

V. Vehicle Maintenance Plan

Transportation Concepts' goal is to provide safe, clean and well maintained vehicles to our drivers and passengers. Our main objectives in the maintenance department are as follows:

- Perform quality service inspections meeting both OEM and Client expectations.
- To be proactive in addressing proper part replacement through identifying life expectancy of parts and incorporating replacement schedules as part of the PM process.
- Assure vehicles are clean.
- Stock a proper level of inventory to reduce down time.
- Assure quality parts are being utilized.
- Assure vehicles are safe and in compliance with state and local regulations.
- Track and keep accurate records.
- Keep road calls at a minimum.

Our Maintenance Shop is staffed during all operating hours of the BCT operation. With a total of 4 FT maintenance mechanics/supervisors, we have coverage Monday-Friday from 5:00 am – 10:30 pm and Weekend coverage from 6:00 am - 10:30 pm.

Transportation Concepts has a strong commitment to fleet maintenance based upon the precepts of preventive maintenance and has developed procedures to ensure vehicle maintenance quality and fleet longevity. All maintenance personnel receive specific fleet training through manufacturers or by our Maintenance Manager, Mr. Steve Purchase or other qualified outside resources, involved in the TC maintenance program.

This training will include, at a minimum, the following:

- ✓ Review of PM monthly (City and other regulatory compliance)
- ✓ Contract compliance for safety, maintenance and cleaning.
- ✓ Minimum of 48 hours of certified training on specific bus components
- ✓ Parts inventory and vendors
- ✓ Service requirements
- ✓ ***ASE Certification Training**
- ✓ Alternative fuels awareness and safety



***ASE Certification Program**

Transportation Concepts Maintenance mission is to improve the quality of vehicle repair and service to both company owned and client provided vehicles through the testing and certification of our repair technicians

Here's how TC's ASE Transit Bus Technician Certification works:

- ❖ Perspective candidates register for and take one or more Transit Bus Certification ASE exams. Currently, there are currently 8-H series tests grouped into specialties such as brakes (H4), electronic systems (H6) as well as CNG fuel (H1) preventive maintenance inspections (H8) etc.
- ❖ Upon passing an ASE Transit Bus exam the Technician provides proof to their Project Manager and will receive a **\$200 bonus** for every ASE Transit Bus exam that is successfully passed. The **\$200 bonus** per certification will continue to be **paid out annually** to the mechanic as long as that certification/recertification (retest every 5 years) is valid **or until the Technician receives his Master Transit Bus Technician Status**
- ❖ Once a Technician passes all existing H series tests he achieves the **ASE Master Transit Bus Technician** status. At that time the Technician will receive a **\$2,000 bonus** immediately upon proof of status. This **\$2,000 bonus** will now be **paid out annually** as long as that Master Certification Status is maintained

Both the Technician and Transportation Concepts will benefit from the ASE Transit Bus Certification Program. It is a valuable yardstick by which to measure the knowledge and skills of individual technicians as well as the commitment to quality that our company desires in employing ASE-certified technicians

Additional Maintenance Training

Although each mechanic receives continual training in all areas of maintenance technology, additionally, they receive a minimum of 12 hours training annually in each of the following **OSHA** required training segments:

- ✓ **Heat Stress Prevention**
- ✓ **Hazard Communication**
- ✓ **Fire Prevention**
- ✓ **First Aid**
- ✓ **IIPP**
- ✓ **Log Out /Tag Out**
- ✓ **PPE**
- ✓ **Blood Bourne Pathogen**

Steve Purchase will be ultimately responsible for the vehicle and facility maintenance efforts relative to the designated services for the Beach Cities Transit Service. Mr. Purchase will ensure that all maintenance requirements of the contract are met. Mr. Purchase is well versed in all aspects of fleet maintenance and will work directly with manufacturers relative to OEM requirements of the City's fleet and warranty procedures.

Any maintenance personnel assigned to work on the System buses will have a thorough knowledge of:

- ❖ Bus engines, transmissions, electrical, multiplex I/O electrical systems, electronic engine and transmission controls, hydraulic and air systems, engine cooling

- systems, radiators, passenger heating and cooling (A/C), and related mechanical parts.
- ❖ Methods and procedures used in servicing mechanical equipment.
- ❖ Bus chassis and bodies.
- ❖ Tools, precision instruments, equipment, and procedures used in the general repair and maintenance of bus equipment.
- ❖ Decimals, fractions, and specifications related to bus mechanics.
- ❖ Specialized areas such as painting, upholstering, brake relining, air-conditioning, destination signs and wheelchair lifts.

Maintenance personnel shall be able to:

- Inspect bus engines, transmissions, and other related parts.
- Diagnose bus engine, transmission, electrical, multiplex I/O electrical, hydraulic, and air system problems and related parts.
- Repair bus engine, transmission, electrical, hydraulic, and air system problems and related parts.
- Perform wheelchair/lift/ramp inspections
- Perform annunciator and destination sign inspections
- Inspections on video recording devices
- Document, on City-approved forms, all repairs performed.



Transportation Concepts' maintenance program consists of five primary components:

- ◆ **Daily Vehicle Inspections**
- ◆ **Preventive Maintenance**
- ◆ **Vehicle Repairs**
- ◆ **Vehicle Cleaning**
- ◆ **Maintenance Record Keeping**

Daily Vehicle Inspections:



Transportation Concepts requires all operators to complete a thorough pre-trip inspection prior to placing the vehicle into service, as well as a post-trip inspection at the end of each day. The inspections are performed and documented by the vehicle operator on a Daily Bus Report (DBR). If any defects are noted, a written record for use by the Maintenance Department is created. For defects needing immediate repair, the dispatcher or on-duty supervisor will contact the maintenance department to immediately make the repair so the vehicle can be released for service on time, or will assign a different vehicle for service. These pre-trip and post-trip inspections are important to help ensure that service continues with the highest level of operating safety and to minimize service delays by identifying mechanical problems prior to the vehicle pulling into service.

Preventative Maintenance Inspections:

The company uses a series of preventative maintenance inspections, which are conducted at varying mileage levels depending upon the fleet type and contractual requirements.



The PMI Process is generally broke down as follows:

- Drive on inspection – This portion is utilized to check specific gauges, warning lights, indicators, driver area specific items, switches, windshield etc.
- Interior inspection- This portion is dedicated to inspecting floors, seats, windows, emergency window operation, lights, heat, vent and A/C operation, stanchions, safety equipment, registration and other required items.
- Exterior inspection- this portion will include the inspection of the exterior including body condition, tires, windows lights, bumpers, tires, rims, lift, interlock and other applicable items.
- Chassis inspection- This portion will include a thorough inspection of the undercarriage, suspension, brakes and look for leaks and perform various filter and fluid changes per specific PM type.
- Test drive- This portion is used to check for proper shift points, engine performance, braking etc.

Any defects noted during the process will be reviewed and safety items repaired before being placed back into service.

Transportation Concepts utilizes preventive maintenance programs based on OEM and Client specific requirements. Maintenance staff will perform the review of failed items in efforts to determine premature failure or to identify potential issues that can be added to the PMI process in efforts to schedule replacement cycles for specific items reducing vehicle road calls and improving proficiency.

All preventive maintenance will be performed at regularly scheduled intervals according to OEM standards for the designated fleet.

All maintenance (including, but not limited to, vehicle PM inspections, brake inspections, lift inspections, major lift PM's, oil changes, engines washes, radiator cleans, interior cleans, upholstery shampoos, climate control inspections) will be tracked utilizing an computerized system

TC will maintain change out records for all components. This includes warranty repairs/replacements whether work is performed internally or through outside vendors. These reports will assist the City in maintaining the integrity of the fleet and maximizing efficiency of the Mid Duty **EZ Rider buses** which are listed as **12 year/500,000 mile vehicles**. TC maintains a warranty tracking file for each vehicle in the fleet.

TC will comply with all Federal, state and local exhaust emission requirements. In addition, all vehicles will have a valid vehicle registration and permanent license plates. All vehicles in revenue service will carry proof of insurance.

Vehicle Repairs:

Transportation Concepts policy is structured to assure that quality and thorough repairs are made on all vehicles. Repairs will be thorough and performed to industry standards. Parts will meet and or exceed OEM specifications. Work orders will be used to document repair functions, diagnostics performed, itemized parts and fluids that were used.



All wheelchair lifts, ramps, tie-downs, and related equipment will meet ADA requirements and shall be inspected, serviced, and lubricated at intervals as necessary to insure that the wheelchair lifts and ramps are safe and fully operational before the vehicle is used in revenue service. Operator pre-trip inspections will be utilized to check lift operation before pull-out from the garage. The vehicle will not be placed in service for any safety related item, including inoperable wheelchair lifts at the time of pull-out. The bus will either be placed out of service until repaired.

All body damage, corrosion, stress cracking, and defects not covered by the original manufacturer will be repaired in a professional manner. All repairs and painting will be done in a professional manner.

Visibility for driver and passengers will not be obstructed, and glass shall be replaced when, pits, cracks, abrasions and/or scratches are excessive. Excessive rattles and other annoyances to passenger comfort shall be repaired.

All mechanical, electrical, multiplex I/O electrical, fluid, air, and/or hydraulic systems will be maintained in a safe and operating condition.



Heating and air-conditioning (A/C) (climate control) systems will be maintained and used to insure that the passenger compartment temperature is comfortably maintained under all climatic conditions at all times on all in-service runs. TC will maintain the climate control system, heating and A/C systems, in an operable condition throughout the entire year. TC will meet all Federal, state, and local EPA requirements related to freon.

Heating and Air Conditioning units will be inspected at every preventative inspection interval. The following details this inspection:

- ✓ Inspect drive compressor belt for proper tension/wear
- ✓ Replace return air filter
- ✓ Monitor oil level
- ✓ Inspect control thermometer
- ✓ Check all wiring and connections
- ✓ Analyze system for proper operation
- ✓ Inspect Blowers for proper operation
- ✓ Inspect evaporator and condenser cores, clean if needed

- ✓ Check site glass for proper refrigerant fill
- ✓ Check all lines

In addition, every 24,000 miles the following will be completed:

- ✓ Change filter dryer as specified by manufacturer
- ✓ Clean cores
- ✓ Torque component mounting bolts
- ✓ Inspect water control valve for proper operation
- ✓ Check condenser and evaporator for proper operation

Seats will be maintained in proper operating condition. All tears, cuts, gum, graffiti, and other damage will be repaired in a professional manner. TC will replace seat covers and/or cushion materials which are worn or cannot be professionally repaired, using seat cover materials which are identical in design and color as those materials being replaced.

