

**AMENDMENT NUMBER 5  
TO  
EMPLOYMENT AGREEMENT**

**GENERAL MANAGER**

**THIS AMENDMENT NUMBER 5** (“Amendment”) is executed and entered into as of June 27, 2019, by and between Chino Basin Watermaster (“Watermaster”) and Peter Kavounas (“Executive”). Capitalized terms used in this Amendment, but not defined herein, shall have the meanings given to them in the Employment Agreement.

**RECITALS**

**WHEREAS**, Watermaster and Executive entered into an Employment Agreement, effective as of June 30, 2014 (the “Agreement”); and

**WHEREAS**, the Agreement subsequently has been amended by (a) Amendment Number 1 effective as of July 23, 2015, (b) Amendment Number 2 effective as of August 25, 2016, (c) Amendment Number 3 effective as of June 22, 2017, and (d) Amendment Number 4 effective as of July 26, 2018; and

**WHEREAS**, Section 13(f) of the Agreement provides that the terms of the Agreement may be amended upon the mutual written agreement of Watermaster and Executive; and

**WHEREAS**, the parties to the Agreement now desire to amend the Agreement as to certain particulars;

**NOW, THEREFORE**, in consideration of the mutual terms, covenants, and conditions stated in this Amendment, Watermaster and Executive hereby agree to amend the Agreement as follows:

**AMENDMENT**

1. The provisions of Section 5(j) of the Agreement, as they were included in Amendment Number 4 to the Agreement, are hereby null and void and are superseded in their entirety by the provisions of this Amendment Number 5.
2. Section 5.(j) of the Agreement is hereby amended in its entirety to read as follows:

**j. NQDC Plan Contribution:** If (i) Executive remains continuously employed in good standing with Watermaster through June 30, 2023 (the “Accrual Date”) and (ii) this Agreement has not terminated prior to the Accrual Date, Watermaster shall make, for the benefit of Executive, a one-time discretionary Employer Contribution pursuant to Section 4.1 of the Chino Basin Watermaster 457(f) Deferred Compensation Plan, amended and restated effective March 1, 2019 (or such other

successor provision or nonqualified deferred compensation plan in which Executive participates (the “NQDC Plan”), in the amount of Ninety-Eight Thousand Three Hundred Fifty-Seven Dollars and Fifty-Six Cents (\$98,357.56) (the “Discretionary Contribution”), such Discretionary Contribution to be made to the NQDC Plan no later than the thirtieth (30<sup>th</sup>) day immediately following the Accrual Date provided that the conditions of clauses (i) and (ii) have been satisfied. Any contributions made to the NQDC Plan, including the Discretionary Contribution, shall be subject to and governed by the terms and conditions of the NQDC Plan, including but not limited to the substantial risk of forfeiture provisions and the time and form of payment provisions.

3. Executive’s address, as shown in Section 13.(a) of the Agreement, is hereby amended to read as follows:

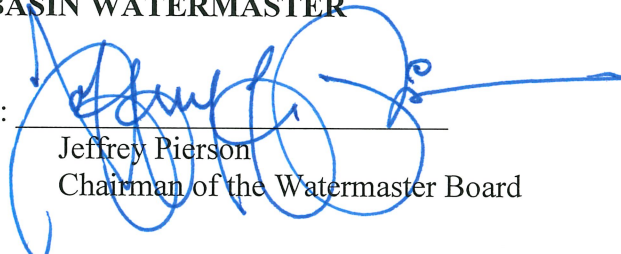
**Executive:** Peter Kavounas  
766 W. 10th Street  
Claremont, CA 91711

4. Except as amended above, each and every provision of the Agreement, as it previously may have been amended, shall remain in full force and effect without change or modification.

5. Any inconsistent provision of the Agreement, as it previously may have been amended (including but not limited to cross-references), shall be read to be consistent with this Amendment and its purposes.

IN WITNESS WHEREOF, the parties to the Agreement have executed this Amendment as of the date first written above.

**CHINO BASIN WATERMASTER**

By:   
\_\_\_\_\_  
Jeffrey Pierson  
Chairman of the Watermaster Board

**EXECUTIVE**

By:   
\_\_\_\_\_  
Peter Kavounas

**AMENDMENT NUMBER 4  
TO  
EMPLOYMENT AGREEMENT  
  
GENERAL MANAGER**

**THIS AMENDMENT NUMBER 4** (“Amendment”) is executed and entered into as of July 26, 2018, by and between Chino Basin Watermaster (“Watermaster”) and Peter Kavounas (“Executive”). Capitalized terms used in this Amendment, but not defined herein, shall have the meanings given to them in the Employment Agreement.

