

REIMBURSEMENT AGREEMENT FOR  
SEWER INSTALLATION COSTS

Little Court and Van Buren  
P13-0263, P13-0264, P14-0769, P15-0269, P15-0159

THIS REIMBURSEMENT AGREEMENT FOR SEWER INSTALLATION COSTS ("Agreement") is made and entered into as of \_\_\_\_\_, 2018, by and between the CITY OF RIVERSIDE, a California charter city and a municipal corporation ("City") and MOHAMMED SADEGHIAN ("Developer").

RECITALS:

A. On December 1, 2015, the City Council approved Developer's planning cases P13-0263, P13-0264, P14-0769, P15-0269, and P15-0159 ("Project"). In connection with the Project, Developer is to install 12-inch diameter sewer main along Van Buren from Little Court west along the Project frontage.

B. The City and Developer desire to enter into an agreement for Developer to also install approximately 2,050 feet of 12-inch diameter sanitary sewer main from the terminus of the Project to the intersection of Fred Street and Van Buren ("Sewer Main Installation").

C. The City and the Developer desire to enter into this Agreement to reimburse the Developer for the construction of the Sewer Main Installation.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

1. Work. Developer shall prepare all plans necessary to complete the Sewer Main Installation at Developer's expense in accordance with the City of Riverside Public Works design criteria and specifications. Upon City's approval of the plans, Developer shall obtain all necessary construction permits and hire a qualified contractor to complete the Sewer Main Installation at the Developer's expense.

2. Term. This Agreement shall become effective as of the date first indicated above and shall remain in effect until such time as Sewer Main Installation is constructed by Developer and accepted by City, and the reimbursement is paid, unless this Agreement is terminated pursuant to the provisions set forth herein, and subject to Section 22.

3. Reimbursement to Developer. City hereby agrees to reimburse the Developer a sum not to exceed amount of Five Hundred Sixty Three Thousand Five Hundred Dollars (\$563,500) towards the costs the Contractor has incurred or will incur in the construction of the Sewer Main Installation. Payment shall be made when Developer has fully completed the improvements, and when all construction has been accepted by City. City shall make such reimbursement payment(s) to Developer within sixty (60) days

of acceptance of the Sewer Main Installation by City. Developer agrees to pay prevailing wage and shall provide City with copies of certified payroll records upon request.

4. Connection Fee. Developer or Developer's contractor shall install a magnetic flow meter at the point of connection at the Western Municipal Water District's ("WMD") lift station. Developer shall pay the connection fee prior to system connection. If in the future, the City reroutes the flow to connect to the City's system and the City receives a reimbursement for the connection fee from WMD, the City will reimburse Developer said connection fee less the City connection fee and less a 15% administration fee. Should the reimbursement amount be less than the City's connection fee, the City shall accept a fraction thereof as the total connection fee and shall waive the administrative fee.

5. Competitive Bidding of Work. Developer shall solicit at least three competitive bids for construction of the Sewer Main Installation, subject to the City's review and approval of the lowest responsible bidder. Developer shall provide to the City for review by the City and for City budgeting purposes, a copy of the monetarily-lowest bid received from a responsive and responsible bidder.

6. Construction of the Work. Developer shall construct the Sewer Main Installation in accordance with the approved plans and permits issued and/or prepared by the City. Developer's obligation to construct the Sewer Main Installation shall include, without limitation, provision of all construction engineering, management, and supervision. Construction engineering shall include, as necessary, construction surveys, materials testing, and inspections (other than City inspections).

7. Compliance with Applicable Law. Developer shall require that its contractors comply with all federal, state, and local laws and regulations, including without limitation, building, plumbing, mechanical and electrical codes, and provisions of the City's municipal code, applicable to construction of the Sewer Main Installation in accordance with approved plans.

8. Contractors. The contractor(s) that Developer employs to construct the Sewer Main Installation shall be duly licensed, insured and bonded. Developer's contract(s) with such contractor(s) shall contain a reference to this Agreement and to the specific obligations to carry out and complete the construction in accordance with applicable provisions of this Section and to obtain appropriate insurance as provided in Section 14 herein.