Parts Inventory

Vehicle repairs are completed using the highest quality parts available. Transportation Concepts participates in a number of national parts programs, which allows significant time- savings in most cases. We employ a first-in and first-out inventory system. Spare parts inventory is based on a cost per vehicle system. Transportation Concepts will stock spare parts to meet preventative maintenance and inspection needs, graffiti and vandalism, electrical, wheelchair lift and other maintenance related items. Quantity is predicated on the item's failure rate. Transportation Concepts also takes into consideration the availability of local parts and suppliers. We utilize air- freight overnight delivery if a local supplier cannot meet our immediate need.

TC will continue to maintain an ongoing spare parts inventory that has proven successful in having readily available components available to reduce vehicle down time and always meet peak hour vehicle requirements for service delivery.

All repairs will be made in accordance with applicable procedures listed in the vehicle manufacturer's maintenance manuals and shall comply with all local, state, and Federal regulations.

Vehicle Cleaning

The cleanliness of the vehicles that are used for the provision of transit service is an important indicator to the passengers of the quality of the service. The exterior and interior cleanliness of the vehicle is readily noticed by the passengers and contributes greatly to their perception of the service quality. As previously stated, in order to address this critical service component, Transportation Concepts will utilize a utility worker as well as an outside vendor who will be responsible to maintain the consistent





cleanliness of the fleet. The Project Manager will use a calculated schedule to monitor the cleaning of the fleet and to ensure that each vehicle receives its' required cleaning and detail.

On a daily basis, all vehicles utilized in revenue service will have the interiors swept and wiped down. Related to exterior washes, although the RFP establishes that vehicles are to be washed a minimum of once (1) per week, TC has throughout the last several years conducted complete **exterior washes twice weekly**. This is due to the proximity of the service area to the ocean. We are proposing to continue a complete **exterior cleaning twice weekly at a minimum** to maintain the professional and clean image of the BCT. In addition, the wheels and inside of all windows will be cleaned, and scrubbing of oil or other excessive residue off the rear end; dusting or vacuuming of all seats, dashboard, stanchions and exposed surfaces; and sweeping or vacuuming of all floor areas, including the removal of gum, grease, oil, etc will be performed.

All graffiti, interior and exterior, that is cleanable will be removed as soon as practicable. If the graffiti is obscene, or gang related, it will be removed immediately, or the vehicle shall not be used in revenue service until corrected. All seats will be dry when in revenue service.

Complete interior/exterior vehicle details will occur every 6 months to maintain the cleanliness levels expected by both TC and the City of Redondo Beach. These will include steaming seats, performing a deep clean on the interior floors, applying a wax sealant on the exterior bus, polishing all wheels and reconditioning all rubber components.



Vehicle Records

The proper functioning of the maintenance department relies upon an accurate system of record keeping verifying the performance of the department. TC will provide an up-to-date vehicle file for each vehicle which shall contain all pertinent vehicle and maintenance information including but not limited to vehicle make, model, running repairs, pm schedules and activity, work orders, other equipment, road call information, warranty information, and inspection documentation.

The preventive maintenance inspection reports will be kept for the term of the contract. Daily bus condition reports will be kept for a 90-day period, in accordance with CHP requirements.

Annual CHP Terminal Inspections

Since Transportation Concepts began operating BCT in 2009, we have received a "satisfactory" rating on each annual terminal inspection from the California Highway Patrol in Redondo Beach. Although this is a minimum standard, it is just one measurement that we use in determining excellence in our fleet maintenance program. This same measurement of success with the annual CHP terminal inspections has been consistent in every operation we have had in California.



W. Operating Facility Plan

Although we have had some limitations with the existing City provided facility, together with the city assistance we've been able to maintain a functional and effective working environment over the last 10 years. This included painting and installing flooring in the main offices, enclosed an area for management and staff and painted the dispatch center. Additionally, we worked with the City to procure and install security cameras and door locks throughout the facility.

We have structured the City provided space so that we have a dedicated and secure dispatch area, appropriate driver room and management offices, in addition to a shop area that meets the need of the BCT fleet.

Over at City Hall we utilize the City provided room for our Classroom training area.



We are proposing to keep the facility plan as-is for the next contract term, however, as we have in the past, we will continue to work very closely with the Transit Manager on the new transit facility specifically to accommodate the BCT services.



Office and Maintenance Equipment

Transportation Concepts has utilized the City provided facility for the last 10 years. Beginning in 2009 we procured the necessary office and maintenance shop equipment needed successfully operate the BCT. Over the course of these 10 years TC has continued to purchase/replace equipment for both the shop and the office to meet the needs of both technological and system advancements.

BCT Maintenance Equipment

DESCRIPTION	QTY
1. BENCH (BRAND NEW) WITH STAINLESS STEEL TOP	1
2. CHAIR (Ergonomic)	1
3. SHOP STAND (Pneumatic)	1
4. HYDRAULIC JACK (2 TON)	1
5. HYDRAULIC JACK (1 TON)	1
6. HYDRAULIC JACK (500 LB)	1
7. HYDRAULIC JACK (250 LB)	1
8. HYDRAULIC JACK (100 LB)	1
9. HYDRAULIC JACK (50 LB)	1
10. HYDRAULIC JACK (25 LB)	1
11. HYDRAULIC JACK (10 LB)	1
12. HYDRAULIC JACK (5 LB)	1
13. HYDRAULIC JACK (2.5 LB)	1
14. HYDRAULIC JACK (1.25 LB)	1
15. HYDRAULIC JACK (0.625 LB)	1
16. HYDRAULIC JACK (0.3125 LB)	1
17. HYDRAULIC JACK (0.15625 LB)	1
18. HYDRAULIC JACK (0.078125 LB)	1
19. HYDRAULIC JACK (0.0390625 LB)	1
20. HYDRAULIC JACK (0.01953125 LB)	1
21. HYDRAULIC JACK (0.009765625 LB)	1
22. HYDRAULIC JACK (0.0048828125 LB)	1
23. HYDRAULIC JACK (0.00244140625 LB)	1
24. HYDRAULIC JACK (0.001220703125 LB)	1
25. HYDRAULIC JACK (0.0006103515625 LB)	1
26. HYDRAULIC JACK (0.00030517578125 LB)	1
27. HYDRAULIC JACK (0.000152587890625 LB)	1
28. HYDRAULIC JACK (0.0000762939453125 LB)	1
29. HYDRAULIC JACK (0.00003814697265625 LB)	1
30. HYDRAULIC JACK (0.000019073486328125 LB)	1
31. HYDRAULIC JACK (0.0000095367431640625 LB)	1
32. HYDRAULIC JACK (0.00000476837158203125 LB)	1
33. HYDRAULIC JACK (0.000002384185791015625 LB)	1
34. HYDRAULIC JACK (0.0000011920928955078125 LB)	1
35. HYDRAULIC JACK (0.00000059604644775390625 LB)	1
36. HYDRAULIC JACK (0.000000298023223876953125 LB)	1
37. HYDRAULIC JACK (0.0000001490116119384765625 LB)	1
38. HYDRAULIC JACK (0.00000007450580596923828125 LB)	1
39. HYDRAULIC JACK (0.000000037252902984619140625 LB)	1
40. HYDRAULIC JACK (0.0000000186264514923095703125 LB)	1
41. HYDRAULIC JACK (0.00000000931322574615478515625 LB)	1
42. HYDRAULIC JACK (0.000000004656612873077392578125 LB)	1
43. HYDRAULIC JACK (0.0000000023283064365386962890625 LB)	1
44. HYDRAULIC JACK (0.00000000116415321826934814453125 LB)	1
45. HYDRAULIC JACK (0.000000000582076609134674072265625 LB)	1
46. HYDRAULIC JACK (0.0000000002910383045673370361328125 LB)	1
47. HYDRAULIC JACK (0.00000000014551915228366851806640625 LB)	1
48. HYDRAULIC JACK (0.000000000072759576141834259033203125 LB)	1
49. HYDRAULIC JACK (0.0000000000363797880709171295166015625 LB)	1
50. HYDRAULIC JACK (0.00000000001818989403545856475830078125 LB)	1
51. HYDRAULIC JACK (0.000000000009094947017729282379150390625 LB)	1
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55. HYDRAULIC JACK (0.0000000000005684341886080773986968994140625 LB)	1
56. HYDRAULIC JACK (0.00000000000028421709430403869934844970703125 LB)	1
57. HYDRAULIC JACK (0.000000000000142108547152019349674224853515625 LB)	1
58. HYDRAULIC JACK (0.0000000000000710542735760096748371124267578125 LB)	1
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63. HYDRAULIC JACK (0.000000000000002220446049250302091159763336171875 LB)	1
64. HYDRAULIC JACK (0.0000000000000011102230246251510455798816680859375 LB)	1
65. HYDRAULIC JACK (0.00000000000000055511151231257552289944083404296875 LB)	1
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67. HYDRAULIC JACK (0.0000000000000001387778780781438807248602051072421875 LB)	1
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100. HYDRAULIC JACK (0.0000000000000000000000000161558713389262390416663800687516263763755555305498046875 LB)	1

X. Project Implementation Plan

Work Plan – Transition/Implementation

Transportation Concepts (TC) clearly understands the City of Redondo Beach / Beach Cities Transit requirements and standards for service quality and safety. Transportation Concepts has addressed all aspects of operations relative to operating the BCT service and meeting and exceeding such standards over the last 10 years. However, in order to ensure success, Transportation Concepts first priority is starting the new contract effectively. TC is fortunate to currently operate this project; providing increased stability during the negotiation of the new contract. Service sometimes suffers during a contractor change due to the learning curve associated with the unknown Agency and operational culture, the routes, scheduling, equipment, and required training and required activity relative to employee transition.

The implementation of the service builds the foundation from which to grow and continuously improve the operation. After going through the initial transition 10 years ago we are fortunately in a place of continuous growth and improvement. Although we already have the operational components in place to ensure service operates smoothly during the transition phase, we will implement a new radio system along with the continued coordination of the new Transit Center, which is still in the planning stages but may be completed for move in during this next contract term. These are the only significant transition activities for TC.