**RECITALS**

**WHEREAS**, Watermaster and Executive entered into an Employment Agreement, effective as of June 30, 2014 (the “Agreement”);

**WHEREAS**, Watermaster and Executive executed a first amendment to the Agreement effective as of July 23, 2015;

**WHEREAS**, Watermaster and Executive executed a second amendment to the Agreement effective as of August 25, 2016;

**WHEREAS**, Watermaster and Executive executed a third amendment to the Agreement effective as of June 22, 2017 (the “Third Amendment”);

**WHEREAS**, as amended by the Third Amendment, the Agreement expires on June 30, 2020;

**WHEREAS**, Section 2(a) of the Agreement expressly allows for the Term of Employment to be extended by mutual agreement of Watermaster and Executive;

**WHEREAS**, Section 13(f) of the Agreement provides that the terms of the Agreement may be amended upon the mutual written agreement of Watermaster and Executive;

**WHEREAS**, Watermaster desires to continue to employ Executive as its General Manager but wishes to amend certain terms of the Agreement; and

**WHEREAS**, Executive desires to continue to serve as General Manager of Watermaster, and agrees to Watermaster’s proposed amendments to the Agreement;

**NOW, THEREFORE**, in consideration of the mutual terms, covenants, and conditions stated in this Amendment, Watermaster and Executive hereby agree to amend the Agreement as follows:

## AMENDMENT

1. The introductory paragraph of Section 2, “Term of Employment,” of the Agreement is hereby amended in its entirety to read as follows:
  2. **Term of Employment:** The term of employment pursuant to this Agreement will commence on July 1, 2014, and will continue thereafter for seven (7) years, unless earlier terminated pursuant to Section 9 below (the “Employment Term”). The Employment Term may be extended by mutual agreement of the parties.

Sections 2.a. and 2.b. of the Agreement shall remain unchanged.

2. Section 5 of the Agreement is hereby amended by adding a new subparagraph j, as follows:

**j. NQDC Plan Contribution:** If (i) Executive remains continuously employed in good standing with Watermaster through June 30, 2023 (the “Accrual Date”) and (ii) this Agreement has not terminated prior to the Accrual Date, Watermaster shall make, for the benefit of Executive, a discretionary Employer Contribution, pursuant to Section 4.1 (or such other successor provision) of the NQDC Plan in which Executive participates, in the amount of \$55,256.31 (the “Discretionary Contribution”), such Discretionary Contribution to be made to the NQDC Plan no later than the thirtieth (30<sup>th</sup>) day immediately following the Accrual Date provided that the conditions of clauses (i) and (ii) have been satisfied. Payment of the Discretionary Contribution from the NQDC Plan to Executive shall be subject to and governed by the terms of the NQDC Plan.

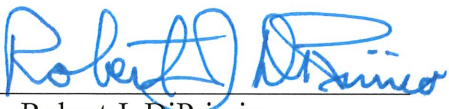
3. Except as amended above, each and every provision of the Agreement, as it may have been previously amended, shall remain in full force and effect without change or modification.

4. Any inconsistent provision of the Agreement, as it previously may have been amended (including but not limited to cross-references) shall be read to be consistent with this Amendment and its purposes.


IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

*[Signature page follows]*

**CHINO BASIN WATERMASTER**

By:   
Robert J. DiPrimio  
Chairman of the Watermaster Board

**EXECUTIVE**

By:   
Peter Kavounas  
General Manager

**AMENDMENT NUMBER 3  
TO  
EMPLOYMENT AGREEMENT**

**GENERAL MANAGER**

**THIS AMENDMENT NUMBER 3** (“Amendment”) is executed and entered into as of June 22, 2017, by and between Chino Basin Watermaster (“Watermaster”) and Peter Kavounas (“Executive”). Capitalized terms used in this Amendment, but not defined herein, shall have the meanings given to them in the Employment Agreement.

**RECITALS**

**WHEREAS**, Watermaster and Executive entered into an Employment Agreement, effective as of June 30, 2014 (the “Agreement”); and

**WHEREAS**, Watermaster and Executive executed a first amendment to the Agreement effective as of July 23, 2015 (“First Amendment”); and

**WHEREAS**, Watermaster and Executive executed a second amendment to the Agreement effective as of August 25, 2016; and

**WHEREAS**, as amended by the First Amendment, the Agreement expires on June 30, 2018; and

**WHEREAS**, Section 2(a) of the Agreement expressly allows for the Term of Employment to be extended by mutual agreement of Watermaster and Executive;

**WHEREAS**, Section 5(a) of the Agreement provides that the Watermaster Board of Directors (“Board”) may review Executive’s performance and base salary and determine whether to prospectively adjust Executive’s base salary; and

**WHEREAS**, Section 13(f) of the Agreement provides that the terms of the Agreement may be amended upon the mutual written agreement of Watermaster and Executive; and

**WHEREAS**, Watermaster desires to continue to employ Executive as its General Manager but wishes to amend certain terms of the Agreement; and

**WHEREAS**, Executive desires to continue to serve as General Manager of Watermaster, and agrees to Watermaster’s proposed amendments to the Agreement;

**NOW, THEREFORE**, in consideration of the mutual terms, covenants, and conditions stated in this Amendment, Watermaster and Executive hereby agree to amend the Agreement as follows:

**AMENDMENT**

1. The introductory paragraph of Section 2, “Term of Employment,” of the Agreement is hereby amended in its entirety to read as follows:

2. **Term of Employment:** The term of employment pursuant to this Agreement will commence on July 1, 2014, and will continue thereafter for six (6) years, unless earlier terminated pursuant to Section 9 below (the "Employment Term"). The Employment Term may be extended by mutual agreement of the parties.

