

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **November 19, 2014**

**AMERICAN STATES WATER COMPANY**

(Exact name of registrant as specified in its charter)

**California**

(State or other jurisdiction of  
incorporation or organization)

**001-14431**

(Commission File Number)

**95-4676679**

(I.R.S. Employer Identification  
No.)

**630 East Foothill Blvd.**

**San Dimas, California**

(Address of principal executive  
offices)

**91773**

(Zip Code)

**GOLDEN STATE WATER COMPANY**

(Exact name of registrant as specified in its charter)

Registrant's telephone number, including area code: **(909) 394-3600**

**California**

(State or other jurisdiction of  
incorporation or organization)

**001-12008**

(Commission File Number)

**95-1243678**

(I.R.S. Employer Identification  
No.)

**630 East Foothill Blvd.**

**San Dimas, California**

**91773**

Registrant's telephone number, including area code: **(909) 394-3600**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Section 5 - Corporate Governance and Management**

**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On November 19, 2014, the members of the Board of Directors approved, upon recommendation of the Compensation Committee, new change in control (CIC) agreements which will become effective January 1, 2015. The current CIC agreements will expire on December 31, 2014. Among other things, the material changes from the previous CIC agreements include the elimination of (i) the gross up for excise taxes pursuant to Section 280G of the Internal Revenue Code, and (ii) the single trigger on the acceleration of vesting on equity following a CIC. The revised CIC agreements include a double trigger on vesting of equity where both events have to occur before the equity vests: (1) a CIC event occurs, and (2) the officer is terminated or leaves for "Good Reason" (e.g., cut in pay, responsibilities, etc.).

The Board of Directors also approved changes to the forms of the non-qualified stock option, restricted stock unit and performance award agreements which will apply to all awards under the 2008 Stock Incentive Plan made after December 31, 2014. The changes provide that vesting will only occur upon a change in control if the employment of the executive is terminated as a result of a change in control, including termination for Good Reason.

**Section 9 - Financial Statements and Exhibits**

**Item 9.01. Financial Statements and Exhibits.**

- Exhibit 10.1 Amended Form of Restricted Stock Unit Award Agreement for the 2008 Stock Incentive Plan
- Exhibit 10.2 Amended Performance Award Agreement for the 2008 Stock Incentive Plan
- Exhibit 10.3 Amended Form of Nonqualified Stock Option Agreement for the 2008 Stock Incentive Plan
- Exhibit 10.4 Form of Revised Change in Control Agreement

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**AMERICAN STATES WATER COMPANY**

Date: November 21, 2014

\_\_\_\_\_  
/s/ Eva G. Tang  
Eva G. Tang  
Senior Vice President — Finance, Chief Financial Officer, Treasurer &  
Corporate Secretary

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AMENDMENT  
TO  
AMERICAN STATES WATER COMPANY  
2008 STOCK INCENTIVE PLAN  
FORM OF RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement") is dated as of \_\_\_\_\_ by and between American States Water Company, a California corporation (the "Corporation"), and \_\_\_\_\_ (the "Participant").

W I T N E S S E T H

WHEREAS, pursuant to the American States Water Company 2008 Stock Incentive Plan, as amended (the "Plan"), the Corporation has granted to the Participant effective as of the date hereof (the "Award Date"), an award of restricted stock units under the Plan (the "Award"), upon the terms and conditions set forth herein and in the Plan.

NOW THEREFORE, in consideration of services rendered and to be rendered by the Participant, and the mutual promises made herein and the mutual benefits to be derived therefrom, the parties agree as follows:

**1. Defined Terms.** Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

**2. Grant.** Subject to the terms of this Agreement, the Corporation hereby grants to the Participant an Award with respect to an aggregate of [ ] stock units (subject to adjustment as provided in Section 5.2 of the Plan) (the "Stock Units"). As used herein, the term "stock unit" means a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of the Corporation's Common Shares (subject to adjustment as provided in Section 5.2 of the Plan) solely for purposes of the Plan and this Agreement. The Corporation will maintain a Stock Unit bookkeeping account for the Participant (the "Account"). The Stock Units granted to the Participant under this Agreement will be credited to the Participant's Account as of the Award Date. The Stock Units shall be used solely as a device for the determination of the payment to eventually be made to the Participant if such Stock Units vest pursuant to Section 3. The Stock Units shall not be treated as property or as a trust fund of any kind.