9. Payment and Performance Bonds. Developer shall require that each contractor constructing any portion of the Sewer Main Installation provide both a payment bond and a performance bond, each with a penal amount equal to 100% of the contract amount for such contractor's portion of the construction. Each bond shall be issued by a surety admitted in the state of California and shall name both Developer and the City as co-obligees. Such bonds shall remain in effect until at least thirty-five (35) days after the date Developer records a Notice of Completion for the Sewer Main Installation. Developer

shall deliver a copy of each bond to the City within seven (7) days after award of the applicable contract for construction or within seven (7) days after the bonds are provided to Developer in accordance with such contract, whichever is later.

10. Labor Compliance. Developer shall require contractor(s) constructing the Sewer Main Installation to comply with provision of California Labor Code section 1770 et seq., including as such provisions pertain to payment of prevailing wages for work performed pursuant to this Agreement. Developer's contractor and subcontractor shall register with the Department of Industrial Relations ("DIR") in order to bid and perform the Sewer Main Installation. In the event any such contractor is challenged for failure to pay prevailing wages, Developer shall defend, indemnify and hold-harmless the City against and from any claim or action arising from such challenge.

11. Construction Permits and Inspections. Prior to commencing construction of any portion of the Sewer Main Installation within the City's right of way, the contractor(s) that will be constructing the Sewer Main Installation must obtain, from the City, a permit for construction of such portion of the Sewer Main Installation. The City shall not unreasonably refuse to issue permit(s) for construction of the Sewer Main Installation in accordance with the approved plans. Upon request, the City shall timely provide inspection services for all improvements within the public rights-of-way for such street. The City shall have the right during the installation and construction of the Sewer Main Installation to inspect any portion thereof. Developer shall permit City inspectors to have reasonable access for purposes of such inspections. The City shall not unreasonably refuse to issue any inspection approval if the work to construct the Sewer Main Installation that has been inspected substantially conforms to approved plans and provisions of this Agreement. In addition to any construction permit required by the City, Developer shall obtain any other permits required to complete construction of the Sewer Main Installation from the City, as well as any permits required by the County of Riverside.

12. Lien-Free Completion. Developer shall complete construction of the Sewer Main Installation free of any liens.

13. Contractor Warranties. Developer shall require that the contractor(s) for the construction of the Sewer Main Installation unconditionally warrant all materials and workmanship for such construction for a period of one (1) year from the date the Notice of Completion for the Sewer Main Installation is recorded, and Developer shall be responsible for enforcing all such warranties during such one-year period.

14. Insurance Requirements. Prior to the commencement of construction of the Sewer Main Installation, Developer shall obtain from its contractor and provide to the City proof of contractor's insurance in the form of a Certificate of Liability and Additional Insured Endorsement and evidence of the following forms of insurance:

a. Commercial General Liability: Policy shall cover both bodily injury (including death) and property damage (including, but not limited to, premises operations liability, products-completed operations liability, independent contractor's liability,

personal injury liability, and contractual liability) in an amount not less than \$1,000,000 per occurrence and a general aggregate limit in the amount of not less than \$2,000,000.

b. Automobile Liability: Policy shall cover all vehicles used in connection with contractor's performance of the construction of the Sewer Main Installation, including owned vehicles, leased vehicles, employee vehicles, non-owned vehicles and hired vehicles, for both bodily injury and property damage in an amount not less than \$1,000,000 per occurrence and an aggregate limit of not less than \$1,000,000.

c. Worker's Compensation Liability: Policy shall be for statutory limits.

d. Requirements: All insurance policies shall be issued by insurance companies authorized to transact insurance business in the State of California with a policy holder's rating of A or higher and a Financial Class of VII or higher. The policies shall not be canceled unless thirty (30) days prior written notification of intended cancellation has been given to City.

The City and its officers, employees and agents, and Developer shall be named as additional insureds under the contractor's insurance policies. Said additional insured endorsement must be provided prior to commencement of construction.

The insurance policy or policies shall also comply with the following provisions:

i. The policy shall be endorsed to waive any right of subrogation against the City and its sub-consultants, employees, officers and agents for contractor's construction of the Work.

ii. If the policy is written on a claims-made basis, the certificate should so specify and the policy must continue in force for one year after completion of the services. The retroactive date of coverage must also be listed.

iii. The policy shall specify that the insurance provided by contractor will be considered primary and not contributory to any other insurance available to the City or the Developer.

iv. Certificates of insurance shall state that the issuing company shall give Developer and the City sixty (60) days written notice in the event of any cancellation, termination, non-renewal or reduction in coverage of the policies evidenced by the certificates. In the event of any such cancellation, termination, non-renewal or reduction in coverage, Developer shall, forthwith, secure replacement insurance meeting the provisions of this paragraph.

e. Subcontractors' Insurance: Contractor shall require all of its subcontractors to carry insurance, in an amount sufficient to cover the risk of injury, damage or loss, that may be caused by the subcontractors' scope of work and activities

provided in furtherance of the construction of the Sewer Main Installation, including, but without limitation, the following coverages: Workers Compensation, Commercial General Liability, Errors and Omissions, and Automobile liability.