New Contract Implementation Plan

Transportation Concepts (TC) realizes that the implementation of the new contract is critical to our continued success of the operation. We take this very seriously. This is a tremendous responsibility and our approach to a new contract term will continue to be one of dedication and commitment. Although the Scope of Work and Operational Plan will not be changing, becoming complacent is not something that our organization will allow.

Relative to the construction of the transit center, as it is planned to occur during this next contract term, we stand ready to insure a change of offices is handled seamlessly. All employees will be involved and communicated with in a systematic approach. Dispatch set up, facility amenities, and procedures will be in place prior to physically moving our employees. Our goal is that each employee participates in the move and when the actual day happens it is as simple as reporting to a different building will be business as usual.

TC operates several contracts that involved an initial transition from public to private operator, from competitor to TC, or new service altogether. In addition, the nature of this business requires the need to transition from day to day on many levels day to include: the addition of service, route revisions, new employees, implementation of new policies, new technology, or new contractual obligations, even traffic or weather conditions can facilitate the need for making a transition. TC believes the most important element of effectively carrying out a designated “transition” is open, clear, and consistent communication. If all of the people involved in implementing a transition along with all of the



people who will be affected by the transition are informed and prepared to make the transition, we are guaranteed success.

This is where the strength of **our team under the continued leadership of Brett Baum** really makes the difference. Our **team** has a comprehensive understanding of this service and the nuances that surround it relative to equipment, fuel types, fueling, route timing etc. Our **team** is clearly the most qualified and best suited to ensure that service is uninterrupted due to a new contract. Passengers will be happy and in turn the City Transit manager, her staff and City officials will be satisfied.

The new contract begins July 1, 2020 as stated in the RFP. Although we have been communicating with City staff regarding the new facility, we will continue to partner with staff to discuss the implementation of a facility move when it begins to get closer. Our plan will be adjusted based on any facility construction changes that may occur over the next contract term.

Workforce

Our workforce is in place so very little transition time or resources will be required relative to workforce. However, the workforce will be instrumental relative to the facility move if it occurs during this next contract term. All information will be communicated to employees relative to expectations and overall strategic plan for facility transition to include key dates and activities.

Administrative Duties

All administrative functions are currently in place and handled locally under the direction of our Project Manager.

Addressing Operational Issues

Transportation Concepts is successful due to the incredible strength of our local management team coupled with the ability to be **flexible** in effectively managing the day to day operations. As stated, all operational functions are in place for this contract. We are familiar with all service characteristics and associated operational requirements.

Over the last 10 years the primary ingredient in the success of the BCT has been the strong partnership that has been forged between TC and the City of Redondo Beach. We have collectively built an open and honest level of communication while working together as a team. We believe we have demonstrated our commitment throughout these last 10 years. Brett Baum and the other local team members as well as Rich Rogers, our COO will continue to work hand-in-hand with the City Staff to insure that we continue to focus on the future to strive towards our collective desire to meet and exceed the community expectations of the Beach Cities Transit System.

Y. Technical Resource Plan

Over our many years of transit experience, Transportation Concepts has worked with and assisted our transit clients in implementing technologies such as; Electronic Farebox (GFD), Drive Cam, Next Bus, TransLoc, Swiftly, Simpli Transport, Route Match, Metro TAP, REI camera systems, Hanover and Clever Devices. We are an avid promoter of these and future technical enhancements for our transit system, and look forward to assisting and working with the city in future technological advancements in the future.

Real-Time Information Systems

As described back in Section S, Transportation Concepts has close to 8 years in working with our transit clients in the selection, implementation and on-going utilization of these systems. We will be implementing and using the City of Redondo Beach's selected real-time system in the coming months and will have it fully operational by the time of the new contract term.

Zero Emission Bus

Transportation Concepts has actually been partnering with transit clients since 2014 in the procurement, infrastructure planning and operational implementation of Zero Emission Buses. We have operated ZEB's in the following locations and operating environments since 2015:

➤ **Port of Los Angeles**

Procured 3-20 passenger ZEB buses, established facility infrastructure and have operated and maintained those ZEB buses for close to 5 years.

➤ **Ontario Airport**

Procured 3-20 passenger ZEB buses, however anticipate the delivery of 5 additional ZEB buses to be delivered by the end of 2019. Worked with manufacturer to set up the facility infrastructure and have operated and maintained these ZEB buses for 5 years

➤ **City of Avalon**

The City of Avalon procured 3 medium duty 22 passenger ZEB buses prior to TC being awarded an operating contract back in 2016. TC worked with the City in the infrastructure development and installation. Our Regional Maintenance Director worked with and trained the City of Avalon mechanics on the requirements of ZEB mechanical maintenance. TC began the operation of those buses however, after a one year period we determined that the vehicles were not properly designed and presented a steering engineering safety issue. We immediately removed them from service and hired a third party maintenance consultant to inspect and work with the City to validate our findings. Unfortunately, these units remain out of service as the City and the bus manufacturer have not been able to resolve those issues.



Additional Technical Resources

As the transit industry continues to evolve with advanced technology, our commitment to our local and corporate staff continues to be to continually advance their skills in those technology advancements. As demonstrated with the City of Avalon, although our maintenance staff had the expertise and recommended the correct outcome, we opted to further assist the City by hiring a 3rd party maintenance expert. We even shared in that expense with the City.

Our commitment to the City of Redondo Beach is that we will continue to share our technical expertise on upcoming advancements. If we do not have the knowledge, we will bring forth the additional resources that can assist both TC and the City of Redondo Beach move ahead. As the contractor, we feel that is our obligation and one that we have always lived up to over the last 45 years in business.

2. Financial Statements

We have provided the last two years of audited financial statements for review. This further demonstrates that our company has the financial stability and capacity to continue to serve as the selected contractor for the Operations and Maintenance of the Beach Cities Transit Service.

PARKING CONCEPTS, INC.

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

WITH INDEPENDENT AUDITORS' REPORT

PARKING CONCEPTS, INC.
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SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Management of
Parking Concepts, Inc.
Irvine, California

We have audited the accompanying financial statements of Parking Concepts, Inc. (a California S corporation) (the "Company"), which comprise the balance sheet as of September 30, 2018, and the related statements of operations, comprehensive income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parking Concepts, Inc. as of September 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

White Nelson Dickel Evans LLP

Irvine, California
January 24, 2019

PARKING CONCEPTS, INC.
BALANCE SHEET
SEPTEMBER 30, 2018

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 4,534,410
Marketable securities	166,887
Accounts receivable, net	6,510,433
Other receivables	384,165
Prepaid expenses and other current assets	<u>1,089,799</u>
Total Current Assets	12,685,694
Property and Equipment, at Net Book Value	3,210,905
Other Assets:	
Other receivables	936,179
Deposits and other long-term assets	<u>608,712</u>
Total Assets	<u><u>\$ 17,441,490</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:	
Accounts payable	\$ 4,309,713
Accrued liabilities	3,149,860
Current portion of capital lease obligations	<u>156,024</u>
Total Current Liabilities	<u>7,615,597</u>
Long-Term Liabilities:	
Capital lease obligations	<u>96,558</u>
Total Long-Term Liabilities	<u>96,558</u>
Total Liabilities	7,712,155
Stockholder's Equity:	
Common stock	1,000
Accumulated other comprehensive gain	63,666
Retained earnings	<u>9,664,669</u>
Total Stockholder's Equity	<u>9,729,335</u>
Total Liabilities and Stockholder's Equity	<u><u>\$ 17,441,490</u></u>

The accompanying notes are an integral part of these financial statements.

PARKING CONCEPTS, INC.
STATEMENT OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 2018

Gross Revenues	\$ 111,536,643
Less: Landowner revenues remitted, net	<u>(58,501,963)</u>
Revenues	53,034,680
Cost of Revenues	<u>46,334,572</u>
Gross Profit	6,700,108
General and Administrative Expenses	<u>6,048,457</u>
Income from Operations	651,651
Other Income (Expense):	
Interest income	13,846
Interest expense	(20,980)
Other income	<u>1,784</u>
Total Other Income (Expense)	<u>(5,350)</u>
Income before Provision for Income Taxes	646,301
Provision for Income Taxes	<u>2,500</u>
Net Income	<u><u>\$ 643,801</u></u>

The accompanying notes are an integral part of these financial statements.

PARKING CONCEPTS, INC.
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED SEPTEMBER 30, 2018

Net Income	\$ 643,801
Other Comprehensive Income:	
Unrealized holding gains on marketable securities arising in current year, net of income tax of \$0	<u>36,541</u>
Comprehensive Income	<u><u>\$ 680,342</u></u>

The accompanying notes are an integral part of these financial statements.

PARKING CONCEPTS, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
YEAR ENDED SEPTEMBER 30, 2018

	Common Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholder's Equity
Balance, September 30, 2017	\$ 1,000	\$ (61,037)	\$ 10,009,330	\$ 9,949,293
Net income	-	-	643,801	643,801
Distributions	-	-	(900,300)	(900,300)
Unrealized gain on investments	-	36,541	-	36,541
Reclassification of unrealized gains	-	88,162	(88,162)	-
Balance, September 30, 2018	<u>\$ 1,000</u>	<u>\$ 63,666</u>	<u>\$ 9,664,669</u>	<u>\$ 9,729,335</u>

The accompanying notes are an integral part of these financial statements.

PARKING CONCEPTS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018

Cash Flows From Operating Activities:	
Net Income	\$ 643,801
Noncash Items Included in Net Income:	
Depreciation and amortization	942,147
Gain on sale of property and equipment	2,559
Allowance for doubtful accounts	17,288
Changes in:	
Accounts receivable	(1,250,315)
Other receivables	(1,134,938)
Prepaid expenses and other current assets	348,122
Deposits and other long-term assets	(23,393)
Accounts payable	604,553
Accrued liabilities	466,615
Net Cash Provided by Operating Activities	616,439
Cash Flows from Investing Activities:	
Purchases of property and equipment	(617,433)
Proceeds from sale of property and equipment	1,250
Net Cash Used in Investing Activities	(616,183)
Cash Flows from Financing Activities:	
Payments on long-term debt	(12,805)
Payments on capital lease obligations	(171,439)
Distributions to stockholder	(900,300)
Net Cash Used in Financing Activities	(1,084,544)
Net Decrease in Cash and Cash Equivalents	(1,084,288)
Cash and Cash Equivalents, Beginning of Year	5,618,698
Cash and Cash Equivalents, End of Year	\$ 4,534,410
Supplemental Disclosures:	
Interest paid	\$ 20,980
Income taxes paid	\$ 92,212
Supplemental Disclosure of Noncash Investing and Financing Activities:	
Acquisition of property and equipment through capital lease financing	\$ 84,447

The accompanying notes are an integral part of these financial statements.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1: Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Parking Concepts, Inc. (the “Company”) was incorporated in the state of California in 1974. The Company’s principal business activities include the management and leasing of various parking facilities throughout California and Texas for both municipalities and the private sector.

