising from the installation, maintenance, operation or removal of said signs. Upon the expiration or any sooner termination of this Lease, Tenant shall, at Tenant's sole cost and expense, remove the Building Sign and professionally restore the exterior surfaces of the Building to their original condition. The Building Sign shall, with respect to its installation, maintenance, operation and removal, conform with all applicable zoning ordinances, building and electrical codes and other applicable laws and regulations. Tenant shall be financially responsible, directly to the appropriate public utility involved, for the electricity consumed by such signs as well as all other maintenance thereof.

(b) Landlord shall install at its cost building standard interior signage in the building directory and at the suite for the Premises. Landlord will also install, with the Landlord and the Tenant equally sharing the cost, certain directional or wayfinding signs in the building and parking garage in locations mutually agreed to by Landlord and Tenant sufficient for guests and visitors of Tenant to locate Tenant's offices.

(c) At Tenant's sole cost and expense, Tenant shall maintain all permitted signs and shall, on Lease end, remove all of its signs and repair any damage caused by such removal.

(d) Any subtenant hereunder or approved assignee of Tenant's rights hereunder shall have the same signage rights as set forth in this Section 19.

19.3 Satellite Antenna/Roof. Subject to Landlord's prior written approval which shall not be unreasonably withheld, conditioned or delayed, Tenant shall have the right to install and use, at no monthly rental charge, a single roof-mounted antenna, satellite dish, or other roof-top communication device in a location that is acceptable to Landlord. Any apparatus shall be installed at Tenant's sole cost and subject to specifications approved by Landlord and in a manner acceptable to Landlord and at the end of the Term and any extensions thereof shall be removed at Tenant's cost and in a manner acceptable to Landlord. Tenant shall be obligated to pay any roof repair costs and the cost of any damage to the Building and to any other tenant space in the Building resulting from Tenant's installation and use of such roof-top device. Commencing as of the time of installation, Tenant shall conform to all applicable laws and ordinances with regard to use, installation, and maintenance of the device requested by Tenant. All permits, application fees, and all costs associated with the aforementioned shall be the responsibility of Tenant.

20. Landlord's Representations and Warranties.

20.1. Representations and Warranties. Landlord represents and warrants to Tenant that (unless otherwise expressly indicated) as of the date of this Lease:

(a) (i) Landlord has good and marketable fee simple title to the Premises and the Property, with full right and authority to lease the Premises to Tenant;

(ii) there are no liens, encumbrances or other matters affecting such title that would interfere with the Permitted Use;

(iii) the Property is zoned to permit the Permitted Use; and

(iv) to Landlord's current, actual knowledge, there are no covenants, restrictions or other agreements that would interfere with the Permitted Use;

(b) to Landlord's current, actual knowledge:

(i) the Property has not been used to treat, store, process or dispose of Hazardous Materials;

(ii) there are no releases nor have there ever been any releases of Hazardous Materials at, on or under the Property that would give rise to a cleanup or remediation obligation under any applicable Environmental Laws; and

(iii) the Property does not contain (A) any underground storage tanks, nor have there ever been any underground storage tanks on the Property, (B) asbestos in any form, including insulation or flooring, (C) PCB-containing equipment, including transformers or capacitors, or (D) any other Hazardous Materials that could affect or impair Tenant's use of or operations at the Property or the health or safety of Tenant's employees,

and notwithstanding anything contained in this Lease to the contrary, Tenant shall have no liability of any kind to Landlord for any pre-existing Hazardous Materials located on the Property as of the date of this Lease, or for any Hazardous Materials that migrate onto or under the Property or otherwise become present at the Property as the result of the activities of anyone other than Tenant or Tenant's Occupants;

(c) to Landlord's current, actual knowledge, the Building (including the Premises) complies (and will, as of the Commencement Date, comply) with Laws and any covenants, conditions and restrictions affecting the Building;

(d) to Landlord's current, actual knowledge, as of the Commencement Date:

(i) the Building (including the Premises) will be free from any material defect in materials or workmanship;

(ii) the Premises will be in good, structurally sound condition and watertight;

(iii) the Building utilities and mechanical, electrical and HVAC systems will be in good, working condition and repair; and

(iv) the fire sprinklers in the Building (including in the Premises) will have adequate flow and pressure in accordance with the regulations of the National Fire Protection Association;

(e) no pending Condemnation Proceeding relating to or affecting the Property exists, and Landlord has no current, actual knowledge that any such action is presently threatened or contemplated; and

(f) as of the Commencement Date, Tenant shall have exclusive possession of the Premises.

20.2. Remedy. If any representation or warranty set forth in Paragraph 20.1 is inaccurate or untrue as of the date when made, Landlord's sole and exclusive obligation and liability (and Tenant's sole and exclusive right and remedy) under this Paragraph 20 shall be to cause the condition causing such representation or warranty to be inaccurate or untrue to be corrected or remedied at Landlord's sole cost and expense, *subject, however*, to any provision of this Lease (such as, but without limitation, Paragraphs 7 and 9) expressly allocating responsibility to Tenant. Landlord shall so correct or remedy such condition as soon as reasonably practicable following notice of such condition. Notwithstanding anything herein to the contrary, failure to so remedy such condition within thirty (30) days after written notice from Tenant shall constitute a Landlord Default in accordance with Paragraph 16.4 and shall entitle Tenant to all remedies provided therein.

21. Rules. Tenant and Tenant's Occupants shall faithfully observe and comply with all of the rules set forth on the attached Exhibit B, and Landlord may from time to time amend, modify or make additions to or deletions from such rules in a reasonable and nondiscriminatory manner, consistent with Comparable Buildings; *provided*, that no such amendments, modifications, additions or deletions (either individually or in the aggregate) shall, without Tenant's prior consent:

(a) adversely affect Tenant's business operations as permitted under this Lease, Tenant's compliance with Laws, or Tenant's use of, or access to and from, the Premises;

(b) materially increase any of Tenant's obligations, or materially decrease any of Tenant's rights, under this Lease, or require the payment of any monies to Landlord; or

(c) conflict with any of the express provisions of this Lease.

