

# PROFESSIONAL SERVICES AGREEMENT

THIS AGREEMENT TO PROVIDE PROFESSIONAL SERVICES is made and entered into on FEBRUARY 7, 2008 by and between SEASIDE GROUNDWATER BASIN WATERMASTER, hereinafter referred to as "WATERMASTER," and HYDROMETRICS LLC, a California Corporation, hereinafter referred to as "PROFESSIONAL," as follows:

## SECTION I: ADHERENCE TO TERMS OF AGREEMENT

WATERMASTER intends to literally interpret and strictly apply all terms and conditions of this Agreement. All approvals which are required to be in writing must be in writing to be valid and binding. PROFESSIONAL is encouraged to raise to WATERMASTER any questions with regard to interpretation or applicability of any provision of this Agreement before undertaking the work.

## SECTION II: EMPLOYMENT

WATERMASTER hereby employs PROFESSIONAL, as an independent contractor to furnish the professional services covered by this Agreement, and the Requests for Service issued under it, in accordance with the terms and conditions set forth below, and PROFESSIONAL hereby accepts such employment.

## SECTION III: WORK ASSIGNMENTS

It is the intent of WATERMASTER and PROFESSIONAL to authorize the performance of work under this Agreement by executing a series of written work assignments setting forth the specific description, scope, and costs of the work to be performed. Such assignments shall be called "Requests For Service" (RFS) and shall be numbered consecutively. Each RFS, upon execution by PROFESSIONAL and by WATERMASTER, shall become and be considered as a part of this Agreement, and all provisions herein shall apply to said RFSs. The RFS form to be used is contained in Attachment A to this Agreement.

## SECTION IV: TIME OF PERFORMANCE

- A. General - Time is of the essence on the work of the RFSs issued under this Agreement. Therefore, PROFESSIONAL shall perform its services in

a timely manner. Specific performance times shall be specified for each individual RFS under this Agreement. PROFESSIONAL shall make every reasonable effort, including assigning of additional personnel to the work and/or working overtime, to complete the authorized work within these stipulated time periods. The taking of such additional measures to complete the work within the stipulated time periods will not entitle PROFESSIONAL to additional compensation, if the work is being performed under the Lump Sum Payment Method, except as provided for in Section V, Paragraph B.

- B. Subcontracted Services - For subcontracted services PROFESSIONAL shall contract for and schedule such services in a timely fashion in accordance with the requirements of the work, and shall be fully responsible for the performance and quality of all work performed by its subcontractors.
- C. Extensions of Time - The time of performance established for a particular RFS may be extended at any time prior to completion of the work by mutual agreement in writing between WATERMASTER and PROFESSIONAL.

## SECTION V: COMPENSATION

- A. General - WATERMASTER and PROFESSIONAL shall negotiate the costs and fees for each specific RFS. The method of payment of said costs and fees shall be either on a lump-sum basis, on a cost-plus-a-fixed-fee basis, or on a time-and-expense basis. The method of payment will depend on the specific conditions, the scope of work, and the services to be performed for each specific RFS.
- B. Projected Cost Overruns Under Cost-Plus-a-Fixed-Fee or Time-and-Expense Payment Methods - If, at any time in the performance of the work of a specific RFS under the Cost-Plus-a-Fixed-Fee or Time-and-Expense payment methods, PROFESSIONAL has reason to believe that the costs which it expects to incur to complete the work of that RFS will exceed the total amount authorized for that RFS, PROFESSIONAL shall notify WATERMASTER in writing to that effect. The notice shall:

- (1) State the reason(s) why PROFESSIONAL anticipates a cost



overrun;

- (2) State the estimated amount of additional funds beyond the total amount currently authorized that will be required to complete the work authorized by the RFS; and
- (3) Provide recommendations of how the overrun can be avoided;

If, after such notification, additional funds are not allotted, WATERMASTER will, if required in writing by PROFESSIONAL, terminate the work of that particular RFS pursuant to the provisions in Section VI, TERMINATION.

