

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

CONTRACT

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THIS CONTRACT is made and entered, in duplicate, as of December 17, 2009 for reference purposes only, pursuant to a minute order adopted by the City Council of the City of Long Beach at its meeting held on December 15, 2009, by and between DEROVATIONS CORPORATION, a Minnesota corporation aka Dero Bike Racks Co. ("Contractor"), whose address is 2657 32nd Avenue, Minneapolis, Minnesota 55406, and the CITY OF LONG BEACH, a municipal corporation ("City").

WHEREAS, pursuant to a "Notice Inviting Bids for the Furnishing of Bike Parking Equipment in the City of Long Beach, California," bids were received, publicly opened on November 4, 2009 and declared on the date specified in said Notice; and

WHEREAS, the City Manager accepted the bid of Contractor; and

WHEREAS, the City Council authorized the City Manager to enter a contract with Contractor for the work described in Plans & Specifications No. R-6821;

NOW, THEREFORE, in consideration of the mutual terms and conditions herein, the parties agree as follows:

1. SCOPE OF WORK. Contractor shall furnish all necessary labor, supervision, tools, materials, supplies, appliances, equipment and transportation for the work described in "Plans & Specifications No. R-6821 for Furnishing City-Wide Bike Parking Equipment in the City of Long Beach, California," said work to be performed according to the Contract Documents identified below. However, this Contract is intended to provide to City complete and finished work and, to that end, Contractor shall do everything necessary to complete the work, whether or not specifically described in the Contract Documents.

2. PRICE AND PAYMENT.

A. City shall pay to Contractor the amount(s) for materials and work identified in Contractor's "Bid for Furnishing Bike Parking Equipment in the City of Long Beach, California," attached hereto as Exhibit "A".

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CITY OF LONG BEACH
CITY ATTORNEY
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1 B. Contractor shall submit requests for progress payments and
2 City will make payments in due course of payments in accordance with Section 9
3 of the Standard Specifications for Public Works Construction (latest edition). City
4 shall pay Contractor in due course of payments after delivery and acceptance of
5 the equipment by City, after receipt of an invoice from Contractor that reflects
6 City's purchase order number.

7 3. CONTRACT DOCUMENTS.

8 A. The Contract Documents include: The Notice Inviting Bids,
9 Plans & Specifications No. R-6821 (which may include by reference the Standard
10 Specifications for Public Works Construction, latest edition, and any supplements
11 thereto, collectively the "Standard Specifications"); the City of Long Beach
12 Standard Plans; the City of Long Beach Purchase Order General Conditions; the
13 California Code of Regulations; the various Uniform Codes applicable to trades;
14 the prevailing wage rates; Instructions to Bidders; the Bid; the bid security; the City
15 of Long Beach Disadvantaged, Minority and Women-Owned Business Enterprise
16 Program; this Contract and all documents attached hereto or referenced herein
17 including but not limited to insurance; Bond for Faithful Performance; Payment
18 Bond; Notice to Proceed; Notice of Completion; any addenda or change orders
19 issued in accordance with the Standard Specifications; any permits required and
20 issued for the work; approved final design drawings and documents; and the
21 Information Sheet. These Contract Documents are incorporated herein by the
22 above reference and form a part of this Contract.

23 B. Notwithstanding Section 2-5.2 of the Standard Specifications,
24 if any conflict or inconsistency exists or develops among or between Contract
25 Documents, the following priority shall govern: 1) Change Orders; 2) this Contract;
26 3) Permit(s) from other public agencies; 4) Plans & Specifications No. R-6821; 5)
27 Addenda; 6) the City of Long Beach Standard Plans; 7) Standard Specifications;
28 8) other reference specifications; 9) other reference plans; 10) the bid; 11) the

1 Notice Inviting Bids; and 12) the City of Long Beach Purchase Order General
2 Conditions.

3 4. TIME FOR CONTRACT. Contractor will be issued a written "Notice
4 to Procure" for all materials to be furnished for the Work. Within five (5) working days
5 after receipt of same, the Contractor shall place orders for the approved items. Within
6 the same five (5) working days, the Contractor shall submit copies of the orders to the
7 City, along with the manufacturer's estimated delivery dates. Time is of the essence
8 hereunder. City will suffer damage if the work is not completed within the time stated, but
9 those damages would be difficult or impractical to determine. So, Contractor shall pay to
10 City, as liquidated damages, the amount stated in the Contract Documents.

11 5. SHIPMENT. Contractor shall bring the equipment to be furnished
12 under the Contract to the City at 333 West Ocean Boulevard, Long Beach, California
13 90802. City shall have the right to inspect the equipment and any component thereof on
14 delivery and thereafter. City may reject the equipment and any or all components that
15 are unsatisfactory to City, faulty, defective or nonconforming. Such inspection shall not
16 relieve Contractor of its obligation to perform strictly according to this Contract. Rejected
17 equipment and components shall be removed and replaced at Contractor's sole expense.

18 6. WARRANTY. All equipment furnished under this Contract shall be
19 new and unused. Title to the equipment shall pass to City upon City's final payment for
20 said equipment. Contractor warrants that Contractor owns the equipment and has the
21 right to transfer title to the equipment to City; Contractor shall defend, indemnify and hold
22 City harmless from any breach of this warranty. City shall be entitled to all warranties
23 provided by the manufacturer of the equipment.

24 7. PATENT AND COPYRIGHT PROTECTION. Contractor warrants
25 that the equipment does not violate or infringe any patent, copyright, trade secret or other
26 proprietary right of any other party. Contractor, at its own expense, agrees to and shall
27 protect, defend, indemnify and hold City, its officials and employees harmless from any
28 and all claims, demands, damages, loss, liability, causes of action, costs or expenses

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1 (including reasonable attorneys' fees) whether or not reduced to judgment, arising from
2 any breach or alleged breach of this warranty.

3 8. ACCEPTANCE OF WORK NOT TO CONSTITUTE A WAIVER. The
4 acceptance of any work or the payment of any money by City shall not operate as a
5 waiver of any provision of any Contract Document, of any power reserved to City, or of
6 any right to damages or indemnity hereunder. The waiver of any breach or any default
7 hereunder shall not be deemed a waiver of any other or subsequent breach or default.

8 9. WORKERS' COMPENSATION CERTIFICATION. Concurrently
9 herewith, Contractor shall submit certification of Workers' Compensation coverage in
10 accordance with California Labor Code Sections 1860 and 3700, a copy of which is
11 attached hereto as Exhibit "B".

12 10. CLAIMS FOR EXTRA WORK. No claim shall be made at any time
13 upon City by Contractor for and on account of any extra or additional work performed or
14 materials furnished, unless such extra or additional work or materials shall have been
15 expressly required by the City Manager and the quantities and price thereof shall have
16 been first agreed upon, in writing, by the parties hereto.

17 11. CLAIMS. Contractor shall, upon completion of the work, deliver
18 possession thereof to City ready for use and free and discharged from all claims for labor
19 and materials in doing the work and shall assume and be responsible for, and shall
20 protect, defend, indemnify and hold harmless City from and against any and all claims,
21 demands, causes of action, liability, loss, costs or expenses for injuries to or death of
22 persons, or damages to property, including property of City, which arises from or is
23 connected with the performance of the work.

24 12. INSURANCE. Prior to commencement of work, and as a condition
25 precedent to the effectiveness of this Contract, Contractor shall provide to City evidence
26 of all insurance required in the Contract Documents.

27 In addition, Contractor shall complete and deliver to City the form
28 ("Information Sheet") attached as Exhibit "C" and incorporated by reference, to comply

1 with Labor Code Section 2810.

2 13. WORK DAY. Contractor shall comply with Sections 1810 through
3 1815 of the California Labor Code regarding hours of work. Contractor shall forfeit, as a
4 penalty to City, the sum of Twenty-five Dollars (\$25) for each worker employed by
5 Contractor or any subcontractor for each calendar day such worker is required or
6 permitted to work more than eight (8) hours unless that worker receives compensation in
7 accordance with Section 1815.

8 14. PREVAILING WAGE RATES. Contractor is directed to the
9 prevailing wage rates. Contractor shall forfeit, as a penalty to the City, Fifty Dollars (\$50)
10 for each laborer, worker or mechanic employed for each calendar day, or portion thereof,
11 that such laborer, worker or mechanic is paid less than the prevailing wage rates for any
12 work done by Contractor, or any subcontractor, under this Contract.

13 15. COORDINATION WITH GOVERNMENTAL REGULATIONS.

14 A. If the work is terminated pursuant to an order of any Federal
15 or State authority, Contractor shall accept as full and complete compensation
16 under this Contract such amount of money as will equal the product of multiplying
17 the Contract price stated herein by the percentage of work completed by
18 Contractor as of the date of such termination, and for which Contractor has not
19 been paid. If the work is so terminated, the City Engineer, after consultation with
20 Contractor, shall determine the percentage of work completed and the
21 determination of the City Engineer shall be final.

22 B. If Contractor is prevented, in any manner, from strict
23 compliance with the Plans and Specifications due to any Federal or State law, rule
24 or regulation, in addition to all other rights and remedies reserved to the parties
25 City may by resolution of the City Council suspend performance hereunder until
26 the cause of disability is removed, extend the time for performance, make changes
27 in the character of the work or materials, or terminate this Contract without liability
28 to either party.

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1 16. NOTICES.

2 A. Any notice required hereunder shall be in writing and
3 personally delivered or deposited in the U.S. Postal Service, first class, postage
4 prepaid, to Contractor at the address first stated herein, and to the City at 333
5 West Ocean Boulevard, Long Beach, California 90802, Attn: City Manager. Notice
6 of change of address shall be given in the same manner as stated herein for other
7 notices. Notice shall be deemed given on the date deposited in the mail or on the
8 date personal delivery is made, whichever first occurs.

9 B. Except for stop notices and claims made under the Labor
10 Code, City will notify Contractor when City receives any third party claims relating
11 to this Contract in accordance with Section 9201 of the Public Contract Code.

12 17. BONDS. Contractor shall, simultaneously with the execution of this
13 Contract, execute and deliver to City a good and sufficient corporate surety bond, in the
14 form attached hereto and in the amount specified therein, conditioned upon the faithful
15 performance of this Contract by Contractor, and a good and sufficient corporate surety
16 bond, in the form attached hereto and in the amount specified therein, conditioned upon
17 the payment of all labor and material claims incurred in connection with this Contract.

18 18. COVENANT AGAINST ASSIGNMENT. Neither this Contract nor
19 any of the moneys that may become due Contractor hereunder may be assigned by
20 Contractor without the written consent of City first had and obtained, nor will City
21 recognize any subcontractor as such, and all persons engaged in the work of
22 construction will be considered as independent contractors or agents of Contractor and
23 will be held directly responsible to Contractor.

24 19. CERTIFIED PAYROLL RECORDS.

25 A. Contractor shall keep and shall cause each subcontractor
26 performing any portion of the work under this Contract to keep an accurate payroll
27 record, showing the name, address, social security number, work classification,
28 straight time and overtime hours worked each day and week, and the actual per

1 diem wages paid to each journeyman, apprentice, worker, or other employee
2 employed by Contractor or subcontractor in connection with the work, all in
3 accordance with Division 2, Part 7, Article 2 of the California Labor Code. Such
4 payroll records for Contractor and all subcontractors shall be certified and shall be
5 available for inspection at all reasonable hours at the principal office of Contractor
6 pursuant to the provisions of Section 1776 of the Labor Code. Contractor's failure
7 to furnish such records to City in the manner provided herein for notices shall
8 entitle City to withhold the penalty prescribed by law from progress payments due
9 to Contractor.

10 B. Upon completion of the work, Contractor shall submit to the
11 City certified payroll records for Contractor and all subcontractors performing any
12 portion of the work under this Contract. Certified payroll records for Contractor
13 and all subcontractors shall be maintained during the course of the work and shall
14 be kept by Contractor for up to three (3) years after completion of the work.