Sections 2.a. and 2.b. of the Agreement shall remain unchanged.

2. Section 5.a. of the Agreement is hereby amended in its entirety to read as follows:


- a. **Base Salary:** Effective July 1, 2017, Watermaster shall pay Executive an annual Base Salary of Two Hundred Sixty-Nine Thousand Dollars (\$269,000.00) per annum, less applicable withholdings and deductions. The Board, or such committee of the Board as is responsible for setting the compensation of Watermaster employees, may review Executive's performance and Base Salary, and determine whether to adjust Executive's Base Salary on a prospective basis. Executive also shall be entitled to receive such Cost of Living Adjustments ("COLAs") as may be approved from year to year by the Board. The Watermaster shall pay Executive's Base Salary according to the applicable payroll practices in effect for all Watermaster employees.

3. Except as amended above, each and every provision of the Agreement, as it may have been previously amended, shall remain in full force and effect without change or modification.

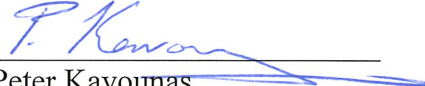
4. Any inconsistent provision of the Agreement, as it previously may have been amended (including but not limited to cross-references) shall be read to be consistent with this Amendment and its purposes.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

**CHINO BASIN WATERMASTER**

By:   
James V. Curatalo, Jr.  
Chairman of the Watermaster Board

**EXECUTIVE**

By:   
Peter Kavounas  
General Manager

**AMENDMENT NUMBER 2  
TO  
EMPLOYMENT AGREEMENT**

**GENERAL MANAGER**

**THIS AMENDMENT NUMBER 2** (this “Amendment”) is executed and entered into as of August 25 2016, by and between Chino Basin Watermaster (“Watermaster”) and Peter Kavounas (“Executive”). Capitalized terms used in this Amendment, but not defined herein, shall have the meanings given to them in the Employment Agreement.

**RECITALS**

**WHEREAS**, Watermaster and Executive entered into an Employment Agreement, effective as of June 30, 2014 (the “Agreement”); and

**WHEREAS**, Watermaster and Executive executed a first amendment to the Agreement effective as of July 23, 2015; and

**WHEREAS**, Section 5(a) of the Agreement provides that the Watermaster Board of Directors (“Board”) may review Executive’s performance and base salary and determine whether to prospectively adjust Executive’s base salary; and

**WHEREAS**, Section 13(f) of the Agreement provides that the terms of the Agreement may be amended upon the mutual written agreement of Watermaster and Executive; and

**WHEREAS**, Watermaster desires to continue to employ Executive as its General Manager but wishes to amend certain terms of the Agreement; and

**WHEREAS**, Executive desires to continue to serve as General Manager of Watermaster, and agrees to Watermaster’s proposed amendments to the Agreement;

**NOW, THEREFORE**, in consideration of the mutual terms, covenants, and conditions stated in this Amendment, Watermaster and Executive hereby agree to amend the Agreement as follows:

**AMENDMENT**

1. Section 5.a. of the Agreement is hereby amended in its entirety to read as follows:
  - a. **Base Salary:** Effective July 1, 2016, the Watermaster shall pay Executive an annual Base Salary of Two Hundred Fifty-Nine Thousand Sixty-Seven Dollars and Sixty-Four Cents (\$259,067.64) per annum, less applicable withholdings. The Board, or such committee of the Board as is responsible for setting the compensation of Watermaster employees, may review Executive’s performance and Base Salary, and determine whether to adjust Executive’s Base Salary on a prospective basis. Executive also shall be entitled to receive such Cost of Living



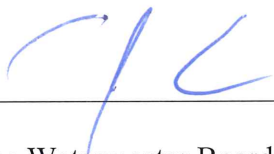
Adjustments (“COLAs”) as may be approved from year to year by the Board. The Watermaster shall pay Executive’s Base Salary according to the applicable payroll practices in effect for all Watermaster employees.

2. Except as amended above, each and every provision of the Agreement, as it may have been previously amended, shall remain in full force and effect without change or modification.

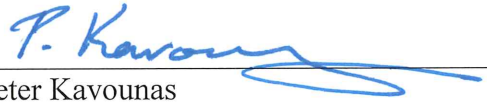
3. Any inconsistent provision of the Agreement, as it previously may have been amended (including but not limited to cross-references) shall be read to be consistent with this Amendment and its purposes.

**IN WITNESS WHEREOF**, the parties hereto have executed this Amendment as of the date first written above.

**CHINO BASIN WATERMASTER**

  
\_\_\_\_\_  
By: Steven J. Elie  
Chairman of the Watermaster Board

**EXECUTIVE**

  
\_\_\_\_\_  
By: Peter Kavounas  
General Manager

**AMENDMENT NUMBER 1  
TO  
EMPLOYMENT AGREEMENT**

**GENERAL MANAGER**

**THIS AMENDMENT NUMBER 1** (this "Amendment") is executed and entered into as of July 23, 2015, by and between Chino Basin Watermaster ("Watermaster") and Peter Kavounas ("Executive"). Capitalized terms used in this Amendment, but not defined herein, shall have the meanings given to them in the Agreement.