**3. Vesting.**

(a) **General.** The Award shall vest and become nonforfeitable with respect to [ ] percent ([ %]) of the total number of Stock Units on [ ], [ %] of the total number of Stock Units on [ ] and [ ] percent ([ %]) of the total number of Stock Units on [ ] (each, an "Installment Vesting Date") (subject to adjustment under Section 5.2 of the Plan), provided the Participant is still employed by the Corporation or a Subsidiary on the applicable Installment Vesting Date, subject to earlier termination as provided herein or in the Plan.

(b) **Termination of Employment Prior to Vesting.** Notwithstanding Section 3(a), the Participant's Stock Units (and any Stock Units credited as dividend equivalents) shall terminate to the extent such Stock Units have not become vested prior to the first date the Participant is no longer employed by the Corporation or one of its Subsidiaries, regardless of the reason for the termination of the Participant's employment with the Corporation or a Subsidiary; *provided, however*, that if the Participant's employment is terminated by the Corporation or a Subsidiary as a result of the Participant's death or Total Disability, the Participant's Stock Units, to the extent such units are not then vested, shall become fully vested as of the date of termination of the Participant's employment. If the Participant is employed by a Subsidiary and that entity ceases to be a Subsidiary, such event shall be deemed to be a termination of employment of the Participant for purposes of this Agreement (unless the Participant otherwise continues to be employed by the Corporation or another of its Subsidiaries following such event). If any unvested Stock Units are terminated hereunder, such Stock Units (and any Stock Units credited as dividend equivalents) shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Corporation and without any other action by the Participant, or the Participant's beneficiary or personal representative, as the case may be.

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(c) **Early Vesting Upon Retirement Age.** Notwithstanding Section 3(a), the Participant's Stock Units (and any Stock Units credited as dividend equivalents), to the extent such Stock Units are not then vested, shall become fully vested as of the date such Participant attains Retirement Age. For purposes of this Agreement, a Participant shall attain "Retirement Age" at the time that the Participant both (1) is at least age 55 and (2) the sum of the age of the Participant and the Participant's years of service with this Corporation and/or one of its wholly owned subsidiaries is at least 75.

(d) **Early Vesting Upon Change in Control.** Notwithstanding Section 3(a), if within twenty four months after the occurrence of a Change in Control Event a Participant's employment is terminated by the Corporation without Cause, the Participant's Stock Units (and any Stock Units credited as dividend equivalents), to the extent such Stock Units are not then vested, shall be deemed fully vested immediately prior to the first date the Participant is no longer employed by the Corporation. In the case of any inconsistency between this Section 3(d) and Sections 5.2(c) or (e) of the Plan, this Section 3(d) shall control.

**4. Continuance of Employment.** The vesting schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Agreement. Partial employment or service, even if substantial, during any vesting period will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 3(b) or under the Plan.

Nothing contained in this Agreement or the Plan constitutes an employment or service commitment by the Corporation, affects the Participant's status as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment or services, or affects the right of the Corporation or any Subsidiary to increase or decrease the Participant's other compensation or benefits. Nothing in this paragraph, however, is intended to adversely affect any independent contractual right of the Participant without his consent thereto.

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## **5. Dividend and Voting Rights.**

(a) **Limitation on Rights Associated with Units.** The Participant shall have no rights as a shareholder of the Corporation, no dividend rights (except as expressly provided in Section 5(b) with respect to dividend equivalent rights) and no voting rights, with respect to the Stock Units and any Common Shares underlying or issuable in respect of such Stock Units until such Common Shares are actually issued to and held of record by the Participant. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the stock certificate.

