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THIS WEEK

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2013 Utah economic forecast: very good, but with a caveat



Executives from the Salt Lake Chamber and CBRE say the "fiscal cliff" could derail many Utah positives.

By Brice Wallace
The Enterprise

If you liked 2012, you'll like 2013, according to officials at the Salt Lake Chamber and commercial real estate company CBRE. But that forecast comes with a huge caveat: Forces outside Utah could derail many positives occurring in the state.

"We're very optimistic about 2013, but there's a lot a caution about outside pressures and what

it can do to our economy," said Natalie Gochnour, executive vice president and chief economist at the chamber.

"2013 for Utah could be a pretty good year, but we are vulnerable to what happens in Washington," added Darin Mellott, senior research analyst for CBRE.

Gochnour and Mellott gave their assessments last week as *see FORECAST page 4*

State enjoy general upswing in movie production

By Brice Wallace
The Enterprise

Autumn was a busy time for Utahns involved in TV and movie productions, part of a general upswing in shooting in Utah during the year, Marshall Moore, director of the Utah Film Commission, told the Governor's Office of Economic Development (GOED) board at its December meeting.

"October and November were the busiest months we've had in the state of Utah since 2007," Moore said. "There was a time when I got a call or actu-

ally numerous calls in our office ... that we had literally run out of people, run out of local Utah crew. They were looking for whoever — bringing people out of retirement, out of film schools, interns — and this is when we had Chevrolet doing a national commercial here and had Jeep doing a national commercial here."

Utah usually can handle up to four full productions — crews of 80 to 120 people — at one time, he said.

This year, the number of Utah production jobs has totaled *see FILM page 5*

Utah manufacturers: we need to make use of more in-state vendors

By Brice Wallace
The Enterprise

Leaders of Utah's manufacturing sector said recently they need two groups to better understand what they have to offer: young people and the sector's own companies.

Speaking to the legislature's Economic Development Task Force, officials said youths need to realize that a job in manufacturing has many benefits. They also stressed that if companies knew what vendor and supplier companies in Utah could do for them, larger companies would turn to them for services and products rather than seek out-of-state

firms.

"We're finding that existing companies here in Utah ... are in need of suppliers and contractors and companies to do work for them here, and those companies are not here or we don't know where they are," said Todd Bingham, president of the Utah Manufacturers Association (UMA) and a task force member. "And we'd rather do work with them here in Utah than farm that work out to somewhere else across the country."

Susan Davis, director of operations process initiatives at L-3 Communications, which has

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Utah home sales up nearly 12 percent during October



Utah home sales are up 12.5 percent, and inventories are down, creating a seller's market.

Utah's housing market continued to improve in October, according to new data released by the Utah Association of Realtors.

Home sales rose nearly 12 percent from last October while the median sales price was up more than 5 percent.

Utah Realtors sold 3,242 homes, townhomes and condos during the month, up from 2,901 sales in October 2011. Year to date, 30,900 properties have

sold statewide, a 12.5 percent increase from the 27,458 sales in the January-to-October period in 2011. There have been more sales during this 10-month period in 2012 than there were in all 12 months in 2008 and 2010.

"The year has really marked a turnaround for real estate in Utah," said Cal Musselman, 2013 president of the Utah Association

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MANUFACTURING

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about 4,600 employees in Salt Lake City, said the company's Utah operations spent an estimated \$145 million with 219 Utah-based suppliers and distributors this year, or about a third of its spending.

Davis said L-3 would like to work with even more Utah suppliers. It uses only 18 of 288 active larger machine shops in the state and only two of about 48 composites shops. Many companies find it difficult to meet L-3's requirements for equipment, staffing and government regulations; lack capital investment to meet L-3's needs; or simply are unknown to the company.

"We can't deal with suppliers that don't have the sufficient staff to meet our needs, so what does that force us to do? It makes us bring stuff back in-house and we try to do it ourselves, which is very difficult as well," Davis said.

Bingham said the UMA is working to forge better connections among companies. "We need a more conclusive list of companies in the state, what they do, what their capability and scope is, and how do we get those people together," he said. "How do we take that third of those dollars that L-3 is doing and say, 'We know that there are 12 companies in Utah that could do that type of work?'"

Another focus of the task force meeting was the shortage of skilled workers. The sector currently has 115,000 employees, down a bit from 127,000 in 2007, but Bingham said Utah manufacturers are in hiring mode.

Bingham and others noted many young people — the workforce of the future — have misperceptions about the industry.

"The base knowledge about these core industries has been lost over the years," he said. "The only way that we push kids of today into core industries to be employees in the future is they have to understand what the industry does. And they still see manufacturing today as smokestacks and a dirty environment, and that is not true. And so those students are growing up and they're not going to work in those industries."

Matt Wardle, president of JD Machine Corp., said today's manufacturing is clean, safe, high-tech, challenging and rewarding.

"We're begging people to get involved in manufacturing," Wardle said. "I'm not quite sure what the paradigm is, what their thinking is, but there's a lot of unfilled positions right now."

He cited an example of opportunity fulfilled at his own company: a machinist who has been with the firm for 10 years who started working there while attending the Davis Applied Technology College during his high school years. He's now earning more than \$75,000 annually. "And his story isn't uncommon," Wardle said.

Wardle also stressed that manufacturing requires a high level of skill and training. "I can't just pull somebody off the street and put them in front of a million-dollar machine tool and expect them to be productive," he said. "In fact, it could be pretty scary."

But how to get youngsters interested in manufacturing? Wardle suggested a statewide marketing campaign to get more

students in training centers, funding for more instructors and equipment in schools, and adjustments in high school graduation requirements. "There is just not a lot of room for these kids to get technical education," he said.

Students and school guidance counselors need to be armed with more and better information about manufacturing, he said. "More importantly, I think we need to get to the moms and have them aware of what opportunities there are for their kids," Wardle said.

Several speakers said parents and teachers are pushing youngsters toward other potential professions. Bingham said it will be a long process, but industry must get more information out about the benefits of being in the manufacturing sector.

"It's time as an industry that we step up and change the perception of the industry and that we provide the information to the education community — fourth grade, seventh grade, ninth grade, whatever those grades are. If we're losing kids, then in some regard we don't have anyone to blame but ourselves that we have not provided them that information."

"Not every kid," said Sen. Stuart Reid, R-Ogden and task force co-chairman, "has to feel like he or she is successful has to be a lawyer or a doctor and feel good about their place in society."

House Majority Leader Brad Dee, R-Ogden, said public education, higher education and industry officials need to collaborate and communicate among themselves "to design a product that will work for all of them."

"I think that industry wants education to fix what's going on

because they want more skilled workers, or would like to have better skilled workers coming out of education. Education is serving a different customer base than industry," he said, adding that the university customers currently are tuition-paying students. "Now, I'm not sure how we ever get around that."

While Bingham said Utah is not considered a large manufacturing state, the sector accounts for about 13 percent of Utah's GDP, about \$14 billion annually. It has about 3,670 manufacturing companies and about \$33.1 billion in total annual wages. Its employees represent more than 10 percent of the state's workforce.

The task force's next meeting will be after the legislature's upcoming general session. It is halfway through its two-year life and will produce a report in November 2013.

ZAGG Inc. names Randall Hales CEO

Randall Hales has been named CEO of Salt Lake City-based ZAGG Inc., a maker of mobile device accessories.

Hales has served as ZAGG's interim CEO and president since Aug. 17, following the resignation of Robert G. Pedersen II. Hales served as ZAGG's COO and president since Dec. 12, 2011, and was appointed to the board of directors on Oct. 20, 2010.

Before joining ZAGG, Hales served as the CEO of Mity Enterprises, an Orem-based furniture systems manufacturer with worldwide sales and operations. Hales managed the privately held venture with more than 250 employees from 2007-2011, which was recognized in both 2009 and 2011 as the Utah Manufacturer of the Year. Hales also previously served as the CEO and president of Back to Basics Inc., a Utah kitchenware company that received the Ernst & Young Entrepreneur of the Year award in 2004.



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Consignment store, auction house to open

Alta Auction, a new consignment and auctioneering business, is slated to open in January at 4290 S. State St., Murray.

Owner Gerdt Pohlsander said the 27,000 square foot facility will consist of about 10,000 square feet of showroom space, with the balance of the structure used for warehousing. Alta Auction will operate weekdays as a consignment business, and will hold live auctions on the weekends.

"We'll take lots of merchandise, everything from antiques, sporting goods, high-end furniture, jewelry, decorative items, coins ... anything that we can do an auction with," he said.

Consigned items will be marketed for about 90 days, then auctioned.

"But we'll take certain things straight to auction if that's what the customer wants," Pohlsander said.

A 50 percent commission

will be charged on consigned items, while auctioned goods will carry a commission of 30 percent.

"But there's a range from 25 to 30 percent depending on how much the items sells for at auction," he said.

Pohlsander said he has been an auctioneer for many years and recently left a six-year managerial position at Kohl's department store to pursue the new venture.

Master area plan for 140 acres in Draper gets OK

The California company that is developing the eBay campus in Draper has received preliminary master area plan approval from the Draper City Planning Commission for roughly 140 acres located to the west of the Utah Transit Authority and Union Pacific railroad corridor at about 12800 South Galena Park Boulevard.

The site currently has two projects under construction — eBay and a park-and-ride structure

for the UTA Front Runner; the balance of the property is vacant.

Draper Holdings LLC has dubbed the possible future development Vista Station. As envisioned, it will be a mixed-use, transit-oriented development including some 1.8 million square feet of commercial space, 216,000 square feet of retail uses and 1,900 residential dwelling units. Parking is expected to be provided mainly through structured parking

facilities and interspersed surface lots. The plan also includes public spaces such as landscaped areas, active pedestrian spaces and urban plazas. The eBay office campus is at the center of the proposed Vista Station.

Draper Holdings LLC has principals in common with California-based Foursquare Properties, which developed the Jordan Landing project in West Jordan.

Work begins on new campus for private school

Ground has been broken in the Millcreek area of Salt Lake County for a new campus for Elizabeth Academy, a nonprofit Montessori private school now located at 154 E. Myrtle Ave. in Murray.

The new campus, to be located at 2870 S. Connor St., will serve students from age two to 15. Hogan & Associates is general contractor on the project, designed by VCBO Architecture. A building permit values the development at \$6.7 million.

The expanded 3.5-acre campus will allow the school to

grow from approximately 70 to 150 students. Elizabeth Academy was launched in the fall of 2009 by Gail and Thom Williamsen, whose daughter has Down syndrome, and has an inclusive focus designed to meet the needs of typical, special needs and gifted learners. Tuition averages about \$6,000 a year, said business manager Lisa Carling. The new campus will have classrooms for early

childhood and lower and upper elementary students, in addition to an auditorium/gymnasium with basketball standards and a stage for theatrical productions, an art studio, a media room to house our library collection, large classrooms with natural light and attached balconies for gardening, and natural playscape using natural materials such as streams, plants, boulders, logs and earth mounds.



SLC's RDA endorses concept plan

The Salt Lake City Redevelopment Agency is getting closer to finalizing conceptual plans for new development surrounding a Salt Lake City-funded library that will be built in the Marmalade/West Capitol Hill neighborhood. Last week, the RDA voted to direct land planners MIG Inc. to proceed with a conceptual site plan for RDA-owned property located between 300 West and Arctic Court (approximately 250 West) and 500 and 600 North. The site concept approved by the RDA shows the library located on the southwest corner of 500 North and 300 West, residential and open space directly to the

north, residential to the east, and residential and commercial uses to the north.