15 C. The foregoing is in addition to, and not in lieu of, any other
16 requirements or obligations established and imposed by any department of the
17 City with regard to submission and retention of certified payroll records for
18 Contractor and subcontractors.

19 20. RESPONSIBILITY OF CONTRACTOR. Notwithstanding anything to
20 the contrary in the Standard Specifications, Contractor shall have the responsibility, care
21 and custody of the work. If any loss or damage occurs to the work that is not covered by
22 collectible commercial insurance, excluding loss or damage caused by earthquake or
23 flood or the negligence or willful misconduct of City, then Contractor shall immediately
24 make the City whole for any such loss or pay for any damage. If Contractor fails or
25 refuses to make the City whole or pay, then City may do so and the cost and expense of
26 doing so shall be deducted from the amount due Contractor from City hereunder.

27 21. CONTINUATION. Termination or expiration of this Contract shall not
28 terminate the rights or liabilities of either party which rights or liabilities accrued or existed

1 prior to termination or expiration of this Contract.

2 22. TAXES AND TAX REPORTING.

3 A. As required by federal and state law, City is obligated to report
4 the payment of compensation to Contractor on Form 1099-Misc. and Contractor
5 acknowledges that Contractor is not entitled to payment under this Contract until it
6 has provided its Employer Identification Number to City. Contractor shall be solely
7 responsible for payment of all federal and state taxes resulting from payments
8 under this Contract.

9 B. Contractor shall cooperate with City in all matters relating to
10 taxation and the collection of taxes, particularly with respect to the self-accrual of
11 use tax. Contractor shall cooperate as follows: (i) for all leases and purchases of
12 materials, equipment, supplies, or other tangible personal property totaling over
13 \$100,000 shipped from outside California, a qualified Contractor shall complete
14 and submit to the appropriate governmental entity the form in Appendix "A"
15 attached hereto; and (ii) for construction contracts and subcontracts totaling
16 \$5,000,000 or more, Contractor shall obtain a sub-permit from the California Board
17 of Equalization for the Work site. "Qualified" means that the Contractor purchased
18 at least \$500,000 in tangible personal property that was subject to sales or use tax
19 in the previous calendar year.

20 C. In completing the form and obtaining the permit(s), Contractor
21 shall use the address of the Work site as its business address and may use any
22 address for its mailing address. Copies of the form and permit(s) shall also be
23 delivered to the City Engineer. The form must be submitted and the permit(s)
24 obtained as soon as Contractor receives a Notice to Proceed. Contractor shall not
25 order any materials or equipment over \$100,000 from vendors outside California
26 until the form is submitted and the permit(s) obtained and, if Contractor does so, it
27 shall be a material breach of this Contract. In addition, Contractor shall make all
28 purchases from the Long Beach sales office of its vendors if those vendors have a

1 Long Beach office and all purchases made by Contractor under this Contract
2 which are subject to use tax of \$500,000 or more shall be allocated to the City of
3 Long Beach. Contractor shall require the same form and permit(s) from its
4 subcontractors.

5 D. Contractor shall not be entitled to and by signing this Contract
6 waives any claim or damages for delay against City if Contractor does not timely
7 submit these forms to the appropriate governmental entity. Contractor may
8 contact the City Controller at (562) 570-6450 for assistance with the form.

9 23. ADVERTISING. Contractor shall not use the name of City, its
10 officials or employees in any advertising or solicitation for business, nor as a reference,
11 without the prior approval of the City Manager, City Engineer or designee.

12 24. AUDIT. If payment of any part of the consideration for this Contract
13 is made with federal, state or county funds and a condition to the use of those funds by
14 City is a requirement that City render an accounting or otherwise account for said funds,
15 then City shall have the right at all reasonable times to examine, audit, inspect, review,
16 extract information from, and copy all books, records, accounts and other information
17 relating to this Contract.

18 25. NO PECULIAR RISK. Contractor acknowledges and agrees that the
19 work to be performed hereunder does not constitute a peculiar risk of bodily harm and
20 that no special precautions are required to perform said work.

21 26. THIRD PARTY BENEFICIARY. This Contract is intended by the
22 parties to benefit themselves only and is not in any way intended or designed to or
23 entered for the purpose of creating any benefit or right of any kind for any person or entity
24 that is not a party to this Contract.

25 27. SUBCONTRACTORS. Contractor agrees to and shall bind every
26 subcontractor to the terms of this Contract; provided, however, that nothing herein shall
27 create any obligation on the part of City to pay any subcontractor except in accordance
28 with a court order in an action to foreclose a stop notice. Failure of Contractor to comply

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1 with this Section shall be deemed a material breach of this Contract. A list of
2 subcontractor(s) submitted by Contractor in compliance with Public Contract Code
3 Sections 4100 et seq. is attached hereto as Exhibit "D" and incorporated herein by this
4 reference.

5 28. NO DUTY TO INSPECT. No language in this Contract shall create
6 and City shall not have any duty to inspect, correct, warn of or investigate any condition
7 arising from Contractor's work hereunder, or to insure compliance with laws, rules or
8 regulations relating to said work. If City does inspect or investigate, the results thereof
9 shall not be deemed compliance with or a waiver of any requirements of the Contract
10 Documents.

11 29. GOVERNING LAW. This Contract shall be governed by and
12 construed pursuant to the laws of the State of California (except those provisions of
13 California law pertaining to conflicts of laws).

14 30. INTEGRATION. This Contract, including the Contract Documents
15 identified in Section 3 hereof, constitutes the entire understanding between the parties
16 and supersedes all other agreements, oral or written, with respect to the subject matter
17 herein.

18 31. COSTS. If there is any legal proceeding between the parties to
19 enforce or interpret this Contract or to protect or establish any rights or remedies
20 hereunder, the prevailing party shall be entitled to its costs, including reasonable
21 attorney's fees.

22 32. NONDISCRIMINATION. In connection with performance of this
23 Contract and subject to federal laws, rules and regulations, Contractor shall not
24 discriminate in employment or in the performance of this Contract on the basis of race,
25 religion, national origin, color, age, sex, sexual orientation, gender identity, AIDS, HIV
26 status, handicap or disability. It is the policy of the City to encourage the participation of
27 Disadvantaged, Minority and Women-Owned Business Enterprises, and the City
28 encourages Contractor to use its best efforts to carry out this policy in the award of all

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1 subcontracts.
2 33. DEFAULT. Default shall include but not be limited to Contractor's
3 failure to perform in accordance with the Plans and Specifications, failure to comply with
4 any Contract Document, failure to pay any penalties, fines or charges assessed against
5 Contractor by any public agency, failure to pay any charges or fees for services
6 performed by the City, and if Contractor has substituted any security in lieu of retention,
7 then default shall also include City's receipt of a stop notice. If default occurs and
8 Contractor has substituted any security in lieu of retention, then in addition to City's other
9 legal remedies, City shall have the right to draw on the security in accordance with Public
10 Contract Code Section 22300 and without further notice to Contractor. If default occurs
11 and Contractor has not substituted any security in lieu of retention, then City shall have
12 all legal remedies available to it.

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IN WITNESS WHEREOF, the parties have caused this document to be duly executed with all formalities required by law as of the date first stated above.

DEROVATIONS CORPORATION, a Minnesota corporation aka Dero Bike Racks Co.

December 30, 2009

By ~~Ray Scholtz~~ Ray Scholtz
ROLF SCHOLTZ

Type or Print Name

December 30, 2009

By ~~Hans Steege~~ Hans Steege
Hans Steege

Type or Print Name

"Contractor"

CITY OF LONG BEACH, a municipal corporation
Assistant City Manager

Dec 30, 2009

By [Signature]
City Manager

EXECUTED PURSUANT TO SECTION 301 OF THE CITY CHARTER.

"City"

This Contract is approved as to form on December 30,

2009.

ROBERT E. SHANNON, City Attorney

By [Signature]
Deputy

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EXHIBIT A

2



BIDDER'S NAME: Dero Bike Rack Co.

BID FOR FURNISHING
BIKE PARKING EQUIPMENT
IN THE CITY OF LONG BEACH, CALIFORNIA

In accordance with the Notice Inviting Bids for the above titled Work in the City of Long Beach, California, a copy of which is attached hereto and is made a part hereof, to be opened on November 4, 2009 at 10:00 a.m., we propose to furnish all necessary materials and equipment in said Notice Inviting Bids, in full compliance with Plans & Specifications No. R-6821 in the following pages.

There are two bids required, a Base Bid and an Alternate Bid. Bidders shall submit bids for the base bid and the alternate. The City will announce the basis for the selection of the apparent low bidder at the time of bid opening.

Contingent upon available funding, after the bid opening and after the determination of the lowest responsible bidder based upon analysis, the City will award a contract that may include the Alternate Bid Package.

Bidders are instructed to complete each line in the tables below.

BASE BID PACKAGE

ITEM NO.	ITEM DESCRIPTION	ESTIMATED QUANTITY	UNIT	UNIT PRICE (IN FIGURES)	ITEM TOTAL (IN FIGURES)
1.	Bike rack shaped like someone riding a bicycle for 2 Bikes	200	Ea	309.93	61,986.00
2.	Bike racks shaped like a bicycle that incorporates the BikeLongBeach.org Logo for 2 Bikes	200	Ea	372.73	74,546.00
3.	Bike rack shaped like a Ice Cream Cone for 2 Bikes	20	Ea	241.44	4,828.80

ITEM NO.	ITEM DESCRIPTION	ESTIMATED QUANTITY	UNIT	UNIT PRICE (IN FIGURES)	ITEM TOTAL (IN FIGURES)
4.	Bike rack shaped like a Coffee Mug for 2 Bikes	60	Ea	229.22	13,753.20
5.	Bike rack shaped like a Pizza Slice for 2 Bikes	10	Ea	230.43	2,304.30
6.	Bike rack shaped like a Palm Tree for 2 Bikes	100	Ea	324.65	32,465.00
7.	Bike rack shaped like a Guitar for 2 Bikes	30	Ea	204.85	6,145.50
8.	Bike rack shaped like a Tennis Racket for 2 Bikes	10	Ea	185.88	1,858.80
9.	Bike rack shaped like a Basketball for 2 Bikes	10	Ea	248.34	2,483.40
10.	Bike rack shaped like a Soccer Ball for 2 Bikes	10	Ea	239.51	2,395.10
11.	Bike rack shaped like Golf Clubs for 2 Bikes	10	Ea	165.42	1,654.20
12.	Bike rack shaped like a Yoga Poses for 2 Bikes	10	Ea	298.11	2,981.10
13.	Bike rack shaped like a Fish for 2 Bikes	10	Ea	191.84	1,918.40
14.	Bike rack shaped like a Penny Farthing for 2 Bikes	50	Ea	186.46	9,323.00

ITEM NO.	ITEM DESCRIPTION	ESTIMATED QUANTITY	UNIT	UNIT PRICE (IN FIGURES)	ITEM TOTAL (IN FIGURES)
15.	Bike rack shaped like a Fork for 2 Bikes	10	Ea	153.89	1538.90
16.	Bike rack shaped like Eye Glasses for 2 Bikes	10	Ea	486.19	4861.90
17.	Bike rack shaped like Books for 2 Bikes	10	Ea	334.89	3348.90
18.	Bike rack shaped like Theater Masks for 2 Bikes	20	Ea	242.93	4858.60
19.	Bike rack shaped like a Carrot for 2 Bikes	10	Ea	283.32	2833.20
20.	Bike rack shaped like a Dragonfly for 2 Bikes	10	Ea	444.96	4449.60
21.	Bike rack shaped like a Cupcake for 2 Bikes	10	Ea	425.26	4252.60
22.	Bike rack shaped like a Sailboat for 2 Bikes	30	Ea	201.74	6052.20
23.	Bike rack shaped like a Heart for 2 Bikes	10	Ea	232.03	2320.30
24.	Bike rack shaped like a Dog Bone for 2 Bikes	50	Ea	242.74	12,137.00
25.	BikeLongBeach.org Logo "Hitch" for 2 Bikes	100	Ea	145.77	14,577.00