(b) **Dividend Equivalents.** The Participant shall be entitled to receive dividend equivalents in the form of additional Stock Units with respect to the Stock Units credited to his or her Account as the Corporation declares and pays dividends on its Common Shares in the form of cash. The number of Stock Units to be credited to the Participant's Account as a dividend equivalent will equal (1) the per share cash dividend to be paid by the Corporation on its Common Shares multiplied by the number of Stock Units then credited to the Participant's Account on the record date for that dividend divided by (2) the Fair Market Value of the Common Shares on the related dividend payment date. The Corporation shall credit such additional Stock Units to the Participant's Account as of the related dividend payment date. Stock Units credited as dividend equivalents will become vested to the same extent as the Stock Units to which they relate. For purposes of clarity, no dividend equivalents shall be credited for a dividend record date with respect to any Stock Units that were paid or terminated prior to such dividend record date.

## **6. Timing and Manner of Payment.**

(a) **General.** Within 30 days following each Installment Vesting Date pursuant to Section 3(a), the Corporation shall deliver to the Participant a number of Common Shares equal to the number of Stock Units subject to this Award that become vested on such Installment Vesting Date (including any Stock Units credited as dividend equivalents with respect to such vested Stock Units), unless such Stock Units terminate prior to such Installment Vesting Date pursuant to Section 3(b).

(b) **Payment of Stock Units upon Termination of Employment as a Result of Death or Total Disability.** Notwithstanding Section 6(a), within 60 days following a termination of the Participant's employment as a result of his or her death or Total Disability, the Corporation shall deliver to the Participant a number of Common Shares equal to the number of Stock Units subject to this Award that became vested in accordance with Section 3(b) (including any Stock Units credited as dividend equivalents with respect to such Stock Units).

(c) **Payment of Stock Units Following Retirement Age or Change in Control Event.** Notwithstanding Section 6(a), if any portion of the Participant's Stock Units subject to this Award (and any Stock Units credited as dividend equivalents with respect to such Stock Units) vest prior to the applicable Installment Vesting Date as a result of Section 3(c) or 3(d), then within 30 days following each subsequent Installment Vesting Date, the Corporation shall deliver to the Participant a number of Common Shares equal to the number of Stock Units that would have vested on such Installment Vesting Date (including any Stock Units credited as dividend equivalents with respect to such Stock Units); provided, however, that if the Participant terminates employment prior to any such Installment Vesting Date, within 60 days following such termination of employment (or to the extent applicable under Section 409A, in accordance with Section 6(f)), the Corporation shall deliver to the Participant a number of Common Shares equal to the number of Stock Units subject to this Award that have not yet been delivered to the Participant (including any Stock Units credited as dividend equivalents with respect to such vested Stock Units).

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(d) **Termination of Stock Units Upon Payment.** A Stock Unit will terminate upon the payment of that Stock Unit in accordance with the terms hereof, and the Participant shall have no further rights with respect to such Stock Unit.

(e) **Form of Payment.** The Corporation may deliver the Common Shares payable to the Participant under this Section 6 either by delivering one or more certificates for such shares or by entering such shares in book entry form, as determined by the Corporation in its discretion.

(f) **Section 409A.** Notwithstanding anything herein to the contrary, if the Corporation reasonably determines that the payment of Stock Units as a result of the Participant's termination of employment is subject to Section 409A(a)(2)(B)(i) of the Code, such payment shall not be paid until the earlier of (i) six months after the Participant's "separation from service" (within the meaning of Section 409A of the Code and Treasury Regulations Section 1.409A-1(h) without regard to optional alternative definitions available thereunder) and (ii) the Participant's death.

**7. Restrictions on Transfer.** Neither the Award, nor any interest therein or amount or shares payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Corporation, (b) transfers by will or the laws of descent and distribution, or (c) transfers pursuant to a QDRO order if approved or ratified by the Committee.

**8. Adjustments Upon Specified Events.** Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 5.2 of the Plan, the Administrator shall make adjustments if appropriate in the number of Stock Units then outstanding and the number and kind of securities that may be issued in respect of the Award.