Such amendments, modifications, additions and deletions shall be effective ten (10) business days after receipt by Tenant of notice, accompanied by a copy of such amendments, modifications, additions or deletions. Although Landlord shall use its best efforts to enforce such rules in a consistent and nondiscriminatory manner against all tenants of the Building (and shall promptly undertake to enforce such rules (without the obligation of bringing a lawsuit) on receipt of notice from Tenant of another tenant's or occupant's breach of the rules that is disturbing Tenant or Tenant's Occupants), Landlord shall not be responsible to Tenant for the failure of any other tenant or person to observe such rules. In the event of any conflict between such rules and the provisions of this Lease, the provisions of this Lease shall prevail.

22. General Provisions.

22.1. No Partnership. Landlord does not by this Lease, in any way or for any purpose, become a partner or joint venturer of Tenant in the conduct of Tenant's business or otherwise.

22.2. Force Majeure. If either Party is delayed or hindered in or prevented from the performance of any act required under this Lease by reason of acts of God, weather, strikes, boycotts, lockouts, other labor troubles (other than within such Party's organization), inability to procure labor or materials, fire or other casualty, accident, failure of power, governmental requirements, restrictive Laws of general applicability, riots, civil commotion, insurrection, terrorism, war or other reason not the fault of the Party delayed, hindered or prevented and beyond the control of such Party (financial inability excepted) (any of the foregoing, "*force majeure*"), performance of the action in question shall be excused for the period of delay and the period for the performance of such action shall be extended for a period equivalent to the period of such delay; *provided, however*, that the time period customarily associated with obtaining any approvals, permits, consents or waivers shall not be an event of force majeure. The provisions of this Paragraph 22.2 shall not, however, operate to excuse Tenant from the prompt payment of Rent or any other amount required to be paid by Tenant under this Lease, or excuse Landlord from the prompt payment of any amount required to be paid by Landlord under this Lease. The Party claiming the benefit of any force majeure delay shall use its best efforts to notify the other Party promptly following the occurrence of any event constituting a force majeure delay.

22.3. Notices. Unless otherwise expressly provided in this Lease, any communication to be given by either Party to the other shall be given in writing by personal service, express mail, Federal Express or any other similar form of courier or delivery service providing proof of delivery, or mailing in the United States mail, postage prepaid, certified, return receipt requested and addressed to such Party as follows:

If to Landlord:

Fielding Group, LLC
35 North Rio Grande
Salt Lake City, UT 84101
Attention: Randy Shumway

with a required copy to:

the holder of any mortgage or deed of trust covering the Property

and to:

Matthew T. Wirthlin, Esq.
Holland & Hart LLP
222 South Main, Suite 2200
Salt Lake City, Utah 84101

If to Tenant:

Prior to the Commencement Date:

Wasatch Front Regional Council
295 Jimmy Doolittle Rd.
Salt Lake City, Utah 84116
Attn: Ned Hacker

Wasatch Front Regional Council
295 Jimmy Doolittle Rd.
Salt Lake City, Utah 84116
Attn: Andrew Gruber

After the Commencement Date:

Wasatch Front Regional Council
41 North Rio Grande Street, Suite 200
Salt Lake City, Utah 84101
Attn: Ned Hacker

Wasatch Front Regional Council
41 North Rio Grande Street, Suite 200
Salt Lake City, Utah 84101
Attn: Andrew Gruber

And to:

Snell and Wilmer L.L.P.
15 W. South Temple, Suite 1200
Salt Lake City, Utah 84101
Attn: Brian C. Cheney

Either Party may change the address at which such Party desires to receive notice on notice of such change to the other Party. Any such notice shall be deemed to have been given, and shall be effective, on delivery to the notice address then applicable for the Party to which the notice is directed; *provided, however*, that refusal to accept delivery of a notice or the inability to deliver a notice because of an address change that was not properly communicated shall not defeat or delay the giving of a notice. Notwithstanding the foregoing, communications under this Lease may also be delivered via fax (provided that a hard copy of any such notice has been dispatched by one of the other means for giving notice within twenty-four (24) hours after faxing). Such fax notice given in the foregoing manner shall be deemed given upon confirmed transmission if sent by fax

transmission, provided such transmission is prior to 5:00 p.m. on a business day. If such transmission is after 5:00 p.m. on a business day or is on a non-business day, such notice will be deemed given on the following business day. Any notice to be given by either Party may be given by such Party's employee, attorney or other agent.

22.4. Severability. If any provision of this Lease or the application of any provision of this Lease to any person or circumstance shall to any extent be invalid, the remainder of this Lease or the application of such provision to persons or circumstances other than those as to which such provision is held invalid shall not be affected by such invalidity. Each provision of this Lease shall be valid and enforceable to the fullest extent permitted by Laws.

22.5. Brokerage Commissions. Landlord shall pay Tenant's Broker a market commission equal to 3% of the actual full-service-gross-equivalent Tenant rent for the first five (5) years of the Term in which base rent is scheduled to be paid. Both Tenant and Landlord acknowledge that Commerce Real Estate Solutions in partnership with Coldwell Banker Commercial represents the Tenant in this transaction and both parties agree to such representation. Except as set forth above:

(a) Landlord represents and warrants to Tenant that no claim exists for a brokerage commission, finder's fee or similar fee in connection with this Lease based on any agreement made by Landlord; and

(b) Tenant represents and warrants to Landlord that no claim exists for a brokerage commission, finder's fee or similar fee in connection with this Lease based on any agreement made by Tenant.

Landlord shall indemnify, defend and hold harmless Tenant from and against any claim for a brokerage commission, finder's fee or similar fee in connection with this Lease based on an actual or alleged agreement made by Landlord. Tenant shall indemnify, defend and hold harmless Landlord from and against any claim for a brokerage commission, finder's fee or similar fee in connection with this Lease based on an actual or alleged agreement made by Tenant.

