

WATERMAS0036:

TEMPORARY, PART-TIME EMPLOYMENT AGREEMENT

This Temporary, Part-Time Employment Agreement (the "Agreement") is entered into between the Chino Basin Watermaster (the "Watermaster") and Ken Jeske ("Executive") as of the 17th day of January, 2012 ("Effective Date of this Agreement").

WHEREAS, the position of Chief Executive Officer of the Watermaster recently became vacant;

WHEREAS, retaining a new Chief Executive Officer is a matter of urgency, given the pending matters of the Watermaster;

WHEREAS, the Watermaster will begin a formal executive search to locate a successor Chief Executive Officer in February 2012 and will exercise reasonable efforts to conclude the search and select a qualified successor no later than June 1, 2012;

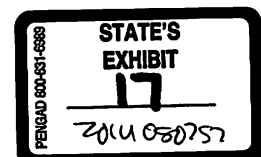
WHEREAS, Executive possesses specialized skills and has substantial experience in governance and management of the Watermaster and knowledge of the water generally; and

WHEREAS, the Watermaster desires to retain Executive on a temporary, part-time basis until the successor Chief Executive Officer is installed and trained.

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions stated in this Agreement, the Watermaster and Executive, intending to be legally bound, hereby agree as follows:

1. SERVICES

1.1 Position. Executive shall be retained as the Interim Chief Executive Officer ("CEO") of the Watermaster. Executive shall report directly to the Watermaster Board of Directors (the "Board"), and shall serve at the pleasure of the Board. Executive shall perform the duties customarily performed by one employed in such a position, as reasonably determined by the Watermaster. (These duties shall hereinafter be referred to as the "Services".) The Services shall include, among other things, responsibility for the administration and oversight of Watermaster functions, including implementation of the Judgment and the Optimum Basin Management Program ("OBMP"), as well as those job duties included on Schedule A. Subject to the control and direction of the Board, Executive shall provide day-to-day leadership for the Watermaster and be directly responsible to the Board on all matters pertaining to the administration and operations of the Chino Groundwater Basin (the "Basin") under the terms of the Judgment and the OBMP. Executive shall also keep the Board, through the Advisory Committee process, apprised of all applicable federal, state, regional and local policies regulating the Watermaster's activities. Executive's duties may change from time to time, based on the needs of the Watermaster.



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1.2 Hours of Work. Executive shall be employed on a part-time basis. Executive shall spend a reasonable amount of time performing the Services in a competent manner, which amount of time shall be between 400 and 720 hours in total during the Initial Term (as defined below).

1.3 Location. Executive shall be based in and shall render services for the Watermaster primarily at its main office, but shall undertake such travel as is necessary or advisable for the effective performance of the Services, as determined by the Watermaster.

1.4 No Conflicting Engagement. Executive shall not, during the Term (as defined below), engage in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage, that competes or interferes, or may pose a conflict of interest, with the Watermaster without the prior written consent of the Board. However, Executive may, and is encouraged to, devote reasonable time to activities involving professional, educational and similar types of activities, speaking engagements, and membership on boards for the purpose 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.

1.5 Corporate Authority; Compliance with Law and Policies. Executive, as an officer of the Watermaster, shall perform the Services diligently and competently, and shall act in conformity with all laws and regulations applicable to Executive as a result of this Agreement and his position with the Watermaster. Executive shall act at all times within the Watermaster's limits, budgets and business plans as set by the Board. Executive understands that he is responsible for familiarizing himself and complying with the Watermaster's policies and procedures that are now in effect, as they later may be amended or adopted by the Watermaster, whether oral or written. In the event of a conflict between the Watermaster's policies and/or practices and this Agreement, this Agreement shall control. All Services shall be accomplished within the limitations imposed by law upon Public Employee Retirement System retirees, with no exceptions.

1.6 Vehicle Use. Executive acknowledges that he will utilize his personal vehicle in connection with the performance of the Services. During the Term, Executive shall procure and maintain in full force and effect automobile liability insurance covering the personal vehicle(s) 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 or policies. Such vehicle insurance policy or policies shall provide thirty (30) 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. Failure to maintain the insurance coverage or driver's license required under this Section shall constitute a material breach of this Agreement.