The Company also has a division, Transportation Concepts, which operates several public and private transportation contracts.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). References to the “ASC” hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative US GAAP.

Revenue Recognition

The Company’s parking revenues are primarily derived from leased locations and managed properties and providing ancillary services. In accordance with the guidance related to revenue recognition, revenue is recognized when persuasive evidence of an arrangement exists, the fees are fixed and determinable, collectability is reasonably assured, and as services are provided. The Company recognizes gross receipts (net of taxes collected from customers) as revenue from leased locations and management fees for parking services, as the related services are provided. Ancillary services are earned from management contract properties and are recognized as revenue as those services are provided. The Company’s transportation service revenues are recognized as earned and are based on contracted billable hours.

Cost of Revenues

The Company recognizes costs for leases, nonreimbursed costs from managed facilities, and reimbursed expenses as costs of parking services. The costs of parking services consist primarily of rent and payroll-related costs. The costs of transportation services consist primarily of wages and payroll-related costs of drivers and mechanics, repairs and maintenance of busses, and other bus operation-related expenses.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include the operating cash accounts of the Company and all short term-investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable consist of trade accounts arising in the normal course of business. The Company uses the allowance method to account for bad debts as required by US GAAP. Allowance for doubtful collections is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Customer accounts are analyzed for collectability through analysis of the customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Uncollectible accounts are written off after the Company has exhausted reasonable collection efforts.

Property and Equipment

Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. Leasehold improvements are amortized on a straight-line basis over the terms of the respective leases. The estimated useful lives of the related assets are as follows:

Transportation equipment	5-7 years
Furniture, fixtures, and equipment	5-7 years
Leasehold improvements	15-39 years

Long-Lived Assets

The Company accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. There was no impairment of the value of such assets for the year ended September 30, 2018.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company has elected by consent of its stockholder to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income and is not allowed a net operating loss carryover or carryback as a deduction. Instead, the stockholder is liable for individual income taxes on the respective share of the Company's taxable income.

The Company also files tax returns in the states of Arizona, California, and Texas. These states have conformed to the federal law that allows domestic corporations to be taxed under similar provisions of Subchapter S of the Internal Revenue Code. However, unlike the federal provision, these states impose taxes on the Company's net income or a derivative of income.

The fees for doing business in these states for the year ended September 30, 2018, were approximately \$92,000 and are included in general and administrative expenses and the provision for income taxes in the accompanying statement of operations.

The Company accounts for uncertain tax positions in accordance with FASB ASC 740-10. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. The Company is required to make subjective assumptions and judgments regarding its income tax exposures. Interpretations and guidance surrounding income tax laws and regulations change over time. As such, changes in the Company's subjective assumptions and judgments can materially affect amounts recognized in the balance sheet and the statement of operations.

The Company's policy is to recognize interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. No interest or penalties were accrued as of September 30, 2018. The Company's tax years from 2014 to 2017 are open to review for federal tax purposes, and its tax years from 2013 to 2017 are open to review for state income tax purposes.

Marketable Securities

Marketable securities held by the Company at September 30, 2018, are classified in accordance with FASB ASC 320-10, *Investments - Debt and Equity Securities*, as available-for-sale securities. Available-for-sale securities are recorded at fair value, with the change in value during the period excluded from earnings and recorded net of tax as a component of other comprehensive income. Realized gains or losses from the sale of marketable securities are computed based on specific identification of historical cost.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Comprehensive Income

The Company utilizes FASB ASC 220-10, *Comprehensive Income*, which requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the determination of net income.

Insurance Reserves

The Company purchases comprehensive casualty insurance covering certain claims that arise in connection with its operations. In addition, the Company purchases umbrella/excess liability coverage. The Company's various liability insurance policies have deductibles that must be met before the insurance companies are required to pay directly to or reimburse the Company for costs incurred relating to covered claims. As a result, the Company is, in effect, self-insured for all claims up to the deductible levels. The Company's recognition of expense is based upon the Company's determination of an unfavorable outcome of a claim being deemed as probable and capable of being reasonably estimated, as defined in the guidance related to accounting for contingencies. This determination requires the use of judgment in both the estimation of probability and the amount to be recognized as an expense. The Company utilizes historical claims experience along with regular input from third-party insurance advisors in determining the required level of insurance reserves. Future information regarding historical loss experience may require changes to the level of insurance reserves and could result in increased expense recognition in the future.

Compensated Absences

Employees of the Company are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. Employees are represented by a number of labor unions, and each contract contains different provisions for such employee-compensated absences. In addition, management and other nonunion employees also have contracts or agreements with the Company that provide for compensated absences. It is impracticable to calculate the amount of compensation for future absences, and accordingly, the Company has estimated an accrual of \$100,000 for future compensated absences, which is recorded in the accompanying financial statements.

Advertising and Promotional Costs

Advertising and promotional costs are charged to operations when incurred. For the year ended September 30, 2018, advertising and promotional costs totaled approximately \$1,000 and are included in general and administrative expenses in the accompanying statement of operations.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Taxes Collected from Customers and Remitted to Governmental Authorities

Taxes assessed by governmental authorities on revenue-producing transactions are recorded on a net basis and have been excluded from sales in the accompanying statement of operations.

Use of Estimates

The process of preparing financial statements in accordance with US GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and gains, and expenses and losses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU establishes a comprehensive revenue recognition standard for virtually all industries in US GAAP, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The ASU’s core principle is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During 2014-2016, the FASB issued various amendments to this topic and the amendments clarified certain positions and extended the implementation date until annual periods beginning after December 15, 2018. Early adoption is permitted, but no earlier than periods beginning after December 15, 2016. The Company is currently evaluating the effect of ASU 2014-09 on the presentation of its financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10)*. One of the main provisions of this ASU is that it requires investments in equity securities with readily determinable fair values to be measured at fair value, with changes in the fair value recognized through net income. An entity’s equity investments that are accounted for under the equity method of accounting or result in consolidation of an investee are not included within the scope of this ASU. For equity investments that do not have readily determinable fair values, the ASU allows them to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment; and requires an assessment for impairment qualitatively at each reporting period. ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted as of the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of the provisions of ASU 2016-01 on the presentation of its financial statements.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and early application is permitted. The Company is currently evaluating the effect of ASU 2016-02 on the presentation of its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model (referred to as the current expected credit loss (CECL) model). The ASU also replaces the current accounting model for purchased credit impaired loans and debt securities. Further, the ASU makes certain targeted amendments to the existing impairment model for available-for-sale debt securities. For nonpublic entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2021. The Company is currently evaluating the effect of ASU 2016-13 on the presentation of its financial statements.

Note 2: Concentrations, Risks, and Uncertainties

The Company maintains its cash balances at several banks. At September 30, 2018, accounts at each institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000. Throughout the course of the year, the Company regularly maintains bank deposits in excess of federally insured limits. The Company historically has not experienced any losses in such accounts, and management believes that the Company is not exposed to any significant credit risk with respect to its cash and cash equivalents.

A substantial portion of the Company's revenue was received from one customer. During the year ended September 30, 2018, gross revenues collected from this customer aggregated approximately \$18,632,000. At September 30, 2018, there are no outstanding amounts due from this customer.

Credit is extended for some customers and is based on financial condition, and generally, collateral is not required. Credit losses are provided for in the financial statements and consistently have been within management's expectations.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 3: Marketable Securities

Available-for-sale securities consist of the following at September 30, 2018:

	<u>Fair Value</u>	<u>Cost</u>	<u>Gross Unrealized Holding Gain</u>	<u>Gross Unrealized Holding Loss</u>
Money market funds	\$ 36,124	\$ 36,124	\$ -	\$ -
Common stock	<u>130,763</u>	<u>67,097</u>	<u>63,666</u>	<u>-</u>
Total	<u>\$ 166,887</u>	<u>\$ 103,221</u>	<u>\$ 63,666</u>	<u>\$ -</u>

There were no sales of available-for-sale securities during the year ended September 30, 2018.

Note 4: Accounts Receivable, Net

Accounts receivable, net at September 30, 2018, consist of the following:

Trade accounts receivable	\$ 6,543,126
Less: Allowance for doubtful accounts	<u>(32,693)</u>
Accounts Receivable, Net	<u>\$ 6,510,433</u>

Note 5: Other Receivables

At September 30, 2018, the Company has a receivable from a customer totaling \$1,177,620 for installation of equipment on the customer's premise. The receivable is payable over a period of 5 years, with interest at the rate of 9.8 percent. The balance is included in current and long-term portion of other receivables in the accompanying balance sheet. The balance sheet also includes \$142,724 of receivables from employees and various sources.

Note 6: Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at September 30, 2018, consist of the following:

Prepaid insurance	\$ 604,879
Other prepaid expenses	<u>484,920</u>
Total Prepaid Expenses and Other Current Assets	<u>\$ 1,089,799</u>

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 7: Property and Equipment

At September 30, 2018, property and equipment consist of the following:

Transportation equipment	\$ 4,619,121
Furniture, fixtures, and equipment	5,295,168
Leasehold improvements	86,373
Constructions in progress	<u>311,056</u>
 Total property and equipment, at cost	 10,311,718
Less: Accumulated depreciation	<u>(7,100,813)</u>
 Property and Equipment, at Net Book Value	 <u>\$ 3,210,905</u>

Depreciation and amortization expense for the year ended September 30, 2018, was \$942,147.