22.6. Use of Pronouns. The use of the neuter singular pronoun to refer to either Party shall be deemed a proper reference even though either Party may be comprised of one or more persons. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where more than one Party exists and to two or more persons, shall in all instances be assumed as though in each case fully expressed. Unless the context clearly requires otherwise, the singular includes the plural, and vice versa, and the masculine, feminine and neuter adjectives include one another.

22.7. Successors. Subject to Paragraph 10, all provisions contained in this Lease shall be binding on, and shall inure to the benefit of, the Parties and their respective successors and assigns; *provided, however*, that on and after any sale of the Premises and assignment of this Lease by Landlord and assumption in writing of this Lease by the transferee, Landlord shall be relieved entirely of all of Landlord's obligations under this Lease to the extent arising after such sale, assignment and assumption, and such obligations shall automatically pass to Landlord's successor in interest.

22.8. Recourse by Tenant. Notwithstanding anything in this Lease to the contrary, Tenant shall look solely to the right, title and interest of Landlord in the Property, together with the rents, issues and profits, the proceeds of any sale or insurance carried by Landlord, and the awards of any Condemnation Proceeding, with respect to the Property, subject to the prior rights of the holder of any superior mortgage or deed of trust, for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord on any Landlord Default, and no other asset of Landlord or any other person shall be subject to levy, execution or other procedure for the satisfaction of Tenant's remedies. Nothing contained in this Paragraph 22.8 shall limit or affect any right that Tenant may otherwise have to obtain injunctive relief or to exercise any other remedies or actions against Landlord that do not require Landlord to respond with other than Landlord's interest in the Property. The provisions of this Paragraph apply not only to claims under the express terms of this Lease, but also to

claims of any kind whatsoever arising from the relationship between the Parties or any rights and obligations they may have relating to the Property or this Lease.

22.9. Quiet Enjoyment. On Tenant paying Rent and all other amounts payable by Tenant under this Lease and observing and performing all of the terms, covenants and conditions on Tenant's part to be observed and performed under this Lease within any applicable notice and cure period given to Tenant in this Lease, Tenant shall have quiet use and enjoyment of the Premises for the Term without interference, hindrance or interruption from Landlord, or anyone claiming by, through or under Landlord, subject to all of the provisions of this Lease.

22.10. No Waiver. No failure by either Party to insist on the strict performance of any covenant, duty or condition of this Lease or to exercise any right or remedy on a breach of this Lease by the other Party shall constitute a waiver of such covenant, duty, condition or breach. Either Party may, but shall not be obligated to, waive any covenant or duty of any other Party, or any of its rights, or any conditions to its obligations, under this Lease by notice to the other Party. No such waiver by either Party will imply or constitute its further waiver of the same or any other matter. No waiver shall affect or alter the remainder of this Lease, but each other covenant, duty and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequently-occurring breach. No act or thing done by Landlord or Landlord's agents during the Term will be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender will be valid unless in writing signed by Landlord. The delivery of Tenant's keys to any employee or agent of Landlord will not constitute a termination of this Lease unless Landlord has entered into a written agreement to that effect. No payment by either Party, or receipt from either Party, of a lesser amount than the Rent or other amount due will be deemed to be anything other than a payment on account of the earliest Rent or other amount due. No endorsement or statement on any check, or any letter accompanying any check or payment as Rent or other amount, will be deemed an accord and satisfaction. The recipient will accept any check for payment without prejudice to its right to recover the balance of such Rent or other amount due or to pursue any other remedy available to such recipient.

22.11. Rights and Remedies. Except as expressly set forth in this Lease, the rights and remedies of the Parties shall not be mutually exclusive and the exercise of one or more of the provisions of this Lease shall not preclude the exercise of any other provision. The Parties confirm that damages at law may be an inadequate remedy for a breach or threatened breach by either Party of any of the provisions of this Lease. The Parties' respective rights and obligations under this Lease shall be enforceable by specific performance, injunction or any other equitable remedy. Neither Landlord nor Tenant shall be liable to the other for any consequential, indirect, special, exemplary, punitive or similar damages under Paragraphs 11, 16.2 or 16.4 or any other provision of this Lease.

22.12. Authorization. Each entity Party represents and warrants that:

(a) the individual executing this Lease on behalf of such entity has full power and authority under such entity's governing documents to execute and deliver this Lease in the name of, and on behalf of, such entity and to cause such entity to perform its obligations under this Lease, without the consent of any third party;

(b) such entity is duly organized and in good standing under the Laws of the state of its formation; and

(c) such entity has the power and authority under Laws and its governing documents to execute and deliver this Lease and to perform its obligations under this Lease.

22.13. Attorneys' Fees. If any action, lawsuit, mediation, arbitration or proceeding, including bankruptcy proceeding, is brought to recover any Rent or other amount due under this Lease because of any Landlord Default or Tenant

Default, to enforce or interpret any provision of this Lease, or for recovery of possession of the Premises, the Party prevailing in such action shall be entitled to recover from the other Party reasonable attorneys' fees (including those incurred in connection with any appeal), the amount of which shall be fixed by the court and made a part of any judgment rendered. Tenant shall be responsible for all expenses, including, without limitation, reasonable attorneys' fees, incurred by Landlord in any case or proceeding involving Tenant or any assignee or subtenant of Tenant as the debtor under or related to any bankruptcy or insolvency law. Landlord shall be responsible for all expenses, including, without limitation, reasonable attorneys' fees, incurred by Tenant in any case or proceeding involving Landlord as the debtor under or related to any bankruptcy or insolvency law. The foregoing provisions of this Paragraph 22.13 shall survive Lease end.

22.14. Merger. Neither the surrender of this Lease by Tenant nor the termination of this Lease by agreement of the Parties or as a result of a Tenant Default shall work a merger, and shall, at Landlord's option, either terminate any subleases of part or all of the Premises or operate as an assignment to Landlord of any of those subleases. Landlord's option under this Paragraph 22.14 may be exercised by notice to Tenant and all known subtenants in the Premises.

