

**AMENDMENT NUMBER 3
TO
AMENDED AND RESTATED EMPLOYMENT AGREEMENT
GENERAL MANAGER**

THIS AMENDMENT NUMBER 3 (“this Amendment”) is effective as of June ~~22~~, 2023, 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 (as defined below).

RECITALS

WHEREAS, Watermaster and Executive entered into an Amended and Restated Employment Agreement effective as of July 1, 2020, and as subsequently further amended by Amendment Number 1 and Amendment Number 2 (collectively, the “Agreement”); 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 further 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 introductory paragraph to Section 2 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, 2020, and will continue thereafter until June 30, 2028, unless earlier terminated pursuant to Section 9 below (the “Employment Term”). The Employment Term may be extended by mutual agreement of the parties.
2. Section 4 of the Agreement is hereby amended in its entirety to read as follows:
 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. The Watermaster’s regular operating hours may vary between (i) five (5) days/forty (40) hours per week and (ii) nine (9) days/eighty (80) hours per biweekly period, and Executive’s normal hours of work may vary in accordance with that schedule.

3. The third sentence of Section 5.e. of the Agreement is hereby amended to read as follows:

Pursuant to the Watermaster's employee policy, Executive will be provided with two (2) days per year of floating holiday time, provided that the number of hours to which these two (2) days equate will be dependent on Executive's regular work schedule.

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

j. Retention Bonus:

(i) 2023 Retention Bonus. If (a) Executive remains continuously employed in good standing with Watermaster through June 30, 2023 (the "2023 Accrual Date") and (b) this Agreement has not terminated prior to the 2023 Accrual Date, Executive shall earn a retention bonus in the amount of One Hundred Thirty-Five Thousand Dollars (\$135,000.00) ("2023 Retention Bonus") on the 2023 Accrual Date. The 2023 Retention Bonus shall be paid to Executive in two installments, less applicable deductions and withholdings, as follows: (1) the first installment of \$75,000.00, less applicable deductions and withholdings, shall be paid on July 23, 2023, and (2) the second installment of \$60,000.00, less applicable deductions and withholdings, shall be paid on the earlier of (x) January 22, 2024 or (y) the date of Executive's termination from employment. Under no circumstances will the 2023 Retention Bonus be prorated prior to the 2023 Accrual Date; Executive must be employed in good standing through the 2023 Accrual Date to earn all or any portion of the 2023 Retention Bonus.

(ii) 2026 Retention Bonus. If (a) Executive remains continuously employed as a full-time employee in good standing with Watermaster through June 30, 2026 (the "2026 Accrual Date") and (b) this Agreement has not terminated prior to the 2026 Accrual Date, Executive shall earn a retention bonus in the amount of One Hundred Twenty-Five Thousand Dollars (\$125,000.00) (the "2026 Retention Bonus") on the 2026 Accrual Date. The 2026 Retention Bonus will be a single lump sum cash payment, less applicable deductions and withholdings, and will be paid to Executive, as determined in the sole discretion of Watermaster, on June 30, 2026 or as soon as administratively practicable thereafter, but in no event later the last day of the period ending on the later of (1) the 15th day of the third month following the end of the first calendar year in which the right to the payment was no longer subject to a substantial risk of forfeiture or (2) the 15th day of the third month following the end of the Watermaster's first taxable year in which the right to the payment was no longer subject to a substantial risk of forfeiture.

Except as provided in the next paragraph, under no circumstances will any prorated amount of the 2026 Retention Bonus be payable prior to the 2026 Accrual Date; Executive must be employed full-time in good standing through the 2026 Accrual Date to earn all of the 2026 Retention Bonus.

Notwithstanding the foregoing provisions of this Subsection 5.j(ii), if Executive has an Involuntary Severance from Employment prior to the 2026 Accrual Date, Executive will receive a single lump sum cash payment, less applicable deductions and withholdings, in a prorated amount of the 2026 Retention Bonus based on the number of full calendar months of employment beginning on July 1, 2023, and ending on the date of Executive's Involuntary Severance from Employment. This prorated amount will be paid to Executive, as determined in the sole discretion of Watermaster, on June 30, 2026 or as soon as administratively practicable thereafter, but in no event later the last day of the period ending on the later of (1) the 15th day of the third month following the end of the first calendar year in which the right to the payment was no longer subject to a substantial risk of forfeiture or (2) the 15th day of the third month following the end of the Watermaster's first taxable year in which the right to the payment was no longer subject to a substantial risk of forfeiture. For purposes of this paragraph, "Involuntary Severance from Employment" means Executive's severance from employment without Cause with Watermaster (and the termination of this Agreement) due to the independent exercise of Watermaster's unilateral authority to terminate Executive's employment, other than due to Executive's implicit or explicit request, if Executive was willing and able to continue performing services for Watermaster.