15. Reimbursement Agreement No Debt or Liability of City. This Reimbursement Agreement does not constitute a debt or liability of the City, other than as provided in Section 3, above. No member of the City Council of the City and no officer, employee or agent of the City shall to any extent be personally liable hereunder.

16. Assignment. During the Term of this Agreement, no voluntary or involuntary successor in interest of the Developer shall acquire any rights or powers under this Agreement by assignment or otherwise, nor shall Developer make any total or partial sale, transfer, conveyance, assignment or lease of the whole or any part of this Agreement without the prior written approval of the City by its Public Works Director, except as to the assignment of the reimbursement proceeds to West Valley National Bank in the Commercial Pledge Agreement attached hereto as Exhibit "A". Any purported transfer, voluntary or by operation of law, in violation of this Section 16, shall constitute a default hereunder and shall be void and the City shall have the cumulative options to terminate this Agreement, and all rights of Developer to reimbursement as set forth herein, and to seek all remedies available at law or equity.

17. Amendments. This Agreement may be amended or supplemented only by written documents signed by both parties.

18. Notices. All written notices to be given hereunder shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

CITY

Director of Public Works  
City of Riverside  
3900 Main Street, 4<sup>th</sup> Floor  
Riverside, California 92522

DEVELOPER

Mohammed Sadeghian  
3595 Van Buren Boulevard, No. 212  
Riverside, California 92507

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic communication, whether by telex, telegram or telecopier, upon the sender's receipt of an appropriate answer back or other written acknowledgment, (c) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section.

19. Venue. This Agreement shall be interpreted, governed by, and construed under the laws of the State of California without regard to conflicts of laws rules thereof. Any action at law or in equity brought by either of the parties for the purpose of enforcing a right or rights provided in this Agreement shall be tried in the Superior Court of California, County of Riverside, and the parties hereby waive all provisions of law providing for a change of venue in such proceedings to any other county.

20. Interpretation. The parties hereto acknowledge that this Agreement is the product of mutual arms-length negotiation and drafting and each represents and warrants to the other that it has been or could have been represented by legal counsel in the negotiation and drafting of this Agreement. Accordingly, the rule of construction which provides that ambiguities in a document shall be construed against the drafter of that document shall have no application to the interpretation and enforcement of this Agreement. In any action or proceeding to interpret or enforce this Agreement, the finder of fact may refer to such extrinsic evidence not in direct conflict with any specific provision of this Agreement to determine and give effect to the intention of the parties hereto.

21. Successors and Assigns. Subject to the provisions of Section 16, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

22. Termination. City reserves the right to terminate this Agreement if (a) Developer assigns this Agreement in violation of Section 16; (b) Developer constructs Sewer Main Installation in such a defective manner that City has to repair the defects; or (c) Developer defaults on any other provision of this Agreement.

23. Entire Agreement. This Agreement contains the entire Agreement of the parties hereto and supersedes any prior written or oral agreements between them. There are no representations, agreements, arrangements, or understandings, oral or written, between the parties hereto, which are not fully expressed herein.

24. Nondiscrimination. Developer shall not discriminate on the grounds of race, religious creed, color, national origin, ancestry, age, physical disability, mental disability, medical condition including the medical condition of Acquired Immune Deficiency Syndrome (AIDS) or any condition related thereto, marital status, sex or sexual orientation, genetic information, gender, gender identity, or gender expression, in the selection and retention of employees and subcontractors and the procurement of materials and equipment, except as provided in Section 12940 of the California Government Code. Further, Developer agrees to conform to the requirements of the Americans with Disabilities Act in the performance of this Agreement.

25. Severability. Each paragraph and provision of this Agreement is severable from each other paragraph and provision, and if any paragraph, provision or part thereof is declared invalid, the remaining paragraph and provisions shall nevertheless remain in full force and effect.

26. Authority. The individuals executing this Agreement and the instruments referenced herein on behalf of the parties each represent and warrant that they have the legal power, right and actual authority to bind the respective parties to the terms and conditions hereof and thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed the day and year first written above.