ITEM NO.	ITEM DESCRIPTION	ESTIMATED QUANTITY	UNIT	UNIT PRICE (IN FIGURES)	ITEM TOTAL (IN FIGURES)
26.	Bike rack shaped like a Wildflower for 2 Bikes	50	Ea	233.75	11,687.50
27.	Bike rack shaped like a Bull for 6 Bikes	5	Ea	1359.14	6,795.70
28.	Bike rack shaped like a Fish for 16 Bikes	10	Ea	1875.62	18,756.20
29.	Bike rack shaped like a Dinosaur for 16 Bikes	10	Ea	2525.82	25,258.20
30.	Bike rack shaped like a Rattlesnake for 15 Bikes	5	Ea	410.89	2,054.45
31.	Bike rack shaped like a Alligator for 15 Bikes	5	Ea	3624.35	18,121.75
32.	Bike rack shaped like Waves for 6 Bikes	10	Ea	889.89	8,898.90
33.	Bike rack shaped like the word "Dine" for 5 Bikes	5	Ea	976.74	4,883.70
34.	Bike rack shaped like the word "Shop" for 5 Bikes	5	Ea	999.27	4,996.35
35.	Bike Corral Multiple rack shaped like a Car for 14 Bikes	30	Ea	1550.04	46,501.20
36.	Bike Shelter for 8 Bikes	20	Ea	4433.90	88,678.00

ITEM NO.	ITEM DESCRIPTION	ESTIMATED QUANTITY	UNIT	UNIT PRICE (IN FIGURES)	ITEM TOTAL (IN FIGURES)
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*Freight 23,423.00

TOTAL AMOUNT OF BASE BID 539,927.95

Estimated time of delivery once authorization to proceed is given 60 days

* Freight includes the cost of all bid items to the City of Long Beach at the Public Works Yard or other storage facility. More than one storage facility may be identified at the time of delivery, all within city limits.

ALTERNATE BID PACKAGE

ITEM NO.	ITEM DESCRIPTION	ESTIMATED QUANTITY	UNIT	UNIT PRICE (IN FIGURES)	ITEM TOTAL (IN FIGURES)
37.	Bike rack shaped like someone riding a bicycle for 2 Bikes	50	Ea	301.12	15,056.00
38.	Bike racks shaped like a bicycle that incorporates the BikeLongBeach.org Logo for 2 Bikes	50	Ea	363.92	18,196.00
39.	Bike rack shaped like a Palm Tree for 2 Bikes	50	Ea	315.84	15,792.00
40.	Bike rack shaped like a Tennis Racket for 2 Bikes	20	Ea	177.07	3,541.40
41.	Bike rack shaped like a Soccer Ball for 2 Bikes	20	Ea	230.70	4,614.00
42.	Bike rack shaped like Golf Clubs for 2 Bikes	20	Ea	156.61	\$ 3,132.20
43.	Bike rack shaped like a Penny Farthing for 2 Bikes	60	Ea	177.65	10,659.00
44.	BikeLongBeach.org Logo "Hitch" for 2 Bikes	50	Ea	136.96	6,848.00

ITEM NO.	ITEM DESCRIPTION	ESTIMATED QUANTITY	UNIT	UNIT PRICE (IN FIGURES)	ITEM TOTAL (IN FIGURES)
45.	Bike rack shaped like a Wildflower for 2 Bikes	30	Ea	224.94	6748.20
46.	Bike Corral Multiple rack shaped like a Car for 14 Bikes	10	Ea	1541.23	15412.30

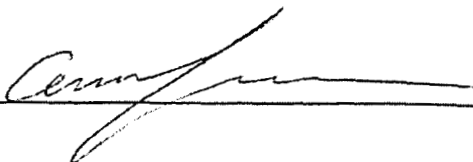
* Freight 2,500.00

TOTAL AMOUNT OF ALTERNATE BID 102,499.10

Estimated time of delivery once authorization to proceed is given 45 days

*Freight includes the cost of all bid items to the City of Long Beach at the Public Works Yard or other storage facility. More than one storage facility may be identified at the time of delivery, all within city limits.

TOTAL AMOUNT OF BASE BID & ALTERNATE BID [#] 642,427.05

BIDDER'S SIGNATURE: 

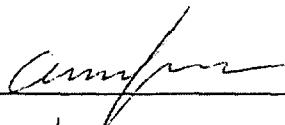
WORKERS' COMPENSATION CERTIFICATION

In accordance with California Labor Code Sections 1860 and 3700, I certify that I am aware of the provisions of Section 3700 which requires every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with said provisions before commencing the performance of the Work of this contract.

Contractor's Name

Dero Bike Rack Co.
Andrew Lageson

Signature of Contractor, or a corporate officer
of contractor, or a general partner of Contractor



Title: Sales Manager

Date: 10/26/09

EXHIBIT B

INFORMATION TO COMPLY WITH LABOR CODE SEC. 2810

NA

To comply with Labor Code Sec. 2810, Contractor shall complete and submit this Information Sheet which shall be incorporated into and be a part of the Contract:

- 1) Workers' Compensation Insurance:
 - A. Policy Number: _____
 - B. Name of Insurer (NOT Broker): _____
 - C. Address of Insurer: _____
 - D. Telephone Number of Insurer: _____

- 2) For vehicles owned by Contractor and used in performing work under this Contract:
 - A. VIN (Vehicle Identification Number): _____
 - B. Automobile Liability Insurance Policy Number: _____
 - C. Name of Insurer (NOT Broker): _____
 - D. Address of Insurer: _____
 - E. Telephone Number of Insurer: _____

- 3) Address of Property used to house workers on this Contract, if any: _____

- 4) Estimated total number of workers to be employed on this Contract: _____

- 5) Estimated total wages to be paid those workers: _____

- 6) Dates (or schedule) when those wages will be paid: _____

- 7) (Describe schedule: For example, weekly or every other week, or monthly)
Estimated total number of independent contractors to be used on this Contract: _____

- 8) Taxpayer's Identification Number: _____

EXHIBIT C

EXHIBIT “D”

List of Subcontractors: NONE

APPENDIX "A"

Please type or print clearly. Read instructions on reverse before completing this form.

SECTION I - BUSINESS INFORMATION

NAME OF BUSINESS OR GOVERNMENTAL ENTITY	SALES/USE TAX PERMIT NUMBER
BUSINESS ADDRESS (street)	CONSUMER USE TAX ACCOUNT NUMBER
CITY, STATE, & ZIP CODE	If applicant is applying for either a sales/use tax permit or a consumer use tax account in addition to a use tax direct payment permit check here <input type="checkbox"/>
MAILING ADDRESS (street address or po box if different from business address)	
CITY, STATE, & ZIP CODE	NAME UNDER WHICH BUSINESS IS TO BE TRANSACTED IF DIFFERENT THAN ABOVE

SECTION II - MULTIPLE BUSINESS LOCATIONS

LIST BELOW THE BUSINESS AND MAILING ADDRESSES OF ALL LOCATIONS WHERE PROPERTY PURCHASED UNDER A USE TAX DIRECT PAYMENT CERTIFICATE WILL BE USED. IF ADDITIONAL SPACE IS NEEDED, ATTACH A SEPARATE SHEET

1. BUSINESS ADDRESS	4. BUSINESS ADDRESS
MAILING ADDRESS	MAILING ADDRESS
2. BUSINESS ADDRESS	5. BUSINESS ADDRESS
MAILING ADDRESS	MAILING ADDRESS
3. BUSINESS ADDRESS	6. BUSINESS ADDRESS
MAILING ADDRESS	MAILING ADDRESS

SECTION III - CERTIFICATION STATEMENT

I hereby certify that I qualify for a Use Tax Direct Payment Permit for the following reason: (Please check one of the following)

- I have purchased or leased for my own use tangible personal property subject to use tax at a cost of five hundred thousand dollars (\$500,000) or more in the aggregate, during the calendar year immediately preceding this application for the permit. I have attached a "Statement of Cash Flows" or other comparable financial statements acceptable to the Board for the calendar year immediately preceding the date of application and a separate statement attesting that the qualifying purchases were purchases that were subject to use tax.
- I am a county, city, city and county, or redevelopment agency.

I also agree to self-assess and pay directly to the Board of Equalization any use tax liability incurred pursuant to my use of a Use Tax Direct Payment Permit.

The above statements are hereby certified to be correct to the knowledge and belief of the undersigned, who is duly authorized to sign this application.

SIGNATURE	TITLE
NAME (typed or printed)	DATE

(See reverse side for general information and filing instructions)

USE TAX DIRECT PAYMENT PERMIT
(General Information and Filing Instructions)

Revenue and Taxation Code section 7051.3 authorizes the State Board of Equalization to issue a *Use Tax Direct Payment Permit* to qualified applicants. This permit allows purchasers and lessees of tangible personal property (other than lessees of motor vehicles the lease of which is subject to the terms of section 7205.1 of the Sales and Use Tax Law) to self-assess and pay use taxes directly to the Board instead of to the vendor or lessor from whom the property is purchased or leased.

Permit holders will be provided with a *Use Tax Direct Payment Exemption Certificate* which they can issue to retailers and lessors when they purchase tangible personal property subject to use tax or make qualified leases of tangible personal property. Vendors who timely take the certificate in good faith from a permit holder are relieved of the duty to collect use taxes on the sales for which the certificate was issued. Permit holders who acquire property under a certificate must self-assess and report the use taxes directly to the Board on their tax returns, and allocate the local taxes to the county, city, city and county, or redevelopment agency in which the property is first used. Permit holders who fail to properly pay any use taxes that are due on property for which a certificate was given are subject to interest and penalties assessments in addition to their tax liability.

To qualify for a *Use Tax Direct Payment Permit*, an applicant must meet the following conditions:

- (1) The applicant must agree to self-assess and pay directly to the Board any use tax which is due on property for which a use tax direct payment exemption certificate was given; and
- (2) The applicant must certify to the Board either of the following:
 - (A) The applicant has purchased or leased for its own use tangible personal property subject to use tax which cost five hundred thousand dollars (\$500,000) or more in the aggregate, during the calendar year immediately preceding the application for the permit; or
 - (B) The applicant is a county, city, city and county, or redevelopment agency.

Persons wishing to obtain a use tax direct payment permit must be pre-qualified and either hold a California seller's permit or a consumer use tax account.

Persons other than governmental entities who currently hold either a California seller's permit or a consumer use tax account must complete the application for a *Use Tax Direct Payment Permit*, sign the certification statement attesting that they qualify for a permit under conditions of Part (2)(A) above, and submit a "Statement of Cash Flows" or other comparable financial statements acceptable to the board for the calendar year immediately preceding the date of application which discloses total purchases of property and equipment for own use and a separate statement under company letterhead certifying that five hundred thousand dollars (\$500,000) or more of such purchases were subject to use tax.

Persons other than governmental entities who are not required to hold a seller's permit and who do not currently hold a consumer use tax account must obtain a consumer use tax account and then complete the application for a *Use Tax Direct Payment Permit*, sign the certification statement attesting that they qualify for a permit under the conditions of Part (2)(A) above and submit a "Statement of Cash Flows" or other comparable financial statements acceptable to the board for the calendar year immediately preceding the date of application which discloses total purchases of property and equipment for own use and a separate statement under company letterhead certifying that five hundred thousand dollars (\$500,000) or more of such purchases were subject to use tax.

Governmental entities who currently hold either a California seller's permit or a consumer use tax account must complete the application for a *Use Tax Direct Payment Permit*, sign the certification statement attesting that they qualify for a permit under the conditions of Part (2)(B) above, and submit an additional statement to that effect under official letterhead and signed by an authorized governmental representative.