Note 7: Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at September 30, 2018, consist of the following:

Accounts Payable:	
Accounts payable trade	\$ 1,678,483
Due to landowners	<u>2,631,230</u>
 Total Accounts Payable	 <u>\$ 4,309,713</u>
Accrued Liabilities:	
Insurance reserve	\$ 101,947
Accrued vacation	100,000
Accrued payroll and related taxes	977,410
Parking taxes payable	476,640
Deposits and advances	107,820
Claims overbilled	727,076
Pensions payable	305,000
Accrued franchise taxes	200,674
Other accrued liabilities	<u>183,293</u>
 Total Accrued Liabilities	 <u>\$ 3,149,860</u>

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 8: Line of Credit

The Company maintains a revolving line of credit with a bank to assure credit availability. The line of credit, which provides for maximum borrowings up to \$8,000,000, is secured by substantially all assets of the Company. The maximum borrowings are reduced by the amount of outstanding letters of credit. For a prime revolving loan funding, interest accrues on the outstanding principal at a rate equal to the greater of 2.0 percent or the prime rate less 1.0 percent, payable monthly. The prime rate was 5.25 percent as of September 30, 2018. For the London InterBank Offered Rate ("LIBOR") revolving loan funding, interest accrues on the outstanding principal at a rate equal to the greater of 1.5 percent a year or the fluctuating LIBOR plus 1.5 percent a year. As of September 30, 2018, the Company did not have any borrowings on this line of credit. The line of credit expires in June 2020.

As a subfeature to the line of credit, the Company also has available letters of credit up to \$5,000,000. The form and substance of each of the letters of credit are subject to the approval of the bank. At September 30, 2018, approximately \$1,468,000 was designated as standby letters of credit pursuant to an agreement with the Company's workers' compensation insurance carrier and requirements of parking contracts.

The line of credit agreement with the bank contains various covenants pertaining to the maintenance of working capital and tangible net worth. At September 30, 2018, the Company was in compliance with respect to all terms of the line of credit agreement.

Note 9: Common Stock

The Company has authorized 75,000 shares of \$1 par value common stock. At September 30, 2018, 1,000 shares were issued and outstanding.

Note 10: Commitments and Contingencies

Facility Operating Leases

The Company leases offices under operating lease agreements expiring in various years through 2020. The remaining minimum lease payments as of years ending September 30 are as follows:

2019	\$ 46,200
2020	<u>11,550</u>
Total Minimum Lease Payments	<u>\$ 57,750</u>

The Company leases two operating facilities on a month-to-month basis from the stockholder of the Company at a cost of \$156,000 for the year ended September 30, 2018.

Facility rental expense, including amounts paid to the stockholder, for the year ended September 30, 2017, totaled approximately \$218,000.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 10: Commitments and Contingencies (Continued)

Parking Lot Leases

The Company leases parking facilities under an operating lease agreement expiring in various years through 2019. The remaining minimum lease payments as of years ending September 30 are as follows:

2019	\$ 1,705,400
2020	<u>399,300</u>
Total Minimum Lease Payments	<u>\$ 2,104,700</u>

Parking facilities rent expense for the year ended September 30, 2018, totaled approximately \$1,446,000.

Obligations Held under Capital Leases

The Company leases transportation equipment under noncancelable capital leases expiring in various dates through 2022. The assets and liabilities held under capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of the related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation and amortization expense for the year ended September 30, 2018.

The following is a summary of property held under capital leases:

Transportation equipment	\$ 778,221
Less: Accumulated depreciation	<u>(525,997)</u>
Property Held under Capital Leases, Net	<u>\$ 252,224</u>

Depreciation on assets held under capital leases and charged to expense for the year ended September 30, 2018, was \$160,656.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 10: Commitments and Contingencies (Continued)

Obligations Held under Capital Leases (Continued)

Minimum future lease payments as of September 30, 2018, are as follows:

2019	\$ 180,260
2020	61,563
2021	20,259
2022	20,259
2023	<u>2,253</u>
Total minimum lease payments	284,594
Less: Amount representing interest	<u>(32,012)</u>
Present value of net minimum lease payments	252,582
Current maturities of obligations held under capital leases	<u>156,024</u>
Long-Term Portion of Obligations Held under Capital Leases	<u><u>\$ 96,558</u></u>

Coverage

The Company has insurance policies that allow the Company to control the risks related to loss claims that exceed certain minimum deductible limits, but not to exceed a predetermined maximum ceiling of exposure. Based on recent claims history and the Company's estimates of the aggregate liability, a provision for claims under this insurance coverage is recorded and revised monthly for appropriateness. As of September 30, 2018, the accrued provision for claims was approximately \$102,000. The accrual is included in accrued liabilities in the accompanying balance sheet. The Company pays all claims monthly as required by the carrier.

Performance Bonds

As of September 30, 2018, the Company maintained approximately \$3,111,000 in bonds issued by various surety companies to provide protection against the Company's failure to perform certain contracts in accordance with their terms. These bonds are guaranteed by the Company.

Litigation

The Company experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 11: Related-Party Transactions

The Company purchased a supplemental insurance policy from a related party through common ownership. The Company paid premiums of \$2,100,000 during the year ended September 30, 2018, to cover the period from November 1, 2017 through October 31, 2018. During the year ended September 30, 2018, the Company overbilled this entity for claims reimbursement. At September 30, 2018, the Company has an amount payable to this entity of \$727,076 for the overbilled that is included in accrued liabilities in the accompanying balance sheet.

As discussed in Note 10, the Company leases two facilities from the stockholder, with monthly rental expense totaling \$13,000. Total rent expense for the year ended September 30, 2018, paid to the stockholder was \$156,000. These leases are month to month per the agreement with the stockholder. The Company does not intend to terminate these leases at the present time.

Note 12: Pension Plans

In accordance with the collective bargaining agreements, the Company makes contributions to the Western Conference of Teamsters Pension Trust Fund on behalf of all covered employees for Teamsters Local 911 Ontario and Teamsters Local 665 San Francisco. For the year ended September 30, 2018, the Company has agreed to contribute \$0.10 and \$0.30, respectively, per hour worked for employees who have been employed less than 90 days and \$2.75 and \$2.19, respectively, per hour worked for employees who have been employed more than 90 days. These collective bargaining agreements expire in June 2022 and November 2022, respectively.

In addition, the Company makes contributions to the Teamsters Local 665 San Francisco 401(k) plan on behalf of all covered employees. For the year ended September 30, 2018, the Company has agreed to contribute \$0.25 per hour worked to the 401(k) plan for employees who have been employed more than 90 days.

For the year ended September 30, 2018, the Company made contributions to the SF Western Conference of Teamsters Pension Trust Fund in the amount of approximately \$337,000, which is included in cost of revenues in the accompanying statement of operations. The Company's contribution to the plan makes up less than 5 percent of total plan contributions per the 2017 annual report.

The Company's participation in this plan for the annual periods ended December 31, 2017, is outlined below. The "EIN/Pension Plan Number" provides the Employee Identification Number ("EIN") and the three-digit plan number. The most recent Pension Protection Act zone status available is January 1, 2018. The zone status is based on information that the Company receives from the plan and is certified by the plan's actuary.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 12: Pension Plans (Continued)

Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. FIP/RP Status Pending indicates plans for which a financial improvement plan (“FIP”) or a rehabilitation plan (“RP”) is either pending or has been implemented. There have been no significant changes that affect the comparability of 2017 contributions.

Pension Fund Name: SF Western Conference of Teamsters Pension Trust Fund
EIN/Pension Plan Number: 91-6145047/001

Pension Protection Act

Zone Status	Green
-------------	-------

FIP/RP Status Pending	N/A
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Surcharge Imposed	No
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Expiration Date of Collective

Bargaining Agreement(s)	November 30, 2020 and June 30, 2022
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The risks of participating in a multiemployer pension plan are different from a single-employer plan in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Company chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, which is referred to as the withdrawal liability.

Note 13: Fair Value Measurements

The Company accounts for fair value transactions using FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurement.

FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs in the valuation of an asset as of the measurement date.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 13: Fair Value Measurements (Continued)

The three levels are defined as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measurement considered from the perspective of a market participant rather than an entity-specific measurement. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis are composed of the following:

<u>Description</u>	<u>Fair Value at September 30, 2018</u>
Marketable Securities (Equity Securities)	<u>\$ 166,887</u>

Fair value was determined based on quoted market prices in an active market (Level 1).

The Company did not recognize any unrealized loss on marketable securities in the statement of operations for the year ended September 30, 2018.

Note 14: Subsequent Events

Events occurring after September 30, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of January 24, 2019, which is the date the financial statements were available to be issued.

PARKING CONCEPTS, INC.

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

WITH INDEPENDENT AUDITORS' REPORT

PARKING CONCEPTS, INC.
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SEPTEMBER 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Management of
Parking Concepts, Inc.
Irvine, California

We have audited the accompanying financial statements of Parking Concepts, Inc. (a California S corporation) (the "Company"), which comprise the balance sheet as of September 30, 2017, and the related statements of operations, comprehensive income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parking Concepts, Inc. as of September 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

White Nelson Riehl Evans LLP

Irvine, California
February 27, 2018

PARKING CONCEPTS, INC.
BALANCE SHEET
SEPTEMBER 30, 2017

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 5,618,698
Marketable securities	130,346
Accounts receivable, net	5,277,406
Prepaid expenses and other current assets	<u>1,623,327</u>
Total Current Assets	12,649,777
Property and Equipment, at Net Book Value	3,454,981
Other Assets:	
Deposits and other long-term assets	<u>585,319</u>
Total Assets	<u><u>\$ 16,690,077</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:	
Accounts payable	\$ 3,705,160
Accrued liabilities	2,683,245
Current portion of long-term debt	12,805
Current portion of capital lease obligations	<u>184,036</u>
Total Current Liabilities	<u>6,585,246</u>
Long-Term Liabilities:	
Capital lease obligations	<u>155,538</u>
Total Long-Term Liabilities	<u>155,538</u>
Total Liabilities	6,740,784
Stockholder's Equity:	
Common stock	1,000
Accumulated other comprehensive loss	(61,037)
Retained earnings	<u>10,009,330</u>
Total Stockholder's Equity	<u>9,949,293</u>
Total Liabilities and Stockholder's Equity	<u><u>\$ 16,690,077</u></u>

The accompanying notes are an integral part of these financial statements.

PARKING CONCEPTS, INC.
STATEMENT OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 2017

Gross Revenues	\$ 112,700,566
Less: Landowner revenues remitted, net	<u>(57,584,976)</u>
Revenues	55,115,590
Cost of Revenues	<u>48,657,295</u>
Gross Profit	6,458,295
General and Administrative Expenses	<u>5,973,360</u>
Income from Operations	484,935
Other Income (Expense):	
Interest income	9,802
Interest expense	(25,570)
Other income	<u>368</u>
Total Other Income (Expense)	<u>(15,400)</u>
Income before Provision for Income Taxes	469,535
Provision for Income Taxes	<u>3,400</u>
Net Income	<u><u>\$ 466,135</u></u>

The accompanying notes are an integral part of these financial statements.