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2. **TERM.** This Agreement shall commence on January 17, 2012, and shall terminate on July 17, 2012 (the "Initial Term"), unless earlier terminated pursuant to this Agreement. Upon mutual consent of the parties, the Watermaster may extend this Agreement up to six (6) times for periods of one (1) month each, in the event a qualified successor CEO has not been installed, for the purpose of providing such successor with appropriate training and/or for the purposes of consulting. In no event, however, shall this Agreement be extended for a period exceeding one (1) year, nor shall Executive be employed with the Watermaster for a period greater than one (1) year. The period during which this Agreement is in effect (including any extensions) shall be referred to as the "Term."

3. **COMPENSATION AND BENEFITS.**

3.1 **Compensation.** Executive shall be paid compensation at the rate of \$175.00 per hour, less applicable withholdings. Executive shall submit biweekly timecards to the Board, and the Watermaster shall provide payment to Executive in accordance with its regular payroll schedule. Executive shall not be entitled to any other form of compensation or benefits whatsoever from the Watermaster including, but not limited to, medical, dental and vision insurance, vacation, administrative leave and/or paid sick leave. Compensation provided in this Agreement is full payment for the Services, and Executive shall receive no additional compensation for extraordinary services unless otherwise authorized.

3.2 **Business Expense Reimbursement.** The Watermaster shall reimburse Executive for reasonable and necessary expenses incurred by Executive in the performance of the Services. Such expenses 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.

3.3 **Indemnification.** The Watermaster shall provide Executive with customary indemnification for Executive's actions undertaken on behalf of the Watermaster pursuant to and within the course and scope of Executive's employment and authority.

4. **TERMINATION**

4.1 **Circumstances Of Termination.** This Agreement and the relationship between the Watermaster and Executive may be terminated as follows:

4.1.1 **Death.** This Agreement shall terminate upon Executive's death, effective as of the date of Executive's death.

4.1.2 **Disability.** The Watermaster may terminate this Agreement due to Executive's disability if Executive is incapable, even with reasonable accommodation by the Watermaster, of performing the Services because of injury to, or physical or mental illness of, Executive for a total period of fourteen (14) days, regardless of whether such days are consecutive ("Disability"). The foregoing is not intended to impair any entitlement of Executive to long- or short-term disability insurance or similar protection

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whether provided by or through the Watermaster or otherwise. Such termination shall be effective as of the date specified in the Watermaster's written notice of termination of this Agreement.

4.1.3. For Cause. The Watermaster may terminate this Agreement immediately for Cause by delivering written notice setting forth the specific Cause(s). For purposes of this Agreement, "Cause" shall mean failure to comply in any material respect with this Agreement or any agreement or policy incorporated herein; personal or professional misconduct by Executive (including, but not limited to, criminal activity, gross or willful neglect of duty or discrimination or harassment by Executive); breach of Executive's fiduciary duty to the Watermaster; conduct that threatens public health or safety, or threatens to do immediate or substantial harm to the Watermaster (including reputational harm); unauthorized absence for three (3) or more days; or any substantial misconduct, deficiency, failure or performance, breach, or default reasonably capable of being remedied or corrected by Executive. 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.

4.1.4. For Convenience. This Agreement is terminable by the Watermaster for convenience, with or without cause, at any time.

4.2 Executive's Rights Upon Termination.

4.2.1 Termination by the Watermaster for Death, Disability or Cause; Termination by Executive. Upon termination of this Agreement by the Watermaster due to Executive's Death or Disability or for Cause, or upon termination of this Agreement for any reason by Executive, the Watermaster shall have no further obligation to Executive under this Agreement except to distribute to Executive (or, as applicable, his estate or designated beneficiary) any (i) accrued, unpaid hourly compensation, less applicable withholdings, and (ii) outstanding reimbursable business expenses owed to Executive prior to the date of termination of this Agreement.