CITY OF RIVERSIDE, a California  
charter city and municipal corporation

By: \_\_\_\_\_  
City Manager

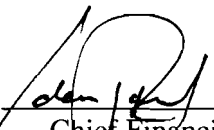
MOHAMMED SADEGHIAN<sup>7</sup>

By:  \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_  
City Clerk

Certified as to Availability of Funds:

By:  \_\_\_\_\_  
Chief Financial Officer

APPROVED AS TO FORM:

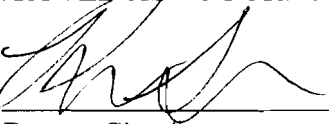
By:  \_\_\_\_\_  
Deputy City Attorney  
Ruthann Salera

Exhibit "A"  
Commercial Pledge Agreement



# COMMERCIAL PLEDGE AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$650,000.00	06-01-2018	12-01-2019	51002480			CD	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*****" has been omitted due to text length limitations.							

**Borrower:** The Sadeghian Family Trust  
3595 Van Buren Blvd #212  
Riverside, CA 92503

**Lender:** West Valley National Bank  
SBA Department  
2111 E. Highland Avenue Suite B-150  
Phoenix, AZ 85016  
(623) 536-9862

**Grantor:** Mohammad Mike Sadeghian  
3595 Van Buren Blvd #212  
Riverside, CA 92503

THIS COMMERCIAL PLEDGE AGREEMENT dated June 1, 2018, is made and executed among Mohammad Mike Sadeghian ("Grantor"); The Sadeghian Family Trust ("Borrower"); and West Valley National Bank ("Lender").

**GRANT OF SECURITY INTEREST.** For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

**COLLATERAL DESCRIPTION.** The word "Collateral" as used in this Agreement means Grantor's present and future rights, title and interest in and to the following described investment property, together with any and all present and future additions thereto, substitutions therefor, and replacements thereof, and further together with all Income and Proceeds as described herein.

That certain Reimbursement Agreement for Sewer Installation Cost dated \_\_\_\_\_, by and between the City of Riverside, a California charter city and a municipal corporation and Mohammed Sadeghian. The City of Riverside has agreed to reimburse the Borrower of all costs, but not to exceed \$563,500.00, towards the costs the Contractor has incurred or will incur in the construction of the sewer main installation. The payment shall be made when the Borrower has fully completed the improvements and when all construction has been accepted by the City of Riverside. The City of Riverside shall make such reimbursement payment(s) to the Borrower within sixty (60) days of acceptance of the Sewer Main Installation by City.

The City of Riverside acknowledges the existence of the Commercial Pledge Agreement and agrees to Assign the reimbursement proceeds to West Valley National Bank by Acknowledging below.

City of Riverside

X

Print Name and Title

By:

Ruthann M. Salera  
Deputy City Attorney

**BORROWER'S WAIVERS AND RESPONSIBILITIES.** Except as otherwise required under this Agreement or by applicable law, (A) Borrower agrees that Lender need not tell Borrower about any action or inaction Lender takes in connection with this Agreement; (B) Borrower assumes the responsibility for being and keeping informed about the Collateral; and (C) Borrower waives any defenses that may arise because of any action or inaction of Lender, including without limitation any failure of Lender to realize upon the Collateral or any delay by Lender in realizing upon the Collateral, and Borrower agrees to remain liable under the Note no matter what action Lender takes or fails to take under this Agreement.

**GRANTOR'S REPRESENTATIONS AND WARRANTIES.** Grantor warrants that: (A) this Agreement is executed at Borrower's request and not at the request of Lender; (B) Grantor has the full right, power and authority to enter into this Agreement and to pledge the Collateral to Lender; (C) Grantor has established adequate means of obtaining from Borrower on a continuing basis information about Borrower's financial condition; and (D) Lender has made no representation to Grantor about Borrower or Borrower's creditworthiness.

**GRANTOR'S WAIVERS.** Except as prohibited by applicable law, Grantor waives any right to require Lender to (A) make any presentment, protest, demand, or notice of any kind, including notice of change of any terms of repayment of the Indebtedness, default by Borrower or any other guarantor or surety, any action or nonaction taken by Borrower, Lender, or any other guarantor or surety of Borrower, or the creation of new or additional Indebtedness, (B) proceed against any person, including Borrower, before proceeding against Grantor; (C) proceed against any collateral for the Indebtedness, including Borrower's collateral, before proceeding against Grantor; (D) apply any payments or proceeds received against the Indebtedness in any order, (E) give notice of the terms, time, and place of any sale of any collateral pursuant to the Uniform Commercial Code or any other law governing such sale; (F) disclose any information about the Indebtedness, the Borrower, any collateral, or any other guarantor or surety, or about any action or nonaction of Lender; or (G) pursue any remedy or course of action in Lender's power whatsoever.