PARKING CONCEPTS, INC.
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED SEPTEMBER 30, 2017

Net Income	\$ 466,135
Other Comprehensive Income:	
Unrealized holding gains on marketable securities arising in current year, net of income tax of \$0	<u>14,770</u>
Comprehensive Income	<u><u>\$ 480,905</u></u>

The accompanying notes are an integral part of these financial statements.

PARKING CONCEPTS, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
YEAR ENDED SEPTEMBER 30, 2017

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholder's Equity
Balance, September 30, 2016	\$ 1,000	\$ 1,400,000	\$ (75,807)	\$ 10,034,195	\$ 11,359,388
Net Income	-	-	-	466,135	466,135
Other Comprehensive Income	-	-	14,770	-	14,770
Return of Capital	-	(1,400,000)	-	-	(1,400,000)
Distributions	-	-	-	(491,000)	(491,000)
Balance, September 30, 2017	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ (61,037)</u>	<u>\$ 10,009,330</u>	<u>\$ 9,949,293</u>

The accompanying notes are an integral part of these financial statements.

PARKING CONCEPTS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2017

Cash Flows From Operating Activities:	
Net Income	\$ 466,135
Noncash Item Included in Net Income:	
Depreciation and amortization	916,434
Changes in:	
Accounts receivable	628,310
Prepaid expenses and other current assets	510,401
Deposits and other long-term assets	109,464
Accounts payable	(552,254)
Accrued liabilities	<u>(1,038,899)</u>
Net Cash Provided by Operating Activities	1,039,591
Cash Flows from Investing Activities:	
Purchases of property and equipment	(352,279)
Proceeds from sale of property and equipment	<u>19,000</u>
Net Cash Used in Investing Activities	(333,279)
Cash Flows from Financing Activities:	
Payments on long-term debt	(13,580)
Payments on capital lease obligations	(176,827)
Return of capital	(1,400,000)
Distributions to stockholder	<u>(491,000)</u>
Net Cash Used in Financing Activities	<u>(2,081,407)</u>
Net Decrease in Cash and Cash Equivalents	(1,375,095)
Cash and Cash Equivalents, Beginning of Year	<u>6,993,793</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,618,698</u></u>
Supplemental Disclosures:	
Interest paid	<u><u>\$ 25,570</u></u>
Income taxes paid	<u><u>\$ 105,385</u></u>
Supplemental Disclosure of Noncash Investing and Financing Activities:	
Acquisition of property and equipment through capital lease financing	<u><u>\$ 71,688</u></u>

The accompanying notes are an integral part of these financial statements.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 1: Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Parking Concepts, Inc. (the "Company") was incorporated in the state of California in 1974. The Company's principal business activities include the management and leasing of various parking facilities throughout Arizona, California, and Texas for both municipalities and the private sector.

The Company also has a division, Transportation Concepts, which operates several public and private transportation contracts.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). References to the "ASC" hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board ("FASB") as the source of authoritative US GAAP.

Revenue Recognition

The Company's parking revenues are primarily derived from leased locations and managed properties and the providing of ancillary services. In accordance with the guidance related to revenue recognition, revenue is recognized when persuasive evidence of an arrangement exists, the fees are fixed and determinable, collectability is reasonably assured, and as services are provided. The Company recognizes gross receipts (net of taxes collected from customers) as revenue from leased locations, and management fees for parking services, as the related services are provided. Ancillary services are earned from management contract properties and are recognized as revenue as those services are provided. The Company's transportation service revenues are recognized as earned and are based on contracted billable hours.

Cost of Revenues

The Company recognizes costs for leases, nonreimbursed costs from managed facilities, and reimbursed expenses as costs of parking services. The costs of parking services consist primarily of rent and payroll-related costs. The costs of transportation services consist primarily of wages and payroll-related costs of drivers and mechanics, repairs and maintenance of busses, and other bus operation-related expenses.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include the operating cash accounts of the Company and all short term-investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable consist of trade accounts arising in the normal course of business. The Company uses the allowance method to account for bad debts as required by US GAAP. Allowance for doubtful collections is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Customer accounts are analyzed for collectability through analysis of the customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Uncollectible accounts are written off after the Company has exhausted reasonable collection efforts.

Property and Equipment

Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. Leasehold improvements are amortized on a straight-line basis over the terms of the respective leases. The estimated useful lives of the related assets are as follows:

Transportation equipment	5-7 years
Furniture, fixtures, and equipment	5-7 years
Leasehold improvements	15-39 years

Depreciation and amortization expense for the year ended September 30, 2017, was \$916,434.

Long-Lived Assets

The Company accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. There was no impairment of the value of such assets for the year ended September 30, 2017.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company has elected by consent of its stockholder to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income and is not allowed a net operating loss carryover or carryback as a deduction. Instead, the stockholder is liable for individual income taxes on the respective share of the Company's taxable income.

The Company also files tax returns in the states of Arizona, California, and Texas. These states have conformed to the federal law that allows domestic corporations to be taxed under similar provisions of Subchapter S of the Internal Revenue Code. However, unlike the federal provision, these states impose taxes on the Company's net income or a derivative of income.

The fees for doing business in these states for the year ended September 30, 2017, ~~were~~ were approximately \$94,000 and are included in general and administrative expenses and the provision for income taxes in the accompanying statement of operations.

The Company accounts for uncertain tax positions in accordance with FASB ASC 740-10. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. The Company is required to make subjective assumptions and judgments regarding its income tax exposures. Interpretations and guidance surrounding income tax laws and regulations change over time. As such, changes in the Company's subjective assumptions and judgments can materially affect amounts recognized in the balance sheet and the statement of operations.

The Company's policy is to recognize interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. No interest or penalties were accrued as of September 30, 2017. The Company's tax years from 2013 to 2016 are open to review for federal tax purposes, and its tax years from 2012 to 2016 are open to review for state income tax purposes.

Marketable Securities

Marketable securities held by the Company at September 30, 2017, are classified in accordance with FASB ASC 320-10, *Investments - Debt and Equity Securities*, as available-for-sale securities. Available-for-sale securities are recorded at fair value, with the change in value during the period excluded from earnings and recorded net of tax as a component of other comprehensive income. Realized gains or losses from the sale of marketable securities are computed based on specific identification of historical cost.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Comprehensive Income

The Company utilizes FASB ASC 220-10, *Comprehensive Income*, which requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the determination of net income.

Insurance Reserves

The Company purchases comprehensive casualty insurance covering certain claims that arise in connection with its operations. In addition, the Company purchases umbrella/excess liability coverage. The Company's various liability insurance policies have deductibles that must be met before the insurance companies are required to pay directly to or reimburse the Company for costs incurred relating to covered claims. As a result, the Company is, in effect, self-insured for all claims up to the deductible levels. The Company's recognition of expense is based upon the Company's determination of an unfavorable outcome of a claim being deemed as probable and capable of being reasonably estimated, as defined in the guidance related to accounting for contingencies. This determination requires the use of judgment in both the estimation of probability and the amount to be recognized as an expense. The Company utilizes historical claims experience along with regular input from third-party insurance advisors in determining the required level of insurance reserves. Future information regarding historical loss experience may require changes to the level of insurance reserves and could result in increased expense recognition in the future.

Compensated Absences

Employees of the Company are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. Employees are represented by a number of labor unions, and each contract contains different provisions for such employee-compensated absences. In addition, management and other nonunion employees also have contracts or agreements with the Company that provide for compensated absences. It is impracticable to calculate the amount of compensation for future absences, and accordingly, the Company has estimated an accrual of \$100,000 for future compensated absences, which is recorded in the accompanying financial statements.

Advertising and Promotional Costs

Advertising and promotional costs are charged to operations when incurred. For the year ended September 30, 2017, advertising and promotional costs totaled approximately \$6,000 and are included in general and administrative expenses in the accompanying statement of operations.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Taxes Collected from Customers and Remitted to Governmental Authorities

Taxes assessed by governmental authorities on revenue-producing transactions are recorded on a net basis and have been excluded from sales in the accompanying statement of operations.

Use of Estimates

The process of preparing financial statements in accordance with US GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and gains, and expenses and losses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU establishes a comprehensive revenue recognition standard for virtually all industries in US GAAP, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The ASU’s core principle is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During 2014-2016, the FASB issued various amendments to this topic and the amendments clarified certain positions and extended the implementation date until annual periods beginning after December 15, 2018. Early adoption is permitted, but no earlier than periods beginning after December 15, 2016. The Company is currently evaluating the effect of ASU 2014-09 on the presentation of its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and early application is permitted. The Company is currently evaluating the effect of ASU 2016-02 on the presentation of its financial statements.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model (referred to as the current expected credit loss (CECL) model). The ASU also replaces the current accounting model for purchased credit impaired loans and debt securities. Further, the ASU makes certain targeted amendments to the existing impairment model for available-for-sale debt securities. For nonpublic entities, including not-for-profit entities and employee benefit plans within the scope of Topics 960-965 on plan accounting, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Company is currently evaluating the effect of ASU 2016-13 on the presentation of its financial statements.

Note 2: Concentrations, Risks, and Uncertainties

The Company maintains its cash balances at several banks. At September 30, 2017, accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Throughout the course of the year, the Company regularly maintains bank deposits in excess of federally insured limits. The Company historically has not experienced any losses in such accounts and management believes that the Company is not exposed to any significant credit risk with respect to its cash and cash equivalents.

A substantial portion of the Company's revenue was received from one customer. During the year ended September 30, 2017, gross revenues collected from this customer aggregated approximately \$18,564,000. At September 30, 2017, there are no outstanding amounts due from this customer.

Credit is extended for some customers and is based on financial condition, and generally, collateral is not required. Credit losses are provided for in the financial statements and consistently have been within management's expectations.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 3: Marketable Securities

Available-for-sale securities consist of the following at September 30, 2017:

	<u>Fair Value</u>	<u>Cost</u>	<u>Gross Unrealized Holding Gain</u>	<u>Gross Unrealized Holding Loss</u>
Money Market Funds	\$ 20,384	\$ 20,384	\$ -	\$ -
Common Stock	<u>109,963</u>	<u>48,926</u>	<u>61,037</u>	<u>-</u>
Total	<u>\$ 130,347</u>	<u>\$ 69,310</u>	<u>\$ 61,037</u>	<u>\$ -</u>

There were no sale of available-for-sale securities during the year ended September 30, 2017.