RDA project manager Ed Butterfield said the goal is to issue a request for qualifications from potential developers of the site, with the exception of the library. It's likely, he said, that the site will be parceled and sold to developers as pad sites.

Two buildings facing 300 West would total about 57,000 square feet, while an open space north of the library would measure between 17,000 and 20,000 square feet. All the land is currently vacant.

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FORECAST

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the organizations released their 2013 economic forecast. Several outside influences were cited as possible trouble spots for the Utah economy, including the possibility that the federal government will not avert the "fiscal cliff." If that happens, Utah families could see tax increases and the state would see large cuts in both defense and non-defense spending, they said.

The state shares many connections with the country, "and because of that connection, it's very difficult for us to continue to see a strong, robust economy in Utah if we don't see more attention to the things we can control in our nation's capital," Gochnour said.

Mellott said accumulated risk "has reached critical levels" and Utah faces "a very painful scenario" if the cliff is not avoided.

"We have our issues, but the issues here are manageable," he said of the federal government. "This isn't a situation that nobody knows what the solution is or how we can get to the solution. We know what a solution looks like. We know how to get there. It is achievable. It's just not getting done."

Gochnour said the biggest impact could be a \$2 billion tax increase on Utah households, an average of \$3,500 per household annually. Although not all tax increases would be bad, "the notion that you would snap a finger and raise taxes on 90 percent of Utah households and do it at a time when we still have a very fragile economy, you have to do that much more carefully," she said.

Tax increases and spending cuts are automatically scheduled to be implemented Jan. 1. In addition to the tax increases, Utah faces \$75 million in non-defense cuts plus \$250 million to \$500 million in defense cuts that would affect Utah's military installations — Hill Air Force Base is the state's third-largest employer —

and have a ripple effect on sub-contractors in the defense industry.

"We're running up against the deadlines now," Mellott said of the fiscal cliff. However, while he thinks a "grand bargain" comprehensive solution is unlikely by Jan. 1, he does think the most likely scenario is that a framework will be established by then that will allow the federal government to resolve issues throughout 2013. But the longer it takes to reach agreement, the more damage will be inflicted on the economy, he added.

Perhaps a larger matter is the debt ceiling, the limitation on how much debt the U.S. government can incur. That crisis is "right around the corner," Gochnour said, although it is possible that the government could get rid of that ceiling altogether or push it beyond the 2014 elections.

"When they will absolutely be forced to take action will be sometime in February when they run out of room to maneuver with the debt ceiling," Mellott said. "I can guarantee you by that point there will be some sort of framework worked out because they just won't have any choice. There's no time left on the clock at that point."

Both Gochnour and Mellott sounded optimistic. Mellott noted that the country has been polarized in the past "and we'll get through it." Gochnour said the national economy has "amazing resiliency," and both noted that while there is much uncertainty internationally, the U.S. still remains a relative "safe harbor" in the world.

Gochnour described 2012 as "a very strong year for the Utah economy, and I might say surprisingly so." Positive developments include the opening of City Creek Center, development of the national data center and completion of the Interstate 15 project in Utah County. All Utah jobs lost during the recession have been regained, with unemployment shrinking to 5.2 percent. "And housing," she said, "is in Year One of what we expect will be a four-year cycle."

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FILM

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a few thousand, although Moore noted that people often will finish work when a production ends and simply move on to another.

"The [state] incentives create a pipeline so that there's not a lag in employment opportunities, that when one crew member or cast member is done with a film, they're looking and getting on to their next one, and that has happened no better in any other year than, I believe, in this year," he said.

Pay for working on productions can vary quite a bit. For the most recent GOED-incentivized production, "Beauty in the Beast," the crew is expected to be paid an average of \$314 per day, with cast members averaging \$250. For the feature film "Cloud Nine," cast members were expected to receive \$872 daily and the crew \$300. For the TV series "Breaking Pointe: Season 2," cast members for the reality show were expected to be paid \$187 per day, with crew members averaging \$342.

Since Utah established its production incentives in 2004 to encourage more movie and TV work in the state, more than 110 productions have been awarded state incentives. Before state incentives became popular, Moore said, Utah was in the top five among states for productions. "But when incentives came along [it] kind of diluted the pool," he said.

"We're hovering in the top 10 in film production in the United States. We trail states such

as Georgia, New Mexico and Louisiana for those top positions, but they're giving away everything, and we're not doing that. We run a very consistent program that the studios actually admire. Our program is admired amongst all the other incentive programs because it actually benefits the state and many of those others don't do a good job of doing that."

Productions shot at least partially in Utah have tended to fare well financially. The movie "127 Hours," a 2010 production, did \$60 million at the box office and DVD sales totaled \$8.6 million "That's a lot of people seeing that movie and a lot of people seeing Utah," Moore said.

Meanwhile, "John Carter" did \$282 million in worldwide box office and \$19 million in DVD sales. "High School Musical: Senior Year," shot in 2008, did \$90 million in box office sales. Even "Nitro Circus 3D," released this year, did \$3.3 million in ticket sales. The next highly anticipated release is next summer's "The Lone Ranger."

On the TV side, Hallmark's "A Christmas Wish" is re-airing this year after having 5.7 million viewers last year. "Den Brother" on the Disney Channel in 2010 netted 4 million viewers. "The Mistle-Tones" on ABC Family, approved for an incentive last year, just started airing on ABC Family.

"We have such a wide variety of projects, from theatrical releases to cable releases to network television movies," Moore said.

HOMES

from page 1

of Realtors. "High affordability, plunging inventories, rising rents and fewer foreclosures have all contributed to increasing prices and to the recovery."

The Utah median sales price was up for the seventh consecutive month in October, rising more than 5 percent from the same month last year. The median sales price registered \$183,000, up from \$174,000 last year.

Even though prices have gone up in recent months, buying is still more affordable than it was last year. From January to October, the UAR's Affordability Index registered 178, up 8.5 percent from last year and indicating even greater affordability. A Utah family making the median income had 178 percent of what it needed to qualify for a median-priced home under prevailing interest rates.

"Several years of price declines and low interest rates have put homeownership back in reach," Musselman said. "Home buying is also looking more attractive because the cost of renting is

rising. The National Association of Realtors says rents will have increased about 4 percent this year and will go up another 5 percent next year. As Utahns look at the cost of buying relative to renting, many are deciding that homeownership makes more economic sense."

The sharp drop in homes available for sale has also contributed to rising prices since more buyers are competing for fewer properties. With only 18,705 properties for sale, inventory dropped nearly 23 percent from last October. This is the lowest level since January 2007 and represents a supply of six months, which is indicative of a seller's market.

Among Utah's more populated areas, defined as those with more than 30 sales, the counties with the highest percentage increases in closed sales were Davis (up 27.3 percent), Iron (up 25 percent) and Tooele (up 24.1 percent).

The highest price increases among more the populated areas were in the following counties: Wasatch (up 58.6 percent), Summit (up 34.3 percent) and Tooele (up 14.3 percent).

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• Industry Briefs •

ARTS/ENTERTAINMENT

• **Silver Peak Productions LLC** has been approved for a state incentive to shoot the independent feature film romantic comedy **"Beauty in the Beast"** in Utah. The Governor's Office of Economic Development (GOED) board approved the cash rebate incentive, totaling \$33,000, based on the company spending \$219,000 in Utah. The 12-day shooting schedule is expected to be completed Dec. 17. Marshall Moore, director of the Utah Film Commission, said it is the fourth Utah incentive for the Pleasant Grove-based company, whose parent is Candlelight Media.

BANKING

• **U.S. Bank**, through the U.S. Bancorp Foundation, is presenting **more than \$75,000 in grants to 20 nonprofit organizations** in the Greater Salt Lake area. The grants are being awarded to organizations that support arts and culture, economic opportunity and education in the Greater Salt Lake community.

• **Cleon P. Butterfield**, senior vice president and CFO of **Utah Housing Corp.**, was appointed as a member of the **Federal Home Loan Bank of Seattle's Affordable Housing Advisory Council**. Butterfield will serve a three-year term beginning Jan. 1. FHLB-Seattle is a member-owned cooperative serving 338 community financial institutions. FHLB provides its members with access to wholesale funding which they use to make home mortgages, small business and other loans in their communities. FHLB also works with its members and their community partners to promote affordable housing and economic development. The Affordable Housing Advisory Council is responsible for reviewing affordable housing needs across the district and recommending affordable housing program priorities and policies for the board of directors' approval.

• **TAB Bank**, Ogden, has appointed **Michael Palmer** as vice president of compliance. Palmer joined TAB Bank in September and served briefly in the role of compliance manager. Prior to coming to TAB, Palmer spent the last 13 years working at Wells Fargo in various capacities. He spent the first four years on the retail side of Wells Fargo, and the last nine years in compliance. While in compliance, he worked for Wells Fargo Financial ensuring compliance of the retail branch network in five states. In addition, he also worked for Wells Fargo Home Mortgage, specializing in

new regulation implementation and special projects as well as for Wells Fargo Bank International Group, where he focused on the Bank Secrecy Act, anti-money laundering regulations and provisions and other high-risk issues.

• **Mountain America Credit Union** has opened a branch at **1340 N. State St., Orem**. It is the credit union's second office in Orem and one of nine it operates in Utah County. Manager of the new branch is Joe Tanner.

COMPUTERS/SOFTWARE

• **DoxTek Inc.**, an Orem-based document management and software integration firm, has been selected by **Intermountain Power Service Corp.** to create a central electronic document management repository designed to improve the Utah power plant's ability to share and search critical documents, accelerate new hire training processes and increase business efficiencies across the organization. The project is scheduled to be complete by July 2013 and will include an enterprise-wide information sharing solution that increases accessibility for key IPSC internal employees, yet creates additional security for one of the leading power generation facilities in Utah.

EDUCATION/TRAINING

• The third pilot **"Smart School"** has been launched, at **Dixon Middle School** in Provo. The Smart School Technology Program encourages the deployment of whole-school technology in Utah's public schools — for example, each student and teacher in the participating schools received an iPad to facilitate 21st century learning. The technology program is designed to help stu-

dents develop the digital and technology skills needed to compete and thrive in a global, digitally driven economy. The Governor's Office of Economic Development selected three schools from the 40 that applied. Earlier, the program was started at North Sevier High School and Gunnison Valley Elementary. Through a bidding process, iSchool Campus, Park City, was selected as the vendor to provide and implement the technology. The program, created by SB248, provides the following deployment features in each school: wireless infrastructure, flat-screen TVs with device mirroring technology, MacBook computers in every classroom, an

Apple iPad for every student and teacher, Internet security, software and professional development for teachers, administrators and school technology offices. The program also includes secure Web filtering so students can work with their devices at home and proprietary software to connect students and teachers.

ENVIRONMENT

• The **U.S. Environmental Protection Agency (EPA)** awarded the **Utah Society for Environmental Education** in Salt Lake City with a \$25,000 grant to enhance the environmental justice program at the University of Utah. The Utah Society for

Environmental Education will work with University of Utah students to create an environmental justice simulation program for coursework, engage graduate students in the development of service learning projects and provide partnerships between local community service providers and students.

FINANCE

• The **CAPROCK Group Inc.**, a San Jose-based family wealth management firm, has hired **Greg B. Robinson** as managing director of the firm's new office in Park City. Most recently, Robinson served as a vice presi-

continued on page 17

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Small Business Financing

Asset Based Lenders – What Do They Look for in Their Clients?