C. Lump-Sum Payment Method - WATERMASTER may elect to pay PROFESSIONAL a lump sum Total Price amount to be determined for a specific RFS. In addition to this lump sum amount, a Special Services allowance, as defined in this section, may also be established.

1. Lump Sum Total Price - PROFESSIONAL shall perform all work authorized by a lump sum type of RFS for the lump sum Total Price amount. No additional payments for said work will be requested by PROFESSIONAL or authorized by WATERMASTER, unless both parties agree that there is additional work, beyond the scope of services authorized by the RFS, which must also be performed. Before any such additional work is undertaken, WATERMASTER and PROFESSIONAL shall execute a separate amendment to the RFS setting forth the scope and costs of the additional work to be performed.
2. Special Services Allowance - To cover unforeseen circumstances, WATERMASTER and PROFESSIONAL may negotiate a Special Services allowance. PROFESSIONAL shall provide WATERMASTER with written notification stating the reasons for requiring the utilization of any or all of the Special Services allowance. No utilization of any portion of the allowance shall occur without the prior written approval of the WATERMASTER. Special Services costs will be charged in accordance with the

Time-and-Expense Payment Method as defined in Paragraph D of this section.

- D. Cost-Plus-A-Fixed-Fee Payment Method - WATERMASTER may elect to pay PROFESSIONAL on a cost-plus-a-fixed-fee basis which shall be the sum of (1) Direct Salaries, (2) Overhead Costs, (3) Direct Non-Salary Expenses, and (4) A Fixed Fee.
1. Direct Salaries - Shall be the amount paid by PROFESSIONAL to its employees for time directly chargeable to a given RFS, exclusive of costs for fringe benefits for said employees and other payroll costs not paid to the employee.
  2. Overhead Cost - Shall be a percentage of the Direct Salaries. The percentage to be charged shall be negotiated between WATERMASTER and PROFESSIONAL, and it shall be stipulated in each RFS for which this type of payment method will be used.
  3. Direct Non-Salary Expenses - Shall be all identifiable costs directly chargeable to each RFS including, but not limited to: travel and subsistence expenses; work subcontracted to others; reproduction of plans, specifications, reports and other documents; equipment rental; and, drafting and stenographic supplies used in the work. The chargeable rate for automobile mileage for the work to be performed under this shall be stated in the RFS.
  4. Fixed Fee - Shall be a fixed amount for interest on invested capital, readiness to serve, and profit. A fixed fee shall be established for each specific RFS for which the cost-plus-a-fixed-fee payment method will be used. This fixed fee will not change regardless of whether the Total Estimated Cost is greater than or less than the actual costs, unless both parties agree that there has been a change in scope. In such instance, the fixed fee will be renegotiated.
  5. Total Estimated Cost - Is the sum of categories (1), (2), and (3) above.



6. Total Price - Is the sum of categories (1), (2), (3), and (4) above.
7. Invoices - Invoices shall include the costs incurred in categories (1), (2), and (3), plus a proportionate amount of the category (4) Fixed Fee.

E. Time-and-Expense Payment Method - For tasks for which the scope of work is not readily definable, WATERMASTER may elect to pay PROFESSIONAL on a time-and-expense basis in accordance with the PROFESSIONAL's most current Standard Schedule of Compensation. The hourly rates set forth in the Standard Schedule of Compensation shall be inclusive of all direct and indirect salary costs, overhead, fringe benefits, profit, and other costs, and shall reflect the total hourly charge for each listed job category. Other direct non-salary expenses for the performance of work authorized under the Time-and-Expense Payment Method shall be all identifiable costs directly chargeable to each RFS including, but not limited to: travel and subsistence expenses; work subcontracted to others; reproduction of plans, specifications, reports and other documents; equipment rental; and, drafting and stenographic supplies used in the work. The chargeable rate for automobile mileage for the work to be performed under this Agreement shall be stated in the RFS. Direct non-salary expenses shall be compensated for at their actual cost, unless otherwise stated in the RFS, providing they have been authorized in advance by WATERMASTER. A Total Price, which may not be exceeded without WATERMASTER's prior written approval, will be established for each specific RFS for which this payment method will be used.