Note 4: Accounts Receivable, Net

Accounts receivable, net at September 30, 2017, consist of the following:

Trade accounts receivable	\$ 5,292,811
Less: Allowance for doubtful accounts	<u>(15,405)</u>
Accounts Receivable, Net	<u>\$ 5,277,406</u>

Note 5: Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at September 30, 2017, consist of the following:

Prepaid insurance	\$ 612,441
Other prepaid expenses	825,480
Other receivables	<u>185,406</u>
Total Prepaid Expenses and Other Current Assets	<u>\$ 1,623,327</u>

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 6: Property and Equipment

At September 30, 2017, property and equipment consist of the following:

Transportation equipment	\$ 4,339,659
Furniture, fixtures, and equipment	5,320,343
Leasehold improvements	<u>86,373</u>
Total property and equipment, at cost	9,746,375
Less: Accumulated depreciation	<u>(6,291,394)</u>
Property and Equipment, at Net Book Value	<u>\$ 3,454,981</u>

Note 7: Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at September 30, 2017, consist of the following:

Accounts Payable:	
Accounts payable trade	\$ 1,604,447
Due to landowners	<u>2,100,713</u>
Total Accounts Payable	<u>\$ 3,705,160</u>
Accrued Liabilities:	
Insurance reserve	\$ 503,774
Accrued vacation	100,000
Accrued payroll and related taxes	994,780
Parking taxes payable	436,279
Deposits and advances	83,270
Other accrued liabilities	<u>565,142</u>
Total Accrued Liabilities	<u>\$ 2,683,245</u>

Note 8: Line of Credit

The Company maintains a revolving line of credit with a bank to assure credit availability. The line of credit, which provides for maximum borrowings up to \$8,000,000, is secured by substantially all assets of the Company. The maximum borrowings are reduced by the amount of outstanding letters of credit. For a prime revolving loan funding, interest accrues on the outstanding principal at a rate equal to the greater of 2.0 percent or the prime rate less 1.0 percent, payable monthly. The prime rate was 4.25 percent as of September 30, 2017. For the London InterBank Offered Rate ("LIBOR") revolving loan funding, interest accrues on the outstanding principal at a rate equal to the greater of 1.5 percent a year or the fluctuating LIBOR plus 1.5 percent a year. As of September 30, 2017, the Company did not have any borrowings on this line of credit. The line of credit expires in March 2018.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 8: Line of Credit (Continued)

As a subfeature to the line of credit, the Company also has available letters of credit up to \$5,000,000. The form and substance of each of the letters of credit are subject to the approval of the bank. At September 30, 2017, approximately \$2,645,000 was designated as standby letters of credit pursuant to an agreement with the Company's workers' compensation insurance carrier and requirements of parking contracts.

The line of credit agreement with the bank contains various covenants pertaining to the maintenance of working capital and tangible net worth. At September 30, 2017, the Company was in compliance with respect to all terms of the line of credit agreement.

Note 9: Long-Term Debt

At September 30, 2017, the Company has a note payable to a financial institution, with monthly payments of principal and interest of \$1,181, with interest accruing at 2.95 percent and maturing in July 2018. The note is collateralized by a vehicle. The note matures in July 2018 and has been classified as current liabilities in the accompanying financial statements.

Note 10: Common Stock

The Company has authorized 75,000 shares of \$1 par value common stock. At September 30, 2017, 1,000 shares were issued and outstanding.

Note 11: Commitments and Contingencies

Facility Operating Leases

The Company leases offices under operating lease agreements expiring in various years through 2020. The remaining minimum lease payments as of years ending September 30 are as follows:

2018	\$ 43,800
2019	43,800
2020	<u>10,950</u>
Total Minimum Lease Payments	<u>\$ 98,550</u>

The Company leases two operating facilities on a month-to-month basis from the stockholder of the Company at a cost of \$156,000 for the year ended September 30, 2017.

Facility rental expense, including amounts paid to the stockholder, for the year ended September 30, 2017, totaled approximately \$237,000.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 11: Commitments and Contingencies (Continued)

Parking Lot Leases

The Company leases parking facilities under an operating lease agreement expiring in various years through 2019. The remaining minimum lease payments as of years ending September 30 are as follows:

2018	\$ 2,395,400
2019	<u>182,900</u>
Total Minimum Lease Payments	<u>\$ 2,578,300</u>

Parking facilities rent expense for the year ended September 30, 2017, totaled approximately \$1,434,000.

Obligations Held under Capital Leases

The Company leases transportation equipment under noncancelable capital leases expiring in various dates through 2020. The assets and liabilities held under capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of the related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation and amortization expense for the year ended September 30, 2017.

The following is a summary of property held under capital leases:

Transportation equipment	\$ 786,414
Less: Accumulated depreciation	<u>(444,653)</u>
Property Held under Capital Leases, Net	<u>\$ 341,761</u>

Depreciation on assets held under capital leases and charged to expense for the year ended September 30, 2017, was \$215,682.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 11: Commitments and Contingencies (Continued)

Obligations Held under Capital Leases (Continued)

Minimum future lease payments as of September 30, 2017, are as follows:

2018	\$ 203,165
2019	151,586
2020	<u>26,513</u>
Total minimum lease payments	381,264
Less: Amount representing interest	<u>(41,690)</u>
Present value of net minimum lease payments	339,574
Current maturities of obligations held under capital leases	<u>(184,036)</u>
Long-Term Portion of Obligations Held under Capital Leases	<u>\$ 155,538</u>

Coverage

The Company has insurance policies that allow the Company to control the risks related to loss claims that exceed certain minimum deductible limits, but not to exceed a predetermined maximum ceiling of exposure. Based on recent claims history and the Company's estimates of the aggregate liability, a provision for claims under this insurance coverage is recorded and revised monthly for appropriateness. As of September 30, 2017, the accrued provision for claims was approximately \$504,000. The accrual is included in accrued liabilities in the accompanying balance sheet. The Company pays all claims monthly as required by the carrier.

Performance Bonds

As of September 30, 2017, the Company maintained approximately \$3,441,000 in bonds issued by various surety companies to provide protection against the Company's failure to perform certain contracts in accordance with their terms. These bonds are guaranteed by the Company.

Litigation

The Company experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 12: Related-Party Transactions

The Company purchases supplemental insurance policies from two parties related through common ownership. One policy provides coverage for claims below \$60,000 per claim, while the other policy provides coverage for claims in excess of \$60,000 per claim. The Company paid premiums of \$900,000 and \$1,200,000, respectively, during the year ended September 30, 2017, to cover the period from November 1, 2016 through October 31, 2017. The Company has no premiums payable due to the related party as of September 30, 2017. At September 30, 2017, the Company had an insurance claims reimbursement included in accounts receivable of \$135,560.

As discussed in Note 10, the Company leases two facilities from the stockholder, with monthly rental expense totaling \$13,000. Total rent expense for the year ended September 30, 2017, paid to the stockholder was \$156,000. These leases are month to month per the agreement with the stockholder. The Company does not intend to terminate these leases at the present time.

Note 13: Pension Plans

In accordance with the collective bargaining agreements, the Company makes contributions to the Western Conference of Teamsters Pension Trust Fund on behalf of all covered employees for Teamsters Local 911 Ontario and Teamsters Local 665 San Francisco. For the year ended September 30, 2017, the Company has agreed to contribute \$0.10 and \$0.30, respectively, per hour worked for employees who have been employed less than 90 days and \$2.25 and \$2.19, respectively, per hour worked for employees who have been employed more than 90 days. Starting January 1, 2017, required contributions for Teamsters Local 911 Ontario increased to \$2.75 per hour worked. These collective bargaining agreements expire in June 2022 and November 2020, respectively.

In addition, the Company makes contributions to the Teamsters Local 665 San Francisco 401(k) plan and the SF Western Conference of Teamsters Pension Trust Fund on behalf of all covered employees. For the year ended September 30, 2017, the Company has agreed to contribute \$0.25 per hour worked to the 401(k) plan for employees who have been employed more than 90 days.

For the year ended September 30, 2017, the Company made contributions to the SF Western Conference of Teamsters Pension Trust Fund in the amount of \$288,011, which is included in cost of revenues in the accompanying statement of operations. The Company's contribution to the plan makes up less than 5 percent of total plan contributions per the 2016 annual report.

The Company's participation in this plan for the annual periods ended December 31, 2016, is outlined below. The "EIN/Pension Plan Number" provides the Employee Identification Number ("EIN") and the three-digit plan number. The most recent Pension Protection Act zone status available is January 1, 2017. The zone status is based on information that the Company receives from the plan and is certified by the plan's actuary.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 13: Pension Plans (Continued)

Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. FIP/RP Status Pending indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. There have been no significant changes that affect the comparability of 2016 contributions.

Pension Fund Name: SF Western Conference of Teamsters Pension Trust Fund
EIN/Pension Plan Number: 91-6145047/001

Pension Protection Act
Zone Status

Green

FIP/RP Status Pending

N/A

Surcharge Imposed

No

Expiration Date of Collective
Bargaining Agreement(s)

November 30, 2020 and June 30, 2022

The risks of participating in a multiemployer pension plan are different from a single-employer plan in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Company chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, which is referred to as the withdrawal liability.

Note 14: Fair Value Measurements

The Company accounts for fair value transactions using FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurement.

FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs in the valuation of an asset as of the measurement date.

PARKING CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 14: Fair Value Measurements (Continued)

The three levels are defined as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measurement considered from the perspective of a market participant rather than an entity-specific measurement. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis are composed of the following:

<u>Description</u>	<u>Fair Value at September 30, 2017</u>
Marketable Securities (Equity Securities)	<u>\$ 130,346</u>

Fair value was determined based on quoted market prices in an active market (Level 1).

The Company did not recognize any unrealized loss on marketable securities in the statement of operations for the year ended September 30, 2017.

Note 15: Subsequent Events

Events occurring after September 30, 2017, have been evaluated for possible adjustment to the financial statements or disclosure as of February 27, 2018, which is the date the financial statements were available to be issued.

3. Compliance with Specifications

Transportation Concepts hereby agrees that the material, equipment and services offered will meet or exceed all of the requirements of the specifications in this RFP and that no deviations have been proposed or exceptions taken.

EXHIBIT “E”

INSURANCE REQUIREMENTS

Without limiting Contractor's indemnification obligations under this Agreement, Contractor shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Contractor, its agents, representatives, or employees.