Grantor also waives any and all rights or defenses arising by reason of (A) any disability or other defense of Borrower, any other guarantor or surety or any other person; (B) the cessation from any cause whatsoever, other than payment in full, of the Indebtedness; (C) the application of proceeds of the Indebtedness by Borrower for purposes other than the purposes understood and intended by Grantor and Lender; (D) any act of omission or commission by Lender which directly or indirectly results in or contributes to the discharge of Borrower or any other guarantor or surety, or the Indebtedness, or the loss or release of any collateral by operation of law or otherwise; (E) any statute of limitations in any action under this Agreement or on the Indebtedness; or (F) any modification or change in terms of the Indebtedness, whatsoever, including without limitation, the renewal, extension, acceleration, or other change in the time payment of the Indebtedness is due and any change in the interest rate.

Grantor waives all rights and defenses arising out of an election of remedies by Lender even though that election of remedies, such as a non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Grantor's rights of subrogation and reimbursement against Borrower by operation of Section 580d of the California Code of Civil Procedure or otherwise.

Grantor waives all rights and defenses that Grantor may have because Borrower's obligation is secured by real property. This means among other things, (1) Lender may collect from Grantor without first foreclosing on any real property collateral pledged by Borrower; and (2) If Lender forecloses on any real property collateral pledged by the Borrower: (A) The amount of the Borrower's obligation may be reduced only by the price for which the collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price; (B) The Lender may collect from the Grantor even if the Lender, by foreclosing on the real property collateral, has destroyed any right the Grantor may have to collect from

## COMMERCIAL PLEDGE AGREEMENT (Continued)

the borrower. This is an unconditional and irrevocable waiver of any rights and defenses the Grantor may have because the Borrower's obligation is secured by real property. These rights and defenses include, but are not limited to, any rights and defenses based upon Sections 580a, 580b, 580d, or 726 of the Code of Civil Procedure.

Grantor understands and agrees that the foregoing waivers are unconditional and irrevocable waivers of substantive rights and defenses to which Grantor might otherwise be entitled under state and federal law. The rights and defenses waived include, without limitation, those provided by California laws of suretyship and guaranty, anti-deficiency laws, and the Uniform Commercial Code. Grantor further understands and agrees that this Agreement is a separate and independent contract between Grantor and Lender, given for full and ample consideration, and is enforceable on its own terms. Grantor acknowledges that Grantor has provided these waivers of rights and defenses with the intention that they be fully relied upon by Lender. Until all Indebtedness is paid in full, Grantor waives any right to enforce any remedy Grantor may have against Borrower or any other guarantor, surety, or other person, and further, Grantor waives any right to participate in any collateral for the Indebtedness now or hereafter held by Lender.

**REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL.** Grantor represents and warrants to Lender that:

**Ownership.** Grantor is the lawful owner of the Collateral free and clear of all security interests, liens, encumbrances and claims of others except as disclosed to and accepted by Lender in writing prior to execution of this Agreement.

**Right to Pledge.** Grantor has the full right, power and authority to enter into this Agreement and to pledge the Collateral.

**Authority; Binding Effect.** Grantor has the full right, power and authority to enter into this Agreement and to grant a security interest in the Collateral to Lender. This Agreement is binding upon Grantor as well as Grantor's successors and assigns, and is legally enforceable in accordance with its terms. The foregoing representations and warranties, and all other representations and warranties contained in this Agreement are and shall be continuing in nature and shall remain in full force and effect until such time as this Agreement is terminated or cancelled as provided herein.

**No Further Assignment.** Grantor has not, and shall not, sell, assign, transfer, encumber or otherwise dispose of any of Grantor's rights in the Collateral except as provided in this Agreement.

**Enforceability of Collateral.** To the extent the Collateral consists of promissory notes or other instruments, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

**No Defaults.** There are no defaults existing under the Collateral, and there are no offsets or counterclaims to the same. Grantor will strictly and promptly perform each of the terms, conditions, covenants and agreements, if any, contained in the Collateral which are to be performed by Grantor.

