

MINUTES OF UTOPIA REGULAR BOARD MEETING – JUNE 13, 2005

THE UTOPIA BOARD OF DIRECTORS HELD A REGULAR MEETING ON WEDNESDAY, JUNE 13, 2005 AT *The UTOPIA Offices, 1385 West 2200 South, Suite302, West Valley City, Utah 84119*. THE MEETING WAS CALLED TO ORDER BY CHAIR LEE KING.

MEMBERS PRESENT: LouAnn Christensen, Brigham City,
Jim Allan, Cedar City
Jim Perry, Cedar Hills; later arrival
Paul Cutler – Centerville; later arrival
Alex Jensen – Layton
Ott Dameron – Lindon; later arrival
Lee King – Midvale
Jan Wells – Murray, substitute
Jim Reams – Orem
Ed Skrobiszewski – Perry
Mark Cram – Riverton
Richard Woodworth - Tremonton
Wayne Pyle – West Valley City

MEMBERS ABSENT: Andy Hall – Payson; excused

OFFICERS PRESENT: Paul Morris, Executive Director
Roger Black, Deputy Director and COO
David Shaw, General Counsel

Chair Lee King called the meeting to order and welcomed all attending. He stated that Jan Wells from Murray was attending in behalf of Mayor Daniel Snarr who is out of town. Chair King turned the time over to Paul Morris, Executive Director to make introductions.

1. Introductions. Executive Director Paul Morris welcomed those attending, recognized Jan Wells from Murray, and then introduced Dr. Frantz Belot. Dr. Belot has a PhD from BYU in Education, an MBA, experience with a VoiP company and economic development. His assignment is to focus on economic development. He “job-shares” with UTOPIA and DynamicCity.

2. Approval of April 13, 2005 Board Meeting Minutes. Chair Lee King asked if there was a motion on the Minutes. Board Member LouAnn Christensen made a motion to approve the Minutes of the April 13, 2005 Board Meeting. Board Member Jim Reams seconded the motion. A vote was taken; it was unanimous. *Later arrival Board Members Paul Cutler, Ott Dameron and Jim Perry were not present for this vote.*

3. Resolution 05-07: A Resolution approving an Interlocal Cooperative Agreement between UTOPIA and the City of Centerville for infrastructure reimbursement and authorizing the Executive Director to execute the Agreement. General Counsel, David Shaw, introduced this agreement. There was discussion on this as to whether or not it would be done city wide or project by project. Mr. Shaw stated it would be overwhelming if done with every project. Board Member Paul Cutler said his city decided to do it only on the larger builds. Mr. Shaw stated that the smaller projects can be aggregated together. This does not preclude other utilities, and it is an arm's length deal. Paul Morris stated we are trying to be more efficient. There was no more discussion. Board Member Wayne Pyle made a motion to approve Resolution 05-07. Board Member Richard Woodworth seconded the motion. A vote was taken; it was unanimous. *Board Member Paul Cutler arrived and was present for this vote and all subsequent votes. Board Members Ott Dameron and Jim Perry were not present for this vote.*

4. Resolution 05-08: A Resolution approving Acting Secretaries and custodians of UTOPIA's official seal in the temporary absence or incapacity of UTOPIA's Secretary. David Shaw stated that it is logical to have an alternate secretary, as was learned during Cindy's recent vacation. The state code also requires the appointment of three emergency interim successors and they are outlined in the resolution. The Board needs to make the appointment. Board Member Jim Reams made a motion to approve Resolution 05-08. Board Member Ed Skrobiszewski seconded the motion. A vote was taken; it was unanimous. *Board Member Jim Perry arrived and was present for this vote and all subsequent votes. Board Member Ott Dameron had not yet arrived.*

5. Resolution 05-09: A Resolution approving the selection of an auditing firm to provide professional services to UTOPIA. C.O.O. Roger Black stated that a competitive process to secure an auditing firm was needed because receipt of Bond proceeds and construction of the network dramatically changed the scope of UTOPIA's audit. An RFP was issued, including emails to all UTOPIA city auditing firms, and any other party known to be interested. The selection committee consisted of Roger Black, Nicolle Minster, Laura Lewis, Jim Reams and Lee King. This selection must be approved by the Board.