Governmental entities who do not hold a California seller's permit or a consumer use tax account must obtain a consumer use tax account and then complete the application for a *Use Tax Direct Payment Permit*, sign the certification statement attesting that they qualify for a permit under the conditions of Part (2)(B) above, and submit an additional statement to that effect under official letterhead and signed by an authorized governmental representative.

The completed *Application for Use Tax Direct Payment Permit*, certification statement, and qualifying documentation should be returned to the address shown below. Upon determination that the applicant qualifies, a *Use Tax Direct Payment Permit* and a *Use Tax Direct Payment Exemption Certificate* will be mailed to the applicant.

If you would like additional information regarding the *Use Tax Direct Payment Permit* or need assistance in completing this application, you can call 916-445-5167, or write to the Board of Equalization, Compliance Policy Unit, P.O. Box 942879, Sacramento, CA 94279-0040.

State of California
BOARD OF EQUALIZATION

SALES AND USE TAX REGULATIONS

Regulation 1699.6 USE TAX DIRECT PAYMENT PERMITS

Reference: Sections 6007, 6070, and 7051.3, Revenue and Taxation Code

(a) **FOREWORD.** "Use tax direct payment permit" means a permit issued by the board that allows a use tax direct payment permit holder to self-assess and pay state, local, and district use taxes under Part 1 (commencing with Section 6001, Part 1.5 (commencing with Section 7200), and, if applicable, Part 1.6 (commencing with Section 7251) directly to the board. The provisions of this regulation apply only to transactions subject to use tax.

(b) (1) **APPLICATION FOR PERMIT.** Persons seeking to pay use taxes directly to the board shall file an application for a use tax direct payment permit. An application for a use tax direct payment permit shall be made on Board of Equalization Form BOE-400-DP (no revision date). The application shall be signed by the owner, if a natural person; in the case of an association or partnership, by a member or partner; and in the case of a corporation, by an executive officer or some person specifically authorized by the corporation to sign the application.

(2) Within 30 days of receipt of an application for a direct payment permit the board shall inform the applicant in writing either that the application is complete and has been accepted or that the application is deficient and what additional specific information is required to make the application complete. Within 60 days of acceptance of a complete application the board shall approve or deny the issuance of a direct payment permit and notify the applicant in writing of its decision.

(c) **REQUIREMENTS FOR PERMIT.** Pursuant to an application, a use tax direct payment permit shall be issued to any person who meets all of the following conditions:

(1) The applicant agrees to self-assess and pay directly to the board any use tax liability incurred under this regulation.

(2) The applicant certifies to the board either of the following:

(A) The applicant is the purchaser for its own use or is the lessee of tangible personal property subject to the use tax at a cost of five hundred thousand dollars (\$500,000) or more in the aggregate, during the calendar year immediately preceding the application for the permit. Tangible personal property purchased for own use includes both property subject to use tax and property exempt from use tax except that it does not include property purchased for resale; or

(B) The applicant is a county, city, city and county, or redevelopment agency.

(d) **REPORTING OF LOCAL USE TAX.** Any person who holds a valid use tax direct payment permit shall self-assess and pay directly to the board with each return the use taxes due under Division 2, Part 1 (commencing with Section 6001), Part 1.5 (commencing with Section 7200), and, if applicable, Part 1.6 (commencing with Section 7251), for all purchases subject to use tax for which a use tax direct payment exemption certificate was issued, and shall report the local use tax component to the jurisdiction in which the property is located at the time the state imposed use tax must be reported. Temporary storage for the purpose of reporting local tax shall be disregarded. Any tax so reported may be redistributed in accordance with law.

(e) **RETURNS.** On or before the last day of the month following each quarterly period, a holder of a direct payment permit shall file a return with the board. The person required to file the return shall deliver it together with a remittance for the amount of tax due to the board. The return shall show the aggregate sales price of tangible personal property purchased during the reporting period with respect to which the person filing the return has issued a use tax direct payment exemption certificate relieving the retailer of liability for reporting and paying use tax, and such other information as the board may require.

(f) **EXEMPTION CERTIFICATES.** The board shall allow any holder of a use tax direct payment permit to issue a use tax direct payment certificate to any registered retailer or seller subject to all of the following:

Regulation 1699.6 (Continued)

(1) The use tax direct payment exemption certificate shall be in a form prescribed by the board, and shall be signed by, and bear the name, address, and permit number of, the holder of the use tax direct payment permit.

(2) Once a use tax direct payment exemption certificate has been issued by a holder of a use tax direct payment permit, it shall remain effective until revised or withdrawn by the holder of the permit or until the retailer or seller has received written notice that the permit has been revoked by the board.

(3) A use tax direct payment certificate relieves a person selling property from the duty of collecting use tax only if taken timely and in good faith from a person who holds a use tax direct payment permit. A certificate will be considered timely if it is taken at any time before the seller bills the purchaser for the property, or any time within the seller's normal billing and payment cycle, or any time at or prior to delivery of the property to the purchaser.

(4) A purchaser who issues a use tax direct payment certificate that is accepted in good faith by a seller or retailer of tangible personal property shall be the sole person liable for any sales tax and related interest and penalties with respect to any transaction that is subsequently determined by the board to be subject to sales tax and not use tax. The local sales tax portion so determined shall be allocated to the city, county, city and county, or redevelopment agency to which the tax would have been allocated if it had been reported and paid by the retailer in accordance with Part 1.5 (commencing with Section 7200). Such allocation shall be based on the place of sale as provided in Regulation 1802 and Regulation 1822.

(5) Any person who holds a use tax direct payment permit and gives a use tax direct payment certificate to a seller or retailer shall, in addition to any applicable use tax liabilities, be subject to the same penalty provisions that apply to a seller or retailer.

(g) **RESALE TRANSACTIONS.** A use tax direct payment exemption certificate shall not be substituted for a resale certificate, because the tax consequences are different. Resale certificates shall only be issued with respect to property which the purchaser intends to resell, and use tax direct payment exemption certificates shall be issued only for property purchased for use or other consumption. If a retailer makes sales under both a use tax direct payment exemption certificate and a resale certificate to the same customer, an audit trail must be maintained to identify which property is sold pursuant to each certificate.

(h) **REVOCATION OF PERMIT.** The board may revoke the use tax direct payment permit of any person who fails to purchase tangible personal property for own use of at least \$500,000 per year. The permit shall remain valid for all transactions taking place prior to the date the permit is revoked.

(i) **SUCCESSOR ENTITIES.** A successor entity to a use tax direct payment permit holder shall qualify to obtain a use tax direct payment permit if the predecessor entity so qualified in the calendar year in which the succession occurred but must obtain its own permit.

(j) **OPERATIVE DATE.** The provisions of this regulation apply only to purchases that occur on or after January 1, 1998.

History: Adopted September 23, 1998, effective July 9, 1999.

Regulations are issued by the State Board of Equalization to implement, interpret or make specific provisions of the California Sales and Use Tax Law and to aid in the administration and enforcement of that law. If you are in doubt about how the Sales and Use Tax Law applies to your specific activity or transaction, you should write the nearest State Board of Equalization office. Requests for advice regarding a specific activity or transaction should be in writing and should fully describe the facts and circumstances of the activity or transaction.



Notice

STATE BOARD OF EQUALIZATION

450 N Street
Sacramento
California 95814

BOARD MEMBERS

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First District
Hayward

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Stockton

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DRONENBURG, JR.
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BRAD SHERMAN
Fourth District
Los Angeles

Kathleen Conner
State Controller
Sacramento

Executive Director
QUATON W. OLIVER

Sales Tax Jobsite Sub-Permits for Construction Contractors

Some construction contractors are liable for sales or use tax on materials and fixtures consumed or sold on construction contracts. A portion of that tax, the local tax, is distributed to the county government, and city governments within the county, of the jobsite location. The allocation of the local tax is performed by listing the amount of local tax due to each county on Schedule B of the sales and use tax return.

Effective January 1, 1995, construction contractors may elect to allocate the local sales and use tax derived from construction contracts of \$5,000,000 (five million dollars) or more directly to the local jurisdiction where the jobsite is located. This is accomplished by obtaining a sub-permit of their seller's permit for a specific jobsite and allocating the local tax to that jobsite on Schedule C of their sales and use tax return. This qualifying contract price applies to each contract or sub-contract for work performed at the jobsite. Contractors who are already fulfilling a construction contract on January 1, 1995, must have work remaining with a value of \$5,000,000 or more. The sub-permit will be automatically closed-out six months after the estimated completion date of the contract. If delays extend the completion date, contractors should contact the Board of Equalization to extend the active period of the sub-permit.

Permits will not be issued to contractors who are not normally sellers of materials. Contractors may not purchase tangible personal property for resale, including materials, which they will install or consume at the jobsite.

Contractors may not purchase machinery and equipment, to be used on the construction job, without payment of sales tax in order to allocate the use tax to the specific jobsite.

Local tax on sales of machinery and equipment by the contractor as part of the contract, should continue to be allocated to the contractor's permanent place of business where the principal negotiations of the contract take place in accordance with Regulation 1302.

In accordance with Regulation 1806, where the contractor has not elected to obtain a sub-permit, local tax must still be allocated countywide using Schedule B for jobsites which have contracts of \$5,000,000 or more along with smaller contracts of less than \$5,000,000.

If you have any questions regarding a sub-permit for construction jobsites, please contact the nearest Board of Equalization office.

January 1995

State of California
BOARD OF EQUALIZATION

SALES AND USE TAX REGULATIONS

Regulation 1699. PERMITS

Reference: Sections 6066-6075, Revenue and Taxation Code.

(a) **IN GENERAL – NUMBER OF PERMITS REQUIRED.** Every person engaged in the business of selling (or leasing under a lease defined as a sale in Revenue and Taxation Code section 6006(g)) tangible personal property of a kind the gross receipts from the retail sale of which are required to be included in the measure of the sales tax, and only a person actively so engaged, is required to hold a permit for each place of business in this state at which transactions relating to sales are customarily negotiated with his or her customers. For example:

A permit is required for a branch sales office at which orders are customarily taken or contracts negotiated, whether or not merchandise is stocked there.

No additional permits are required for warehouses or other places at which merchandise is merely stored and which customers do not customarily visit for the purpose of making purchases and which are maintained in conjunction with a place of business for which a permit is held; but at least one permit must be held by every person maintaining stocks of merchandise in this state for sale. However, permits are required for warehouses or other places at which merchandise is stored and from which retail sales of such merchandise negotiated out of state are delivered or fulfilled.

If two or more activities are conducted by the same person on the same premises, even though in different buildings, only one permit is required. For example:

A service station operator having a restaurant in addition to the station on the same premises requires only one permit for both activities.

(b) **PERSONS SELLING IN INTERSTATE COMMERCE OR TO UNITED STATES GOVERNMENT.** A permit is not required to be held by persons all of whose sales are made exclusively in interstate or foreign commerce but a permit is required of persons notwithstanding all their sales (or leases under a lease defined as a sale in Revenue and Taxation Code section 6006(g)) are made to the United States or instrumentalities thereof.

(c) **PERSONS SELLING FEED.** Effective April 1, 1996, a permit is not required to be held by persons whose sales consist entirely of sales of feed for any form of animal life of a kind the products of which ordinarily constitute food for human consumption (food animals), or for any form of animal life not of such a kind (nonfood animals) which are being held for sale in the regular course of business, provided no other retail sales of tangible personal property are made.

If a seller of hay is also the grower of the hay, this exemption shall apply only if either:

1. The hay is produced for sale only to beef cattle feedlots or dairies, or
2. The hay is sold exclusively through a farmer-owned cooperative.