22.15. Anti-Terrorism.

(a) Tenant represents and warrants to Landlord that:

(i) Tenant and, to Tenant's actual knowledge, each person owning an interest in Tenant, is (A) not currently identified on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control, Department of the Treasury ("*OFAC*") or on any other similar list maintained by OFAC pursuant to any authorizing statute, executive order or regulation (collectively, the "*List*"), and (B) not a person with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction or other prohibition of United States law, regulation or Executive Order of the President of the United States;

(ii) to Tenant's actual knowledge, none of the funds or other assets of Tenant constitute property of, or are beneficially owned, directly or indirectly, by any Embargoed Person (as defined below);

(iii) to Tenant's actual knowledge, no Embargoed Person has any interest of any nature whatsoever in Tenant (whether directly or indirectly);

(iv) to Tenant's actual knowledge, none of the funds of Tenant has been derived from any unlawful activity with the result that the investment in Tenant is prohibited by Laws or that this Lease is in violation of Laws; and

(v) Tenant has implemented procedures, and will consistently apply those procedures, to ensure the foregoing representations and warranties remain true at all times.

The term "*Embargoed Person*" means any person or government subject to trade restrictions under U.S. law, including, without limitation, the International Emergency Economic Powers Act, 50 U.S.C. §1701 *et seq.*, The Trading with the Enemy Act, 50 U.S.C.S. Appx. §1 *et seq.*, and any Executive Orders or regulations promulgated under it with the result that the investment in Tenant is prohibited by law or Tenant is in violation of law.

(b) Tenant agrees:

(i) to comply with all requirements of law applicable to Tenant relating to money laundering, anti-terrorism, trade embargos and economic sanctions, in effect now or after the date of this Lease;

(ii) to notify Landlord promptly in writing if any of the representations, warranties or covenants set forth in this Paragraph 22.15 are no longer true or have been breached or if Tenant has a reasonable basis to believe that they may no longer be true or have been breached;

(iii) not knowingly to use funds from any "Prohibited Person" (as such term is defined in the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) to make any payment due to Landlord under this Lease; and

(iv) at the request of Landlord, to provide such information as may reasonably be requested by Landlord to determine Tenant's compliance with the terms of this Paragraph 22.15.

(c) Tenant's inclusion on the List at any time during the Term shall be a default under this Lease. Tenant shall not knowingly permit all or any portion of the Premises to be used or occupied by any person on the List or by any Embargoed Person (on a permanent, temporary or transient basis).

22.16. Entire Agreement. This Lease (including Exhibits A, B and C (with any Appendixes to Exhibit A) and the Guaranty attached to this Lease) exclusively encompasses the entire agreement of the Parties, and supersedes all previous negotiations, understandings and agreements between the Parties, whether oral or written, including, without limitation, any oral discussions, letters of intent and email correspondence. The Parties have not relied on any representation, understanding, information, discussion, assertion, guarantee, warranty, collateral contract or other assurance (including, without limitation, one relating to square footage), made by or on behalf of any other Party or any other person whatsoever (including, without limitation, any real estate broker or agent), prior to the execution of this Lease. The Parties hereby waive all rights and remedies, at law or in equity, arising or that may arise as the result of a Party's reliance on any such representation, understanding, information, discussion, assertion, guarantee, warranty, collateral contract or other assurance.

22.17. Construction. This Lease has been prepared by Landlord and its professional advisors and reviewed by Tenant and its professional advisors. Landlord, Tenant and their separate advisors believe that this Lease is the product of all of their efforts, that it expresses their agreement, and that it should not be interpreted in favor of either Party or against either Party merely because of such Party's efforts in preparing it. The Table of Contents and captions to the Paragraphs of this Lease are for convenience of reference only, do not define, limit or describe the scope or intent of any provisions of this Lease and shall not be deemed relevant in resolving questions of construction or interpretation under this Lease. Unless otherwise set forth in this Lease, all references to Paragraphs are to Paragraphs in this Lease. Exhibits referred to in this Lease and any addendums, riders and schedules attached to this Lease shall be deemed to be incorporated in this Lease as though a part of this Lease.

22.18. Miscellaneous. Tenant shall not record this Lease or a memorandum or notice of this Lease, and any such recordation by or at the direction of Tenant shall be void *ab initio* (from the beginning) and shall be a breach of this Lease. Any guaranty delivered in connection with this Lease is an integral part of this Lease and constitutes consideration given to Landlord to enter into this Lease. No amendment to this Lease shall be binding on either Party unless reduced to writing and signed by both Parties. This Lease shall be governed by and construed and interpreted in accordance with the laws (excluding the choice of laws rules) of the state of Utah. Venue on any action arising out of this Lease shall be proper only in the state or federal courts having jurisdiction over the county in which the Property is located. **THE PARTIES KNOWINGLY AND VOLUNTARILY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ALL MATTERS ARISING OUT**

OF THIS LEASE OR THE USE AND OCCUPANCY OF THE PREMISES OR RELATED IN ANY WAY TO THE PROPERTY OR THE PARTIES' LANDLORD/TENANT RELATIONSHIP. Time is of the essence of each provision of this Lease. If there is more than one Tenant named in this Lease (or if more than one Tenant at any time assumes this Lease), the liability of each such Tenant under this Lease for payment and performance according to this Lease shall be joint and several. The submission of this Lease to Tenant is not an offer to lease the Premises or an agreement by Landlord to reserve the Premises for Tenant. Landlord shall not be bound to Tenant until Tenant has duly executed and delivered duplicate original copies of this Lease to Landlord, and Landlord has duly executed and delivered one of those duplicate original copies to Tenant.

[Remainder of page intentionally left blank; signatures on following page]

THE PARTIES have executed this Lease on the respective dates set forth below, to be effective as of the date first set forth above.