The firm of Jensen and Keddington was selected. They are the auditors for Midvale and West Valley City and were also the low bidder. Brent Christensen was introduced from the firm of Jensen and Keddington. He said they are a large local firm with a government specialty. They were excited about the proposal and decided to try for it. *Board Member Ott Dameron arrived.* Board Member Jim Perry asked that the different responses be outlined. Roger Black said 25 invitations were sent out, including one to any accounting firm that worked with any UTOPIA cities. There was small number of responses, only three. Jensen and Keddington are familiar with Midvale's system, and Midvale does UTOPIA's finances. Board Member Jim Reams stated that the price for service was a secondary issue. Brent Christensen stated that their firm is familiar with the new independence rules, and they can help UTOPIA with its understanding and help keep its independence.

Board Member Paul Cutler made a motion to approve Resolution 05-09. Board Member Alex Jensen seconded it. A vote was taken; it was unanimous. *Board Member Ott Dameron had come in and was present for this vote and all subsequent votes.*

6. Resolution 05-10: A Resolution approving an annual budget for the fiscal year commencing July 1, 2005, and ending June 30, 2006. Roger Black stated that this budget is based on the assumption that Phase II funds will be secured by year's end. He explained Exhibit A, that there is a dramatic increase in anticipated take rates. Several numbers in the budget will be affected by take rates. Paul Morris added that this budget is our best effort as dollar amounts and timing are as yet unknown and other numbers are affected by subscriber numbers. The financing will be fine-tuned, and then the budget will be amended when exact numbers are available.

Board Member Wayne Pyle asked if the take rates were based on one, two or three services to each home. Roger explained it is a blended rate. Many are taking triple play, most double play. In other words, most people will take more than one service. A discussion ensued on take rates. Roger stated that the first year it was anticipated to have a 15 – 17% take rate. Already it is to date at 22% with one service. The belief exists that it will be in the area of a 40% cumulative take rate. Lee King asked if line item #2 was a conservative or aggressive assumption. Roger Black stated that it was conservative, but more aggressive than the first projections because it is now more realistic. Ott Dameron asked if it was realistic to think that 70,000 homes will be passed. Roger Black said that at the end of Phase I, 50,000 homes will be passed. Paul Morris stated that construction is on budget and it reflects real numbers. Paul Cutler urged a look at revenues and take rates, that he thinks the numbers are aggressive and construction delays will make the numbers too aggressive. Lee King asked if there was a delay on take rates, would there also be a delay on expenditures. Paul Morris answered in the affirmative. Paul Cutler summarized by saying that if we don't see the revenues, then the expenses won't be there either.

Lee King wanted to clarify any questions in regard to the Smart Community Conference. He said the Executive Committee was satisfied, but wanted to make certain the Board was alright. Paul Morris stated that the worse case scenario would be to ask the cities for money, and the cities will not be asked for more money. Three or four high level sponsors have been secured. Contingency money is set aside in the budget to cover the worse case scenario.

Board Member Ott Dameron asked about line item detail #37, regarding consulting fees for \$167,000. Mr. Black said it was for the Statement of Work with DynamicCity. It is for the work Frantz Belot will do. UTOPIA contracts with DynamicCity for his work. This budget amount represents UTOPIA's costs, including an allowance for Layton City HR services.

Chair Lee King asked about the Dean & Company budget amount. Roger Black mentioned that Dean & Company is willing to do a new business case review for our

project. They did the feasibility on the first phase, which was based entirely upon assumptions. Now we have numbers to plug in to provide a more accurate report. We do not yet have their price.

Roger Black mentioned that the budget for Smart Community corresponds to the 2006 budget. Lee King stated that when this budget is adopted, it also adopts Smart Community International. Roger affirmed. There were no more questions. Board Member Alex Jensen made a motion to approve Resolution 05-10. Board Member Wayne Pyle seconded the motion. A vote was taken; it was unanimous.

7. Chair Lee King said he would entertain a motion to go into an Executive Session. Board Member Ott Dameron made the motion to move into an Executive Session. Board Member LouAnn Christensen seconded the motion. A vote was taken; it was unanimous. The audience was excused.