(d) **CONCESSIONAIRES.** For the purposes of this regulation, the term concessionaire is defined as an independent retailer who is authorized, through contract with, or permission of, another retail business enterprise (the prime retailer), to operate within the perimeter of the prime retailer's own retail business premises, which to all intents and purposes appear to be wholly under the control of that prime retailer, and to make retail sales that to the general public might reasonably be believed to be the transactions of the prime retailer. Some indicators that a retailer is *not* operating as a concessionaire are that he or she:

- Appears to the public to be a business separate and autonomous from the prime retailer. Examples of businesses that may appear to be separate and autonomous, while operating within the prime retailer's premises, are those with signs posted on the premises naming each of such businesses, those with separate cash registers, and those with their own receipts or invoices printed with their business name.
- Maintains separate business records, particularly with respect to sales.

Regulation 1699. (Cont.)

- Establishes his or her own selling prices.
- Makes business decisions independently, such as hiring employees or purchasing inventory and supplies.
- Registers as a separate business with other regulatory agencies, such as an agency issuing business licenses, the Employment Development Department, and/or the Secretary of State.
- Deposits funds into a separate account.

In cases where a retailer is not operating as a concessionaire, the prime retailer is *not* liable for any tax liabilities of the retailer operating on his or her premises. However, if a retailer is deemed to be operating as a concessionaire, the prime retailer may be held jointly and severally liable for any sales and use taxes imposed on unreported retail sales made by the concessionaire while operating as a concessionaire. Such a prime retailer will be relieved of his or her obligation for sales and use tax liabilities incurred by such a concessionaire for the period in which the concessionaire holds a permit for the location of the prime retailer or in cases where the prime retailer obtains and retains a written statement that is taken in good faith in which the concessionaire affirms that he or she holds a seller's permit for that location with the Board. The following essential elements must be included in the statement in order to relieve the prime retailer of his or her liability for any unreported tax liabilities incurred by the concessionaire:

- The permit number of the concessionaire
- The location for which the permit is issued (must show the concessionaire's location within the perimeter of the prime retailer's location)
- Signature of the concessionaire
- Date

While any statement, taken timely, in good faith and containing all of these essential elements will relieve a prime retailer of his or her liability for the unreported sales or use taxes of a concessionaire, a suggested format of an acceptable statement is provided as Appendix A to this regulation. While not required, it is suggested that the statement from the concessionaire contain language to clarify which party will be responsible for reporting and remitting the sales and/or use tax due on his or her retail sales.

In instances where the lessor, or grantor of permission to occupy space, is not a retailer himself or herself, he or she is not liable for any sales or use taxes owed by his or her lessee or grantee. In instances where an independent retailer leases space from another retailer, or occupies space by virtue of the granting of permission by another retailer, but does not operate his or her business within the perimeter of the lessor's or grantor's own retail business, such an independent retailer is not a concessionaire within the meaning of this regulation. In this case, the lessor or grantor is not liable for any sales or use taxes owed by the lessee or grantee.

(e) **AGENTS.** If agents make sales on behalf of a principal and do not have a fixed place of business, but travel from house to house or from town to town, it is unnecessary that a permit be obtained for each agent if the principal obtains a permit for each place of business located in California. If, however, the principal does not obtain a permit for each place of business located in California, it is necessary for each agent to obtain a permit.

(f) **INACTIVE PERMITS.** A seller's permit may only be held by a person actively engaged in business as a seller of tangible personal property. The Board may revoke a seller's permit where it finds that the person holding the permit is not actively engaged in business as a seller of tangible personal property.

(1) Any person who holds a seller's permit but is not actively engaged in business as a seller of tangible personal property shall promptly surrender the permit by notifying the Board to cancel it.

(2) Except as explained in paragraph (3) of this subdivision, a person holding a seller's permit will be held liable for any taxes, interest, and penalties incurred, through the date on which the Board is notified to cancel the permit, by any other person who, with the permit holder's actual or constructive knowledge, uses the permit in any way. For example, a permit holder may be held liable for tax, interest, and penalty actually incurred by his or her transferee where the transferee displays the permit in his or her place of business, or uses the permit number on a resale certificate, or files sales and use tax returns under the permit number. The permit holder has the burden of establishing that the Board received notice to cancel the permit.

(A) The permit holder may notify the Board by delivering the actual seller's permit to the Board with the clear request that the permit be canceled. Where the reason for cancellation is that the permit holder transferred the business, the permit holder should identify the name and address of the transferee at the time the permit is surrendered to the Board. The permit holder may also notify the Board by delivering a written statement or email to

Regulation 1699. (Cont.)

the Board that the permit holder has transferred or otherwise ceased the business, or will do so at a specified time, and requesting that the permit be canceled. The statement should identify the name and address of the transferee, if any. The permit holder may also provide this notice to the Board orally, but it will be presumed that such notice was *not* provided unless the Board's records reflect that the permit holder clearly notified the Board of the cessation or transfer of the business for which the permit was held.

(B) The Board will also be regarded as having received notice of cancellation of the permit, and the permit holder will be excused from liability for the tax, interest, and penalty incurred by another person using the permit, as of the date the Board receives actual notice of transfer of the business for which the permit was issued. It will be presumed such notice was *not* received by the Board unless the Board's records reflect that the Board received a clear notice of the cessation or transfer of the business for which the permit was held. For example, the Board's receipt of an application for a seller's permit from the transferee constitutes sufficient notice if it contains adequate information to show that the application pertains to the same business for which the permit was held. Notice to another state agency of a transfer or cessation of a business does *not* constitute notice to the Board. Rather, the Board must itself receive actual notice of the transfer or cessation of business.

(3) Where the permit holder does not establish that the Board received actual notice of the transfer of the business for which the permit was held and is thus liable for the taxes, interest, and penalties incurred by another person using that permit, that liability is limited to the quarter in which the business was transferred and the three subsequent quarters, and shall not include any penalties imposed on the other person for fraud or intent to evade the tax. However, these limitations (liability only for the quarter in which the business was transferred and the three subsequent quarters and no fraud or intent to evade penalty) do *not* apply where, after the transfer of the business, 80 percent or more of the real or ultimate ownership of that business is held by the permit holder. For these purposes, stockholders, bondholders, partners, or other persons holding an ownership interest in an entity are regarded as having the "real or ultimate ownership" of that entity.

(g) **DUE DATE OF RETURNS - CLOSEOUT OF ACCOUNT ON YEARLY REPORTING BASIS.** Where a person authorized to file tax returns on a yearly basis transfers the business to another person or discontinues it before the end of the yearly period, a closing return shall be filed with the Board on or before the last day of the month following the close of the calendar quarter in which the business was transferred or discontinued.

(h) **BUYING COMPANIES - GENERAL.**

(1) **DEFINITION.** For the purpose of this regulation, a buying company is a legal entity that is separate from another legal entity that owns, controls, or is otherwise related to, the buying company and which has been created for the purpose of performing administrative functions, including acquiring goods and services, for the other entity. It is presumed that the buying company is formed for the operational reasons of the entity which owns or controls it or to which it is otherwise related. A buying company formed, however, for the sole purpose of purchasing tangible personal property ex-tax for resale to the entity which owns or controls it or to which it is otherwise related in order to re-direct local sales tax from the location(s) of the vendor(s) to the location of the buying company shall not be recognized as a separate legal entity from the related company on whose behalf it acts for purposes of issuing it a seller's permit. Such a buying company shall not be issued a seller's permit. Sales of tangible personal property to third parties will be regarded as having been made by the entity owning, controlling, or otherwise related to the buying company. A buying company that is not formed for the sole purpose of so re-directing local sales tax shall be recognized as a separate legal entity from the related company on whose behalf it acts for purposes of issuing it a seller's permit. Such a buying company shall be issued a seller's permit and shall be regarded as the seller of tangible personal property it sells or leases.

(2) **ELEMENTS.** A buying company is not formed for the sole purpose of re-directing local sales tax if it has one or more of the following elements:

(A) Adds a markup to its cost of goods sold in an amount sufficient to cover its operating and overhead expenses.

(B) Issues an invoice or otherwise accounts for the transaction.

The absence of any of these elements is not indicative of a sole purpose to redirect local sales tax.

(i) **WEB SITES.** The location of a computer server on which a web site resides may not be issued a seller's permit for sales tax purposes except when the retailer has a proprietary interest in the server and the activities at that location otherwise qualify for a seller's permit under this regulation.

Regulation 1699. (Cont.)

History: Effective July 1, 1939.

Adopted as of January 1, 1945, as a restatement of previous rulings.

Amended August 2, 1965, applicable on and after August 1, 1965.

Amended and renumbered November 3, 1969, effective December 5, 1969.

Amended May 25, 1977, effective June 24, 1977.

Amended May 1, 1985, effective May 31, 1985. Subdivision (e)(2) has been changed to provide that penalties for intent to evade the tax are excluded from the type of penalty the permit holder would be liable for if the permit holder fails to notify the Board of the transfer of a business.

Amended June 22, 1995, effective July 22, 1995. Amended subdivision (e) as provided in Statutes of 1993, Chapter 1109.

Amended April 25, 1996, effective May 25, 1996. Added new (c) to incorporate provisions of Chapter 696, Statutes of 1996 and renumbered the following subdivisions.

Amended May 30, 2001, effective September 7, 2001. Subdivision (d)—Existing language deleted—Four new unnumbered paragraphs added to define "concessionaire" and clarify the relationship between concessionaire and prime retailer. New Appendix A was added to provide a suggested form for the Certification of Permit—Concessionaire.

Amended February 6, 2002, effective June 14, 2002. Subdivisions (h) and (i) added.

Amended November 15, 2005, effective December 13, 2006. Added sentence to subdivision (a) to explain that permits are required for locations at which merchandise is stored when the retailer negotiates sales out of state but fulfills such sales from stocks of goods located in this state.

Amended November 15, 2007, effective February 23, 2008. Amended subdivision (f) to clarify the methods for notifying the Board when a seller's permit becomes inactive. The amendments also explain the limitation on predecessor's liability set forth in Revenue and Taxation Code section 6071.1 and make it clear that the fraud penalty can be imposed on a predecessor when the ownership of the successor who committed fraud is substantially the same as the predecessor ownership.

Regulations are issued by the State Board of Equalization to implement, interpret or make specific provisions of the California Sales and Use Tax Law and to aid in the administration and enforcement of that law. If you are in doubt about how the Sales and Use Tax Law applies to your specific activity or transaction, you should write the nearest State Board of Equalization office. Requests for advice regarding a specific activity or transaction should be in writing and should fully describe the facts and circumstances of the activity or transaction.

State of California
BOARD OF EQUALIZATION

SALES AND USE TAX REGULATIONS

Regulation 1802. PLACE OF SALE AND USE FOR PURPOSES OF BRADLEY-BURNS UNIFORM LOCAL SALES AND USE TAXES.

Reference: Sections 6012.6, 6015, 6359, 6359.45, 7202, 7203, 7203.1, 7204.03 and 7205, Revenue and Taxation Code.

(a) IN GENERAL.

(1) **RETAILERS HAVING ONE PLACE OF BUSINESS.** For the purposes of the Bradley-Burns Uniform Local Sales and Use Tax Law, if a retailer has only one place of business in this state, all California retail sales of that retailer in which that place of business participates occur at that place of business unless the tangible personal property sold is delivered by the retailer or his or her agent to an out-of-state destination, or to a common carrier for delivery to an out-of-state destination.

(2) **RETAILERS HAVING MORE THAN ONE PLACE OF BUSINESS.**

(A) If a retailer has more than one place of business in this state but only one place of business participates in the sale, the sale occurs at that place of business.

(B) If a retailer has more than one place of business in this state which participate in the sale, the sale occurs at the place of business where the principal negotiations are carried on. If this place is the place where the order is taken, it is immaterial that the order must be forwarded elsewhere for acceptance, approval of credit, shipment, or billing. For the purposes of this regulation, an employee's activities will be attributed to the place of business out of which he or she works.

(3) **PLACE OF PASSAGE OF TITLE IMMATERIAL.** If title to the tangible personal property sold passes to the purchaser in California, it is immaterial that title passes to the purchaser at a place outside of the local taxing jurisdiction in which the retailer's place of business is located, or that the property sold is never within the local taxing jurisdiction in which the retailer's place of business is located.