LANDLORD:

Fielding Group, LLC, a Utah limited liability company

By _____
Randy Shumway, Manager

Date _____

TENANT:

Wasatch Front Regional Council
a Utah interlocal entity

By _____
Name: Michael Caldwell
Title Chairman

Date _____

EXHIBIT A

to

LEASE

WORK LETTER

This Work Letter Agreement (“**Work Letter**”) is effective concurrently with that certain Lease Agreement (the “**Lease**”) between Fielding Group, LLC, as “Landlord”, and Wasatch Front Regional Council, as “Tenant”, relating to the Premises located at 41 North Rio Grande Street, in Salt Lake City, Utah, which Premises are more fully identified in the Lease. Capitalized terms used herein, unless otherwise defined in this Work Letter, shall have the respective meanings ascribed to them in the Lease.

For and in consideration of the agreement to lease the Premises and the mutual covenants contained herein and in the Lease, Landlord and Tenant hereby agree as follows:

1. LANDLORD’S WORK.

1.1. Except as noted in this Work Letter, Landlord shall not be required to make any improvements to the Premises. Tenant has inspected the Premises, and the parties each hereby acknowledge and agree that, except as otherwise provided herein, Landlord shall deliver possession of the Premises to Tenant in a vacant and “AS-IS” condition.

1.2. Landlord shall make the following improvements at Landlord’s sole cost and expense (“Landlord’s Work”):

(a) Demising Wall and fire exit hallway that bisects the Premises as required by the fire code and in accordance with the Final Plans to be approved by Landlord and Tenant as provided below;

(b) Heated outdoor walkway connecting the fire exit hallway along the south side of the Premises to the rear (West) stairway that provides ingress/egress to the Premises from the first floor of the Building from the West.

1.3. The Landlord’s Work shall be completed simultaneously and in conjunction with the Tenant Improvements. The Landlord and the Tenant agree to have the same contractor perform the Landlord’s Work and the Tenant Improvements so efficiencies may be realized. The Landlord’s Work shall be invoiced separately to ensure that the Tenant Improvement Allowance is not applied to Landlord’s Work.

1.4. No later than thirty (30) days after Substantial Completion of the Tenant Improvements hereunder, Landlord shall have new building standard shades/blinds reasonably acceptable to Tenant installed in the Premises, and shall be part of Landlord's Work hereunder.

2. Prior Occupancy Period/Commencement Date. Upon execution of the lease, Tenant and its contractor shall have access to the Premises to commence and complete all Tenant Improvements in the Premises. Tenant will not be required to pay rent, utilities, or operating expenses until the Commencement Date, but will not be allowed to conduct business operations in the Premises prior to the Commencement Date. Landlord shall appoint a representative to work directly with Tenant to assist Tenant in value engineering Tenant's construction of the Tenant Improvements in the Premises. The Commencement Date will be delayed by one (1) day for each day of delay of the design and construction of the Tenant Improvements and in the move into the Premises that is caused solely by any Landlord Delay. No Landlord Delay will be deemed to have occurred unless and until Tenant has provided written notice to Landlord specifying the action or inaction that Tenant contends constitutes a Landlord Delay. If such action or inaction is not cured within one (1) day after receipt of such notice, then a Landlord Delay, as set forth in such notice, will be deemed to have occurred commencing as of the date such notice is received, and continuing for the number of days that the Premises are not ready for occupancy solely as a result of such action or inaction. As used herein, "**Landlord Delay**" shall mean any delay in the completion of the Tenant Improvements that is due solely to any act or omission of Landlord (wrongful, negligent, or otherwise), its agents, or contractors.

3. TENANT IMPROVEMENTS.

3.1. Tenant Improvements and Plans. Tenant's work shall be defined to include all work required to make the Premises suitable for commercial occupancy in accordance with the Final Plans (defined below) (the "**Tenant Improvements**").

3.2. Preparation and Approval of Space Plan. Tenant will cause its architect to submit to Landlord proposed space plan drawings (the "**Space Plan**") for Landlord's review and approval. Within three (3) days after Landlord receives the proposed Space Plan, Landlord will either approve or disapprove the Space Plan for reasonable material reasons (which will be limited to: (i) adverse effect on the Building structure; (ii) possible damage to the Building systems; (iii) non-compliance with applicable codes; (iv) effect on the exterior appearance of the Building, or (v) unreasonable interference with the normal and customary business operations of other tenants in the Building (each a "**Design Problem**")), and return the Space Plan to Tenant. If Landlord disapproves the Space Plan, Landlord will require, and Tenant will make the changes necessary in order to correct the Design Problems, and will return the Space Plan to Landlord, which Landlord will approve or disapprove within three (3) days after Landlord receives the revised Space Plan. This procedure will be repeated until the Space Plan is finally approved by Landlord, and written approval has been delivered to and received by Tenant.

3.3. Preparation and Approval of the Working Drawings. After the Space Plan is finally approved by Landlord, Tenant will submit proposed complete drawings prepared by Tenant's architect consistent with the approved Space Plan (the "**Working Drawings**") to Landlord which will: be compatible with the design, construction, and equipment of the Building; be consistent with the Space Plan; comply with all applicable Laws; be capable of logical measurement and construction; contain all such information as may be required for the

construction of the Tenant Improvements, and the preparation of the Final Plans (defined below); and contain all partition locations, plumbing locations, air conditioning system and duct work, special air conditioning requirements, reflected ceiling plans, office equipment locations, and special security systems. The Working Drawings may be submitted in one or more parts and at one or more times, and the time periods for Landlord's approval will apply with respect to each part.

Within five (5) days after its receipt of them, Landlord will approve the Working Drawings; or designate by notice to Tenant the specific changes reasonably required to be made to the Working Drawings in order to correct any Design Problem or to conform to the approved Space Plan; and will return the Working Drawings to Tenant. Tenant will make the changes necessary in order to correct any such Design Problem and to conform to the approved Space Plan, and will return the Working Drawings to Landlord, which Landlord will approve or disapprove within three (3) days after it receives them. This procedure will be repeated until the Working Drawings are finally approved by Landlord, and written approval has been delivered to and received by Tenant.