**No Violation.** The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party.

**Financing Statements.** Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement. Grantor will promptly notify Lender of any change to Grantor's name or the name of any individual Grantor, any individual who is a partner for a Grantor, and any individual who is a trustee or settlor or trustor for a Grantor under this Agreement. Grantor will also promptly notify Lender of any change to the name that appears on the most recently issued, unexpired driver's license or state-issued identification card, any expiration of the most recently issued driver's license or state-issued identification card for Grantor or any individual for whom Grantor is required to provide notice regarding name changes.

**LENDER'S RIGHTS AND OBLIGATIONS WITH RESPECT TO THE COLLATERAL.** Lender may hold the Collateral until all Indebtedness has been paid and satisfied. Thereafter Lender may deliver the Collateral to Grantor or to any other owner of the Collateral. Lender shall have the following rights in addition to all other rights Lender may have by law:

**Maintenance and Protection of Collateral.** Lender may, but shall not be obligated to, take such steps as it deems necessary or desirable to protect, maintain, insure, store, or care for the Collateral, including paying of any liens or claims against the Collateral. This may include such things as hiring other people, such as attorneys, appraisers or other experts. Lender may charge Grantor for any cost incurred in so doing. When applicable law provides more than one method of perfection of Lender's security interest, Lender may choose the method(s) to be used.

**Income and Proceeds from the Collateral.** Lender may receive all Income and Proceeds and add it to the Collateral. Grantor agrees to deliver to Lender immediately upon receipt, in the exact form received and without commingling with other property, all Income and Proceeds from the Collateral which may be received by, paid, or delivered to Grantor or for Grantor's account, whether as an addition to, in discharge of, in substitution of, or in exchange for any of the Collateral.

**Application of Cash.** At Lender's option, Lender may apply any cash, whether included in the Collateral or received as Income and Proceeds or through liquidation, sale, or retirement, of the Collateral, to the satisfaction of the Indebtedness or such portion thereof as Lender shall choose, whether or not matured.

**Transactions with Others.** Lender may (1) extend time for payment or other performance, (2) grant a renewal or change in terms or conditions, or (3) compromise, compound or release any obligation, with any one or more Obligors, endorsers, or Guarantors of the Indebtedness as Lender deems advisable, without obtaining the prior written consent of Grantor, and no such act or failure to act shall affect Lender's rights against Grantor or the Collateral.

**All Collateral Secures Indebtedness.** All Collateral shall be security for the Indebtedness, whether the Collateral is located at one or more offices or branches of Lender. This will be the case whether or not the office or branch where Grantor obtained Grantor's loan knows about the Collateral or relies upon the Collateral as security.

**Collection of Collateral.** Lender at Lender's option may, but need not, collect the Income and Proceeds directly from the Obligors. Grantor

## COMMERCIAL PLEDGE AGREEMENT (Continued)

Page 3

authorizes and directs the Obligors, if Lender decides to collect the Income and Proceeds, to pay and deliver to Lender all Income and Proceeds from the Collateral and to accept Lender's receipt for the payments.

**Power of Attorney.** Grantor irrevocably appoints Lender as Grantor's attorney-in-fact, with full power of substitution, (a) to demand, collect, receive, receipt for, sue and recover all Income and Proceeds and other sums of money and other property which may now or hereafter become due, owing or payable from the Obligors in accordance with the terms of the Collateral; (b) to execute, sign and endorse any and all instruments, receipts, checks, drafts and warrants issued in payment for the Collateral; (c) to settle or compromise any and all claims arising under the Collateral, and in the place and stead of Grantor, execute and deliver Grantor's release and acquittance for Grantor; (d) to file any claim or claims or to take any action or institute or take part in any proceedings, either in Lender's own name or in the name of Grantor, or otherwise, which in the discretion of Lender may seem to be necessary or advisable; and (e) to execute in Grantor's name and to deliver to the Obligors on Grantor's behalf, at the time and in the manner specified by the Collateral, any necessary instruments or documents.

**Perfection of Security Interest.** Upon Lender's request, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral. When applicable law provides more than one method of perfection of Lender's security interest, Lender may choose the method(s) to be used. Upon Lender's request, Grantor will sign and deliver any writings necessary to perfect Lender's security interest. Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties.