**RECITALS**

**WHEREAS**, Watermaster and Executive entered into an Employment Agreement, effective as of June 30, 2014 (the "Agreement"); and

**WHEREAS**, by its terms, the Agreement expires on June 30, 2017; and

**WHEREAS**, Section 2(a) of the Agreement expressly allows for the Employment Term to be extended by mutual agreement of Watermaster and Executive; and

**WHEREAS**, Section 13(f) of the Agreement provides that the terms of the Agreement may be amended upon the mutual written agreement of Watermaster and Executive; and

**WHEREAS**, Watermaster desires to continue to employ Executive as its General Manager but wishes to amend certain terms of the Agreement; and

**WHEREAS**, Executive desires to continue to serve as General Manager of Watermaster, and agrees to Watermaster's proposed amendments to the Agreement;

**NOW, THEREFORE**, in consideration of the mutual terms, covenants, and conditions stated in this Amendment, Watermaster and Executive hereby agree to amend the Agreement as follows:

**AMENDMENT**

1. The introductory paragraph of Section 2, "Term of Employment," of the Agreement is hereby amended in its entirety to read as follows:

2. **Term of Employment:** The term of employment pursuant to this Agreement will commence on July 1, 2014, and will continue thereafter for four (4) years, unless earlier terminated pursuant to Section 9 below (the "Employment Term"). The Employment Term may be extended by mutual agreement of the parties.

Sections 2.a. and 2.b. of the Agreement shall remain unchanged.

2. Section 5.h. of the Agreement is hereby amended in its entirety to read as follows:

- h. **Nonqualified Deferred Compensation Plan.** The Watermaster agrees to establish and maintain, subject to applicable laws, a nonqualified deferred compensation plan (the "NQDC Plan") through which Executive, and possibly other eligible employees, may defer compensation and may

receive allocations of employer contributions. On June 30, 2015, the Watermaster made an employer contribution of four thousand seven hundred fifty dollars and twenty-seven cents (\$4,750.27) to the NQDC Plan for the benefit of Executive for the 12 consecutive month period from July 1, 2014 to June 30, 2015. For each of Watermaster's regular payroll periods beginning on and after July 1, 2015 during the remainder of the Employment Term, the Watermaster agrees to make an employer contribution to the NQDC Plan for the benefit of Executive equal to eight percent (8%) of Executive's salary (the sum of Executive's Base Salary and any COLA pursuant to section 5.a. and any CalPERS increase pursuant to section 5.g.) paid during that payroll period plus incentive compensation paid to Executive during that payroll period; *provided, however*, that Executive is employed by the Watermaster on the payday of that payroll period. For the avoidance of doubt, the Watermaster will have no obligation to make, and Executive shall forfeit all rights to, contributions to the NQDC Plan for any payroll period with its payday occurring after Executive's termination from employment with the Watermaster, or the remainder of the Employment Term after Executive's termination from employment with the Watermaster. Any contributions made to the NQDC Plan shall be subject to the terms and conditions of the NQDC Plan, including but not limited to the substantial risk of forfeiture provisions in addition to the time and form of payment provisions.

3. Except as amended above, each and every provision of the Agreement, as it may have been previously amended, shall remain in full force and effect without change or modification.
4. Any inconsistent provision of the Agreement, as it previously may have been amended (including but not limited to cross-references) shall be read to be consistent with this Amendment and its purposes.

**IN WITNESS WHEREOF**, the parties hereto have executed this Amendment as of the date first written above.

**CHINO BASIN WATERMASTER**

  
\_\_\_\_\_  
By: Steven J. Elie  
Chairman of the Watermaster Board

**EXECUTIVE**

  
\_\_\_\_\_  
Peter Kavounas

# EMPLOYMENT AGREEMENT

## GENERAL MANAGER

**This Employment Agreement** ("Agreement") is effective as of June 30, 2014 (the "Effective Date"), by and between Chino Basin Watermaster (the "Watermaster") and Peter Kavounas ("Executive") with reference to the following facts and intentions:

**WHEREAS**, the Watermaster has been employing Executive as its General Manager ("GM") pursuant to an Employment Agreement dated as of September 4, 2012, as amended by letter dated January 3, 2013 and an Employment Agreement dated as of August 22, 2013 (together, the "Original Employment Agreements"); and

**WHEREAS**, the Watermaster desires to continue to employ Executive as its GM on the terms and conditions set forth herein;

**NOW, THEREFORE**, in consideration of the mutual terms, covenants and conditions stated in this Agreement, the Watermaster and Executive hereby agree as follows:

1. **Employment:** The Watermaster hereby employs Executive, and Executive hereby accepts employment with, the Watermaster as GM. During the Employment Term (as hereinafter defined), Executive will have the title, status, and duties of GM, an exempt position, and will report directly to the Watermaster Board of Directors ("Board").
2. **Term of Employment:** The term of employment pursuant to this Agreement will commence on July 1, 2014, and will continue thereafter for three (3) years, unless earlier terminated pursuant to Section 9 below (the "Initial Employment Term" and, together with any extensions, the "Employment Term"). The Employment Term may be extended by mutual agreement of the parties.
  - a. **General:** As GM, Executive serves at the pleasure of the Board. Subject to the provisions of Section 9 below, although the Watermaster may choose to terminate Executive's employment for cause, the Watermaster is not required to have cause to terminate this Agreement or Executive's employment. No one other than the Board has the authority to alter this arrangement or to make any agreement contrary to the terms of this Section. Furthermore, any such agreement or arrangement must be in writing and must be signed by the Chairman of the Board.
  - b. **Annual Review:** The Board shall arrange for an annual review of Executive's work performance, using such forms and procedures as the Board determines appropriate.
3. **Scope of Duties:** During the Employment Term:
  - a. Subject to the control and direction of the Board, the GM provides day-to-day leadership for the Watermaster and is directly responsible to the Board on all matters pertaining to the administration and operations of the Chino Groundwater Basin ("Basin") under the provisions of the 1978 basin

adjudication Judgment and the Optimum Basin Management Program. The GM is responsible for overseeing the operating budget and the other employees of the Watermaster. The GM must keep the Board, through the Advisory Committee process, apprised of all applicable federal, state, regional and local policies regulating Watermaster activities. (Collectively, these duties are referred to as the "Services".)

- b. Executive will devote his full time and best efforts, talents, knowledge and experience to performing the Services. However, Executive may, and is in fact encouraged to, devote reasonable time to activities involving professional, educational, and similar types of activities, speaking engagements and membership on other boards for the purposes of raising the profile of Executive and the Watermaster locally, regionally and nationally, provided such activities do not interfere in any material way with the business of the Watermaster. Notwithstanding the foregoing, Executive may not serve on the board of directors of another organization without the Board's written consent, which consent may not be unreasonably withheld by the Board.
  - c. Executive will perform his duties diligently and competently and shall act in compliance with all applicable laws and in conformity with the Watermaster's written and oral policies and within the limits, budgets and business plans set by the Board. Executive will at all times during the Employment Term strictly adhere to and obey all of the rules and regulations in effect from time to time relating to the conduct of executives of the Watermaster. Executive shall not engage in consulting work or any trade or business for his own account or for on or behalf of any other person, firm or company that competes, conflicts or interferes with the performance of his duties hereunder in any material way.
4. **Hours of Work:** Executive's hours of work will vary depending on the Services to be performed and the time and effort necessary to competently perform the Services. As general guidance, normal work hours will begin at 8:00 a.m. Monday through Friday.
5. **Compensation and Benefits:** During the Employment Term, the Watermaster shall provide to Executive, and Executive shall accept from the Watermaster as full compensation for Executive's services hereunder, compensation and benefits as set forth below. The compensation set forth below is full payment for the Services, and Executive shall receive no additional compensation for extraordinary services unless otherwise authorized in writing. The Watermaster has no obligation to provide any employee benefit programs whether or not provided for in this Agreement.
- a. **Base Salary:** The Watermaster shall pay Executive an annual Base Salary of Two Hundred Twenty-Nine Thousand Seven Hundred Ninety Dollars and Eight Cents (\$229,790.08) per annum, less applicable

withholdings. Additionally, consistent with its policy, Watermaster will pay both the employer and Executive's employee contributions to the California Public Employees Retirement System ("CalPERS") as further described in section 5.g, below. The Board, or such committee of the Board as is responsible for setting the compensation of Watermaster employees, may review Executive's performance and Base Salary, and determine whether to adjust Executive's Base Salary on a prospective basis. Executive also shall be entitled to receive such Cost of Living Adjustments ("COLAs") as may be approved from year to year by the Board. The Watermaster shall pay Executive's Base Salary according to the applicable payroll practices in effect for all Watermaster employees.

- b. **Incentive Compensation:** On an annual basis, at the time of Executive's annual performance review, the Board will consider whether to provide Executive additional compensation in the form of incentive pay to recognize and encourage superior work performance by Executive, which additional compensation is in the sole discretion of the Board and subject to the terms and conditions imposed by the Board. The time and form of payment of any such incentive compensation shall be set forth in and made in accordance with the documentation relating to such incentive compensation.
- c. **Insurance:** Following any required waiting period and subject to the terms thereof, the Watermaster shall provide Executive medical, dental, vision, and related insurance benefits in the total amount and manner as provided other similarly-situated Watermaster employees.
- d. **Vacation:** Executive will earn twenty days (*i.e.*, 160 hours) of vacation per year, accrued pro rata on each bi-weekly paycheck. Unused vacation time may carry over to the following year, provided however, that at no time shall Executive accrue more than forty days (*i.e.*, 320 hours) total of vacation time. Once Executive reaches the maximum accrual, no further accrual will be allowed unless and until Executive utilizes accrued vacation such that his balance drops below the maximum accrual.
- e. **Administrative Leave and Floating Holidays:** Executive shall be allowed 40 hours per year of administrative leave ("Administrative Leave") accrued pro rata on each bi-weekly paycheck, to be used at Executive's discretion. Administrative Leave is in addition to the above-referenced vacation. Pursuant to Watermaster's employee policy, Executive is also provided 16 hours (two days) per year of floating holiday time. Unused Administrative Leave and floating holiday time may carry over to the following year, provided however, that at no time shall Executive accrue more than 112 hours total of Administrative Leave and floating holiday time. Once Executive reaches the maximum accrual, no further accrual will be allowed unless and until Executive utilizes accrued Administrative

Leave or floating holiday time such that his balance drops below the maximum accrual.