4.2.2 Termination for Convenience. Upon termination of this Agreement by the Watermaster for Convenience, the Watermaster shall have no further obligation to Executive under this Agreement except to distribute to Executive (i) any accrued, unpaid hourly compensation, less applicable withholdings, and (ii) any outstanding reimbursable business expenses owed to Executive prior to the date of termination of this Agreement. If this Agreement is terminated by the Watermaster for Convenience during the Initial Term, Executive also shall be entitled to receive the difference between the gross compensation paid to Executive and the sum of Seventy Thousand Dollars (\$70,000.00), less applicable withholdings.

5. **COVENANTS**

5.1 **Conflicts of Interest.**

5.1.1 **No Conflicting Obligations.** Executive represents and warrants that he has all right, power, authority and capacity, and is free to enter into this Agreement; that by doing so, Executive will not violate or interfere with the rights of any other person or entity; and that Executive is not subject to any contract, understanding or obligation that will or might prevent, interfere with or impair the performance of this Agreement by Executive. Executive shall 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 indemnify and hold the Watermaster harmless with respect to any losses, liabilities, demands, claims, fees, expenses, damages, and costs (including attorneys' fees and court costs) resulting from or arising out of any claim or action based upon Executive's representations pursuant to this Section 5.1. The Watermaster's right of indemnity hereunder shall survive the termination of this Agreement.

5.1.2 **Avoidance of Conflicts.** Executive agrees that he will not participate in any discussions with the Watermaster staff, General Counsel or the Board concerning Paragraph 31 and the disputes or interpretations of the 2007 Purchase and Sale Agreement between the Watermaster and the Overlying (Non-Agricultural) Pool or the Watermaster's review and approval of the GE Injection Well.

5.1.3 **Other Potential Conflicts.** Executive is not considered to have confidential information arising from his prior work in the Basin that would disqualify him from working on traditional Watermaster tasks or fully performing the Services. The Watermaster believes in good faith that the work previously undertaken by Executive would not be considered confidential except as set forth above in Section 5.1.2. Executive agrees that, if in the course of performing the Services, he discovers or is made aware that he has previously obtained confidential information that one or more parties to the Judgment likely would deem material and confidential, Executive agrees to recuse himself from participation in the matter until the party(ies) that disclosed the potentially confidential information expressly consent in writing to Executive's participation. Executive shall promptly take steps to obtain such express written consent. Under no circumstance shall Executive share the potentially confidential information with Watermaster staff, General Counsel or the Board.

5.2 **Confidentiality.** Executive acknowledges that, in the course of performing the Services, he will conceive, generate and/or obtain "Proprietary Information" of the Watermaster. For purposes of this Agreement, Proprietary Information means any information, including trade secrets, that is not generally known and relates to the Watermaster's business or to its actual or demonstrably anticipated research or development, if such information has been expressly or implicitly protected by the Watermaster from unrestricted use by persons not associated with the Watermaster. Proprietary Information includes, but is not limited to, information contained in or relating to the Watermaster's innovations, source codes, software, data, prototypes,

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models, test methods, tolerances, test equipment, design; processing and manufacturing methods and information, specifications, plans, processes and techniques, projects, patent data, sketches, drawings and notebooks, vendors, contractors and suppliers, tooling, marketing methods, plans or proposals, customer lists and other customer information, employee personnel information, pricing information, financial information, and business strategies and plans, as well as any other information marked "confidential," "proprietary," "secret" or the like. Proprietary Information also includes information of the Watermaster's customers, suppliers, and employees that was disclosed or entrusted to the Watermaster or to Executive in the course of business with the expectation of confidentiality. Executive agrees that, unless authorized in writing by the Board, Executive will not, directly or indirectly, disclose or use any Proprietary Information for Executive's own benefit or for the benefit of any other individual or entity, either during the term of employment or afterwards. Executive further agrees not to accept any employment that would, by the nature of the position, inherently involve the use or disclosure by Executive of Proprietary Information.

5.3 Non-Disparagement. Executive shall not, during the Term or thereafter, take actions or make statements, written or oral, that might disparage or defame the goodwill or reputation of the Watermaster or its directors, officers or employees, or that could adversely affect the morale of employees of the Watermaster.