**LENDER'S EXPENDITURES.** If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

**LIMITATIONS ON OBLIGATIONS OF LENDER.** Lender shall use ordinary reasonable care in the physical preservation and custody of the Collateral in Lender's possession, but shall have no other obligation to protect the Collateral or its value. In particular, but without limitation, Lender shall have no responsibility for (A) any depreciation in value of the Collateral or for the collection or protection of any Income and Proceeds from the Collateral, (B) preservation of rights against parties to the Collateral or against third persons, (C) ascertaining any maturities, calls, conversions, exchanges, offers, tenders, or similar matters relating to any of the Collateral, or (D) informing Grantor about any of the above, whether or not Lender has or is deemed to have knowledge of such matters. Except as provided above, Lender shall have no liability for depreciation or deterioration of the Collateral.

**DEFAULT.** Each of the following shall constitute an Event of Default under this Agreement:

**Payment Default.** Borrower fails to make any payment when due under the Indebtedness.

**Other Defaults.** Borrower or Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower or Grantor.

**Default in Favor of Third Parties.** Borrower, any guarantor or Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's, any guarantor's or Grantor's property or ability to perform their respective obligations under this Agreement or any of the Related Documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or Grantor or on Borrower's or Grantor's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Defective Collateralization.** This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

**Death or Insolvency.** The death of Borrower or Grantor, the insolvency of Borrower or Grantor, the appointment of a receiver for any part of Borrower's or Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower or Grantor.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or Grantor or by any governmental agency against any collateral securing the Indebtedness. This includes a garnishment of any of Borrower's or Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower or Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower or Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or Guarantor dies or becomes incompetent or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

**Adverse Change.** A material adverse change occurs in Borrower's or Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

**Cure Provisions.** If any default, other than a default in payment, is curable and if Grantor has not been given a notice of a breach of the same provision of this Agreement within the preceding twelve (12) months, it may be cured if Grantor, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter

## COMMERCIAL PLEDGE AGREEMENT (Continued)

Page 4

continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

**RIGHTS AND REMEDIES ON DEFAULT.** If an Event of Default occurs under this Agreement, at any time thereafter, Lender may exercise any one or more of the following rights and remedies:

**Accelerate Indebtedness.** Declare all Indebtedness, including any prepayment penalty which Borrower would be required to pay, immediately due and payable, without notice of any kind to Borrower or Grantor.

**Collect the Collateral.** Collect any of the Collateral and, at Lender's option and to the extent permitted by applicable law, retain possession of the Collateral while suing on the Indebtedness.

**Sell the Collateral.** Sell the Collateral, at Lender's discretion, as a unit or in parcels, at one or more public or private sales. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender shall give or mail to Grantor, and other persons as required by law, notice at least ten (10) days in advance of the time and place of any public sale, or of the time after which any private sale may be made. However, no notice need be provided to any person who, after an Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. Grantor agrees that any requirement of reasonable notice as to Grantor is satisfied if Lender mails notice by ordinary mail addressed to Grantor at the last address Grantor has given Lender in writing. If a public sale is held, there shall be sufficient compliance with all requirements of notice to the public by a single publication in any newspaper of general circulation in the county where the Collateral is located, setting forth the time and place of sale and a brief description of the property to be sold. Lender may be a purchaser at any public sale.

**Sell Securities.** Sell any securities included in the Collateral in a manner consistent with applicable federal and state securities laws. If, because of restrictions under such laws, Lender is unable, or believes Lender is unable, to sell the securities in an open market transaction, Grantor agrees that Lender will have no obligation to delay sale until the securities can be registered. Then Lender may make a private sale to one or more persons or to a restricted group of persons, even though such sale may result in a price that is less favorable than might be obtained in an open market transaction. Such a sale will be considered commercially reasonable. If any securities held as Collateral are "restricted securities" as defined in the Rules of the Securities and Exchange Commission (such as Regulation D or Rule 144) or the rules of state securities departments under state "Blue Sky" laws, or if Grantor or any other owner of the Collateral is an affiliate of the issuer of the securities, Grantor agrees that neither Grantor, nor any member of Grantor's family, nor any other person signing this Agreement will sell or dispose of any securities of such issuer without obtaining Lender's prior written consent.

**Foreclosure.** Maintain a judicial suit for foreclosure and sale of the Collateral.

**Transfer Title.** Effect transfer of title upon sale of all or part of the Collateral. For this purpose, Grantor irrevocably appoints Lender as Grantor's attorney-in-fact to execute endorsements, assignments and instruments in the name of Grantor and each of them (if more than one) as shall be necessary or reasonable.