- f. **Sick Leave:** Executive shall be allowed sick leave in accordance with Watermaster policy and as provided to other similarly-situated Watermaster employees.
  
- g. **CalPERS:** In order to comply with the Public Employees' Pension Reform Act of 2013 ("PEPRA"), Executive has been or shall be enrolled in the 2.5% @ 55 Public Employees Retirement System and shall be subject to such terms and conditions as the Watermaster may contract for with CalPERS or may otherwise impose, including the following:
  - (i) From July 1, 2014 through June 30, 2015, Executive will contribute an additional three percent (3%) of the CalPERS Retirement contribution, bringing the contribution rate being paid by Executive to six percent (6%). To assist in the drop in "take home" pay, an increase in base compensation of two-and-one-half percent (2.5%) will be provided effective July 1, 2014. During this period, Executive shall receive one additional floating Holiday day to be used to offset the vacation needed to cover time off when the Watermaster office is closed between the Christmas and New Year holidays.
  
  - (ii) Effective July 1, 2015, Executive will contribute an additional two percent (2%) of the CalPERS Retirement contribution, bringing the contribution rate being paid by Executive to eight percent (8%). To assist in the drop in "take home" pay, an increase of in base compensation of one-and-one-half percent (1.5%) will be provided effective July 1, 2015.
  
- h. **Nonqualified Deferred Compensation Plan.** The Watermaster agrees to establish and maintain, subject to applicable laws, a nonqualified deferred compensation plan (the "NQDC Plan") through which Executive, and possibly other eligible employees, may defer compensation and may receive allocations of employer contributions. For each 12 consecutive month period during the Initial Term, the Watermaster agrees to make an employer contribution to the NQDC Plan for the benefit of Executive in an amount equal to two percent (2%) of Executive's salary (the sum of executive's Base Salary and any COLA pursuant to section 5.a. and any CalPERS increase pursuant to section 5.g.) plus incentive compensation paid during that 12 month period, provided that Executive is employed on the last day of that 12 month period (i.e., June 30, 2015, June 30, 2016 and June 30, 2017). Any employer contribution made to the NQDC Plan shall be subject to the terms and conditions of the NQDC Plan, including

but not limited to the substantial risk of forfeiture provisions in addition to the time and form of payment provisions.

- i. Notwithstanding the provisions of this Agreement, the Watermaster fully reserves the right, in its sole discretion, to amend, modify or terminate any and/or all employee benefit plans or programs at any time and from time to time and the Watermaster will be under no obligation to institute or continue the existence of any employee benefit plan or program.
6. **Personnel Policies:** Except as otherwise provided herein, Executive shall be subject to the personnel policies of the Watermaster, and any amendments or revisions thereto, including but not limited to those relating to sick leave, holidays, retirement and leaves of absence. In the event of a conflict between this Agreement and the personnel policies of the Watermaster, this Agreement shall control.
7. **Vehicle Use:** Executive acknowledges that he will utilize his personal vehicle in connection with the performance of the Services. The Watermaster shall provide Executive with a monthly car allowance in the amount of \$600, prorated for partial months of service. The Watermaster shall account for this in an appropriate manner for tax purposes. Executive shall procure and maintain in full force and effect during his employment with the Watermaster automobile liability insurance covering all personal vehicles that are operated by Executive in connection with the performance of the Services in a reasonable amount acceptable to the Watermaster. Executive shall provide the Watermaster with a certificate of insurance evidencing the above coverage and listing the Watermaster as an additional insured under the insurance policy(ies). Such vehicle insurance policy or policies shall provide thirty days' advance written notice to the Watermaster of any change or cancellation of such insurance. Executive shall operate any vehicle used in connection with the Services in a safe manner, and shall maintain a valid California automobile driver's license during the term of this Agreement. Failure to maintain the insurance coverage or driver's license required under this Section shall constitute a material breach of this Agreement.
8. **Reimbursable Expenses:** Expenses incurred by Executive in the performance of the Services, including mileage expense at the standard then-applicable Internal Revenue Service rate, shall be reimbursed to Executive by the Watermaster, but these shall be limited to those reasonable and necessary for the performance of Executive's duties under this Agreement, and shall be submitted for approval and reimbursement to the Board upon such forms and with receipts and other evidence as may be reasonably required by the Board.
9. **Termination:** This Agreement may be terminated effective immediately, with or without cause, upon written notice by the Watermaster to Executive. Executive's rights upon termination are as follows:



- a. **Termination without Cause:** In the event Executive's employment is terminated without cause, if Executive executes a general release of known and unknown claims in favor of the Watermaster in a form acceptable to the Watermaster (as provided below), the Watermaster:
- i. will pay Executive (in addition to accrued compensation, accrued unused vacation time and Administrative Leave time, and reimbursement of expenses incurred through the termination date) severance pay in the amount of six (6) months of his then-current base compensation, less applicable withholdings, to be paid in a single lump sum cash payment on the 53<sup>rd</sup> day after termination of Executive's employment (the "Severance Pay"), and
  - ii. shall reimburse Executive for applicable COBRA premiums covering Executive's insurance described in Section 5(c), for a period of up to six (6) months, upon receipt of evidence from Executive that he has procured timely and paid for such COBRA coverage (the "COBRA Reimbursement Period").