5. Section 12.a. of the Agreement is hereby amended in its entirety to read as follows:

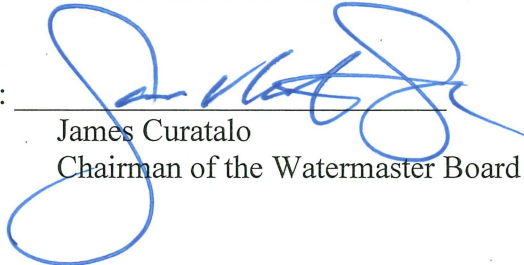
- a. Executive understands and agrees that he is solely responsible for any and all taxes due as a result of any compensation, including the Retention Bonus and Severance Compensation, provided hereunder. The Watermaster has provided no tax advice to Executive in connection with this Agreement and/or 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 (the "Code"), and any Treasury Regulations and other interpretive guidance issued thereunder (collectively, "Section 409A"), and Section 457(f) of the Code and any Treasury Regulations and other interpretive guidance issued thereunder (collectively "Section 457(f)"). In

no event shall the Watermaster be liable for any tax, interest, income inclusion, penalty, or other liability arising from or relating to any liability or obligation imposed upon Executive under the Code or any damages of Executive or any other individual arising from or relating to any failure to comply with any applicable requirements of the Code, including but not limited to Section 409A and/or Section 457(f), 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. The payment by Watermaster of any compensation or the provision of any benefit under this Agreement that is subject to the requirements of Section 409A and/or Section 457(f) shall not be substituted, accelerated, or deferred in a manner that would violate applicable requirements of Section 409A and/or Section 457(f).

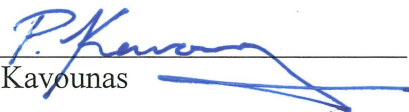
6. Except as amended above, each and every of the Agreement, as it previously may have been amended, shall remain in full force and effect without change or modification.
7. Any inconsistent provision of the Agreement (including but not limited to cross-references) shall be read to be consistent with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

IN WITNESS WHEREOF, the parties to the Agreement have executed this Amendment Number 3 as of the latest date set forth below.

CHINO BASIN WATERMASTER

By:  Date: 6-30-23
James Curatalo
Chairman of the Watermaster Board

EXECUTIVE

 Date: 6/27/23
Peter Kavounas

**AMENDMENT NUMBER 2
TO
AMENDED AND RESTATED EMPLOYMENT AGREEMENT
GENERAL MANAGER**

THIS AMENDMENT NUMBER 2 (“this Amendment”) is effective as of July 1, 2022, 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 Amended and Restated Employment Agreement effective as of July 1, 2020, and as subsequently further amended by that DATE Amendment Number 1 to Amended and Restated Employment Agreement (collectively, the “Agreement”); 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 further 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. Section 5.h. of the Agreement is hereby amended in its entirety to read as follows:
 - h. Nonqualified Deferred Compensation Plan.** The Watermaster has established and agrees to 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 of Watermaster’s regular payroll periods during the Employment Term, the Watermaster agrees to make an employer contribution to the NQDC Plan for the benefit of Executive equal to twelve percent (12%) 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*, 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.

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

j. Retention Bonus: 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, Executive shall earn a retention bonus in the amount of One Hundred Thirty-Five Thousand Dollars (\$135,000.00) ("Retention Bonus") on the Accrual Date. The Retention Bonus shall be paid to Executive in two installments, less applicable deductions and withholdings, as follows: (1) the first installment of \$75,000.00, less applicable deductions and withholdings, shall be paid on July 23, 2023, and (2) the second installment of \$60,000.00, less applicable deductions and withholdings, shall be paid on the earlier of (x) January 2024 or (y) the date of Executive's termination from employment. Under no circumstances will the Retention Bonus be prorated prior to the Accrual Date; Executive must be employed in good standing through the Accrual Date to earn all or any portion of the Retention Bonus.