F. Terms of Payment - PROFESSIONAL shall invoice WATERMASTER monthly for work completed during the previous month, unless a different invoicing frequency is agreed to by both parties to this Agreement. All invoices shall be due and payable within thirty (30) days of the date of receipt by WATERMASTER, provided all costs included in the invoice are adequately supported by documentation accompanying the invoice. If payment is not made within sixty (60) days of the date of receipt by WATERMASTER, interest on the unpaid balance will accrue beginning with the sixty-first day at the rate of 1.0 percent per month, or the maximum interest rate permitted by law, whichever is the lesser. Such interest shall become due and payable at the time said

overdue payment is made.

- G. Penalty for Late Performance - The PROFESSIONAL is not responsible for delays in the schedule caused by events outside PROFESSIONAL's reasonable control. However, in the event PROFESSIONAL fails to properly complete work within thirty (30) days of the date such work is due (pursuant to schedules developed in accordance with Section IV of this Agreement), because of events within PROFESSIONAL's reasonable control, WATERMASTER SHALL reduce the total compensation established for the work of that RFS by ten percent (10%). Said reduction shall be deemed liquidated damages for the untimely performance of work required by this Agreement. PROFESSIONAL shall be deemed to have waived any claim for such amount by reason of his failure to perform in a timely fashion.

#### SECTION VI: TERMINATION

Notwithstanding the above, WATERMASTER reserves the right to terminate any RFS to this Agreement at any time prior to the completion of the services to be furnished by PROFESSIONAL under said RFS by giving a written Notice of Termination to PROFESSIONAL, in which event WATERMASTER shall pay PROFESSIONAL only for work done and direct costs incurred by PROFESSIONAL under said RFS prior to receipt of such notice of termination. Such costs will include reasonable costs to bring the work to a halt, and costs to deliver to WATERMASTER the documentation described in the following paragraph. Termination of a particular RFS will not affect any other operative RFS.

Upon receipt of a Notice of Termination, PROFESSIONAL shall (1) promptly discontinue all services affected (unless the notice directs otherwise), and (2) deliver to WATERMASTER all data, drawings, specifications, reports, estimates, summaries, and such other information and materials as may have been accumulated by PROFESSIONAL in performing work under this Agreement, whether completed or in process.

Upon termination WATERMASTER may take over the work and prosecute the same to completion by agreement with another party or otherwise. Any work taken over by WATERMASTER for completion will be completed at WATERMASTER's risk, and WATERMASTER will hold harmless PROFESSIONAL from all claims and damages arising out of improper use of PROFESSIONAL's work.



## SECTION VII: WATERMASTER LIABILITY

PROFESSIONAL understands that this Agreement is with WATERMASTER alone, and that none of the members of WATERMASTER are liable for any sums which may be payable hereunder, or for any debts of WATERMASTER.

## SECTION VIII: CHANGES

WATERMASTER may, at its discretion and from time to time, revise, correct, or modify the work to be performed under an RFS. All such changes shall be made formally and in writing to PROFESSIONAL. PROFESSIONAL shall comply with such changes. Should PROFESSIONAL determine that said changes will result in an increase or decrease in costs to PROFESSIONAL, these costs shall be evaluated by WATERMASTER and PROFESSIONAL for negotiation as to adjustment in the compensation due PROFESSIONAL, and written agreement as to said adjustment shall be reached between the parties prior to commencement of any work that will cause an increase or decrease in PROFESSIONAL's costs. Any increased costs in excess of the Total Price incurred by PROFESSIONAL prior to execution of a written agreement covering said increased costs shall not be compensable.