3.4. Integration of Working Drawings into Final Plans. After Landlord has approved the Working Drawings, Tenant will cause its architect to integrate any engineering components such as mechanical, electrical, plumbing, HVAC, telecommunication and computer cabling plans into the approved Working Drawings prepare final plans for the Tenant Improvements (collectively, the "**Final Plans**"), and deliver the Final Plans to Landlord. Within five (5) days after its receipt of them, Landlord will either approve the Final Plans, or designate by notice given within that time period to Tenant the specific changes reasonably required to be made to the Final Plans in order to correct any Design Problem, and will return the Final Plans to Tenant. Tenant will make the minimum changes necessary in order to correct any such Design Problem and will return the Final Plans to Landlord, which Landlord will approve or disapprove within one (1) day after it receives them. This procedure will be repeated until all of the Final Plans are finally approved by Landlord, and written approval has been delivered to and received by Tenant.

3.5. Suspension of Tenant Improvements. If, at any time and from time to time and for any reason, Tenant elects not to proceed with or to suspend (i) the design or construction of the Tenant Improvements, or (ii) the move into the Premises, then, such election will not excuse any performance of Landlord under the Lease or this Work Letter, and will not be an Event of Default; however, Landlord will not be liable for any Landlord Delay that would not have occurred if the Tenant had not suspended the construction. The only economic consequence to Tenant as a result of such election will be that the Commencement Date will occur in accordance with the terms of Paragraph 2 and the Lease, and Tenant's obligation to pay Basic Monthly Rent, Tenant's Share of Operating Expenses, and any parking charges will begin subject to any abatement provided in the Lease.

3.6. Signage. Any Tenant signage on the exterior of the Building shall be at Tenant's cost and constructed and installed in accordance with the specifications set forth in Section 19.2 of the Lease.

3.7. Permits and Approvals. Tenant shall be responsible for obtaining all governmental approvals of the Final Plans to the full extent necessary for the issuance of a building permit(s) for the Tenant Improvements based upon such Final Plans. Thereafter, Tenant shall also cause to be obtained all other necessary approvals and permits from all governmental agencies having authority over the construction and installation of the Tenant Improvements in accordance with the approved Final Plans and shall undertake all steps necessary to insure that

the construction of the Tenant Improvements is accomplished in strict compliance with all state or local laws, ordinances, rules and regulations applicable to such construction, and the requirements and standards of any insurance underwriting board, inspection bureau or insurance carrier insuring the Premises pursuant to the Lease.

3.8. Construction.

(a) Construction Contract. Tenant shall employ a general contractor duly licensed in the State of Utah (“**Contractor**”) to construct the Tenant Improvements in substantial conformance with the Final Plans, which Contractor shall be subject to the prior approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed.

(b) Insurance and Assurances. Prior to commencement of Tenant’s Work, Tenant shall cause the Contractor to furnish to Landlord:

(i) A commercial general liability insurance policy, naming Landlord as an additional insured, with single limit coverage for bodily injury, personal injury, death, and property damage at a minimum of One Million Dollars (\$1,000,000) per occurrence and in the aggregate, insuring the contractor with respect to his or her activities in or about the Premises or Center. The contractor’s policy shall include, without limitation, a blanket contractual, cross-liability, and severability of interest clauses, products/completed operations, broad form property damage, and independent contractors coverage;

(ii) Worker’s compensation coverage as required by all applicable laws, together with employer’s liability coverage in an aggregate amount of at least One Million Dollars (\$1,000,000) or any greater amount required under applicable law;

(iii) Commercial automobile liability and property insurance insuring all owned, non-owned, and hired vehicles used in the conduct of the contractor’s business and operated in or about the Center with a combined single limit of at least One Million Dollars (\$1,000,000) covering bodily injury, death, and property damage per occurrence and in the aggregate; and

(iv) An “All Physical Loss” Builder’s Risk insurance policy on the work to be performed for Tenant in the Premises as it relates to the building within which the Premises are located. The policy shall include as insureds Tenant, its contractor and subcontractors, and Landlord, as their respective interests may appear within the Premises and within one hundred feet (100’) thereof. The amount of insurance to be provided shall be one hundred percent (100%) replacement cost.

All policies of insurance required hereby must be issued by insurance companies which are qualified to do business in the State of Utah. No policies issued on a “claims made” basis will be acceptable and no policies will have any deductible provision in excess of the lesser of Fifty Thousand Dollars (\$50,000) or one percent (1%) of the total coverage unless approved in writing by Landlord. Landlord, Landlord’s property manager, Landlord’s mortgagees, and any other persons reasonably designated by Landlord must be named as additional insureds on the contractor’s policies. The contractor’s commercial general liability and commercial automobile policies must be written as primary policies and any insurance carried by Landlord shall

not be contributing with such policies. All policies must contain a waiver of the insurers' right of subrogation against Landlord, Landlord's property manager, Landlord's mortgagees, and any other persons reasonably designated by Landlord. All policies must require the insurer to notify Landlord at least thirty (30) days before the cancellation or lapse of the policy or the effective date of any reduction in the amounts of insurance. Upon reasonable request, contractor shall furnish copies of the insurance policies or certificates thereof evidencing contractor's compliance with the above listed requirements.

(c) Landlord's Inspection Rights. Landlord or Landlord's agents shall have the right to inspect the construction work to be conducted by Tenant during the progress thereof. If Landlord shall give notice of faulty construction or any other deviation from the Final Plans, Tenant shall cause Contractor to make corrections promptly. However, neither the privilege herein granted to Landlord to make such inspections, nor the making of such inspections by Landlord, shall operate as a waiver of any rights of Landlord to require good and workmanlike construction and improvements erected in accordance with the Tenant Construction Documents.

(d) Construction Limitations. All construction activity will be confined to the Premises itself and will not involve other portions of the Property. There shall be no penetrations of the roof or installation of radios or television antennas without the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed.

(e) Prior to the commencement of any work in the Premises by Tenant, Tenant shall comply with all applicable laws and ordinances, including, without limitation, mechanic lien statutes §38-1a-101 through §38-1a-805, et.seq, *Utah Code Annotated*.