5.4 Covenant to Deliver Records and Property. All documents, memoranda, notes, information and other tangible or intangible property relating in any way to the Watermaster's business, including but not limited to Proprietary Information, that Executive conceives, generates, obtains or compiles, or that are made available to Executive during the 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, as well as all tangible property of the Watermaster, such as 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, 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. Executive further agrees to promptly provide the Watermaster with any passwords, source codes, administrative access or other information in Executive's possession with respect to work performed for the Watermaster upon request, whether during or after the termination of this Agreement.

5.5 Representations Regarding Affiliation with The Watermaster. Executive agrees that, promptly upon termination of his employment or at such earlier time as the Watermaster may request, he will cease representing himself as a current employee of

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the Watermaster, including but not limited to updating his profile on professional networking sites such as LinkedIn.

5.6 Covenant Not to Recruit. Executive shall not, during the Term and for a period of one (1) year thereafter, directly or indirectly, either on his own behalf, or on behalf of any other individual or entity, solicit, induce (or attempt to induce), or endeavor to entice away any employee or independent contractor associated with the Watermaster to become affiliated with him or any other individual or entity.

6. CERTAIN RIGHTS OF THE WATERMASTER

6.1 Announcement. The Watermaster shall have the right to make public announcements concerning the execution of this Agreement and the terms thereof.

6.2 Use of Name, Likeness and Biography. The Watermaster shall have the right (but not the obligation) to use, publish and broadcast, and to authorize others to do so, the name, approved likeness and approved biographical material of Executive to advertise, publicize and promote the business of the Watermaster. An "approved likeness" and "approved biographical material" shall be, respectively, any photograph or other depiction of Executive, or any biographical information or life story concerning the professional career of Executive.

6.3 Right to Insure. The Watermaster shall have the right (but not the obligation) to secure, in its own name or otherwise, and at its own expense, life, health, accident or other insurance covering Executive, and Executive shall have no right, title or interest in and to such insurance. Executive shall assist the Watermaster in procuring such insurance by submitting to examinations and by signing such applications and other instruments as may be required by the insurance carriers to which application is made for any such insurance.

7. ASSIGNMENT. Executive shall not have the right to assign his interest in this Agreement, any rights under this Agreement, or any duties imposed under this Agreement. The Watermaster may assign and transfer this Agreement, providing such assignee assumes the Watermaster's obligations under this Agreement. Upon assignment, acquisition, merger, consolidation or reorganization, the term "the Watermaster" as used herein shall be deemed to refer to such assignee or successor entity.

8. GENERAL PROVISIONS.

8.1 Notices. Notice under this Agreement shall be sufficient if (i) hand delivered, (ii) personally delivered by a major commercial paid delivery courier service, with delivery signature required, (iii) mailed by certified or registered mail (return receipt requested and postage pre-paid), (iv) sent by confirmed facsimile, or (v) sent by confirmed other electronic transmission to the other party at its address set forth in the signature block below, or to such other address as may be timely designated by either

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party in writing. Notices shall be deemed received (i) the date of hand delivery, (ii) the date of delivery by the overnight courier service as evidenced by the delivery signature, (iii) five (5) days after deposit in the United States mail, (iv) the date sent by confirmed facsimile, or (v) the date sent by confirmed other electronic transmission.

8.2 Agreement Controls. Unless otherwise provided for in this Agreement, the Watermaster's policies, procedures and practices, including those set forth in the then-current Employee Handbook, shall govern the relationship between Executive and the Watermaster. If, however, any of the Watermaster's policies, procedures and/or practices conflict with this Agreement (together with any amendments hereto), this Agreement (and any amendments hereto) shall control.

8.3 Amendment and Waiver. This Agreement, and any provision thereof, may be amended or modified, and the observance of any provision may be waived (either retroactively or prospectively), only by written consent of the Chairman of the Board and Executive. Either party's failure to enforce any provision of this Agreement shall not be construed as a waiver of that party's right to enforce such provision.