(b) PLACE OF SALE IN SPECIFIC INSTANCES.

(1) **VENDING MACHINE OPERATORS.** The place of sale is the place at which the vending machine is located. If an operator purchases property under a resale certificate or from an out-of-state seller without payment of tax and the operator is the consumer of the property, for purposes of the use tax, the use occurs at the place where the vending machine is located.

(2) **ITINERANT MERCHANTS.** The place of sale with respect to sales made by sellers who have no permanent place of business and who sell from door to door for their own account shall be deemed to be in the county in which is located the seller's permanent address as shown on the seller's permit issued to him or her. If this address is in a county imposing sales and use taxes, sales tax applies with respect to all sales unless otherwise exempt. If this address is not in a county imposing sales and use taxes, he or she must collect the use tax with respect to property sold and delivered or shipped to customers located in a county imposing sales and use taxes.

(3) **RETAILERS UNDER SECTION 6015.** Persons regarded by the Board as retailers under Section 6015(b) of the Revenue and Taxation Code are regarded as selling tangible personal property through salespersons, representatives, peddlers, canvassers or agents who operate under or obtain the property from them. The place of sale shall be deemed to be:

(A) the business location of the retailer if the retailer has only one place of business in this state, exclusive of any door-to-door solicitations of orders, or

(B) the business location of the retailer where the principal negotiations are carried on, exclusive of any door-to-door solicitations of orders, if more than one in-state place of business of the retailer participates in the sale.

The amendments to paragraph (b)(3) apply only to transactions entered into on or after July 1, 1990.

Regulation 1802. (Contd.)

(4) AUCTIONEERS. The place of sale by an auctioneer is the place at which the auction is held. Operative July 1, 1996, auctioneers shall report local sales tax revenue to the participating jurisdiction (as defined in subdivision (d) below) in which the sales take place, with respect to auction events which result in taxable sales in an aggregate amount of \$500,000 or more.

(5) FACTORY-BUILT SCHOOL BUILDINGS. The place of sale or purchase of a factory-built school building (relocatable classroom) as defined in paragraph (c)(4)(B) of Regulation 1521 (18 CCR 1521), Construction Contractors, is the place of business of the retailer of the factory-built school building regardless of whether sale of the building includes installation or whether the building is placed upon a permanent foundation.

(6) JET FUEL.

(A) For sales of jet fuel prior to January 1, 2008, the place of sale or purchase of jet fuel is the city, county, or city and county which is the point of the delivery of the jet fuel to the aircraft, if both of the following conditions are met:

1. The principal negotiations for the sale are conducted at the retailer's place of business in this state;
- and
2. The retailer has more than one place of business in the state.

(B) For sales of jet fuel on or after January 1, 2008, the place of sale or purchase of jet fuel is the city, county, or city and county which is the point of the delivery of the jet fuel to the aircraft.

(C) The local sales or use tax revenue derived from the sale or purchase of jet fuel under the conditions set forth in this subdivision shall be transmitted by the Board, to the city, county, or city and county where the airport is located at which such delivery occurs.

(D) **Multi-Jurisdictional Airports.** For the purposes of this regulation, the term "multi-jurisdictional airport" means and includes an airport that is owned or operated by a city, county, or city and county, that has enacted a state-administered local sales and use tax ordinance and as to which the owning or operating city, county, or city and county is different from the city, county, or city and county in which the airport is located. Through June 30, 2004, the local tax rate is imposed at 1.25% by Revenue and Taxation Code section 7202 (a). Operative July 1, 2004, the local tax rate is imposed at 1% by Revenue and Taxation Code section 7203.1 The local tax revenue derived from sales of jet fuel at a "multi-jurisdictional airport" shall, notwithstanding subdivision (B), be transmitted by the Board as follows:

1. In the case of the 0.25% local sales tax imposed by counties under Government Code section 29530 and Revenue and Taxation Code section 7202(a), or operative July 1, 2004, imposed by counties under Revenue and Taxation Code section 7203.1(a)(1), half of the revenue to the county which owns or operates the airport (or in which the city which owns or operates the airport is located) and half to the county in which the airport is located.

2. In the case of the remaining 1% of the local sales tax imposed by counties under Revenue and Taxation Code section 7202(a), or operative July 1, 2004, the remaining 0.75%, imposed by counties under Revenue and Taxation Code section 7203.1(a)(2), and in the case of the local sales tax imposed by cities at a rate of up to 1%, or operative July 1, 2004, at a rate of up to 0.75% under Revenue and Taxation Code section 7203.1(a)(2), and offset against the local sales tax of the county in which the city is located under Revenue and Taxation Code section 7202(h), half of the revenue to the city which owns or operates the airport and half to the city in which the airport is located. If the airport is either owned or operated by a county or is located in the unincorporated area of a county, or is owned or operated by a county and is located in the unincorporated area of a different county, the local sales tax revenue which would have been transmitted to a city under this subdivision shall be transmitted to the corresponding county.

3. Notwithstanding the rules specified in subdivisions 1. and 2., the following special rules apply:

- a. In the case of retail sales of jet fuel in which the point of the delivery of the jet fuel to the aircraft and place of sale or purchase, as described in subdivision (A) or (B), is San Francisco International Airport, the Board shall transmit one-half of the local sales tax revenues derived from such sales to the City and County of San Francisco, and the other half to the County of San Mateo.

Regulation 1802. (Contd.)

b. In the case of retail sales of jet fuel in which the point of the delivery of the jet fuel to the aircraft and place of sale or purchase, as described in subdivision (A) or (B), is Ontario International Airport, the Board shall transmit local sales taxes with respect to those sales in accordance with both of the following:

c. All of the revenues that are derived from a local sales tax imposed by the City of Ontario shall be transmitted to that city.

d. All of the revenues that are derived from a local sales tax imposed by the County of San Bernardino shall be allocated to that county.

(E) Otherwise, as provided elsewhere in this regulation.

(c) TRANSACTIONS NEGOTIATED OUT OF STATE AND DELIVERED FROM THE RETAILER'S STOCK OF TANGIBLE PERSONAL PROPERTY IN CALIFORNIA

(1) If an out-of-state retailer does not have a permanent place of business in this state other than a stock of tangible personal property, the place of sale is the city, county, or city and county from which delivery or shipment is made. Local tax collected by the Board for such sales will be distributed to that city, county, or city and county.

(2) If a retailer has a permanent place of business in this state in addition to its stocks of tangible personal property, the place of sale, in cases where the sale is negotiated out of state and there is no participation by the retailer's permanent place of business in this state, is the city, county, or city and county from which delivery or shipment is made. Local tax collected by the Board for such sales will be distributed to the city, county, or city and county from which delivery or shipment is made.

(d) ALLOCATION OF SALES TAX AND APPLICATION OF USE TAX.

Local sales tax is allocated to the place where the sale is deemed to take place under the above rules. The local use tax ordinance of the jurisdiction where the property at issue is put to its first functional use applies to such use. As used in this subdivision, the term "participating jurisdiction" means any city, county, or city and county which has entered into a contract with the Board for administration of that entity's local sales and use tax.

(1) **DIRECT REPORTING BY RETAILERS.** Operative July 1, 1996, for transactions of \$500,000 or more, except with respect to persons who register with the Board to collect use tax under Regulation 1684(c) (18 CCR 1684), the seller shall report the local use tax revenues derived therefrom directly to the participating jurisdiction where the first functional use is made.

Persons who voluntarily collect use tax under Regulation 1684(c) may, solely at their own discretion, report the local use tax revenues on transactions of \$500,000 or more directly to the participating jurisdiction where first functional use is made.

(2) **DIRECT REPORTING BY PURCHASERS.** Operative July 1, 1996, if a person who is required to report and pay use tax directly to the Board makes a purchase in the amount of \$500,000 or more, that person shall report the local use tax revenues derived therefrom to the participating jurisdiction in which the first functional use of the property is made.

The amendments to paragraph (b)(4) and paragraph (d) shall apply prospectively only to transactions entered into on or after July 1, 1996. Paragraph (d) shall not apply to lease transactions.

History: Adopted March 27, 1956, effective April 1, 1956.

Amended and renumbered January 6, 1970, effective February 25, 1970.

Amended May 9, 1984, effective September 12, 1984. Subdivision (b)(1) completely revised.

Amended November 29, 1989, effective February 4, 1990. Minor corrections made to (a)(1), (a)(2) and (b)(2) for clarification purposes, completely revised (b)(3) and added subparagraphs (A) and (B) to (b)(3).

Amended June 5, 1991, effective August 18, 1991. Amended paragraph (b) to reference Regulation 1521(c)(4)(B) and to explain place of sale.

Amended August 1, 1991, effective August 30, 1991. Amended pursuant to Chapter 85, Statutes of 1991, and Chapter 88, Statutes of 1991, to provide that a newspaper carrier is not a retailer. The retailer is the publisher or distributor for whom the carrier delivers the newspaper. Chapter 85, Stats. of 1991, was effective July 1, 1991; Chapter 88, Stats. of 1991, changed the effective date to July 15, 1991.

Regulation 1802. (Contd.)

Amended May 26, 1993, effective October 1, 1993. Amended paragraph (b)(5) to be operative October 1, 1993, to provide that if an out-of-state retailer does not have a permanent place of business in this state other than a stock of merchandise, the place of sale is the city, county, or city and county from which delivery or shipment is made. Local tax collected for such sales will be distributed to that city, county, or city and county.

Amended May 15, 1996, effective August 11, 1996. Words "and Use" added to title to reflect inclusion of use tax rules. Subdivision (b)(4) is amended to provide for reporting of local sales tax revenues to specific jurisdictions by auctioneers under specified conditions. New subdivision (c) is added to promulgate rules regarding application of use tax in regulatory form.

Amended April 6, 2000, effective May 26, 2000. Added subdivision (b)(7). Added section "7204.03" to the References section.

Amended August 6, 2003, effective November 28, 2003. Subdivision (a)(1): phrase "in which that place of business participates" added. Subdivision (a)(2): current language re-designated (a)(2)(B); new subdivision (a)(2)(A) added.

Amended November 15, 2005, effective December 13, 2006. Deleted subdivision (b)(5); subdivisions (b)(6) and (7) re-designated (5) and (6) accordingly. Added new subdivision (c); former subdivision (c) re-designated (d) accordingly. Added language of former subdivision (b)(5) as new subdivision (c)(1), but deleted the operative date of October 1, 1993, as no longer necessary. Added new subdivision (c)(2) to provide for direct distribution of local sales tax revenues, specifically for sales negotiated out of state, to the location of the stock of goods that fulfills the order when the retailer has sales offices in the state and where there is no participation by the retailer's in-state sales office.

Amended March 20, 2007, effective May 17, 2007. Amended subdivision (b)(6) to incorporate a statutory change regarding the place of sale or purchase of jet fuel, operative January 1, 2008.

Amended October 24, 2007, effective February 1, 2008. Added headings to paragraphs (d)(1) and (d)(2), and amended paragraph (d)(1) to clarify the jurisdiction to which use tax on a transaction of \$500,000 or more should be reported.

Regulations are issued by the State Board of Equalization to implement, interpret or make specific provisions of the California Sales and Use Tax Law and to aid in the administration and enforcement of that law. If you are in doubt about how the Sales and Use Tax Law applies to your specific activity or transaction, you should write the nearest State Board of Equalization office. Requests for advice regarding a specific activity or transaction should be in writing and should fully describe the facts and circumstances of the activity or transaction.

Regulation 1699. (Cont.)

Appendix A

Certification of Permit – Concessionaires

I certify that I operate an independent business at the premises of the following retailer and that I hold a valid seller's permit to operate at this location, as noted below. I further understand that I will be solely responsible for reporting all sales that I make on those premises and remitting all applicable sales and use taxes due to the Board of Equalization:

Name of retailer on whose premises I operate my business: _____

Location of premises: _____

I hereby certify that the foregoing information is accurate and true to the best of my knowledge:

Certifier's Signature: _____ Date: _____

Certifier's Printed Name: _____

Certifier's Seller's Permit Number: _____

Certifier's Business Name and Address:* _____

Certifier's Telephone Number: _____

* Please Note: The certifier *must* be registered to do business at the location of the retailer upon whose premises he or she is making retail sales.