Minimum Scope of Insurance

Coverage shall be at least as broad as:

Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001).

Insurance Services Office form number CA 0001 (Ed. 1/87) covering Automobile Liability, code 1 (any auto).

Workers' Compensation insurance as required by the State of California.

Employer's Liability Insurance.

Minimum Limits of Insurance

Contractor shall maintain limits no less than:

General Liability: \$10,000,000 per occurrence for bodily injury, personal injury and property damage. The general aggregate limit shall apply separately to this program or be twice the occurrence limit.

Automobile Liability: \$10,000,000 per occurrence.

Employer's Liability: \$1,000,000 per accident for bodily injury or disease.

Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by the City. At the option of the City, either: (1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its officers, officials, employees and volunteers or (2) the Contractor shall provide a financial guarantee satisfactory to the City guaranteeing payment of losses and related investigations, claim administration and defense expenses.

Other Insurance Provisions

The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

Additional Insured Endorsement:

General Liability: The Cities of Redondo Beach, Hermosa Beach, Manhattan Beach and El Segundo, their officers, elected and appointed officials, employees, and volunteers are to be

covered as insureds with respect to liability arising out of work performed by or on behalf of the Contractor. General liability coverage can be provided in the form of an endorsement to the Contractor's insurance, or as a separate owner's policy.

Automobile Liability: The Cities of Redondo Beach, Hermosa Beach, Manhattan Beach and El Segundo, their officers, elected and appointed officials, employees, and volunteers are to be covered as insureds with respect to liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of the Contractor.

For any claims related to this project, the Contractor's insurance coverage shall be primary insurance as respects to the Cities of Redondo Beach, Hermosa Beach, Manhattan Beach and El Segundo, its officers, elected and appointed officials, employees, and volunteers. Any insurance or self-insurance maintained by the Cities of Redondo Beach, Hermosa Beach, Manhattan Beach and El Segundo, its officers, officials, employees, or volunteers shall be excess of the Contractor's insurance and shall not contribute with it.

Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City.

Each insurance policy shall be endorsed to state that the inclusion of more than one insured shall not operate to impair the rights of one insured against another insured, and the coverages afforded shall apply as though separate policies had been issued to each insured.

Each insurance policy shall be in effect prior to awarding the contract and each insurance policy or a successor policy shall be in effect for the duration of the project. The maintenance of proper insurance coverage is a material element of the contract and failure to maintain or renew coverage or to provide evidence of renewal may be treated by the City as a material breach of contract on the Contractor's part.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII and which are authorized to transact insurance business in the State of California by the Department of Insurance.

Verification of Coverage

Contractor shall furnish the City with original certificates and amendatory endorsements effecting coverage required by this clause. The endorsements should be on the City authorized forms provided with the contract specifications. Standard ISO forms which shall be subject to City approval and amended to conform to the City's requirements may be acceptable in lieu of City authorized forms. All certificates and endorsements are to be received and approved by the City before the contract is awarded. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

Subcontractors

Contractor shall include all subcontractors as insured under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

Risk Management

Contractor acknowledges that insurance underwriting standards and practices are subject to change, and the City reserves the right to make changes to these provisions in the reasonable discretion of its Risk Manager.

EXHIBIT “F”
COST PROPOSAL

See attached.

EXHIBIT F Cost Proposal

This COST PROPOSAL FORM is the Cost Proposal for all work described in the Transit Service Agreement.

The Cost Proposal consists of Fixed Fees and Fixed Hourly Rates in accordance with 7.b - Fee Structure, of the Transit Services Agreement. The rates shall be for each of the three (3) periods in the Base Term of the Agreement, and shall be based on the levels of service in terms of vehicle revenue hours, as stated below. The detailed budget breakdown included with this COST PROPOSAL FORM shall be consistent with rates proposed.

A. Price Proposal	Period 1	Period 2	Period 3
Months in Contract Period	12	12	12
Revenue Vehicle Hours in Period	41,000	41,000	41,000
1 Fixed Monthly Rate	\$91,198.02	\$95,062.34	\$98,667.18
2 Fixed Hourly Rate	\$42.719	\$44.525	\$46.300
CALCULATION OF TOTAL ANNUAL COSTS			
3 Fixed Monthly Rate X Months in Period	\$1,094,376.24	\$1,140,748.08	\$1,184,006.16
4 Fixed Hourly Cost X Vehicle Revenue Hours in Period	\$1,751,479.00	\$1,825,525.00	\$1,898,300.00
Proposed Total Annual Cost	\$2,845,855.24	\$2,966,273.08	\$3,082,306.16

EXHIBIT “G”

OUT OF CONTRACT RATES DIRECTLY ARISING OUT FEDERAL, STATE OR LOCAL EMERGENCIES

Out of contract services, specifically non-driving services directly related to pandemics, such as additional services beyond the requirements described in “Exhibit B”, are subject to the rates set forth below.

Description	Year 1	Year 2	Year 3
Driver Wages	\$ 20.87	\$ 21.54	\$ 22.22
Driver Workers Compensation	\$ 2.70	\$ 2.78	\$ 2.87
Driver Health Insurance	\$ 1.51	\$ 1.56	\$ 1.60
Other Driver Fringe Benefits	\$ 2.28	\$ 2.35	\$ 2.43
Fixed Hourly Rate	\$ 27.35	\$ 28.23	\$ 29.12

EXHIBIT "H"

TERMS FOR COMPLIANCE WITH CALIFORNIA LABOR LAW REQUIREMENTS

1. Contractor acknowledges that the project as defined in this Agreement between Contractor and the City, to which this Terms for Compliance with California Labor Law Requirements is attached and incorporated by reference, is a "public work" as defined in Division 2, Part 7, Chapter 1 (commencing with Section 1720) of the California Labor Code ("Chapter 1"), and that this Agreement is subject to (a) Chapter 1, including without limitation Labor Code Section 1771 and (b) the rules and regulations established by the Director of Industrial Relations ("DIR") implementing such statutes. Contractor shall perform all work on the project as a public work. Contractor shall comply with and be bound by all the terms, rules and regulations described in 1(a) and 1(b) as though set forth in full herein.

2. California law requires the inclusion of specific Labor Code provisions in certain contracts. The inclusion of such specific provisions below, whether or not required by California law, does not alter the meaning or scope of Section 1 above.

3. Pursuant to Labor Code Section 1773.2, copies of the prevailing rate of per diem wages for each craft, classification, or type of worker needed to perform the Agreement are on file at City Hall and will be made available to any interested party on request. Contractor acknowledges receipt of a copy of the DIR determination of such prevailing rate of per diem wages, and Contractor shall post such rates at each job site covered by this Agreement.

4. Contractor shall comply with and be bound by the provisions of Labor Code Sections 1774 and 1775 concerning the payment of prevailing rates of wages to workers and the penalties for failure to pay prevailing wages. The Contractor shall, as a penalty to the City, forfeit the maximum amount allowable by law for each calendar day, or portion thereof, for each worker paid less than the prevailing rates as determined by the DIR for the work or craft in which the worker is employed for any public work done pursuant to this Agreement by Contractor or by any subcontractor.

5. Contractor shall comply with and be bound by the provisions of Labor Code Section 1776, which requires Contractor and each subcontractor to (1) keep accurate payroll records and verify such records in writing under penalty of perjury, as specified in Section 1776, (2) certify and make such payroll records available for inspection as provided by Section 1776, and (3) inform the City of the location of the records.

6. Contractor shall comply with and be bound by the provisions of Labor Code Sections 1777.5, 1777.6 and 1777.7 and California Administrative Code title 8, section 200 *et seq.* concerning the employment of apprentices on public works projects. Contractor shall be responsible for compliance with these aforementioned Sections for all apprenticeable occupations. Prior to commencing work under this Agreement, Contractor shall provide City with a copy of the information submitted to any applicable apprenticeship program. Within sixty (60) days after concluding work pursuant to this Agreement, Contractor and each of its subcontractors shall submit to the City a verified statement of the journeyman and apprentice hours performed under this Agreement.

7. Contractor acknowledges that eight (8) hours labor constitutes a legal day's work. Contractor shall comply with and be bound by Labor Code Section 1810. Contractor shall comply with and be bound by the provisions of Labor Code Section 1813 concerning penalties for workers who work excess hours. The Contractor shall, as a penalty to the City, forfeit twenty-five dollars (\$25) for each worker employed in the performance of this Agreement by the Contractor or by any

subcontractor for each calendar day during which such worker is required or permitted to work more than eight (8) hours in any one (1) calendar day and forty (40) hours in any one calendar week in violation of the provisions of Division 2, Part 7, Chapter 1, Article 3 of the Labor Code. Pursuant to Labor Code section 1815, work performed by employees of Contractor in excess of 8 hours per day, and 40 hours during any one week shall be permitted upon compensation for all hours worked in excess of 8 hours per day at not less than 1 and 1/2 times the basic rate of pay.

8. California Labor Code Sections 1860 and 3700 provide that every contractor will be required to secure the payment of compensation to its employees. In accordance with the provisions of California Labor Code Section 1861, Contractor hereby certifies as follows:

“I am aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.”

9. For every subcontractor who will perform work on the project, Contractor shall be responsible for such subcontractor's compliance with Chapter 1 and Labor Code Sections 1860 and 3700, and Contractor shall include in the written contract between it and each subcontractor a copy of those statutory provisions and a requirement that each subcontractor shall comply with those statutory provisions. Contractor shall be required to take all actions necessary to enforce such contractual provisions and ensure subcontractor's compliance, including without limitation, conducting a periodic review of the certified payroll records of the subcontractor and upon becoming aware of the failure of the subcontractor to pay his or her workers the specified prevailing rate of wages. Contractor shall diligently take corrective action to halt or rectify any failure.

10. To the maximum extent permitted by law, Contractor shall indemnify, hold harmless and defend (at Contractor's expense with counsel acceptable to the City) the City, its officials, officers, employees, agents, independent contractors, and volunteers from and against any demand or claim for damages, compensation, fines, penalties or other amounts arising out of or incidental to any acts or omissions listed above by any person or entity (including Contractor, its subcontractors, and each of their officials, officers, employees and agents) in connection with any work undertaken or in connection with the Agreement, including without limitation the payment of all consequential damages, attorneys' fees, and other related costs and expenses. All duties of Contractor under this Section shall survive termination of the Agreement.