**Other Rights and Remedies.** Have and exercise any or all of the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, at law, in equity, or otherwise.

**Application of Proceeds.** Apply any cash which is part of the Collateral, or which is received from the collection or sale of the Collateral, to reimbursement of any expenses, including any costs for registration of securities, commissions incurred in connection with a sale, attorneys' fees and court costs, whether or not there is a lawsuit and including any fees on appeal, incurred by Lender in connection with the collection and sale of such Collateral and to the payment of the Indebtedness of Borrower to Lender, with any excess funds to be paid to Grantor as the interests of Grantor may appear. Borrower agrees, to the extent permitted by law, to pay any deficiency after application of the proceeds of the Collateral to the Indebtedness.

**Election of Remedies.** Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement:

**Amendments.** This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Grantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

**Governing Law.** This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of California.

**Choice of Venue.** If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of Riverside County, State of California.

**Joint and Several Liability.** All obligations of Borrower and Grantor under this Agreement shall be joint and several, and all references to Grantor shall mean each and every Grantor, and all references to Borrower shall mean each and every Borrower. This means that each Borrower and Grantor signing below is responsible for all obligations in this Agreement.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of

## COMMERCIAL PLEDGE AGREEMENT (Continued)

dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Preference Payments.** Any monies Lender pays because of an asserted preference claim in Borrower's or Grantor's bankruptcy will become a part of the Indebtedness and, at Lender's option, shall be payable by Borrower and Grantor as provided in this Agreement.

**Notices.** Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

**Waiver of Co-Obligor's Rights.** If more than one person is obligated for the Indebtedness, Grantor irrevocably waives, disclaims and relinquishes all claims against such other person which Grantor has or would otherwise have by virtue of payment of the Indebtedness or any part thereof, specifically including but not limited to all rights of indemnity, contribution or exoneration.

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

**Successors and Assigns.** Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

**Time is of the Essence.** Time is of the essence in the performance of this Agreement.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code:

**Agreement.** The word "Agreement" means this Commercial Pledge Agreement, as this Commercial Pledge Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Pledge Agreement from time to time.

**Borrower.** The word "Borrower" means The Sadeghian Family Trust and includes all co-signers and co-makers signing the Note and all their successors and assigns.

**Collateral.** The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

**Default.** The word "Default" means the Default set forth in this Agreement in the section titled "Default".

**Event of Default.** The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

**Grantor.** The word "Grantor" means Mohammad Mike Sadeghian.

**Guarantor.** The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Indebtedness.

**Guaranty.** The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

**Income and Proceeds.** The words "Income and Proceeds" mean all present and future income, proceeds, earnings, increases, and substitutions from or for the Collateral of every kind and nature, including without limitation all payments, interest, profits, distributions, benefits, rights, options, warrants, dividends, stock dividends, stock splits, stock rights, regulatory dividends, subscriptions, monies, claims for money due and to become due, proceeds of any insurance on the Collateral, shares of stock of different par value or no par value issued in substitution or exchange for shares included in the Collateral, and all other property Grantor is entitled to receive on account of such Collateral, including accounts, documents, instruments, chattel paper, investment property, and general intangibles.

**Indebtedness.** The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents.

**Lender.** The word "Lender" means West Valley National Bank, its successors and assigns.

**Note.** The word "Note" means the Note dated June 1, 2018 and executed by Borrower in the principal amount of \$650,000.00, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

**Obligor.** The word "Obligor" means without limitation any and all persons obligated to pay money or to perform some other act under the Collateral.

**Property.** The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

**COMMERCIAL PLEDGE AGREEMENT  
(Continued)**

Page 6

BORROWER AND GRANTOR HAVE READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL PLEDGE AGREEMENT AND AGREE TO ITS TERMS. THIS AGREEMENT IS DATED JUNE 1, 2018.

GRANTOR:

X \_\_\_\_\_  
Mohammad Mike Sadeghian, Individually

BORROWER:

THE SADEGHIAN FAMILY TRUST

By: \_\_\_\_\_  
Mohammad Mike Sadeghian, Trustee of The  
Sadeghian Family Trust

By: \_\_\_\_\_  
Klara M. Sadeghian, Trustee of The Sadeghian  
Family Trust

LENDER:

WEST VALLEY NATIONAL BANK

By: \_\_\_\_\_  
Nathan Villa, Senior Vice President/SBA Lending