3. Section 9.a.(i) of the Agreement is amended in its entirety to read as follows:

(i) will pay Executive (in addition to accrued compensation, including any unpaid installment(s) of the Retention Bonus if this Agreement is terminated on or after the Accrual Date and Executive has otherwise earned the Retention Bonus, accrued unused vacation time and Administrative Leave time, and reimbursement of expenses incurred through the termination date) severance pay in the amount of twelve (12) months of Executive's then-current base compensation, less applicable withholdings, to be paid in a single lump sum cash payment on the 53rd day after the date Executive's employment with the Watermaster is terminated (the "Severance Pay"), and

4. Section 9.b. of the Agreement is amended in its entirety to read as follows:

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 through the date of termination of Executive's employment, including payout of any earned installment(s) of the Retention Bonus if the termination of Executive's employment occurs on or after the Accrual Date and Executive has otherwise earned the Retention Bonus, payout of accrued unused vacation time and Administrative Leave, and reimbursement of expenses incurred through the date of Executive's employment 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 other than due to disability or serious illness or injury. 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.

5. The title of Section 12 is hereby amended in its entirety to read as follows:

12. **Tax Consequences; Code Section 409A and 457(f):**

6. Sections 12.a., 12.b. and 12.c. are hereby amended in their entirety to read as follows:

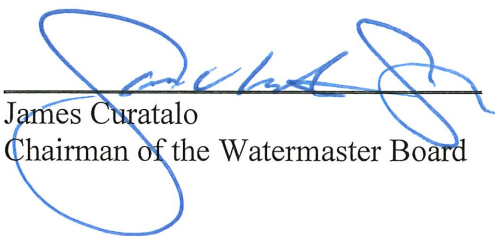
- a. Executive understands and agrees that he is solely responsible for any and all taxes due as a result of any compensation, including the Retention Bonus and Severance Compensation, provided hereunder. The Watermaster has provided no tax advice to Executive in connection with this Agreement and/or 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 ("Section 409A") and Section 457(f) ("Section 457(f)") of the Internal Revenue Code of 1986, as it may be amended from time to time. 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 and/or Section 457(f), or any damages for failing to comply with Section 409A and/or Section 457(f), 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 (i) either comply with or to be exempt from the requirements of Section 409A and (ii) comply with the applicable requirement of Section 457(f), 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 and/or Section 457(f), the Watermaster (without any obligation to do so or obligation to indemnify Executive for any failure to do so) may adopt, to the extent permitted by

applicable law and 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 (i) either (A) be exempt from the requirements of Section 409A or (B) comply with the requirements of Section 409A, and (ii) comply with the applicable requirements of Section 457(f).

7. 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.
8. Any inconsistent provision of the Agreement (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 Number 2 as of the date set forth below.

CHINO BASIN WATERMASTER

By: 
James Curatalo
Chairman of the Watermaster Board

Date: JUNE 23, 2022

EXECUTIVE


Peter Kavounas

Date: JUNE 23, 2022

**AMENDMENT NUMBER 1
TO
AMENDED AND RESTATED EMPLOYMENT AGREEMENT
GENERAL MANAGER**

THIS AMENDMENT NUMBER 1 (“Amendment”) is executed and entered into as of June 24, 2021, 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 Amended and Restated Employment Agreement effective as of July 1, 2020 (the “Agreement”); 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

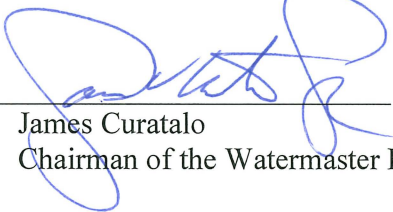
1. Section 2 of the Agreement is hereby amended in its entirety to read as follows:
 2. **Term of Employment**: The term of employment pursuant to this Agreement will commence on July 1, 2020, and will continue thereafter until June 30, 2026, unless earlier terminated pursuant to Section 9 below (the “Employment Term”). The Employment Term may be extended by mutual agreement of the parties.
2. Section 9(a)(i) is amended to provide twelve (12) months of Severance Pay rather than six (6) months.
3. Section 9(a)(ii) is amended to increase the COBRA Reimbursement Period to a period of twelve (12) months rather than six (6) months.
4. Section 5(d) Agreement is hereby amended in its entirety to read as follows :
 - (d) **Vacation**: Executive will earn twenty-five days (i.e., 200 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 fifty days (i.e., 400 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. Executive may use no more than three weeks of vacation consecutively without prior approval of the Board, provided that any unused vacation may be consecutively taken immediately prior to the Agreement end date of June 30, 2026.