The Severance Pay and the COBRA reimbursement referred to above are referred to collectively herein as the "Severance Compensation."

Executive's right to the Severance Compensation is subject to (i) Executive providing to the Watermaster a valid, irrevocable release signed by Executive no later than the 53<sup>rd</sup> day after termination of Executive's employment and (ii) Executive being in compliance with the terms of the release agreement. In the event that the Watermaster has not received a valid, irrevocable release signed by Executive on or before the 53<sup>rd</sup> day after termination of Executive's employment or Executive is not in compliance with the terms of the release agreement, Executive shall forfeit and have no right to receive, and the Watermaster shall have no obligation to pay, the Severance Compensation or any portion thereof.

Executive understands that the COBRA Reimbursement Period runs concurrently with and does not extend the period of COBRA continuation coverage for which he and any of his dependents who are Qualified Beneficiaries (as defined in 26 U.S.C. section 4980B(g)(1) and 29 U.S.C. section 1167(3)) otherwise may be eligible. At the end of the COBRA Reimbursement Period, Executive and each of his Qualified Beneficiaries shall be eligible to continue to purchase COBRA continuation coverage at the full, unreduced premium rate applicable to COBRA continuation coverage for the remainder of the applicable COBRA continuation coverage period; provided, however, the required premiums are timely paid.

- b. **Termination for Cause:** In the event Executive's employment is terminated for cause as defined herein, Executive shall be entitled to receive only accrued compensation, payout of accrued unused vacation

time and Administrative Leave, and reimbursement of expenses incurred through the date of termination, and shall not be entitled to any Severance Compensation or further salary or benefits. For purposes of this Agreement, cause for termination includes, without limitation, the following: Executive's death or inability to perform the Services due to disability; theft or attempted theft; material dishonesty or breach of fiduciary duty to the Watermaster; willful or persistent material breach of duties; breach of this Agreement or material breach of Watermaster policies and procedures; engaging in discrimination or harassment of employees or any third party while on Watermaster premises, business or time; conduct that threatens public health or safety, or threatens to do immediate or substantial harm to the Watermaster's business or reputation; conviction of a felony or crime of fraud or moral turpitude; and unauthorized absence for more than three consecutive days. The Watermaster's exercise of its right to terminate under this Section shall be without prejudice to any other remedy to which the Watermaster may be entitled at law, in equity, or under this Agreement.

**10. Covenant to Deliver Records, Property and Information.** All documents, memoranda, notes, information and other tangible or intangible property (including all copies and electronic or digital files thereof) relating in any way to the Services and the Watermaster's business (including but not limited to Confidential Information) that Executive conceives, generates, obtains or compiles, or that are made available to Executive during the Employment Term, are and will remain the exclusive property of the Watermaster. Executive agrees to return all such information, including all copies, summaries, compilations, reproductions, and computer data records thereof, as well as all tangible property of the Watermaster, including computers, thumb drives, memory sticks, jump drives, external hard drives, disks, and other external storage devices, to the Watermaster immediately upon the termination of this Agreement or at such earlier time as the Watermaster may request. Executive also agrees to certify in the form that the Watermaster requests the permanent and complete removal of all such information from Executive's personal electronic devices and personal accounts, including but not limited to hard drives on personal computers, external hard drives, BlackBerries, SmartPhones, cell phones, voicemail, file storing accounts and personal email accounts, upon termination of employment or at such earlier time as the Watermaster may request. The requirements of this Section shall survive termination of this Agreement for any reason.

**11. Conflict of Interest:** Executive represents and warrants to the Watermaster that he presently has no interest, and covenants that he will not acquire any interests, direct or indirect, financial or otherwise, that would conflict in any manner or interfere with the performance of the Services. Executive shall comply with the Watermaster's Conflict of Interest policy, as it may be updated from time to time.