As year-end approaches, many companies are working through the final details of their budget for the upcoming year. As with any company, the budget provides a road map for the direction of the business for the new year and as such is scrutinized at all

levels of the business and ultimately approved at the executive level and by the board of directors.

Lenders also have a keen interest in the company's budget. Most lenders require the delivery of the budget at least 30 days prior to the end of the fiscal year. It is generally

good practice for a company and its lender to meet prior to year-



Paul Durosco

end and discuss the budget so that each party's expectations for the year are set and there are no surprises for either party related to such expectations. Key discussion topics during this meeting include requests from the borrower to change/amend the loan agreement based on the budget and anticipated changes in the

business, cash flow and availability under the revolving lines of credit (asset-based loans are governed by lending formulas against revolving assets, accounts receivable and inventory) and financial covenants.

Requests for Changes

With the fluctuations in the current economy, proactive companies are changing the way they do business, whether it be focusing on price, customer service,

fill rates or some other aspect of the business, to remain competitive and profitable. Associated with this are changes in budgets, primarily at the top-line revenue, cost of goods sold, or in the selling, general, and administrative expenses. These changes will not only affect the company's working capital needs, but also affect the levels of accounts receivable and inventory which ultimately will have an impact on the amount of money the company can borrow.

Cash Flow and Borrowing Availability

Because a company's borrowings under an asset-based loan are driven by discounts (advance rates) against accounts receivable and inventory, any changes to the levels of these assets will affect the company's borrowing capacity. Consideration should be given to changes in these assets and communicated to the lender so that expectations with respect to availability (derivative of eligible assets multiplied by advance rates) for the upcoming year are clearly understood and any shortfalls can be addressed. (Asset-based lenders do not like surprise over-advances) and any increases can be dealt with through line increases.

Covenants

Asset-based lenders require financial covenants to help gauge the performance of a borrower throughout the year. Such covenants are derived from the company's budget, as the lender views the company's budget as a promise to perform and will hold the company accountable for such performance through financial covenants. Given this, companies should be cognizant of such financial covenants as they work through the budgeting process.

As companies close out this year and prepare for the next, budgeting is an important process for the company and also for the lender. Prudent business owners and chief financial officers should be open with their lender during the budgeting process to ensure there are no surprises during the year for either partner, and that the company's working capital needs are being met to deliver on a successful year.

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Paul Durosco is vice president of asset-based lending at TAB Bank, Ogden. He oversees all credit/underwriting and operational functions as it relates to the bank's asset-based lending portfolio. Durosco can be reached at paul.durosco@tabbank.com. TAB Bank provides custom working capital solutions — asset based loans, accounts receivable financing, lines of credit, and equipment loans — to commercial businesses in all stages of business life cycles during any economic conditions.

Focus

THE WORKPLACE

pages 9-13

Look Closer at your Employee Handbook

By Cheylynn Hayman

We've all heard the old adage: If it's not broke, don't fix it. That may be true in many circumstances, but how do you know if your employee manual needs fixing? Employee manuals are often overlooked, but as we approach the beginning of a new year, it is an ideal time to consider taking your employee manual off the shelf and having knowledgeable employment counsel review it to determine if changes in the law or new industry regulations warrant any updates or revisions to your existing policies.

Why Have an Employee Manual?

Employee manuals play an important role in any employer's business, whether large or small. For employees, an employee manual is a helpful resource that allows them to understand and comply with employer expectations, policies and practices. Employee manuals are an invaluable tool for employers as well, both from a management and a litigation perspective.

What Policies Should an Employee Manual Contain?

The answer is: It depends. (A typical lawyer answer, I know.) But employee manuals are not one-size-fits-all. This is true for legal and practical reasons. Employee handbooks will vary from company to company depending on the employer's size, location, industry and corporate philosophies, among other factors.

Some multi-jurisdictional employers may want to consider developing different employee manuals or separate policies for employees in states with unique or specific legal

requirements. Other employers may find it advantageous to prepare separate manuals for their management-level employees that are more detailed than the employee manual provided to the company's general workforce.

While employment laws vary from state to state and employee manuals will vary depending on the needs of the particular company, there are some policies that are generally advisable for all employers.

Disclaimers: In order to safeguard the at-will employment relationship and to avoid inadvertently creating an express or implied employment contract, an employer should make clear in its employee manual that employment is at-will, that nothing in the employee manual constitutes a contract of employment or creates any specific contractual right or obligation between the employer and any of its employees, and that the at-will employment relationship can be modified only in writing by specific individuals (e.g., the president or owner of the company). Because an employer must be able to respond flexibly to changing circumstances as they arise, an employer should also make clear that the guidelines contained in the employee manual and any other practice of policy of the employer, including compensation and benefits, are subject to changes and exceptions without prior notice, in the employer's sole discretion.

EEO / Sexual Harassment / Discrimination Policies: Equal Employment Opportunity (EEO) and other policies prohibiting sexual harassment and other forms of illegal harassment and discrimination are not only critical tools for preventing and ceasing illegal workplace harassment, they also can assist an employer in establishing affirmative defenses to employee claims. Employers should take care in crafting such policies, however, as overly-broad policies — such as those directing employees to report harassment or discrimination to "any supervisor" — can actually undermine an employer's ability to successfully defend against employee claims in certain circumstances.

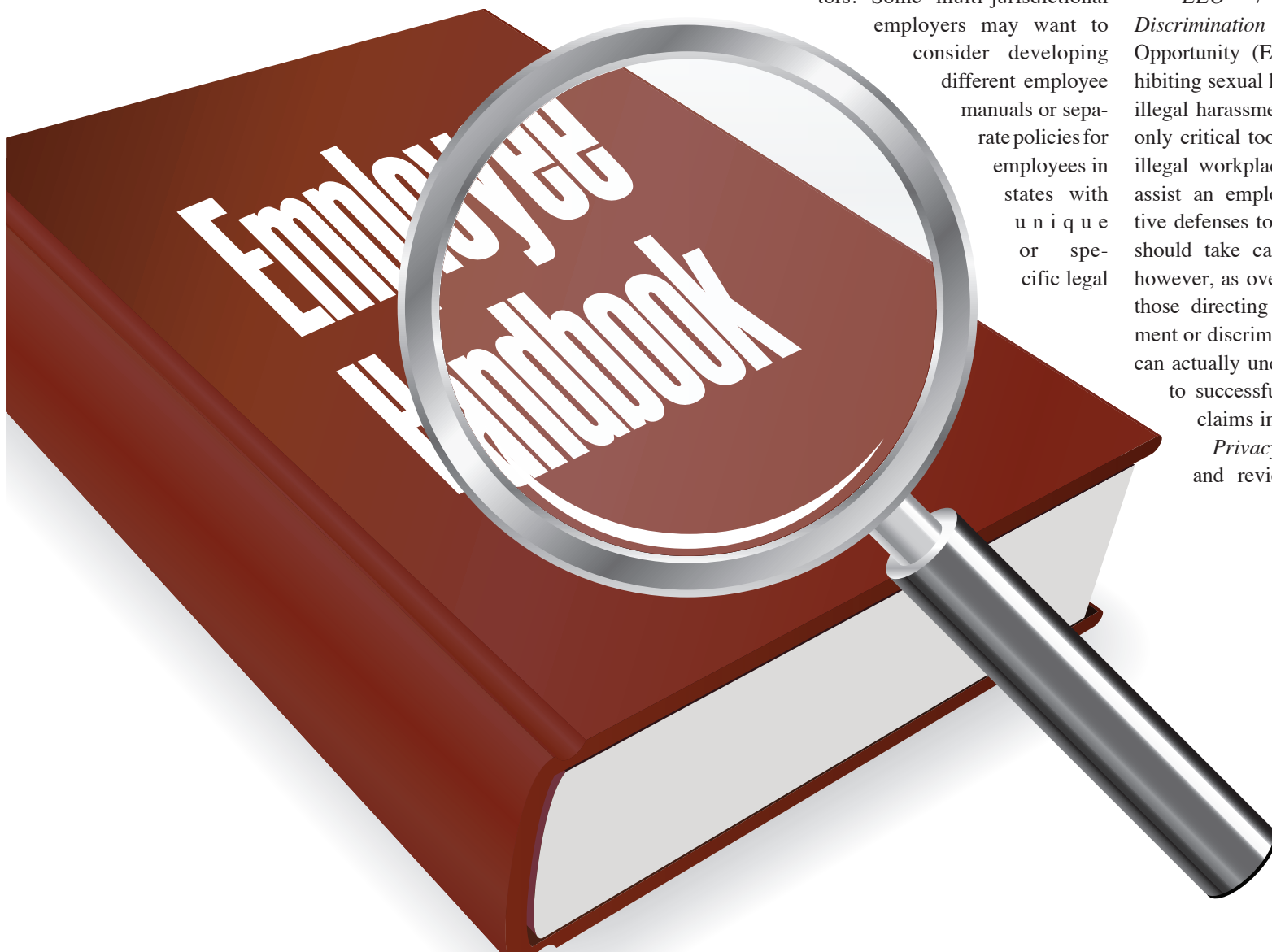
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Strategic Staffing A division of BBSI 3761 S. 700 E Salt Lake City	801-994-9494 801-994-9499 strategicstaffs.com	2710	35	5	Manufacturing, administrative, call centers, production, warehouse, hospitality, accounting, technical, engineering, and professional direct hire	Vacation and holiday pay, health, dental, vision, 401k, direct deposit
Express Employment Professional 521 E. 100 S. #100 Salt Lake City	801-521-4210 801-521-4355 expresspros.com	1500	28	7	All	Medical, dental, 401k, life
Synergy Staffing Partners 5578 S. Redwood Rd. S-B Taylorsville	801-266-9675 801-665-1853 synergystaffing4u.com	1350	12	1	Administrative/clerical, light industrial, manufacturing, warehouse and professional direct hire	Holiday, vacation pay, discount medical
Apex Staffing, LLC 145 E. 1300 S. #103 Salt Lake City	801-596-8119 801-596-8108 apexjobs.net	220	5	1	Construction, manufacturing, warehousing, production, call center	DND
Utah Employment Services 2292 S. Redwood Rd West Valley City	801-978-0378 801-978-0374 utahemploy.com	220	6	1	Manufacturing, production, construction, electrical, engineers	Vacation, holiday, medical insurance, direct deposit, sick leave
Prince, Perelson & Associates 2180 S. 1300 E. #350 Salt Lake City	801-532-1000 801-532-7676 perelson.com	150	22	1	Accounting & finance, administrative, legal, sales & marketing, information technology, engineering-permanent & temporary services	Health, dental & vision insurance, 401k
Kforce Inc. 1245 Brickyard Rd. #100 Salt Lake City	801-257-6800 801-257-6838 kforce.com	50-60	13	1	Technology skill sets within any industry	Health, dental, vision, short & long term disability, 401k, stock purchase plan, PTO
Andersen Certified Staffing, LLC 3098 S. Highland Dr. #260 Salt Lake City	801-463-7400 DND andersenstaffing.com	9	2	1	Manufacturing, service, financial, etc. Specialists in accounting staffing	Bonus

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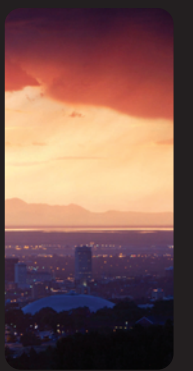


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HANDBOOKS

from page 9

running afoul of potential privacy issues, employers should clearly state in their employee manuals that employees have no expectation of privacy to any information, whether of a personal or business nature, stored in any company computer, on any company network or in any of the company's other office equipment. Employers should also make clear that this policy applies to information stored in active, archived or deleted files.