5. 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.

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

CHINO BASIN WATERMASTER

By: 
James Curatalo
Chairman of the Watermaster Board

EXECUTIVE

By: 
Peter Kavounas
General Manager

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

GENERAL MANAGER

This Amended and Restated Employment Agreement (“Agreement”) is effective as of July 1, 2020 (the “Effective Date”), by and between the 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, an Employment Agreement dated as of August 22, 2013, an Employment Agreement dated June 30, 2014, an Amendment Number 1 to Employment Agreement dated July 23, 2015, an Amendment Number 2 to Employment Agreement dated August 25, 2016, an Amendment Number 3 to Employment Agreement dated June 22, 2017, an Amendment Number 4 to Employment Agreement dated July 26, 2018, and an Amendment Number 5 to Employment Agreement dated June 27, 2019 (collectively, the “Prior Employment Agreements”); and

WHEREAS, the Watermaster and Executive desire to amend and restate in its entirety the Prior Employment Agreements and continue the employment of Executive upon the terms and subject to the 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 will continue to employ Executive, and Executive hereby accepts continued 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, 2020, and will continue thereafter for three (3) years, unless earlier terminated pursuant to Section 9 below (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 (as defined below), 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:** Base Salary: Effective July 1, 2020, Watermaster shall pay Executive an annual Base Salary of Two Hundred Eighty-Seven Thousand Six Hundred Dollars and

Eight-Two Cents (\$287,600.82) 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.

- 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 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: Executive will contribute eight percent (8%) of the CalPERS Retirement contribution.
- h. Nonqualified Deferred Compensation Plan.** The Watermaster has established and agrees to 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 of Watermaster's regular payroll periods during 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.
- 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.
- 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 One Hundred Thirty-Five Thousand Dollars (\$135,000.00) (the "Discretionary Contribution"), such Discretionary Contribution to be made to the NQDC Plan no later than the thirtieth (30th) 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

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 upon request 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 (as defined below), 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 53rd day after the date Executive's employment with the Watermaster is terminated (the "Severance Pay"), and

(ii) shall reimburse Executive for applicable COBRA premiums covering Executive's insurance for himself and any eligible dependents covered by such insurance as of the date of termination of Executive's employment, as described in Section 5(c), for a period of up to six (6) months, upon receipt of evidence from Executive that he has timely elected and timely paid for such COBRA coverage, provided however that no such reimbursement will be paid unless and until the Executive executes the release agreement and the Effective Date of the release agreement, as defined therein, has occurred (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 53rd day after the date of 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 53rd day after the date of 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 498013(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 through the date of termination of Executive's employment, payout of accrued unused vacation time and Administrative Leave, and reimbursement of

expenses incurred through the date of Executive's employment 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 other than due to disability or serious illness or injury. 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 of the Watermaster Board
Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

With a Copy (which shall not constitute notice) to:
Brownstein Hyatt Farber Schreck, LLP
1021 Anacapa Street, 2nd Floor
Santa Barbara, CA 93101
Attn: Scott S. Slater

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

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.
- d. **Severability.** If any term, provision, covenant, paragraph, or condition of this Agreement is held to be invalid, illegal, or unenforceable in whole or in part 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.

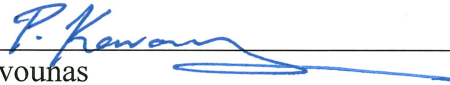
- e. **Controlling Law; Venue:** This Agreement shall be construed in accordance with, and be governed by, the laws of the State of California, with venue proper only in San Bernardino County, State of California.
- f. **Entire Agreement and Amendment:** In conjunction with the matters considered herein, 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 Prior Employment Agreements. There have been no promises, representations, agreements, warranties or undertaking 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. A facsimile, pdf, emailed or DocuSigned signature will have the same force and effect as an original.
- 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 Amendment as of the date first written above.

CHINO BASIN WATERMASTER

By: 
Jeffrey Pierson
Chairman of the Watermaster Board

EXECUTIVE

By: 
Peter Kavounas
General Manager