**9. Tax Withholding.** Upon the vesting and/or distribution of Common Shares in respect of the Stock Units, the Corporation (or the Subsidiary last employing the Participant) shall have the right at its option to (a) require the Participant to pay or provide for payment in cash of the amount of any taxes that the Corporation or the Subsidiary may be required to withhold with respect to such vesting and/or distribution, or (b) deduct from any amount payable to the Participant the amount of any taxes which the Corporation or the Subsidiary may be required to withhold with respect to such vesting and/or distribution. In any case where a tax is required to be withheld in connection with the delivery of Common Shares under this Agreement, the Administrator may, in its sole discretion, direct the Corporation or the Subsidiary to reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of whole shares, valued at their then Fair Market Value (with the "Fair Market Value" of such shares determined in accordance with the applicable provisions of the Plan), to satisfy such withholding obligation at the minimum applicable withholding rates.

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**10. Notices.** Any notice to be given under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the Participant's last address reflected on the Corporation's records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be given only when received, but if the Participant is no longer an employee of the Corporation, shall be deemed to have been duly given by the Corporation when enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government.

**11. Plan.** The Award and all rights of the Participant under this Agreement are subject to, and the Participant agrees to be bound by, all of the terms and conditions of the provisions of the Plan, incorporated herein by reference. In the event of a conflict or inconsistency between the terms and conditions of this Agreement and of the Plan, the terms and conditions of the Plan shall govern. The Participant agrees to be bound by the terms of the Plan and this Agreement. The Participant acknowledges having read and understanding the Plan, the Prospectus for the Plan, and this Agreement. Unless otherwise expressly provided in other sections of this Agreement, provisions of the Plan that confer discretionary authority on the Administrator do not (and shall not be deemed to) create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Administrator so conferred by appropriate action of the Administrator under the Plan after the date hereof.

**12. Entire Agreement.** This Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Agreement may be amended pursuant to Section 5.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

**13. Limitation on Participant's Rights.** Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Corporation as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. The Participant shall have only the rights of a general unsecured creditor of the Corporation with respect to amounts credited and benefits payable, if any, with respect to the Stock Units, and rights no greater than the right to receive the Common Shares as a general unsecured creditor with respect to Stock Units, as and when payable hereunder.

**14. Counterparts.** This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

**15. Section Headings.** The section headings of this Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

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**16. Governing Law.** This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without regard to conflict of law principles thereunder.

**17. Construction.** It is intended that the terms of the Award will not result in the imposition of any tax liability pursuant to Section 409A of the Code. This Agreement shall be construed and interpreted consistent with that intent.

**18. Recoupment.** The Award under this Agreement and the Common Shares received by the Participant upon the vesting of the Award, or the value, proceeds or other benefits received by the Participant upon the sale of such Common Shares, shall be subject to the Corporation's Policy Regarding Recoupment of Certain Performance-Based Compensation Payments, as it may be amended from time to time, or as otherwise may be required by law.

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**IN WITNESS WHEREOF**, the Corporation has caused this Agreement to be executed on its behalf by a duly authorized officer and the Participant has hereunto set his or her hand as of the date and year first above written.

**AMERICAN STATES WATER COMPANY,**  
**a California corporation**

**PARTICIPANT**

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

\_\_\_\_\_  
*Signature*

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_  
*Print Name*

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**CONSENT OF SPOUSE**

In consideration of the execution of the foregoing Restricted Stock Unit Award Agreement by American States Water Company, I, \_\_\_\_\_, the spouse of the Participant therein named, do hereby join with my spouse in executing the foregoing Restricted Stock Unit Award Agreement and do hereby agree to be bound by all of the terms and provisions thereof and of the Plan.

Dated: \_\_\_\_\_, [ ]

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*Signature of Spouse*

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*Print Name*

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**AMERICAN STATES WATER COMPANY  
AMENDED AND RESTATED 2008 STOCK INCENTIVE PLAN  
2015 PERFORMANCE AWARD AGREEMENT**

**THIS PERFORMANCE AWARD AGREEMENT** (this “**Agreement**”) is dated as of [ , ] by and between American States Water Company, a California corporation (the “**Corporation**”), and [ ] (the “**Participant**”).

**W I T N E S S E T H**

**WHEREAS**, pursuant to the American States Water Company Amended and Restated 2008 Stock Incentive Plan (the “**Plan**”), the Corporation has granted to the Participant effective as of the date hereof (the “**Award Date**”), an award of Performance Awards under the Plan (the “**Award**”), upon the terms and conditions set forth herein and in the Plan.