Handbook Acknowledgements: It is doubtful that most employees will sit down and read their employee manual with the same zeal as they would the latest *New York Times* bestseller. Some employees may never read the employee manual at all. Nevertheless, it is important, from a legal

perspective, for an employer to prepare and obtain a signed acknowledgment that the employee has received the employee manual and understands certain basic aspects about the manual. This includes that the employee's employment is at-will, modification of the at-will employment relationship is limited, the employee manual does not create any contractual obligations between the employer and employee, and the employee has reviewed the company's sexual harassment and discrimination policies and agrees to report any concerns regarding harassment, discrimination or retaliation as required by the policy. Such signed acknowledgments should be kept in the employee's personnel file.

Other topics commonly addressed in employee manuals include:

- Policy statements
- Employee attendance

- Employee leave
- Employee benefits
- Safety measures
- Disciplinary action
- Workplace violence
- Technology
- Social media

Why is Legal Review of an Employee Manual Important?

The law is always changing and evolving, particularly in the area of employment. And sometimes change can come from unexpected places.

Take, for example, the National Labor Relations Board's (NLRB) recent increased scrutiny of social media policies. As employee use of social media has increased in the workplace, employers have naturally begun drafting policies to address employee use of social media, as well as related confidentiality and privacy concerns. The

NLRB, in turn, has focused its attention on determining whether those policies reasonably could be construed to chill the exercise of an employee's protected rights under the National Labor Relations Act. Some of the seemingly common-sense policies deemed unlawful by the NLRB just might surprise you.

Legal counsel can help you stay abreast of these types of legal changes and update your policies to avoid potential legal pitfalls. This article provides just a few ideas of what should be included and considered, but because technology, the workplace and the legal landscape are always changing, employers should have their own knowledgeable employment legal counsel review their employee handbooks every one to two years for any necessary modifications or revisions. Proactive and timely housekeeping in this regard can spare an employer potential grief (and costly litigation fees) down the road.

Cheylynn Hayman is a shareholder and a member of the litigation group at Parr Brown Gee & Loveless, with an emphasis on employment law and employment defense. She routinely assists large and small employers in developing effective employment policies, procedures and handbooks, among other employment and litigation matters. Hayman also conducts in-house training programs for supervisors and employers on topics including hiring and firing, disability accommodations, sexual harassment and other forms of discrimination.

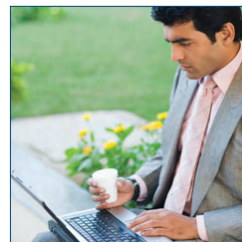
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Workplace



Today's workplace is a dynamic environment where change is the only constant. Companies are continuously dealing with modifications in benefits, technology, work environment, compensation packages, employment policies and more. Each of these has legal implications, and staying connected with trusted legal advisors on all employee and workplace issues is among the best New Year's resolutions you can make for your company.

As strong advocates for having policies in place before legal issues arise, Parr Brown advises you to consult legal counsel to ensure your company avoids unnecessary risk.

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OP Dealer 2612 S. 1030 W. Salt Lake City	801-973-8388 801-973-4220 opdealer.com	\$9 million 3,500	20 10	DND	Furniture sales, space planning, design and relocation	Andy Baldwin
Linda's Furniture 3330 S. Highland Dr. Salt Lake City	801-487-3992 801-487-1422 lindasfurniture.com	\$1.5 million 31,000	10 5	Automobile dealerships, attorney's offices	Desks, credenzas, files, bookcases, office chairs (leather & fabric), lawyers bookcases, waiting room chairs	Robert Slater
Office Furniture Blowout 160 W. 2100 S. Salt Lake City	801-486-3500 801-606-2801 officefurnitureblowout.com	\$1.5 million 35,000	7 3	Varilease, KUTV, Sorenson, Novarad, Kennecott, City Creek, JetBlue, Terra Tek, University of Nevada	New and used office furniture, moving/relocating services, design work	Mark Legones
Office Systems Specialists 3408 S. 1400 W. Salt Lake City	801-908-5286 DND DND	\$1.5 million 2,000	4 30-40	Hill Air Force Base, WJ Bradley, Response Marketing, Harmon Music, Sum Products, Apria Health Care	Remanufactured and new cubicle, new case goods, new Clone Herman Miller cubical, Quality pre-owned cubicles Complete Remanufacturing Facility	Ronald De Klerk
Office Furniture Brokers 1475 W. 9000 S. West Jordan	801-809-4188 DND officefurniturebrokers.com	\$989,000 20,000	4 1	Health Equity, Trifecta Marketing, Listen Tech., BYU Hawaii	Used and new office furniture, cubicle, desks, chairs, conference room tables Everything sold at broker pricing, below wholesale	Robert De Klerk
Sugar House Furniture 2198 S. Highland Dr. Salt Lake City	801-485-3606 801-485-8361 sugarhousefurniture.com	\$800,000 3,500	3 3	Multiple county libraries, Unita County Courthouse, Green River Wyoming Judges Office	Mission, Arts & Crafts, and Craftsman style desks, office chairs, files, bookcases and hutches	Jill Haskull
Business Resources, Inc. 1415 S. 700 W. #9 Salt Lake City	801-908-6200 801-908-6202 brifurniture.com	DND 15,000	4 2	Tetra, Novell, IBM, G.E. Capital, Morgan Stanley	Used Herman Miller, Steelcase, Haworth, Knoll, cubicles, desks, chairs, files, conference tables, training room tables In business for 28 years	Hal Brown

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Executive Lifestyle

Gifts of travel

Instead of jewelry or sweaters for mom and ties or sweaters for dad and toys or sweaters for the kids, how about giving a trip? You know, a vacation.

Here's the thing about a trip: long after the toys are broken, the jewelry is lost, the ties and sweaters are worn out, we all remember the vacations we've taken, the trips to different places. And I don't mean taking a trip at Christmas, I mean giving one at Christmas that can be taken sometime during the coming year.

And, it doesn't need to cost a ton of money.

One year, I gave everyone in my family a trip to Yellowstone and Jackson, Wyo. We spent a couple of nights in West Yellowstone,



Don Shafer

then a night in cabins at Roosevelt Junction inside Yellowstone and a night at the Flagg Ranch between Yellowstone and the Grand Tetons, concluding with a white-water rafting trip on the Snake

River. Several times I've taken them all to the Utah Shakespeare Festival. Another year it was a cruise down the Mexican Riviera from Los Angeles with stops in Puerto Vallarta, Mazatlan and Cabo San Lucas. Everyone still remembers and talks about the vacations we've had together.

I have some fantastic and not-too-expensive ideas for this coming year that I found with a couple of my favorite cruise search engines (orbitz.com and columbusvacations.com).

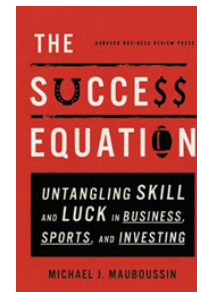
First off, there is a six-night Carnival cruise starting Jan. 6 from Fort Lauderdale to some great Western Caribbean ports of call like Key West (they'll see Hemingway's house, eat conch

see GIFTS page 16

Enjoy these three business reads during the holiday season

(Editor's note: Each month Jack Covert, founder of 800-CEO-READ, reviews the best recently released business books. Jack is also the coauthor of *The 100 Best Business Books of All Time*, recently updated and expanded, and released in paperback. 800-CEO-READ is a leading direct supplier of book-related resources to corporations and organizations worldwide, and specializes in identifying trends in the changing business market).

The Success Equation: Untangling Skill and Luck in Business, Sports, and Investing
By Michael J. Mauboussin, Harvard Business Review Press
320 Pages, \$27 Hardcover
Probability and percentages have been a hot topic this cam-



paign season, as pollsters and poll watchers placed their bets on the numbers coming in and pundits argued that the numbers alone do not — cannot — reveal all. As poll trackers worked to hone their skill and perfect their formulas, pundits relied on their extensive experience in the field and gut feeling. So who was right, and why? Did it demonstrate a particular skill, or were they simply lucky?

How much of *your* accomplishments can you attribute to skill and how much to luck? And why does that matter? Michael Mauboussin believes that when we understand which factor dominated — skill or luck — it leads to better decision-making and improved performance:

"The purpose of this book is to show you how you can understand the relative contributions of skill and luck and how to use that understanding in interpreting past results as well as making better decisions in the future. Ultimately, untangling skill and luck helps with the challenging task of prediction, and better predictions lead to greater success."

Many sports anecdotes populate the book, as the subtitle would suggest, but Mauboussin consistently relates those anecdotes and the statistics backing them to business, investing and even nation-building. What is particularly eye-opening is how our own desire for a rational narrative colors our judgment of whether the eventual outcome derived from skill or luck:

"We re-create events in the world by creating a narrative that is based on our own beliefs and goals. As a consequence, we often struggle to understand cause and effect, and especially the relative contributions of skill and luck in shaping the events we observe. ... [W]e may make the mistake of drawing conclusions from samples that are too small. We may fail to consider all of the causes that might lead to par-

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see BOOKS next page

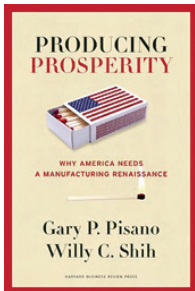
BOOKS

from previous page

ticular events. We might test too much—so much, in fact, that we wind up finding causes where we’re simply seeing the results of chance.”

In Chapter 11, “The Art of Good Guesswork,” Mauboussin presents 10 suggestions for applying what we’ve learned about luck and skill in the book to the real world, avoiding the pitfall of similar books that remain too theoretical. And at the end of the book, Mauboussin opens the curtain and reveals the rigorous attention to detail and extensive research behind the scenes he portrays — 20 pages of notes and 15 pages of bibliography — that really ground *The Success Equation*.

Don’t be discouraged however, because the book’s tone is engaging and its anecdotes relatable. If you liked *Moneyball*, with its mix of data and great storytelling, you’ll very much enjoy Michael Mauboussin’s *Success Equation*.



Producing Prosperity: Why America Needs a Manufacturing Renaissance

By Gary P. Pisano & Willy C. Shih, Harvard Business Review Press

192 pages, \$27, Hardcover

Business leaders and economists have argued for almost two decades now that we’re entering a postindustrial society, that we’re really in the business of R&D, software, and services, and that “the decline of manufacturing in the United States is a natural and healthy evolution toward a more knowledge-based economy focused on services and innovation.”

Gary Pisano and Willy Shih present a more complex view in their new book, *Producing Prosperity: Why America Needs a Manufacturing Renaissance*. They believe that we are indeed an innovation and knowledge-based economy, but that manufacturing still plays an essential and integral role in the process. And they believe this is why maintaining an “industrial commons” is so important.

“[U]nderlying every industry are sets of technical and operational capabilities, some of which are shared across firms and even across industries. These shared capabilities form what we call the industrial commons. The com-

mons is embedded in suppliers, customers, partners, skilled workers, and local institutions such as universities. Commons are sources of competitiveness for industries that draw from the shared capabilities.”