8.4 Governing Law. This Agreement shall be governed by and construed under the laws of the State of California and the United States as applied to agreements among California residents entered into and to be performed entirely within the State of California. Unless waived by the Watermaster in writing for the particular instance at the request of Executive, the sole jurisdiction and venue for actions related to the subject matter hereof shall be in San Bernardino County, California. Both parties hereto consent to the jurisdiction of such courts and agree that process may be served in the manner provided herein for giving of notices or otherwise as allowed by California law. Executive expressly agrees that the Watermaster shall have the right to seek immediate relief in any court of competent jurisdiction without the necessity for posting a bond.

8.5 Prevailing Party Fees. In any action brought hereunder, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs, including expert witness expenses.

8.6 Severability. If any term, provision, covenant, paragraph, or condition of this Agreement is held to be invalid, illegal, or unenforceable by any court of competent 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.

8.7 Counterparts. This Agreement may be signed in counterparts, each of which shall represent an original document, and all of which shall constitute a single document. This Agreement may be executed via facsimile or other electronic transmissions.

8.8 Assistance of Counsel; No Adverse Construction. Executive expressly acknowledges that he had the opportunity to consult with counsel of his own choosing

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in connection with the negotiation and drafting of the terms of this Agreement. Both parties participated in the drafting of this Agreement. The rule that a contract is to be construed against the party drafting the contract is hereby waived, and shall have no applicability in construing this Agreement or the terms hereof.

8.9 Entire Agreement. With respect to its subject matter, namely, the employment of Executive by the Watermaster, this Agreement (including the documents expressly incorporated therein, such as the Confidentiality Agreement), contains the entire understanding between the parties hereto, and supersedes any prior agreements, understandings, and communications between the parties, whether oral, written, implied or otherwise.

8.10 No Representations. Executive expressly acknowledges that neither the Watermaster nor its agents (including counsel) have made any representations to him other than those set forth in this Agreement. Executive expressly acknowledges that neither the Watermaster nor its agents have made any representations to him regarding the tax consequences of the compensation paid hereunder or any impact this Agreement may have on Executive's CalPERS benefits or any other benefits. The Watermaster expressly advises Executive to consult legal counsel or other advisor(s) with respect to those issues.

WHEREFORE, the parties hereto execute this Agreement as of the date written above.

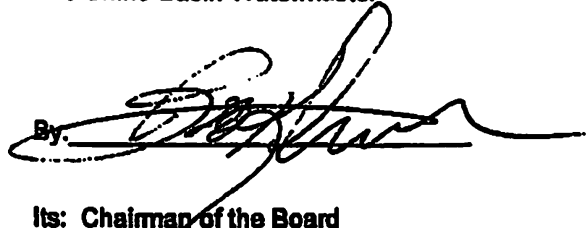
Executive



Ken Jeske

Address:

The Chino Basin Watermaster

By: 

Its: Chairman of the Board

Address: 9641 San Bernardino Road
Rancho Cucamonga, CA 91730

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SCHEDULE A – JOB DUTIES

Executive shall give special emphasis to management and completion of the following:

- **A timely on the update for the Recharge Master Plan, inclusive of the development of Watermaster policy for the Preemptive Replenishment, Storage, the assessment of losses from Storage, limitations on Local Storage Agreements, if any, and a program for physical recharge within Management Zone Number Three;**
- **Ongoing leadership and representation of Watermaster in the context of groundwater contamination matters (Chino Airport); and**
- **The training of a replacement (non-Interim) CEO.**

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EXTENSION OF TEMPORARY, PART-TIME EMPLOYMENT AGREEMENT

By entering into this Extension of Temporary, Part-Time Employment Agreement, the Chino Basin Watermaster (the "Watermaster") and Ken Jeske ("Executive") agree that the Temporary, Part-Time Employment Agreement between the parties, dated January 17, 2012, shall be extended by two (2) months, and shall expire on September 17, 2012, unless the parties enter into a successor extension agreement prior to that date.

Agreed to and executed by the undersigned as of the 28 day of June 2012.

Executive

The Chino Basin Watermaster



Ken Jeske

By: 

Its: Chairman of the Board