## SECTION IX: DUTIES OF WATERMASTER

WATERMASTER agrees to perform duties in connection with this Agreement and RFS issued under it as follows:

- A. To assist PROFESSIONAL in obtaining any available information concerning location and details of facilities under control of WATERMASTER that may affect the work of an RFS, and to render reasonable assistance to PROFESSIONAL;
- B. To examine within a reasonable time so as not to delay the work of PROFESSIONAL, all studies, reports, sketches, drawings, specifications, cost estimates, proposals and other documents presented by PROFESSIONAL to WATERMASTER for such purpose;
- C. To give prompt written notice to PROFESSIONAL whenever WATERMASTER observes or otherwise becomes aware of any defect in the work of PROFESSIONAL;

## SECTION X: DATA FURNISHED BY WATERMASTER

For the purpose of aiding PROFESSIONAL in the performance of its obligations under this Agreement and RFS issued under it, WATERMASTER shall furnish PROFESSIONAL all relevant data in its possession and shall render all reasonable assistance to PROFESSIONAL in connection with its performance hereunder. WATERMASTER is responsible for the reasonable correctness of data so furnished, but it shall likewise be the responsibility of PROFESSIONAL to apply reasonable caution in its use and interpretation of the data and to promptly advise WATERMASTER of any incorrectness or suspected incorrectness in the data furnished.

WATERMASTER shall provide to PROFESSIONAL in a timely manner all materials, decisions, and direction which are necessary to the progress of the work and which are basically the prerogative of WATERMASTER, but which PROFESSIONAL is not required to determine or provide under the terms of this Agreement.

## SECTION XI: RESPONSIBILITIES OF PROFESSIONAL

PROFESSIONAL is employed to render a professional service only, and any payments made to him are compensation solely for such services as he may render and recommendations he may make in carrying out the work. PROFESSIONAL shall follow professional practices to make findings, opinions, factual presentations, and professional advice and recommendations.

PROFESSIONAL's review or supervision of work prepared or performed by other individuals or firms employed directly by WATERMASTER shall not relieve those individuals or firms of complete responsibility for the adequacy of their work.

PROFESSIONAL shall be responsible for the professional quality, technical accuracy, timely completion, and the coordination of all designs, drawings, specifications, reports and other services furnished by PROFESSIONAL under this Agreement. PROFESSIONAL shall, without additional compensation, correct or revise any errors, omissions or other deficiencies in his designs, drawings, specifications, reports and other services.

PROFESSIONAL shall perform such professional services as may be necessary



to accomplish the work required to be performed under this Agreement and in accordance with this Agreement.

Approval by WATERMASTER of drawings, designs, specifications, reports, and incidental engineering work or materials furnished hereunder shall not in any way relieve PROFESSIONAL of responsibility for the technical adequacy of his work. Neither WATERMASTER's review, approval or acceptance of, nor payment for, any of the services rendered under this Agreement shall be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement.

PROFESSIONAL shall be and remain liable in accordance with applicable law for all damages to WATERMASTER caused by PROFESSIONAL's negligent performance of any of the services furnished under this Agreement. The only exception in this regard will be for errors, omissions or other deficiencies to the extent attributable to WATERMASTER, WATERMASTER-furnished data or any third party not under the control of PROFESSIONAL. PROFESSIONAL shall not be responsible for any time delays in the project caused by circumstances beyond PROFESSIONAL's control.

## SECTION XII: SUBCONTRACT

WATERMASTER has entered into this Agreement in order to receive the professional services of PROFESSIONAL. PROFESSIONAL will therefore not make an assignment to a third party of all or any portion of the services required of PROFESSIONAL under this Agreement and RFSs thereto without first obtaining the written consent of WATERMASTER. PROFESSIONAL may, however, make use of the part-time assistance of other experts possessing unique skills, the utilization of which will, in the opinion of PROFESSIONAL, enhance the quality of its service to WATERMASTER under this Agreement provided, however, that any such additional assistants, part-time or otherwise, shall be considered employees of PROFESSIONAL or of PROFESSIONAL's subcontractor(s), and the responsibility for same shall rest with PROFESSIONAL.