4. TENANT IMPROVEMENT ALLOWANCE.

4.1. Tenant Improvement Allowance. In addition to Landlord's Work, as set forth herein, Landlord will pay a Tenant Improvement Allowance in the amount up to, but not to exceed, \$55 per rentable square foot of the Premises, to be applied toward the cost of the construction of the Tenant Improvements and for no other purpose (the "**Tenant Improvement Allowance**"). The Tenant Improvement Allowance shall be paid directly from Landlord to Tenant's contractors performing the Tenant Improvements, after delivery by Tenant of unpaid invoices with certification by Tenant that said invoices are approved by Tenant and qualify as Tenant Improvements. Such applications for payment may be delivered by Tenant to Landlord on a monthly basis as work is completed and invoices are received by Tenant. In addition to the unpaid invoices and Tenant certification provided above, each application for payment shall include a list of all contractors and subcontractors who have performed work related to the Premises and appropriate conditional or unconditional lien waivers from any contractors or subcontractors for which Tenant is requesting payment. The final application for payment shall include a certificate of occupancy obtained by Tenant from the appropriate governmental authority, if a certificate of occupancy is required by such governmental authority. Once a complete application for payment has been made by Tenant to Landlord for Tenant Improvement Allowance, payment of the same shall be delivered from Landlord to Tenant's contractors within ten (10) calendar days. Upon payment of the Tenant Improvement Allowance as provided herein, the aggregate amount of the Tenant Improvement Allowance disbursed by Landlord shall be amortized over a period of ten (10) years on a straight-line basis with no annual escalations,

and such amortized amount shall be paid monthly, together with Tenant's payment of Basic Monthly Rent. For example, if the aggregate Tenant Improvement Allowance disbursed by Landlord is \$50,000, then Tenant shall pay a monthly amount of \$416.67 together with its payment of Basic Monthly Rent throughout the Term of the Lease, as the same may be extended in accordance with Paragraph 3.3 of the Lease. In the event Tenant does not exercise its option to extend the Term of the Lease in accordance with Paragraph 3.3 of the Lease, Tenant shall have no further obligation to pay such amortized amount of the Tenant Improvement Allowance. If the cost of construction of the Tenant Improvements exceeds the Tenant Improvement Allowance, the Tenant shall be responsible for those excess costs.

4.2. Change Orders. In the event that Tenant requests, in writing, or approves of any material changes to the Final Plans including changes due to field conditions (each, a "**Change Order**"), Landlord shall not unreasonably withhold its consent to any such Change Order, provided the Change Orders do not affect the Building's structure, systems, equipment or appearance and do not result in the use of materials in the construction of Tenant's Work of a lesser quality than required hereunder.

4.3. Prompt Construction/General Responsibility for Costs. Since Landlord's sole economic responsibility is to pay the Tenant Improvement Allowance, all of the Tenant Improvements shall be designed and constructed at Tenant's sole and entire cost, with Landlord being obligated only to disburse the Tenant Improvement Allowance pursuant to the terms hereof.

5. DEFAULT.

Subject to Paragraph 3.5 above, any default by Tenant under the terms of this Work Letter shall constitute a default under the Lease to which this Work Letter is attached and shall entitle Landlord to exercise all remedies set forth in the Lease. Tenant shall have any and all rights to remedy such default pursuant to the provisions of the Lease.

6. MISCELLANEOUS.

A. This Work Letter shall be governed by the laws of the State of Utah.

B. This Work Letter may not be amended except by a written instrument signed by the party or parties to be bound thereby.

C. Any person signing this Work Letter on behalf of Tenant warrants and represents he/she has authority to sign and deliver this Work Letter and bind Tenant.

D. Notices under this Work Letter shall be given in the same manner as under the Lease.

E. The headings set forth herein are for convenience only.

F. Except as otherwise specifically set forth herein, this Work Letter sets forth the entire agreement of Tenant and Landlord regarding the Work.

[Remainder of Page Intentionally Left Blank]

THE PARTIES have executed this Work Letter on the respective dates set forth below, to be effective as of the date first set forth above.

LANDLORD:

Fielding Group, LLC, a Utah limited liability company

By _____
Randy Shumway, Manager

Date _____

TENANT:

Wasatch Front Regional Council
a Utah interlocal entity

By _____
Name: Michael Caldwell
Title Chairman

Date _____

EXHIBIT B

to

LEASE

RULES

The rules set forth in this Exhibit are a part of the foregoing Office Lease (the "Lease"). Whenever the term "Tenant" is used in these rules, such term shall be deemed to include Tenant and Tenant's Occupants. The following rules may from time to time be modified by Landlord in the manner set forth in the Lease. The terms capitalized in this Exhibit shall have the same meaning as set forth in the Lease.

1. Obstruction. Any sidewalks, entries, exits, passages, corridors, halls, lobbies, stairways, elevators or other common facilities of the Building shall not be obstructed by Tenant or used for any purpose other than ingress or egress to and from the Premises. Tenant shall not place any item in any of such locations, whether or not such item constitutes an obstruction, without the prior written consent of Landlord. Landlord may remove any obstruction or any such item without notice to Tenant and at the sole cost of Tenant. Any sidewalks, entries, exits, passages, corridors, halls, lobbies, stairways, elevators or other common facilities of the Building are not for the general public, and Landlord shall in all cases retain the right to control and prevent access to them by all persons whose presence, in the judgment of Landlord, would be prejudicial to the safety, character, reputation or interests of the Property or Landlord's tenants. Tenant shall not go on the roof of the Building.

2. Deliveries. All deliveries and pickups of supplies, materials, garbage and refuse to or from the Premises shall be made only through such access as may be designated by Landlord for deliveries and only during the ordinary business hours of the Building. Tenant shall not obstruct or permit the obstruction of such access. Tenant shall be liable for the acts and omissions of any persons making such deliveries or pickups.

3. Moving. Furniture and equipment shall be moved in and out of the Building only through such access as may be designated by Landlord and then only during such hours and in such manner as may be prescribed by Landlord. If Tenant's movers damage any part of the Improvements, Tenant shall pay to Landlord on demand the amount required to repair such damage.