The continued decline of our industrial commons will make it much harder to compete in emerging industries, the authors contend, because the infrastructure and know-how have moved overseas. Although they are writing from an American perspective, they make the case not because it’s good for the country, but because it’s good for business:

“Ours is not an appeal to economic patriotism or corporate social responsibility. We argue that companies should be investing in the local industrial commons because it can be a source of competitive advantage.”

And, of course, we can all use any advantage we can find — or build.

The authors also challenge our assumptions that the industrial worker is an unskilled laborer, and that the factory is but a belching behemoth of an old economy and outdated mindset rather than the site of great innovative potential. “In most factories we have visited,” they write, “we have seen a lot more brain than brawn at work. Manufacturing has become knowledge work.”

While this book may not appeal to every reader, *Producing Prosperity* is an essential addition to how we think about manufacturing and its contribution to our modern economy. It’s an argument, really, for not throwing the baby out with the bathwater, and that alone will inspire achievable innovations.

Fearless at Work: Timeless Teachings for Awakening Confidence, Resilience, and Creativity in the Face of Life’s Demands

By Michael Carroll, Shambhala Publications

240 pages, \$16.95, Paperback

I recently told Andrew Hill of *The Financial Times* that business books, in their core and their soul (if you’ll permit me that anthropomorphism), are self-help books where people go to make their company better, their job better, themselves better. Sometimes that sort of enlightenment comes indirectly, from books on strategy or a compelling biography that deepen your understanding through stories of success. Other times, as is the case with *Fearless at Work*, the book is very *directly* about self-help and personal development.

Fearless at Work leans on the author’s 37 years of Buddhist training, and seeks an instructional answer to one question: At work, I want to be _____.

see BOOKS next page

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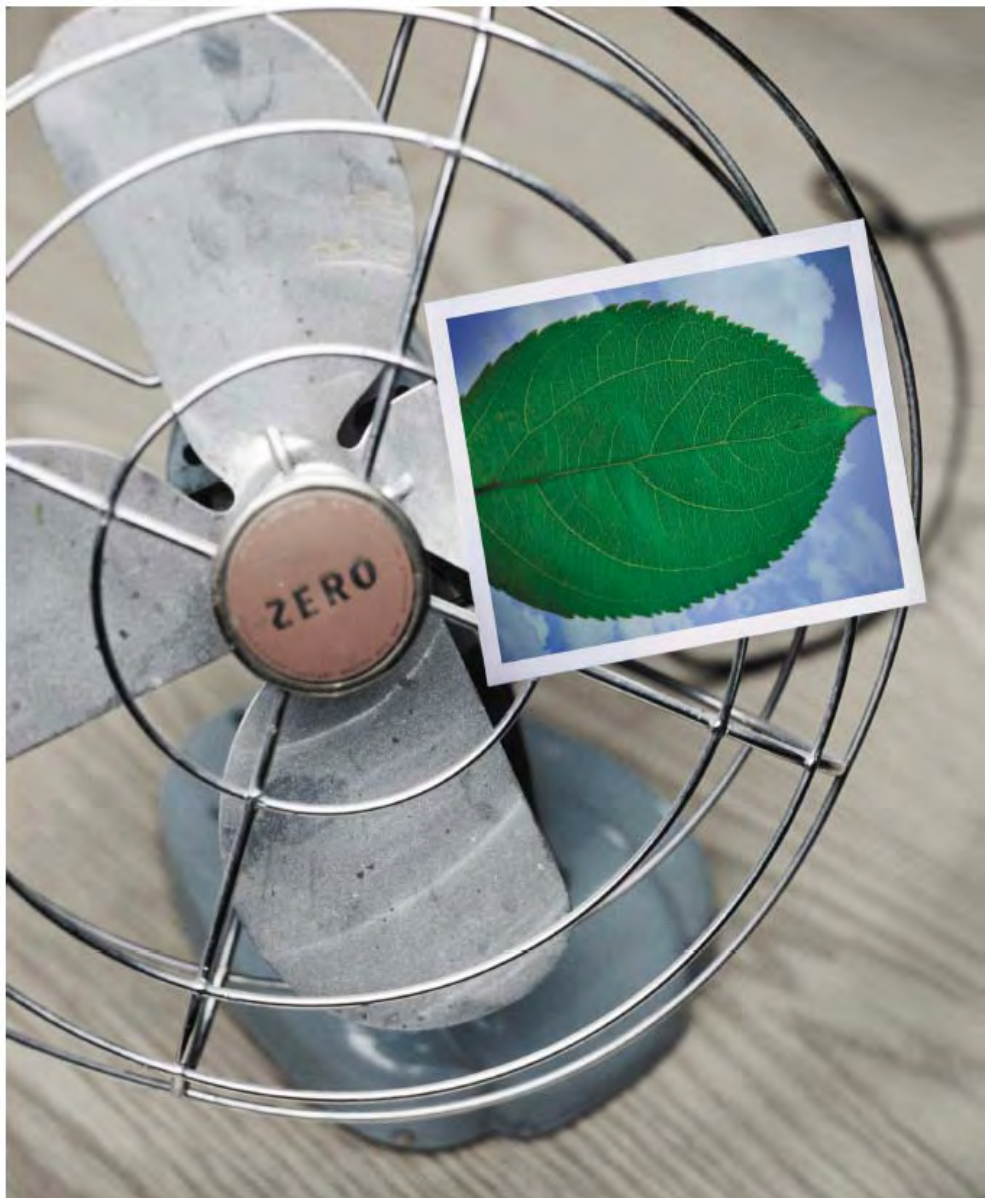
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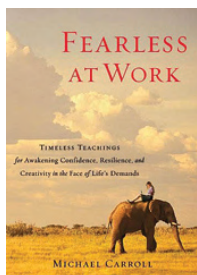
BOOKS

from previous page

What would you fill that space with? Most would say they want to be happy, successful, maybe fulfilled, and all are fine answers. But Carroll thinks that, as simple as those goals may sound, we know it is wishful thinking:

“We all know that work offers both success and failure, happiness and angst. We know that work, indeed all of life, unavoidably presents both rewards and penalties, joys and disappointments. So, while most of us may wish to be happy and successful at work, what we really want, if we bring our aspirations down to earth, is to be *confident*: confident that no matter what work offers up — success or failure, happiness or disappointment, recognition or indifference — we can unshakably rely on ourselves to be self-assured, resourceful, and at our ease.”

Unquestionably, this begins with knowing how to do your job well. But it also requires taming our minds and letting go of the restless panic that can stop us from doing anything at all. To help with that task, the author employs the “contemplative tradition of slogan practice” that has existed in Tibet



for centuries, the best example of which may be *The Root Text of the Seven Points of Training the Mind, or lojong*.

Fearless at Work is comprised of 38 slogans — such as “Nothing Sticks” and “Lean In” — which head short chapters that elucidate the slogan and the wisdom it provides. The book is then organized in five parts: The Five Primary Slogans; Exploring the Ironies of Cowardice; Taming the Mind; Establishing a Fearless Presence; and Living a Skillful Life.

Many of us are constantly striving to find a work/life balance, but I think we know there is no such thing. But if we can learn to be more mindful of our experience in each moment, we will begin to see the possibility inherent in the moment, use it to its fullest, and be more confident (maybe *even fearless*) at work — and in our lives.



GIFTS

from page 14

and Key lime pie, and see if the people have found their lost shaker of salt in Margaritaville), then Grand Cayman (where they can snorkel around a sunken ship or swim with the stingrays), then Ocho Rios, Jamaica (hey man, climb Dunns River Falls) all for \$279 per person (balconies for a mere \$499).

Then there are several more inexpensive cruises in the Western Caribbean, including a seven-night Norwegian Cruise Lines sailing on Jan. 6 from New Orleans to Costa Maya (they can see the Chacchoben Ruins), Belize City (they'll love the cave tubing expedition or the world-class diving and snorkeling), Roatan (I found the iguana farm fascinating and unforgettable), Cozumel (with interesting Mayan ruins) for \$349; or, Royal Caribbean has a six-night cruise from Fort Lauderdale to Georgetown in the Caymans, Falmouth and Labadi (RCL's private Haitian island where they'll enjoy tons of watersport fun) for \$399.

Then again, there is a Disney cruise (unbelievable, but you'd have to call this a Disney sale) for six nights from Galveston to the Western Caribbean for \$499 per person (third and fourth passengers \$340 each) — unbelievable when you consider Disney cruises are almost always over a thousand

dollars per person.

In the Eastern Caribbean you could send them sailing with Carnival for five nights in January for \$259 or February for \$299 from Port Canaveral to Freeport and Nassau in the Bahamas, and Key West. And seven-night cruises are available from Princess starting at \$379 per person, Norwegian from \$429 and Royal Caribbean for \$449.

If you wanted to give a trip to Europe, Royal Caribbean has cruises from Copenhagen through the Norwegian Fjords for seven days with stops in Alesund (splendid views of town can be had from nearby Aksla and Sukkertoppen Mountains), Geiranger (this is the place always shown on the postcards), Flaam (they'll love the train ride up into the mountains), Bergen (the most picturesque city I've ever seen — they'll want to take the finicular for an overview from the mountains) all for \$599 in May, \$629 in June, \$799 in August and \$549 per person in September. A land package through anywhere in Scandinavia would cost thousands, but on a cruise ship you get your room, meals, travel to each port, plus nightly entertainment for hundreds.

Now, if you want to be a little more exotic with your gifts, how about Machu Picchu for \$2,199 per person in June or September, or an African Safari in August for \$2,560? Both are available through alanmckaytours.com.

Any one of these vacations

is not only a super value, but an unforgettable gift. And if you don't want to be specific about the trip you want to gift, call your favorite travel agent and ask them to prepare a gift certificate for a dollar amount that can be applied to any trip your happy recipient wants to take. Many agents will put the certificate in a flight bag you can wrap and put under the tree.

Happy Quanza, Hanukkah, Christmas to all, and to all, have a great holiday!

Don Shafer has been hosting radio travel shows in Salt Lake City for more than a dozen years, and was taught everything he knows by travel experts he has interviewed. Although some have called him “The Travel Doctor,” he holds a Ph.D. in a totally unrelated field,

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from page 7

dent and wealth advisor at Wells Fargo Private Bank in Salt Lake City. Robinson brings 28 years of experience as a management consultant, entrepreneur and wealth advisor. At Bain & Co., McKinsey & Co. and Price Waterhouse, he advised clients in many industries on matters of strategic significance to improve business performance and profitability.

GOVERNMENT

- **Eric Shaw** has been

appointed **Salt Lake City director of community and economic development.** Most recently Shaw served as vice president of programs and policy at Foundation for Louisiana where he led all of the agency's programmatic initiatives, including grantmaking, advocacy support and policy work on issues of civic engagement, affordable housing, small minority business development and community wealth building.

HEALTH CARE

- **University of Utah Health**

Care has become the first hospital system in the country to **post online physician reviews and comments.** The rankings are based on more than 40,000 returned patient surveys and evaluate physicians on nine questions. Comments are reviewed before being posted and only edited to remove information that might identify a patient, or be considered libelous or slanderous. To view patient reviews and learn more about the rating system, visit <http://healthcare.utah.edu/fad>.

- **Intermountain Healthcare,** Salt Lake City, has named **Steven**

Huebner to its board of trustees. Huebner is a retired partner of the audit, tax, and advisory firm KPMG and directed audit and financial services for several health care, higher education and nonprofit organizations.