BOND FOR FAITHFUL PERFORMANCE

KNOW ALL MEN BY THESE PRESENTS: That we, DEROVATIONS CORPORATION, a Minnesota corporation aka Dero Bike Racks Co, AS PRINCIPAL, and International Fidelity Ins Co, located at One Newark Ctr 20th Fl, Newark NJ, New Jersey, admitted as a surety in the State of California, and authorized to transact business in the State of California, as SURETY, are held and firmly bound unto the CITY OF LONG BEACH, CALIFORNIA, a municipal corporation, in the sum of EIGHT HUNDRED THIRTY-SEVEN THOUSAND SEVEN HUNDRED SIXTY-FOUR DOLLARS (\$837,764), lawful money of the United States of America, for the payment of which sum, well and truly to be made, we bind ourselves, our respective heirs, administrators, executors, successors and assigns, jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH THAT:

WHEREAS, said Principal has been awarded and is about to enter the annexed contract (incorporated herein by this reference) with said City of Long Beach for the Furnishing of Bike Parking Equipment in the City of Long Beach, California and is required by said City to give this bond in connection with the execution of said contract:

NOW, THEREFORE, if said Principal shall well and truly keep and faithfully perform all of the covenants, conditions, agreements and obligations of said contract on said Principal's part to be kept, done and performed, at the times and in the manner specified therein, then this obligation shall be null and void, otherwise it shall be and remain in full force and effect.

PROVIDED, that any modifications, alterations or changes which may be made in said contract, or in the work to be done, or in the services to be rendered, or in any materials or articles to be furnished pursuant to said contract, or the giving by the City of any extension of time for the performance of said contract, or the giving of any other forbearance upon the part of either the City or the Principal to the other, shall not in any way release the Principal or the Surety, or either of them, or their respective heirs, administrators, executors, successors or assigns, from any liability arising hereunder, and notice to the Surety of any such modifications, alterations, changes, extensions or forbearances is hereby waived. No premature payment by said City to said Principal shall release or exonerate the Surety, unless the officer of said City ordering the payment shall have actual notice at the time the order is made that such payment is in fact premature, and then only to the extent that such payment shall result in actual loss to the Surety, but in no event in an amount more than the amount of such premature payment.

IN WITNESS WHEREOF, the above-named Principal and Surety have executed, or caused to be executed, this instrument with all of the formalities required by law on this 30 day of December, 2009.

Derovations Corporation dba Dero Bike Racks Co
Contractor

By: Rolf Schultz
Name: Rolf Schultz
Title: President
By: Hans Steege
Name: Hans Steege
Title: Vice President

International Fidelity Insurance Company
SURETY admitted in California

By: Nicholas L Newton
Name: Nicholas L Newton
Title: Attorney in Fact
Telephone: 763-549-2250

Approved as to form this 30 day of December, 2009.

ROBERT E. SHANNON, City Attorney

By: RE Shannon
Deputy City Attorney

Approved as to sufficiency this 30 day of December, 2009.

By: J. Assistant City Manager
City Manager/~~City Manager~~

- NOTE: 1. Execution of the bond must be acknowledged by both PRINCIPAL and SURETY before a Notary Public and a Notary's certificate of acknowledgment must be attached.
2. A corporation must execute the bond by 2 authorized officers or, if executed by a person not listed in Sec. 313, Calif. Corp. Code, then a certified copy of a resolution of its Board of Directors authorizing execution must be attached.

EXECUTED PURSUANT TO SECTION 301 OF THE CITY CHARTER.

INDIVIDUAL OR PARTNERSHIP ACKNOWLEDGMENT

STATE OF _____ ss
COUNTY OF _____

On the _____ day of _____, _____, before me personally appeared _____ to me known to be the person(s) described in and who executed the foregoing instrument, as Principal(s), and acknowledged to me that he executed the same as his/her/their free act and deed.

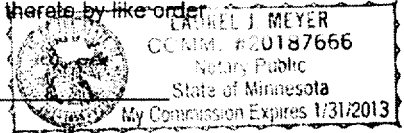
(Notary Seal)

CORPORATE ACKNOWLEDGMENT

STATE OF Minnesota ss
COUNTY OF Hennepin

On the 30th day of December, 2009, before me personally appeared Rolf Scholtz to me known, who being by me duly sworn, did say that he/she is the president of the Derivations Corp. the corporation described in and which executed the foregoing instrument; that he/she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation; and that he/she signed his/her name thereto by like order.

Laurel J. Meyer
(Notary Seal)



ACKNOWLEDGMENT OF CORPORATE SURETY

STATE OF MINNESOTA ss
COUNTY OF HENNEPIN

On the 30 day of December, 2009, before me personally appeared Nicholas L. Newton to me known, who being duly sworn, did say that he/she is the aforesaid officer or attorney-in-fact of the International Fidelity Insurance Company a corporation; that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by the aforesaid officer, by authority of its board of directors; and the aforesaid officer acknowledged said instrument to be the free act and deed of said corporation.

Monica Hostetler
(Notary Seal)



INDIVIDUAL OR PARTNERSHIP ACKNOWLEDGMENT

STATE OF _____ SS

COUNTY OF _____

On the _____ day of _____, _____, before me personally appeared

_____ to me known to be the person(s) described in and who executed the foregoing instrument, as Principal(s), and acknowledged to me that he executed the same as his/her/their free act and deed.

(Notary Seal)

CORPORATE ACKNOWLEDGMENT

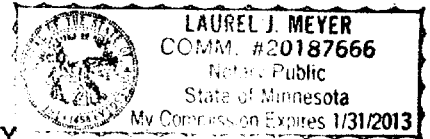
STATE OF Minnesota SS

COUNTY OF Hennepin

On the 30th day of December, 2009 before me personally appeared

Hans Steege to me known, who being by me duly sworn, did say that he/she is the vice president of the Derovations Corp., the corporation described in and which executed the foregoing instrument; that he/she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation; and that he/she signed his/her name thereto by like order

Laurel J. Meyer
(Notary Seal)



ACKNOWLEDGMENT OF CORPORATE SURETY

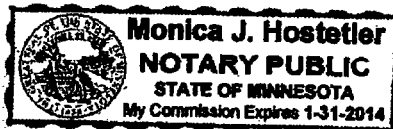
STATE OF MINNESOTA SS

COUNTY OF HENNEPIN

On the 30 day of December, 2009, before me personally appeared

Nicholas L. Newton to me known, who being duly sworn, did say that he/she is the aforesaid officer or attorney-in-fact of the International Fidelity Insurance Company a corporation; that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by the aforesaid officer, by authority of its board of directors; and the aforesaid officer acknowledged said instrument to be the free act and deed of said corporation.

Monica Hostetler
(Notary Seal)



POWER OF ATTORNEY INTERNATIONAL FIDELITY INSURANCE COMPANY

HOME OFFICE: ONE NEWARK CENTER, 20TH FLOOR
NEWARK, NEW JERSEY 07102-5207

KNOW ALL MEN BY THESE PRESENTS: That INTERNATIONAL FIDELITY INSURANCE COMPANY, a corporation organized and existing laws of the State of New Jersey, and having its principal office in the City of Newark, New Jersey, does hereby constitute and appoint

NICHOLAS E. NEWTON, JEFFREY R. MASS, MONICA HOSTETLER

Brooklyn Center, MN.

its true and lawful attorney(s)-in-fact to execute, seal and deliver for and on its behalf as surety, any and all bonds and undertakings, contracts of indemnity and other writings obligatory in the nature thereof, which are or may be allowed, required or permitted by law, statute, rule, regulation, contract or otherwise, and the execution of such instrument(s) in pursuance of these presents, shall be as binding upon the said INTERNATIONAL FIDELITY INSURANCE COMPANY, as fully and amply, to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office.

This Power of Attorney is executed, and may be revoked, pursuant to and by authority of Article 3-Section 3, of the By-Laws adopted by the Board of Directors of INTERNATIONAL FIDELITY INSURANCE COMPANY at a meeting called and held on the 7th day of February, 1974.

The President or any Vice President, Executive Vice President, Secretary or Assistant Secretary, shall have power and authority

- (1) To appoint Attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the Seal of the Company thereto, bonds and undertakings, contracts of indemnity and other writings obligatory in the nature thereof and,
- (2) To remove, at any time, any such attorney-in-fact and revoke the authority given.

Further, this Power of Attorney is signed and sealed by facsimile pursuant to resolution of the Board of Directors of said Company adopted at a meeting duly called and held on the 29th day of April, 1982 of which the following is a true excerpt.

Now therefore the signatures of such officers and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.



IN TESTIMONY WHEREOF, INTERNATIONAL FIDELITY INSURANCE COMPANY has caused this instrument to be signed and its corporate seal to be affixed by its authorized officer, this 16th day of October, A.D. 2007.

INTERNATIONAL FIDELITY INSURANCE COMPANY

STATE OF NEW JERSEY
County of Essex

Secretary

On this 16th day of October 2007, before me came the individual who executed the preceding instrument, to me personally known, and, being by me duly sworn, said he is the therein described and authorized officer of the INTERNATIONAL FIDELITY INSURANCE COMPANY; that the seal affixed to said instrument is the Corporate Seal of said Company; that the said Corporate Seal and his signature were duly affixed by order of the Board of Directors of said Company.



IN TESTIMONY WHEREOF, I have hereunto set my hand affixed my Official Seal, at the City of Newark, New Jersey the day and year first above written.

A NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Nov. 21, 2010

CERTIFICATION

I, the undersigned officer of INTERNATIONAL FIDELITY INSURANCE COMPANY do hereby certify that I have compared the foregoing copy of the Power of Attorney and affidavit, and the copy of the Section of the By-Laws of said Company as set forth in said Power of Attorney, with the ORIGINALS ON IN THE HOME OFFICE OF SAID COMPANY, and that the same are correct transcripts thereof, and of the whole of the said originals, and that the said Power of Attorney has not been revoked and is now in full force and effect.

IN TESTIMONY WHEREOF I have hereunto set my hand this 30 day of December, 2009

Assistant Secretary




December 30, 2009

CORPORATE RESOLUTION

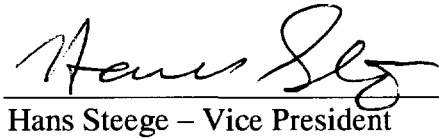
I, Rolf Scholtz, President of Derovations Corp. (DBA Dero Bike Rack Co.), do hereby certify that at a duly constituted meeting of the Board of Directors of Derovations Corp. held at 2657, 32nd Ave. South, Minneapolis, MN 55406 on December 30, 2009, it was approved that the individuals listed below are designated signatories and have the authority to approve and sign contracts.

Rolf Scholtz
Hans Steege
Andrew Lageson

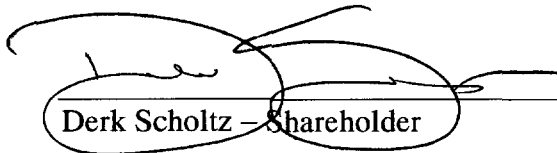
I further certify that the foregoing vote is in full force without rescission, modification or amendment.