**12. Tax Consequences; Code Section 409A:**

- a. Executive understands and agrees that he is solely responsible for any and all taxes due as a result of any compensation, including Severance Compensation, provided hereunder. The Watermaster has provided no tax advice to Executive in connection with this Agreement and/or any other compensation or benefits being provided to Executive, and Executive is hereby advised to seek tax advice from his own tax advisors regarding this Agreement and compensation payments and benefits that may be provided hereunder. Executive is specifically advised to consult with his tax advisors regarding the application of the provisions of Section 409A of the Internal Revenue Code of 1986, as it may be amended from time to time ("Section 409A"). In no event shall the Watermaster be liable for any additional tax, interest, or penalties that may be imposed upon Executive as a result of Section 409A, or any damages for failing to comply with Section 409A, nor shall the Watermaster have any obligation with respect to any tax obligation of Executive as a result of or attributable to this Agreement or the compensation and benefits contemplated hereunder.
- b. The compensation and benefits contemplated hereunder are intended to be exempt from the requirements of Section 409A, and this Agreement shall be construed and administered in accordance with such intent.
- c. In the event the Watermaster determines that any compensation or benefit payable hereunder may be subject to the requirements of Section 409A, the Watermaster (without any obligation to do so or obligation to indemnify Executive for any failure to do so) may adopt, without the consent of Executive, such amendments to this Agreement or take any other actions that the Watermaster in its sole discretion determines are necessary or appropriate for such compensation or benefit to either (a) be exempt from the requirements of Section 409A or (b) comply with the requirements of Section 409A.
- d. Whenever a payment under this Agreement specifies a payment period, the actual date of payment within such specified period shall be within the sole discretion of the Watermaster, and Executive shall have no right (directly or indirectly) to determine the year in which such payment is made. In the event a payment period straddles two consecutive calendar years, the payment shall be made in the later of such calendar years.
- e. No compensation or benefit that is subject to the requirements of Section 409A and that is payable upon Executive's termination of employment shall be paid unless Executive's termination of employment constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h).

- f. All expenses or other reimbursements paid pursuant to this Agreement that are taxable income to Executive shall in no event be paid later than the end of the calendar year next following the calendar year in which Executive incurs such expense. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A, (i) the right to payment or reimbursement or in-kind benefits shall not be subject to liquidation or exchange for any other benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided that the foregoing clause (ii) shall not be violated by any lifetime and other annual limits provided under the Watermaster's health plans and (iii) such payments shall be made on or before the last day of the taxable year following the taxable year in which the expense occurred.

**13. General Provisions:**

- a. **Notices:** All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if personally served, or on the first day after mailing if mailed by FedEx or a similar overnight delivery service, or on the second day after mailing if mailed by first-class mail, registered or certified, return receipt requested, postage prepaid and properly addressed as follows:

**The Watermaster:** Chairman  
Chino Basin Watermaster  
9641 San Bernardino Road  
Rancho Cucamonga, CA 91730

**With Copy to:** Brownstein Hyatt Farber Schreck, LLP  
1020 State Street  
Santa Barbara, CA 93101  
Attn: Scott S. Slater

**Executive:** Peter Kavounas  
26507 Mistletoe Court  
Valencia, CA 91355

Either party may change its address for the purpose of this paragraph by giving the other party written notice of the new address in the above manner.

- b. **Waiver:** No waiver of a provision of this Agreement shall constitute a waiver of any other provision, whether or not similar. No waiver shall

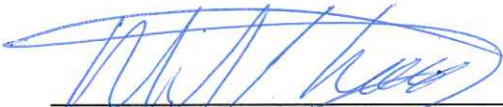
constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

- c. **Construction of Terms:** All parts of this Agreement shall in all cases be construed according to their plain meaning and shall not be construed in favor or against either of the parties. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, in whole or in part, the remainder of this Agreement shall remain in full force and effect and shall not be affected, impaired or invalidated hereby. In the event of such invalidity, voidness or unenforceability, the parties hereto agree to enter into supplemental agreements to effectuate the intent of the parties and the purposes of this Agreement.
- d. **Severability.** If any term, provision, covenant, paragraph, or condition of this Agreement is held to be invalid, illegal, or unenforceable by any court or arbitrator of competent jurisdiction, as to such jurisdiction that provision shall be limited (“blue-penciled”) or eliminated to the minimum extent necessary so this Agreement shall otherwise remain enforceable in full force and effect. To the extent such provision cannot be so modified, the offending provision shall, as to such jurisdiction, be deemed severable from the remainder of this Agreement, and the remaining provisions contained in this Agreement shall be construed to preserve to the maximum permissible extent the intent and purposes of this Agreement.
- e. **Controlling Law; Venue:** This Agreement shall be construed in accordance with, and be governed by, the laws of the State of California, with venue proper only in San Bernardino County, State of California.
- f. **Entire Agreement and Amendment:** In conjunction with the matters considered herein, this Agreement contains the entire understanding and agreement of the parties and supersedes all prior agreements between the parties, written or oral, express or implied, expressly including the Original Employment Agreement. There have been no promises, representations, agreements, warranties or undertakings by any of the parties, either oral or written, of any character or nature hereafter binding except as set forth herein. This Agreement may be altered, amended or modified only by an instrument in writing, executed by the parties to this Agreement and by no other means. Each party waives their future right to claim, contest or assert that this Agreement was modified, cancelled, superseded or changed by any oral agreement, course or conduct, waiver or estoppel.

- g. **Counterpart Copies:** This Agreement may be signed in counterpart copies, each of which shall represent an original document, and all of which shall constitute a single document.
- h. **Assistance of Counsel:** Executive expressly acknowledges that he had the opportunity to consult with counsel of his own choosing in connection with the negotiation and drafting of the terms of this Agreement, and that he, in fact, consulted with an attorney and negotiated the terms of this Agreement.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement on the date first written above.

**CHINO BASIN WATERMASTER**



By: Robert Craig  
Chairman of the Watermaster Board

**EXECUTIVE**



Peter Kavounas