4. Heavy Articles. No safe or article, the weight of which may, in the reasonable opinion of Landlord, constitute a hazard of damage to the Building, shall be moved into the Premises. Other safes and heavy articles shall be moved into, from or about the Building only during such hours and in such manner as shall be prescribed by Landlord, and Landlord may designate the location of such safes and articles.

5. Building Security. On Saturdays, Sundays and legal holidays, and on other days between the hours of 6:00 p.m. that evening and 7:30 a.m. the following day, access to the Building, the halls, corridors, elevators or stairways in the Building or to the Premises will be locked and require a key card to enter the premises. Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In the event of an invasion, mob, riot, public excitement or other

Exhibit A-1

commotion, Landlord reserves the right to prevent access to the Building during the continuance of the same by closing the doors of the Building or any other reasonable method, for the safety of the tenants and protection of the Building and property in the Building. Landlord may from time to time adopt appropriate systems and procedures for the security or safety of the Building. Tenant shall be entitled to receive a number of key cards for after-hours access to the Building. Tenant may also receive key fobs for a fee that will be not less than \$10 per key fob. Replacement cards for any key cards or key fobs that are lost or stolen may be issued by Landlord for a handling fee to be reasonably determined by Landlord, but such fee will not be less than \$25 per replacement card or fob.

6. Pass Key. The janitor of the Building may at all times keep a pass key to the Premises, and such janitor and other agents of Landlord shall at all times be allowed admittance to the Premises.

7. Locks, Access Cards and Keys. No additional lock or locks shall be placed by Tenant on any door in the Building and no existing lock shall be changed unless written consent of Landlord shall first have been obtained. A reasonable number of access cards and keys to the Premises and to the toilet rooms, if locked by Landlord, will be furnished by Landlord, and Tenant shall not have any additional access cards or keys made. At the termination of this tenancy, Tenant shall promptly return to Landlord all access cards and keys to offices and toilet rooms and provide Landlord with all combinations and keys for any locks, safes, cabinets and vaults remaining in the Premises. Tenant shall keep the doors of the Premises closed and securely locked when Tenant is not at the Premises.

8. Use of Water Fixtures. Water closets and other water fixtures shall not be used for any purpose other than that for which the same are intended. No foreign substances of any kind shall be placed in them, and any damage resulting to the same from use on the part of Tenant shall be paid for by Tenant. No persons shall waste water by tying back or wedging the faucets or in any other manner. On leaving the Premises, Tenant shall shut off all water faucets and major electrical apparatus located within the Premises (but specifically excluding Tenant's data servers and similar equipment).

9. No Animals; Excessive Noise. No animals shall be allowed in the Building, other than guide dogs for hearing or vision-impaired persons. No persons shall disturb the occupants of the Building or adjoining buildings or space by the use of any electronic equipment or musical instrument or by the making of loud or improper noises.

10. Bicycles. Bicycles and other vehicles shall only be permitted in those areas designated by the Landlord for bicycle parking. Bicycles cannot be ridden inside the Building nor on the sidewalks outside the Building, except to access designated bicycle parking.

11. Trash. Tenant shall not allow anything to be placed on the outside of the Building, nor shall anything be thrown by Tenant out of the windows or doors, or down the corridors or ventilating ducts or shafts, of the Building. All trash and refuse shall be placed in receptacles provided by Landlord for the Building or by Tenant for the Premises.

12. Exterior Windows, Walls and Doors. no awnings shall be placed over the windows without Landlord's prior written consent.

13. Hazardous Operations and Items. Tenant shall not install or operate any steam or gas engine or boiler, or carry on any mechanical business in the Premises without Landlord's prior written consent. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline or other inflammable or

combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord. Explosives or other articles deemed extra hazardous shall not be brought into the Building.

14. Hours for Repairs, Maintenance and Alteration. Any repairs, maintenance and alterations required or permitted to be done by Tenant under the Lease shall be done only during the ordinary business hours of the Building unless Landlord shall have first consented in writing to such work being done at other times. If Tenant desires to have such work done by Landlord's employees on Saturdays, Sundays, holidays or weekdays outside of ordinary business hours, Tenant shall pay the extra cost for such labor.

15. No Defacing of Premises. Except as permitted by Landlord by prior written consent (which consent Landlord shall not unreasonably withhold), Tenant shall not paint, mark on, place signs on, cut, drill into, drive nails or screws into, or in any way deface the walls, ceilings, partitions or floors of the Premises or of the Building, and any defacement, damage or injury directly or indirectly caused by Tenant shall be paid for by Tenant. Pictures or diplomas shall be hung on tacks or small nails; Tenant shall not use adhesive hooks for such purposes.

17. Solicitation; Food and Beverages. Landlord reserves the right to restrict, control or prohibit canvassing, soliciting and peddling within the Building. No cooking shall be done or permitted by Tenant on the Premises Will they have a stove??. Tenant may use a microwave oven and coffee pot in connection with its use of the Premises. Tenant may install a refrigerator in the Premises, but shall not connect any water lines to such refrigerator without the prior written consent of Landlord. Notwithstanding anything herein to the contrary, Tenant may install vending machines on the Premises and/or provide food or concession services for Tenant's employees and/or guests.

18. Directory. Any bulletin board, directory or monument sign for Building tenants shall be provided exclusively for the display of the name and location of Building tenants only and Landlord reserves the right to exclude any other names. Landlord reserves the right to review and approve all signage and directory listings. Tenant shall pay Landlord's reasonable charges for changing any directory listing at Tenant's request.

19. Building Name. Landlord may, without notice or liability to Tenant, name the Building and change the name, number or designation by which the Building is commonly known. Tenant shall not use the name of the Building for any purpose other than the address of the Building.

20. Expulsion. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.

21. Public Areas. Landlord may control and operate the public portions of the Building, and the public facilities, and heating and air conditioning, as well as facilities furnished for the common use of the tenants, in such manner as Landlord deems best for the benefit of the tenants generally.