## SECTION XIII: INDEPENDENT PROFESSIONAL

PROFESSIONAL shall perform the services hereunder as an independent contractor, and nothing herein contained shall be construed to be inconsistent with this relationship or status. The employees of PROFESSIONAL shall not be deemed to

be the employees of WATERMASTER, and WATERMASTER shall have no right to control the physical conduct of PROFESSIONAL's employees.

#### SECTION XIV: USE OF DOCUMENTS

For all work performed under this Agreement and all RFSs thereto, PROFESSIONAL shall provide to WATERMASTER copies of all plans, drawings, specifications, studies, reports, analyses, calculations, and all other work products and supporting documentation developed in the course of performing the work authorized by these agreements. The costs for reproducing, assembling, and delivering said copies of these documents to WATERMASTER shall be considered to have been included in the price for performing each RFS, whether or not specifically stated therein. Unless stated otherwise in the RFS, one paper copy, and the electronic file on disc or on CD (e.g. in MS Word, MS Excel, etc.), of each document shall be provided by PROFESSIONAL to WATERMASTER. WATERMASTER shall have the right, and permission of PROFESSIONAL, to use any such document for any purpose which WATERMASTER deems appropriate. Use of documents for other than their intended purpose shall be at WATERMASTER's risk. WATERMASTER shall hold PROFESSIONAL harmless from all claims and damages arising out of improper use of said documents.

#### SECTION XV: AMENDMENTS AND SCOPE OF AGREEMENT

WATERMASTER hereby reserves the right to amend the provisions of this Agreement from time to time as may be in the best interest of WATERMASTER. Such amendments, upon acceptance by PROFESSIONAL and by WATERMASTER, shall become and be considered as part of this Agreement, and all provisions herein shall apply to such amendments.

This Agreement constitutes the entire agreement between the parties relative to the subject matters hereof, and no modifications thereof shall be effective unless and until such modifications are evidenced by written amendments, signed by both parties, to this Agreement. There are no understandings, agreements, conditions, representations, warranties, or promises with respect to the subject matter of this Agreement which are not actually contained in the Agreement, except those expressly contained in such written amendments.

#### SECTION XVI: SUCCESSORS AND ASSIGNS



This Agreement and all amendments thereto shall be binding upon and inure to the benefit of any successors and assigns of the respective parties hereto.

#### SECTION XVII: ATTORNEYS' FEES

If any legal action is necessary to enforce or interpret the terms or provisions of this Agreement and all amendments thereto, and the respective rights and duties of the parties hereunder, the prevailing party shall be entitled to reasonable attorneys' fees in addition to any other relief to which he may be entitled.

#### SECTION XVIII: JURISDICTION

This Agreement shall be administered and interpreted under the laws of the State of California. Jurisdiction of litigation arising from this Agreement shall be in this state. If any part of this Agreement is found to be in conflict with applicable laws, such part shall be inoperative, null and void insofar as it is in conflict with said laws, but the remainder of the Agreement shall be in full force and effect.

#### SECTION XIX: INSURANCE

PROFESSIONAL shall procure and maintain for the duration of this Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by PROFESSIONAL, his agents, representatives, employees or subcontractors.

##### A. Minimum Scope and Limits of Insurance

PROFESSIONAL shall maintain the types of insurance with limits no less than those set forth below, and having no deductibles, except as noted.

The coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001).
2. Insurance Services Office Form No. CA 0001 covering Automobile Liability, Code 1 (any auto).
3. Workers Compensation insurance as required by the State of California and Employer's Liability Insurance.
4. Errors and Omissions Liability insurance appropriate to the consultant's profession. For architects and engineers this coverage shall be endorsed to

include contractual liability.