 12/30/09

Rolf Scholtz - President Date

 12/30/09

Hans Steege - Vice President Date

 12/30/09

Derk Scholtz - Shareholder Date

Bond No. CMFSU0481256

LABOR AND MATERIAL BOND

KNOW ALL MEN BY THESE PRESENTS: That we, DEROVATIONS CORPORATION, a Minnesota corporation aka Dero Bike Racks Co, PRINCIPAL and International Fidelity Insurance Company, a corporation, incorporated under the laws of the State of New Jersey, admitted as a surety in the State of California, and authorized to transact business in the State of California, as SURETY, are held and firmly bound unto the CITY OF LONG BEACH, a municipal corporation, in the sum of EIGHT HUNDRED THIRTY-SEVEN THOUSAND SEVEN HUNDRED SIXTY-FOUR DOLLARS (\$837,764), lawful money of the United States of America, for the payment of which sum, well and truly to be made, we bind ourselves, our respective heirs, administrators, executors, successors and assigns, jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH THAT:

WHEREAS, said Principal has been awarded and is about to enter the annexed contract (incorporated herein by this reference) with said City of Long Beach for the Furnishing of Bike Parking Equipment in the City of Long Beach, California and is required by law and by said City to give this bond in connection with the execution of said contract;

NOW, THEREFORE, if said Principal, as Contractor of said contract, or any subcontractor of said Principal, fails to pay for any materials, provisions, equipment, or other supplies, used in upon, for or about the performance of the work contracted to be done, or for any work or labor done thereon, of any kind, or for amounts due under the Unemployment Insurance Act, during the original term of said contract and any extensions thereof, and during the life of any guaranty required under the contract, or shall fail to pay for any materials, provisions, equipment, or other supplies, used in, upon, for or about the performance of the work to be done under any authorized modifications of said contract that may hereafter be made, or for any work or labor done of any kind, or for amounts due under the Unemployment Insurance Act, under said modification, said Surety will pay the same in an amount not exceeding the sum of money hereinabove specified and, in case suit is brought upon this bond, a reasonable attorney's fee, to be fixed by the court; otherwise this obligation shall be void;

PROVIDED, that any modifications, alterations or changes which may be made in said contract, or in any of the work or labor required to be done thereunder, or in any of the materials, provisions, equipment, or other supplies required to be furnished pursuant to said contract, or the giving by the City of any extension of time for the performance of said contract, or the giving of any other forbearance upon the part of either the City or the Principal to the other, shall not in any way release the Principal or Surety, or either of them, or their respective heirs, administrators, executors, successors or assigns, from any liability arising hereunder, and notice to the surety of any such modifications, alterations, changes, extensions or forbearances is hereby waived. No premature payment by said City to said Principal shall release or exonerate the Surety, unless the officer of the City ordering the payment shall have actual notice at the time the order is made that the payment is in fact premature, and then only to the extent that such payment shall result in actual loss to the Surety, but in no event in an amount more than the amount of such premature payment.

This Bond shall inure to the benefit of any and all persons, companies and corporations entitled by law to file claims so as to give a right of action to them or their assigns in any suit brought upon this bond.

IN WITNESS WHEREOF, the above-named Principal and Surety, have executed or caused to be executed, this instrument with all of the formalities required by law on this 30 day of December, 2009.

Derovations Corporation dba Dero Bike Racks Co

International Fidelity Insurance Company

By: [Signature]

By: [Signature]

Name: Rolf Scholtz

Name: Nicholas L Newton

Title: President

Title: Attorney in Fact

By: [Signature]

Telephone: 763-549-2250

Name: Hans Steege

Title: Vice President

Approved as to form this 30 day of December, 2009.

Approved as to sufficiency this 30 day of December, 2009.

ROBERT E. SHANNON, City Attorney

Assistant City Manager

By: [Signature]
Deputy City Attorney

By: [Signature]
City Manager

NOTE: 1. Execution of the bond must be acknowledged by both PRINCIPAL and SURETY before a Notary Public and a Notary's certificate of acknowledgment must be attached.
2. A corporation must execute the bond by 2 authorized officers or, if executed by a person not listed in Sec. 313, Calif. Corp. Code, then a certified copy of a resolution of its Board of Directors authorizing execution must be attached.

EXECUTED PURSUANT TO SECTION 301 OF THE CITY CHARTER.

INDIVIDUAL OR PARTNERSHIP ACKNOWLEDGMENT

STATE OF _____

SS

COUNTY OF _____

On the _____ day of _____, _____, before me personally appeared

_____ to me

known to be the person(s) described in and who executed the foregoing instrument, as Principal(s), and acknowledged to me that he executed the same as his/her/their free act and deed.

(Notary Seal)

CORPORATE ACKNOWLEDGMENT

STATE OF Minnesota

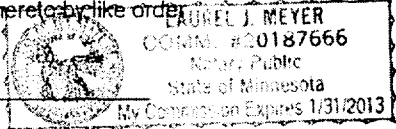
SS

COUNTY OF Hennepin

On the 30th day of December, 2009, before me personally appeared

Rolf Scholtz to me known, who being by me duly sworn, did say that he/she is the president of the Derovations Corp., the corporation described in and which executed the foregoing instrument; that he/she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation; and that he/she signed his/her name thereto by like order.

Laurel J. Meyer
(Notary Seal)



ACKNOWLEDGMENT OF CORPORATE SURETY

STATE OF MINNESOTA

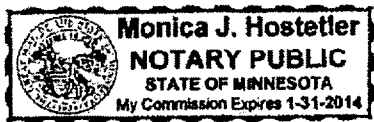
SS

COUNTY OF HENNEPIN

On the 30 day of December, 2009, before me personally appeared

Nicholas L. Newton to me known, who being duly sworn, did say that he/she is the aforesaid officer or attorney-in-fact of the International Fidelity Insurance Company a corporation; that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by the aforesaid officer, by authority of its board of directors; and the aforesaid officer acknowledged said instrument to be the free act and deed of said corporation.

Monica Hostetter
(Notary Seal)



INDIVIDUAL OR PARTNERSHIP ACKNOWLEDGMENT

STATE OF _____ SS

COUNTY OF _____

On the _____ day of _____, _____, before me personally appeared

_____ to me known to be the person(s) described in and who executed the foregoing instrument, as Principal(s), and acknowledged to me that he executed the same as his/her/their free act and deed.

(Notary Seal)

CORPORATE ACKNOWLEDGMENT

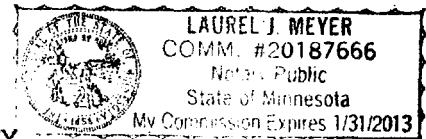
STATE OF Minnesota SS

COUNTY OF Hennepin

On the 30th day of December, 2009 before me personally appeared

Hans Steege to me known, who being by me duly sworn, did say that he/she is the vice president of the Derovations Corp., the corporation described in and which executed the foregoing instrument; that he/she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation; and that he/she signed his/her name thereto by like order

Laurel J. Meyer
(Notary Seal)



ACKNOWLEDGMENT OF CORPORATE SURETY

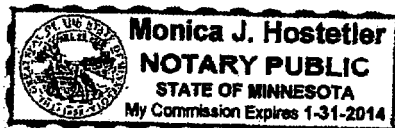
STATE OF MINNESOTA SS

COUNTY OF HENNEPIN

On the 30 day of December, 2009, before me personally appeared

Nicholas L. Newton to me known, who being duly sworn, did say that he/she is the aforesaid officer or attorney-in-fact of the International Fidelity Insurance Company a corporation; that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by the aforesaid officer, by authority of its board of directors; and the aforesaid officer acknowledged said instrument to be the free act and deed of said corporation.

Monica Hostetler
(Notary Seal)



POWER OF ATTORNEY INTERNATIONAL FIDELITY INSURANCE COMPANY

HOME OFFICE: ONE NEWARK CENTER, 20TH FLOOR
NEWARK, NEW JERSEY 07102-5207

KNOW ALL MEN BY THESE PRESENTS: That INTERNATIONAL FIDELITY INSURANCE COMPANY, a corporation organized and existing laws of the State of New Jersey, and having its principal office in the City of Newark, New Jersey, does hereby constitute and appoint

NICHOLAS E. NEWTON, JEFFREY R. MASS, MONICA HOSTETLER

Brooklyn Center, MN.

its true and lawful attorney(s)-in-fact to execute, seal and deliver for and on its behalf as surely, any and all bonds and undertakings, contracts of indemnity and other writings obligatory in the nature thereof, which are or may be allowed, required or permitted by law, statute, rule, regulation, contract or otherwise, and the execution of such instrument(s) in pursuance of these presents, shall be as binding upon the said INTERNATIONAL FIDELITY INSURANCE COMPANY, as fully and amply, to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office.

This Power of Attorney is executed, and may be revoked, pursuant to and by authority of Article 3-Section 3, of the By-Laws adopted by the Board of Directors of INTERNATIONAL FIDELITY INSURANCE COMPANY at a meeting called and held on the 7th day of February, 1974.

The President or any Vice President, Executive Vice President, Secretary or Assistant Secretary, shall have power and authority

- (1) To appoint Attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the Seal of the Company thereto, bonds and undertakings, contracts of indemnity and other writings obligatory in the nature thereof and,
- (2) To remove, at any time, any such attorney-in-fact and revoke the authority given.

Further, this Power of Attorney is signed and sealed by facsimile pursuant to resolution of the Board of Directors of said Company adopted at a meeting duly called and held on the 29th day of April, 1982 of which the following is a true excerpt:

Now therefore the signatures of such officers and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.



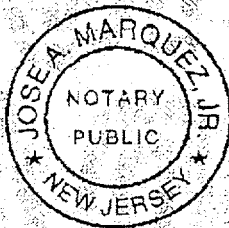
IN TESTIMONY WHEREOF, INTERNATIONAL FIDELITY INSURANCE COMPANY has caused this instrument to be signed and its corporate seal to be affixed by its authorized officer, this 16th day of October, A.D. 2007.

INTERNATIONAL FIDELITY INSURANCE COMPANY

STATE OF NEW JERSEY
County of Essex

Secretary

On this 16th day of October 2007, before me came the individual who executed the preceding instrument, to me personally known, and being by me duly sworn, said he is the therein described and authorized officer of the INTERNATIONAL FIDELITY INSURANCE COMPANY; that the seal affixed to said instrument is the Corporate Seal of said Company; that the said Corporate Seal and his signature were duly affixed by order of the Board of Directors of said Company.



IN TESTIMONY WHEREOF, I have hereunto set my hand affixed my Official Seal, at the City of Newark, New Jersey the day and year first above written.

A NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Nov. 23, 2010

CERTIFICATION

I, the undersigned officer of INTERNATIONAL FIDELITY INSURANCE COMPANY do hereby certify that I have compared the foregoing copy of the Power of Attorney and affidavit, and the copy of the Section of the By-Laws of said Company as set forth in said Power of Attorney, with its ORIGINALS ON IN THE HOME OFFICE OF SAID COMPANY, and that the same are correct transcripts thereof, and of the whole of the said originals, and that the said Power of Attorney has not been revoked and is now in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 30 day of December, 2007

Assistant Secretary



DERO
BIKE RACKS


December 30, 2009

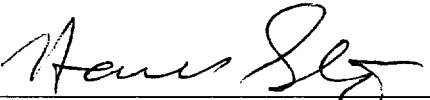
CORPORATE RESOLUTION

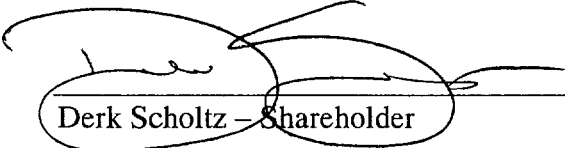
I, Rolf Scholtz, President of Derovations Corp. (DBA Dero Bike Rack Co.), do hereby certify that at a duly constituted meeting of the Board of Directors of Derovations Corp. held at 2657, 32nd Ave. South, Minneapolis, MN 55406 on December 30, 2009, it was approved that the individuals listed below are designated signatories and have the authority to approve and sign contracts.

Rolf Scholtz
Hans Steege
Andrew Lageson

I further certify that the foregoing vote is in full force without rescission, modification or amendment.


Rolf Scholtz - President 12/30/09
Date


Hans Steege - Vice President 12/30/09
Date


Derk Scholtz - Shareholder 12/30/09
Date