LAW

- **Gary Weston** has joined **Prince, Yeates & Geldzahler,** Salt Lake City. He was formerly a shareholder and one of the founders of the law firm of Nielsen & Senior. He specializes in commercial and real estate litigation and

trial work.

- **Parr Brown Gee & Loveless** is participating in the Books from Barristers program to help provide books to children from low-income households that are attending Title I schools along the Wasatch Front. The efforts of Parr Brown and other involved organizations is resulting in nearly 2,000 books being given to elementary school students.

- **Glen D. Watkins** and **Richard Peter Stevens** of Salt

continued on next page



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Lake City-based **Jones Waldo** have been appointed to the boards of **Utah Clean Energy** and **Secure Settlements Inc.**, respectively. Watkins, shareholder and veteran attorney in the Real Estate Law Department, just joined the board of directors for Utah Clean Energy, a nonprofit, nonpartisan public interest organization partnering to build the new clean energy economy. He has been involved with the organization since 2009. Stevens, who leads the Jones Waldo's Insurance Regulatory Law Practice Group, was recently welcomed by Secure Settlements Inc., a mortgage risk management company, to its advisory board. Stevens formerly served as assistant commissioner for the Utah Insurance Department.

MEDIA/MARKETING

• **Fit Marketing** has moved its headquarters from Provo to the Merrihew/Dalley building on the corner of Main Street and 100 West in Lehi. President and founder Owen Fuller said the firm's team has grown more than 300 percent this year, and while the company provides services worldwide, the majority of its current customers are based along the Wasatch Front.

NATURAL RESOURCES

• The **Bingham Canyon Mine Visitors Center Charitable Foundation** donated a record **\$211,000 to support 128 local community charities** in December. The foundation is organized as a Kennecott Utah Copper nonprofit entity giving funds exclusively for public welfare, community improvement and charitable purposes, which is limited to providing help to the underprivileged in Utah. As part of the amount donated to the community, the Copperton Lion's Club made a contribution of \$15,000, as the operator of the Bingham Canyon Mine Lion's Club gift shop.

NONPROFIT

• Utah's major foundations, businesses, individuals and families have contributed **\$14.3 million to United Way of Salt Lake's** "Changing the Odds" campaign. United Way was hoping to raise \$12 million to announce on 12-12 at 12:12 p.m. The \$14.3 million already promised surpasses its initial goal and brings United Way very close to its phase one goal of \$15 million for the campaign. United Way of Salt Lake launched the Changing the Odds campaign in January. The campaign is dedicated to ensuring that every child in Utah, regardless of his or her individual or family circumstances, has the same chance to succeed.

REAL ESTATE

• The Salt Lake Office of **Coldwell Banker Commercial** has hired commercial real estate broker and industrial and land specialist **Eric Larsen**. As a strategic Utah County partner with Coldwell Banker Commercial's Brandon Fugal, Larsen will join the Industrial Division of CBC for Utah County and South Salt Lake County. He will be involved in expanding the firm's Utah County footprint across various commercial real estate sectors. Formerly with Cushman & Wakefield-Commerce Real Estate Solutions, Larsen started his commercial real estate career in 2004 with NAI Utah.

• Irvine, Calif.-based **The Bascom Group LLC** has acquired **Peppertree Park**, a 96-unit apartment community in West Valley City, for \$6.2 million. Bascom worked with Gary Mozer and Katie Rodd of George Smith Partners to arrange the financing for the purchase. Craig Burton of ARA represented the seller, Tipton Enterprises Inc., in the transaction. Built in 1985, Peppertree Park consists of six buildings on 4.6 acres.

• **Dave Zitting**, president and CEO of Salt Lake City-based **Primary Residential Mortgage Inc.**, has been elected to an at-large seat on the **Mortgage Action Alliance (MAA) 2013 Steering Committee** effective Jan. 1. The steering committee is responsible for guiding MAA's development and effectiveness through lobbying efforts at state capitals and in Washington, D.C. The committee will have an even greater impact in 2013 as the mortgage banking industry undergoes and adapts to the changes mandated by the Dodd-Frank Act. MAA is a voluntary, nonpartisan and free nationwide grassroots lobbying network of real estate finance industry professionals and is affiliated with the Mortgage Bankers Association.

RESTAURANTS

• The **Mariposa** restaurant at Deer Valley Resort will **change to a small plate format** this winter. The eatery will introduce an entire

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menu of individual tasting size plates featuring creations such as Diver Scallop Ceviche with lime and aji chile marinade and cilantro emulsion; the Wild Mushroom Begger's Purse with Beaujolais reduction sauce, explorateur cheese and baby greens; and Seared Bison Fillets topped with a melting slice of foie gras/cipollini onion St. Andre cheese.

• **Cafe Rio Mexican Grill**, Salt Lake City, **opened its 24th Utah location** Dec. 12 at 5506 W. 13400 S., Herriman. The chain was recently voted the No. 1 quick-service restaurant in the nation, for the second year in a row, through the Sandelman and Associates' Quick-Track Award, edging out the strongest restaurants in the industry, including Chick Fil-A, In-n-Out Burger and Panera.

• **Dave Parrish**, a **McDonald's** owner/operator, received the **Golden Spoon Award** at the Dec. 3 **Utah Restaurant Association** annual meeting and awards dinner. Parrish, who is also mayor of Ephraim, worked his way up through the ranks of McDonald's and now owns nine McDonald's franchises in Southern Utah. **Bill Mouskondis**, chairman of the board of **Nicholas & Co.**, was inducted into the Utah Restaurant Association Hall of Fame. Mouskondis follows in the footsteps of his father. **The Roof Restaurant** was honored with the Lifetime Achievement Award, which is given to a restaurant operation that has been in business for more than 50 years. Sherri Hayashi, Utah Labor Commissioner, presented the Workplace Safety Awards to **Cafe Rio**, **Hires Big H**, **Gastronomy**, **Chuck A Rama** and **Temple Square Hospitality**.

• **Oasis Cafe**, Salt Lake City, is offering **holiday curbside service**. A three-course dinner is offered seven nights a week from 4 p.m. to 9 p.m. for \$25 for two people and \$50 for four, not including tax.

RETAIL

• Online discount retailer **Overstock.com**, Salt Lake City, has promoted **Saum Noursalehi** to vice president of new product development. Noursalehi has been with Overstock.com since 2005 (the company launched its website in October 1999). He was initially hired by Overstock.com as a software developer, a position he held from 2005 through 2006. From 2006 through 2009, he was Overstock.com's software development lead, and from 2009 to 2011 he was director of software development. Prior to his most recent promotion, he was Overstock.com's senior director of website, mobile and SEO for one year.

SPORTS

• The **Utah Grizzlies** hockey team and the **Maverik Center** in West Valley City have named **Cris Carrico** vice president of corporate partnerships. Carrico brings nearly 30 years of sports management and media experience to the Grizzlies, including time in the NBA with the San Antonio Spurs, where he served as sales manager for corporate partnership development from 2010-2011. He previously owned Crestline Sports, which produced tours for Hoop It Up 3-on-3 Basketball, Kick It Soccer and Let It Fly Flag Football. In addition, the team has announced that **Becca Sedler** has been promoted to director of partnership services. Sedler joined the group in July of 2011 from Park City Mountain Resort as marketing coordinator.

TECHNOLOGY/LIFE SCIENCES

• According to the recently released **2013 Salary Guides** from **Robert Half Technology** and **The Creative Group**, a number of **positions in the information technology (IT) and creative fields are likely to see above-average salary gains** in the coming year. The increase in compensation levels is due to high demand for these professionals as

organizations enhance their digital presence and boost investments in IT infrastructure. Six hot tech and design jobs for 2013, along with their anticipated average starting salaries in 2013, are mobile applications developers (\$92,750 to \$133,500), business intelligence analysts (\$94,250 to \$132,500), network architects (\$102,250 to \$146,500), interactive creative directors (\$95,500 to \$160,000), interaction designers (\$52,250 to \$77,500) and user experience (UX) designers (\$73,750 to \$110,500).

TRANSPORTATION

• The **Larry H. Miller (LHM) Group of Companies** has expanded its leadership team with the promotion of **Scott Bates** to president of Miller Family Real Estate/associate counsel and **Jay Francis** to executive vice president of corporate affairs and Miller Family Philanthropy as well as the hiring of **Don Stirling**, who will serve as vice president of special projects. Bates, who joined the LHM Group of Companies in 2006 as associate general counsel and chief compliance officer, is responsible for protecting the legal, financial and moral well-being of the Larry H. Miller Group of Companies. He previously practiced law as a civil litigator and prosecutor at

the U.S. Attorney's Office and served as an in-house counsel and director of real estate for Extra Space Storage Inc. Francis, who previously served as executive vice president for the LHM Group of Companies, will now oversee the corporate events, community relations and the philanthropic efforts of both the Larry H. & Gail Miller Family Foundation and Larry H. Miller Charities. Francis has been with the LHM Group of Companies for more than 25

years. Stirling's duties will consist of researching and executing broad projects for the Larry H. Miller Group of Companies, including new opportunities for revenue generation and business development, and taking on behind-the-scenes programs such as corporate emergency response plans and other projects as they arise. Stirling spent the last two years playing a key role in the fund-raising efforts for Gov. Mitt Romney's presidential run.



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Fifty Shades of Sales: putting emotion first, price second

It seems society is loosening up. The Internet, music, movies, book titles, TV and texting have created an “openness revolution” not matched since the '60s.

The recent explosion in popularity (and sales) of the *Fifty Shades of Gray* trilogy is leading me to believe the world of sales needs to loosen up as well.

Not *that* kind of loose. Shheesh.

It's not that selling is particularly sexy or erotic, but it is definitely emotional. You, the salesperson, enter the sale full of emotion and do your best to transfer your emotion to the prospect, and even capture their emotion. Once there is emotional transfer and emotional agreement, the likelihood of a sale is much higher than a “professional” or “manipulative” approach or presentation.

To understand the concept of “Fifty Shades of Sales” more fully, you have to be aware of the way sales are made. The sale is made emotionally, and justified logically.

You have made a significant emotional investment in the sale. Your emotions rise and fall with the decisions of other people. Sometimes you score. Sometimes you don't. Either way, there's an overflow of emotional energy.

Customers are also extremely emotional ...

- Before they take ownership (need, desire).
- As you're presenting (risk, doubt, caution).
- When they take ownership (pride, gratification).
- When something goes wrong (fear, anger).

Even price buyers express the (emotional) need, want or desire to own something.

After the emotional decision is made — *then* they logically hunt down, justify or decide on the affordability of the price.

Your challenge is to harness prospect-emotion and create enough of a positive atmosphere and perceived value to purchase from you.

Great news: Your shades of gray, er sales, are within your total control.

Here are the emotional elements and actions that will create a buying atmosphere:

- Asking emotional questions about their experience and wisdom.
- Your passionate, compelling presentation.
- Your personal, transferrable and consistent enthusiasm.
- Attitude that comes from your heart.
- Serving because you love to serve.
- Belief that the customer is better off having purchased from you — and believing that in your heart, not your head.
- Connecting personally and building meaningful rapport.
- Uncovering and understanding the motive (or motives) of the customer to buy.
- Making certain that your value message goes beyond your price. When value exceeds price a purchase occurs.
- Wowing the customer as a regular part of your process in sales and service.
- Using an emotional video from other customers as proof of your authenticity, qual-

ity and value.

- Reassuring the customer after they purchase.

- Becoming genuinely interested in the prospect — a classic Dale Carnegie axiom.