Required coverage:

1. General Liability Insurance: Combined single limit of \$1,000,000 per occurrence and \$2,000,000 annual aggregate for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location, or the general aggregate limit shall be twice the required occurrence limit.
2. Automobile Liability Insurance: \$1,000,000 per accident for bodily injury and property damage.
3. Employer's Liability Insurance: \$1,000,000 per accident for bodily injury or disease. If PROFESSIONAL has no employees, this coverage is not required.
4. Workers' Compensation Insurance: As required by the State of California.
5. Errors and Omissions Insurance: PROFESSIONAL shall procure and maintain errors and omissions liability insurance appropriate to the type of professional services that PROFESSIONAL will be providing under this Agreement. The minimum coverage shall be \$1,000,000 per claim and in the aggregate.

B. Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by WATERMASTER before any work under this Agreement is performed.

C. Other Insurance Provisions

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

1. WATERMASTER, its officers, officials, employees, and volunteers are to be covered as insureds as respects: liability arising out of activities performed by or on behalf of PROFESSIONAL; products and completed



operations of PROFESSIONAL; premises owned, occupied or used by PROFESSIONAL; or, automobiles owned, leased, hired or borrowed by PROFESSIONAL. The coverage shall contain no special limitations on the scope of protection afforded to WATERMASTER, its officers, officials and employees.

2. For any claims related to this project, PROFESSIONAL's insurance coverage shall be primary insurance as respects WATERMASTER, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by WATERMASTER, its officers, officials, employees, or volunteers shall be excess of PROFESSIONAL's insurance and shall not contribute with it.
3. Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to WATERMASTER, its officers, officials and employees.
4. PROFESSIONAL's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
5. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to WATERMASTER.
6. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the Civil Code.

E. Acceptability of Insurers

Insurance is to be placed with insurers with a current A. M. Best's rating of no less than A:VII, unless otherwise acceptable to WATERMASTER.

F. Verification of Coverage

PROFESSIONAL shall furnish WATERMASTER with original certificates and amendatory endorsements effecting coverage required by this section. The endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All endorsements are to be received and approved by WATERMASTER before work commences. If this is not possible due to time constraints prior to commencement of work, PROFESSIONAL may initially furnish Certificates of Insurance in lieu of endorsements, as long as the endorsements are provided within forty-five (45) days from the date of execution of this Agreement.

G. Subcontractors

PROFESSIONAL shall include all subcontractors as insureds under its policies or shall furnish separate evidence of coverage and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

SECTION XX: INDEMNIFICATION

PROFESSIONAL shall indemnify and hold harmless WATERMASTER and its officers, officials, employees and agents from and against all losses, claims, demands, payments, suits, actions, recoveries, and judgements of every nature and description brought or recoverable against it or them by reason of any negligent act, negligent error, or negligent omission of PROFESSIONAL, his agents, or employees for work performed under this Master Agreement. The only exception in this regard will be for errors, omissions or other deficiencies to the extent attributable to WATERMASTER, WATERMASTER-furnished data or any third party not under the control of PROFESSIONAL.

SECTION XXI: WRITTEN NOTICE

Written notice shall be deemed to have been duly served if delivered in person or by mail to the individuals and at the addresses listed below:

A. WATERMASTER: Chief Executive Officer  
Seaside Basin Watermaster  
2600 Garden Road, Suite 228  
Monterey, CA 93940



**B. PROFESSIONAL:**

Derrick Williams  
President  
Hydrometrics LLC  
519 17<sup>th</sup> Street  
Suite 500  
Oakland, CA 94612

IN WITNESS WHEREOF, the parties hereto have executed this Agreement consisting of fifteen (15) pages and one (1) Attachment in duplicate on the date hereinabove written.

WATERMASTER

PROFESSIONAL

SEASIDE BASIN WATERMASTER

By   
Dewey D. Evans  
Chief Executive Officer

By   
Derrick Williams  
President