- Doing more than is expected — a classic Napoleon Hill axiom.

- Giving value first — a classic Jeffrey Gitomer axiom.

That's a sales list of qualities you can sink your teeth into. They're real, they create emotional engagement and they can all be mastered over time.

Take note: You determine your own emotion by the spoken and unspoken elements of who you are as a person.

Before you can enter the sales arena and best interact with customers and prospects, here are the elements you must possess to be the master of your emotional self:

- Your internal positive attitude.
- Your smile.
- Your self-confidence.
- The way you present yourself to others.
- The way you speak to others, both in tone and words.
- Who you seek to become as a person.
- How you live your life.
- How you earn respect.
- Your peer reputation.
- Your community reputation.
- Your online reputation.
- Your love of family.
- Daily random acts of kindness.

And the shade — the degree — of emotion you put into each of these elements will determine the outcome of your sales effort and your relationship effort, much more than your price, your insincere communication or your closing tactics.

Beware and be aware: Closing the sale, finding the pain and manipulation aren't in the shades of gray spectrum, they're black. Customers are smarter than that, and they see right through your phony words and process.

Practice safe sales: You got into sales to win and make income beyond the safety of a salary. You'll have to take risks along the way, but do not risk ethical violation of practice or reputation threatening based on actions.

Your emotional success and your sales are totally up to you. When you combine and master the elements and strategies above, your outcomes will build your security.

That's an emotion you can be at peace with, and bank on.

Jeffrey Gitomer is the author of *The Sales Bible*, *Customer Satisfaction is Worthless*, *Customer Loyalty is Priceless*, *The Little Red Book of Selling*, *The Little Red Book of Sales Answers*, *The Little Black Book of Connections*, *The Little Gold Book of YES! Attitude*, *The Little Green Book of Getting Your Way*, *The Little Platinum Book of Changing*, *The Little Teal Book of Trust*, *The Little Book of Leadership*, and *Social BOOM!* His website, www.gitomer.com, will lead you to more information about training and seminars, or e-mail him personally at salesman@gitomer.com.

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Using cash balance plans to improve your cash balance

As Yogi Berra said, “It's tough to make predictions, especially about the future.” I know I'm going out on a limb here, but I have a strong suspicion that tax rates are going ... up! I know, no great surprise, as our elected officials have managed to get this country into record amounts of debt. Unfortunately, at some point debts have to be paid and my hunch is that process will begin picking up momentum sooner than later. The tax man cometh.

In my last article I showed you how to save up to \$220,000 in taxes over 10 years with a defined contribution plan. Not enough? Well, read on to find out how to potentially save four times that amount or more with a defined benefit plan. This looks suspiciously close to your father's pension — something

that has been going away over the past few decades, but is still a great option for many people. A defined benefit pension plan is designed to create an income stream for life and a very large tax deduction right now.

I know one business owner who told

me that his goal was to reduce the size of his company so that he did not make more than \$250,000 per year in income, because he was told that if he made more than \$250,000 his taxes would go way up. I don't think that reducing the size and success of our companies bodes well for employees, our economy and, yes, even the tax base. May I suggest what I feel to be a better option? Keep growing your company, make more profits, keep hiring people, but implement strategies to reduce your tax burden as well.

ning at retirement and payable as long as he or she lives. The amount of this benefit is usually based on years of service and how much the participant earned during his highest-paid three consecutive years of employment. The maximum annual lifetime benefit payable to a participant with a retirement age of age 62-65 or later is \$200,000 in 2012.

An individual with a maximum benefit limit of \$200,000 per year would need to have over \$2.5 million in the plan at age 62 to fund this benefit of \$200,000 per year for the rest of their life. A participant who is 52 years old only has 10 years to make tax-deductible contributions of approximately \$200,000 per year to total the needed \$2.5 million-plus, with interest, which creates much larger potential contributions to the plan. Now you

may be thinking, I like the potential to make a tax-deductible contribution of over \$200,000 per year, but what if I have a down year and cannot make that large a deduction? The good news is that you have a range of funding options each year. Some plans I have worked on have a



Richard Wagner

Potential Contribution and Tax Saving Amounts - Individual results may vary...

Age	401(k) with Profit Sharing	Estimated Cash Balance	TOTAL	Tax Savings
65	\$ 55,500	\$ 231,588	\$ 287,088	\$ 114,835
55	\$ 55,500	\$ 170,508	\$ 226,008	\$ 90,403
45	\$ 50,000	\$ 99,820	\$ 149,820	\$ 59,928
36	\$ 50,000	\$ 61,652	\$ 111,652	\$ 44,661

Assumes a 40% combined tax bracket and that taxes are deferred. Individuals may have different tax brackets.

me that his goal was to reduce the size of his company so that he did not make more than \$250,000 per year in income, because he was told that if he made more than \$250,000 his taxes would go way up. I don't think that reducing the size and success of our companies bodes well for employees, our economy and, yes, even the tax base. May I suggest what I feel to be a better option? Keep growing your company, make more profits, keep hiring people, but implement strategies to reduce your tax burden as well.

Behold, the defined benefit plan. Let's start with the basic concept. Unlike defined contribution plans which limit how much you can put into them each year (401k, SEP, SIMPLE), defined benefit plans limit how much you can pull out of them each year. This difference in structure means that you can potentially put hundreds of thousands of dollars per year into the plans because you need to build up an enormous pile of money in order to pay a benefit to the plan participants for life. Many government employees have this type of plan, but small-business owners also have the option to create these great benefits as well.

Defined benefit plans promise to provide a participant a monthly benefit begin-

range from tens of thousands to hundreds of thousands per year. This means that you could potentially fund very little in a down year and hundreds of thousands in a great year.

So what is the big deal about these plans? Let me explain by way of an example. Let's suppose that you decide to implement a defined benefit plan and are able to put \$200,000 per year into one of these plans. If you are in the top tax bracket of 35 percent federal and 5 percent state tax, that means tax savings of \$80,000 per year. If you are in that top bracket now, brace yourself for likely higher taxes in the very near future. However, the tax knife cuts both ways, which means that you can expect a larger tax benefit from those deductions in the future as well. “So if I can save \$80,000 per year in taxes and I put that away every year for 10 years, that would provide me with a nest egg of \$800,000 plus growth?” Yep! That's what we're talking about. Now I ask you, where else can you put your money to generate that kind of savings? Pretty tough to beat right?

But wait, there's more! “You mean to tell me that there are more benefits to this program that I have not been using?!”

see CASH next page

Uncertainty overshadows opportunity

Fear and uncertainty are prevalent everywhere today, not just in the financial markets but also with individuals and businesses. Many are unsure not only about what is going to happen with the Fiscal Cliff, but also where we are headed as a country in the next several years. Will we end up like Europe, encounter a double-dip recession or possibly be heading toward another crisis? One thing is for certain, the current issues at hand are short term and the longer term unknowns are just that, and will always be there. If the economy were humming along at a 5 percent growth rate, wouldn't we be worried about when interest rates were going to skyrocket to control inflation and reign in the economy? That would make mortgages, car loans and credit cards much more expensive. It would also push investors out of growth sectors in the economy and into lower risk investments, given that the fixed return rates would be much more attractive. All of a sudden a 2 percent growth rate forecast for 2013 doesn't look so bad.



Matthew Pappas

If you look back when the rebound began in March of 2009, GDP growth in the second half of that year was 1.4 percent. We had 2.4 percent growth in 2010, only 1.8 percent in 2011 and will most likely see roughly 2 percent for 2012 and 2013. But the market (S&P 500) has returned over 94 percent since the bottom in 2009, averaging 19.57 percent on an annualized basis. Granted, a large portion of this was rebound from the recession, but that was over three years ago. The S&P has posted around a 12 percent return this year and is still undervalued on a historical basis. Even throughout this performance, however, the majority of individual investors have flocked into lower risk investments, including high credit-rated bonds and even cash. In fact, in July of this year the 10-year Treasury bond hit an all-time low of 1.39 percent, in part from this

level of demand. If you assume that inflation is going to average 2 percent per year going forward, then you are essentially guaranteed to lose 0.61 percent each year for the next 10 years. It certainly begs the question as to why investors continue to flood the treasury market for a guaranteed loss, but the data proves that they continue to do so.

On the flip side, institutional investors, or the "smart money," have been selectively buying up the cheap values in equities. This money typically originates from large pension funds, endowments and nonprofit entities. There is also some evidence that hedge funds are going to adjust their strategies to buy more equities in an effort to boost returns. The fact of the matter is that corporations have spent the last three years recapitalizing their balance sheets and taking advantage of cheap financing, whether to refinance current debts or fund dividend payouts to shareholders. Some of these companies' dividends are in fact at a higher payout yield than their corporate bonds. The entire thought process behind the Federal Reserve continuing to hold down the interest rates is to re-inflate asset prices (i.e., stocks and real estate), which will in turn boost the economy. Given the Fed's scope of influence in this area, as an investor, why would you fight it? Especially for a guaranteed loss in some cases.

Now this is not to say that many individual investors have not already taken advantage of some of these equity values in the markets as well, but equities are still cheap on a historical basis. The average historical payout ratio for corporate dividends is over 50 percent, and currently the ratio is roughly 28 percent. With the total level of capital on balance sheets at an all-time high, I believe that these companies have a high likelihood of increasing their dividends.

of plan participants and their beneficiaries, except in divorce, federal tax levies or certain criminal actions, ("Is Your Retirement Plan Really Safe?" *Journal of Accountancy*, April 2005, Richard A. Naegele and Mark P. Altieri).

Is a cash balance plan the panacea to all things tax and creditor? No. Laws and court rulings are constantly evolving, but if you would like to reduce your tax liability and improve protection from creditors, these plans are certainly worth a look.

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Notice as we move closer to the end of the year that the number of "special dividend" payments continue to go up. There are also certain sectors of the equity market that have been exploited more than others. For example, growth sectors have not been taken advantage of to the same degree as value-oriented sectors. Many technology stocks, which have always been a growth-focused play, are now beginning to pay out dividends. Now you could possibly have access to an undervalued growth opportunity with a dividend payment to buffer market volatility and potentially boost your total return.

The point here is that with all of the focus on the worst-case scenarios, I think the opportunities in the market have been ignored to a large degree. Let's be honest, if the worst case scenarios come to pass on Europe, the Middle East, the Fiscal Cliff and let's throw in resource depletion since it's a topic that continually comes up, then we have a lot more to worry about than where to invest. But, if it does not all come to pass, then one could argue that you would want to be in the market so that your money can work for you. You certainly cannot make exceptional returns by sitting on the sidelines earning 0 percent, much less losing 0.61 percent. And investing only in hard assets (e.g., gold and precious metals) has never proven historically to be as profitable of a strategy in the longer term compared to liquid equity assets.

Can you remember any prominent individual in history who made a fortune by following the crowd? Right now could be an inflection point similar to what we had in August 2011, when the debt crisis created a panic selloff in the markets. Since then, selective growth and income strategies have posted returns north of 20 percent. No one has ever been able to accurately predict market peaks, bottoms or bubbles on a consistent basis. The key is to always be in the market to some degree, tactically adjust

your holdings to buffer the downside and take advantage of the opportunities.

Matthew D. Pappas is a financial advisor with the Cottonwood Group of Wells Fargo Advisors LLC, a wealth management team based in Salt Lake City. With over 75 years combined experience, they provide professional investment management services for individuals, businesses and non-profit organizations. The Cottonwood Group's core focus is developing and implementing tactical strategies, to position their clients' assets to shift and adapt with the changes in the markets and the economy.

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CASH

from previous page

You bet. Asset protection. Not only can you protect these hard-earned profits from taxes, but may also be able to potentially shield them from creditors as well. This may provide you a chance to get off the rat race treadmill and retire someday. To potentially protect your assets, you don't need to move your money to some far-off location overseas, or bury the assets on a deserted island. There are two powerful protections given to pension plan assets. The first is called BAPCA for short, or Bankruptcy Abuse Prevention and Consumer Protection Act. Retirement funds in any account exempt from taxation under certain sections of the Internal Revenue Code, among others, are exempt property from a bankruptcy estate, under either the "opt-out" state exemptions or the federal exemptions.

Additional asset protection comes from the anti-alienation provisions of the Employee Retirement Income Security Act (ERISA) section 206(d) and IRC section 401(a)(13) that have protected tax-qualified retirement plans from the claims of creditors

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I ALREADY DECIDE WHEN THE SENATE IS IN RECESS, I BOSS THE CHURCH AROUND, AND I KILL WHOEVER I WANT. HEY, I'VE GOT IT... TELL BOEHNER TO GIVE ME CONTROL OF THE DEBT CEILING!



What to give the man who has everything

Arithmetic for Republicans: why Boehner's 'offer' doesn't add up

If President Obama honestly wants to negotiate an agreement with Republicans before the year-end fiscal deadline, he must be deeply frustrated. And if he doesn't really want to negotiate with them, then he should be delighted, for the same reason: Their latest "offer" laid before him by House Speaker John Boehner demonstrates again their refusal to reveal their true intentions — and their inability to do simple arithmetic.

Consider their treatment of Medicare, the popular social insurance program for seniors that Republicans have always despised. They have just emerged from a long national campaign in which they repeatedly and falsely

claimed to "protect" Medicare from the president — whom they accused of wanting to slash \$716 billion from the program — but now they complain that he won't cut it enough. The Obama cuts were mythical, but the Boehner budget proposal includes at least \$600 billion in Medicare and Medicaid reductions.

Worse still, the Republicans propose to perform this crude surgery on Medicare without the slightest explanation of where they would cut. Washington rumors suggest that they would achieve some of those cuts over the next 10 years by raising the eligibility age by two years to 67 and by increasing premiums

for more affluent beneficiaries.

As Robert Greenstein of the Center on Budget and Policy Priorities pointed out recently, however, those changes would not begin to achieve the savings required by the Boehner proposal.

The same problem undermines the other aspects of Boehner's proposal, which includes \$600 billion in additional unspecified cuts. Either their arithmetic doesn't work or, as Greenstein worries, they mean to inflict severe cuts in health and other services that would harm elderly and poor Americans, but want to conceal those consequences from the public.

Yet there is an even deeper problem with Boehner's arithmetic. The Republicans are fighting

to extend all the Bush tax cuts to the wealthiest two percent along with everyone else — but their alternative proposals are utterly inadequate to compensate for the \$1.3 trillion in revenues lost by continuing those cuts for the rich. To "offer" \$800 billion in new "revenues" obtained by eliminating deductions rather than raising rates simply doesn't work, as a matter of basic math. It isn't nearly enough money.

If Republican leaders cannot do the arithmetic, then it is impossible to negotiate with them. If they can do the arithmetic but insist on falsifying the answers, then it is both unwise and impossible to negotiate with them.

Unless and until the Republicans start talking about

real numbers that can actually add up, there is nothing to be gained from pretending to negotiate. Nor should the president start negotiating with himself, as he has sometimes done in the past. Instead, he ought to make sure that the opposition understands what will happen when they fail to act responsibly. After Jan. 1, he will bring them an offer they cannot refuse to restore cuts for the 98 percent — and they will be held accountable for any consequences caused in the meantime by their stalling.

To find out more about Joe Conason, visit the Creators Syndicate website at www.creators.com.

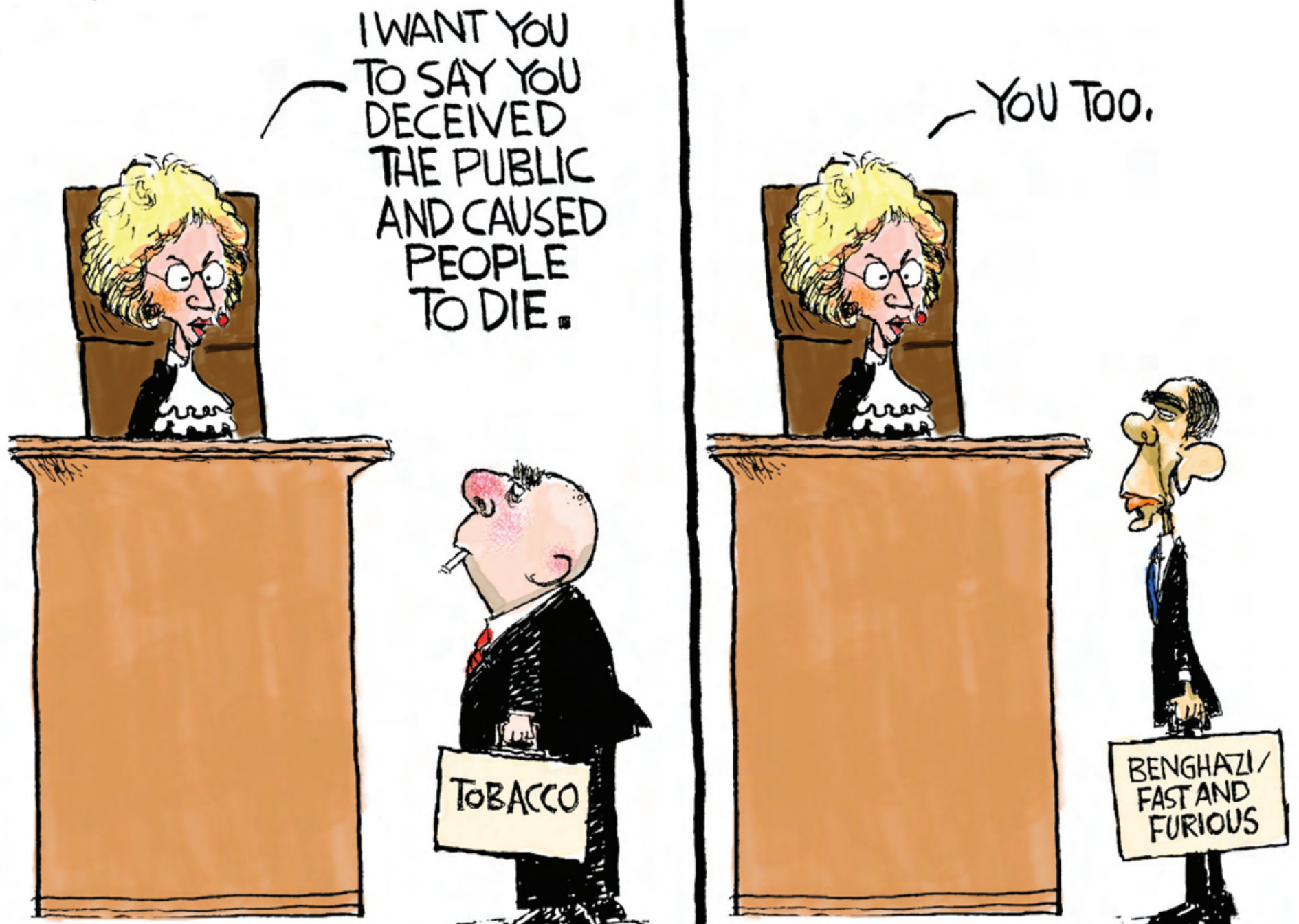
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Taxing the poor

With all the talk about taxing the rich, we hear very little talk about taxing the poor. Yet the marginal tax rate on someone living in poverty can sometimes be higher than the marginal tax rate on millionaires.

While it is true that nearly half the households in the country pay no income tax at all, the apparently simple word “tax” has many complications that can be a challenge for even professional economists to untangle.



Thomas Sowell

If you define a tax as only those things that the government chooses to call a tax, you get a radically different picture from what you get when you say, “if it looks like a tax, acts like a tax and takes away your resources like a tax, then it’s a tax.”

One of the biggest, and one of the oldest, taxes in this latter sense is inflation. Governments have stolen their people’s resources this way, not just for centuries, but for thousands of years.

Hyperinflation can take virtually your entire life’s savings, without the government having to bother raising the official tax rate at all. The Weimar Republic in Germany in the 1920s had thousands of printing presses turning out vast amounts of money, which the government could then spend to pay for whatever it wanted to pay for.

Of course, prices skyrocketed with vastly more money in circulation. Many people’s life savings would not buy a loaf of bread. For all practical purposes, they had been robbed, big time.

A rising demagogue coined the phrase “starving billionaires,” because even a billion Deutschmarks was not enough to feed your family. That demagogue was Adolf Hitler, and the public’s loss of faith in their irresponsible government may well have contributed toward his Nazi move-

ment’s growth.

Most inflation does not reach that level, but the government can quietly steal a lot of your wealth with much lower rates of inflation. For example a \$100 bill at the end of the 20th century would buy less than a \$20 bill would buy in 1960.

If you put \$1,000 in your piggy bank in 1960 and took it out to spend in 2000, you would discover that your money had, over time, lost 80 percent of its value.

Despite all the political rhetoric today about how nobody’s taxes will be raised, except for “the rich,” inflation transfers a percentage of everybody’s wealth to a government that expands the money supply. Moreover, inflation takes the same percentage from the poorest person in the country as it does from the richest.

That’s not all. Income taxes only transfer money from your current income to the government, but it does not touch whatever money you may have saved over

the years. With inflation, the government takes the same cut out of both.

It is bad enough when the poorest have to turn over the same share of their assets to the government as the richest do, but it is grotesque when the government puts a bigger bite on the poorest. This can happen because the rich can more easily convert their assets from money into things like real estate, gold or other assets whose value rises with inflation. But a welfare mother is unlikely to be able to buy real estate or gold. She can put a few dollars aside in a jar somewhere. But wherever she may hide it, inflation can steal value from it without having to lay a hand on it.

No wonder the Federal Reserve uses fancy words like “quantitative easing,” instead of saying in plain English that they are essentially just printing more money.

The biggest and most deadly “tax” rate on the poor comes from

a loss of various welfare state benefits — food stamps, housing subsidies and the like — if their income goes up.

Someone who is trying to climb out of poverty by working their way up can easily reach a point where a \$10,000 increase in pay can cost them \$15,000 in lost benefits that they no longer qualify for. That amounts to a marginal tax rate of 150 percent — far more than millionaires pay. Some government policies help some people at the expense of other people. But some policies can hurt welfare recipients, the taxpayers and others, all at the same time, even though in different ways.

Why? Because we are too easily impressed by lofty political rhetoric and too little interested in the reality behind the words.

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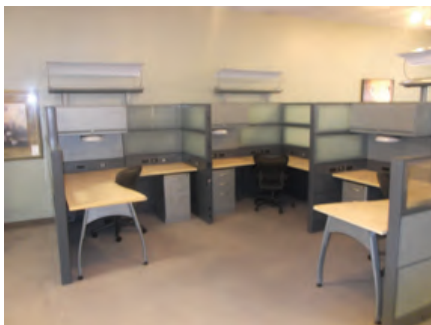


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