**NOW, THEREFORE**, in consideration of services rendered and to be rendered by the Participant, and the mutual promises made herein and the mutual benefits to be derived therefrom, the parties agree as follows:

**1. Defined Terms.** Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan. The following phrases shall have the following meanings:

[To be inserted at time of award]

**2. Grant.**

**a. Amount of Award.** Subject to the terms of this Agreement, the Corporation hereby grants to the Participant the performance awards set forth on Exhibit A (subject to adjustment as provided in Section 5.2 of the Plan (the “**Performance Awards**”).

**b. Account.** The Corporation will maintain a Performance Award bookkeeping account for the Participant (the “**Account**”). The Performance Awards shall be used solely as a device for determination of the payment eventually to be made to the Participant if such Performance Awards vest pursuant to Section 3. The Performance Awards shall not be treated as property or as a trust fund of any kind.

**3. Vesting.**

**a. General.** The Performance Awards shall vest and become nonforfeitable with respect to thirty-three percent (33%) of the total number of Performance Awards on the first Installment Vesting Date, thirty-three percent (33%) of the total number of Performance Awards on the second Installment Vesting Date and thirty-four percent (34%) of the total number of Performance Awards on the last Installment Vesting Date; provided, however, that the final number of Performance Awards shall be determined only upon completion of the Performance Period as contemplated by Section 3(b). Except as otherwise provided in this Agreement, the first Installment Vesting Date shall be [ ], the second Installment Vesting Date shall be [ ] and the last Installment Date Vesting Date shall be [ ] (each an “**Installment Vesting Date**”).

**b. Performance Criteria Satisfaction Condition.** Notwithstanding any provision of this Section 3, the vesting of the Performance Awards (and any Performance Awards credited as dividend equivalents thereon) shall be contingent upon certification by the Compensation Committee on or prior to March 15 of the year following the end of the Performance Period of the number of Performance Awards (including any Performance Awards credited as dividend equivalents thereon) that have been earned as provided in Section 4 for the period commencing on [ ] and ending on the earliest of (i) [ ], and (ii) if applicable, the date of vesting of the Performance Awards pursuant to Section 3(e) (the “**Performance Period**”).

**c. Termination of Employment Prior to Vesting.** Notwithstanding Section 3(a), the Participant’s Performance Awards (and any Performance Awards credited as dividend equivalents thereon) shall terminate to the extent that such Performance Awards have not become vested prior to the first date the Participant is no longer employed by the Corporation or one of its Subsidiaries, regardless of the reason for the termination of the Participant’s employment with the Corporation or a Subsidiary, subject to early vesting as provided in Sections 3(e) and 3(f). If the Participant is employed by a Subsidiary and that entity ceases to be a Subsidiary, such event shall be deemed to be a termination of employment of the Participant for the purposes of this Agreement (unless the Participant otherwise continues to be employed by the Corporation or another of its Subsidiaries following such event).

**d. Termination of Performance Awards.** If any unvested Performance Awards are terminated under Section 3(b) or 3(c), such Performance Awards (and any Performance Awards credited as dividend equivalents thereon) shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Corporation and without any other action by the Participant or the Participant’s beneficiary or personal representative, as the case may be.

**e. Early Vesting as a Result of Death, Disability or a Change in Control Event.** Notwithstanding Section 3(a), the Participant’s Performance Awards (and any Performance Awards credited as dividend equivalents thereon), to the extent such Performance Awards are not then vested, shall either (i) become fully vested upon the termination of employment as a result of death or Total Disability, or (ii) if Participant’s employment is terminated by the Corporation without Cause upon or within twenty four months after the occurrence of a Change in Control Event, be deemed fully vested immediately prior to the first date the Participant is no longer employed by the Corporation. In the case of any inconsistency between this Section 3(e) and Sections 5.2(c) or (e) of the Plan, this Section 3(e) shall control.

**f. Early Vesting if Attained Retirement Age.** Notwithstanding Section 3(a), the Participant’s Performance Awards (and any Performance Awards credited as dividend equivalents thereon), to the extent such Performance Awards are not then vested, shall become fully vested upon the Participant attaining Retirement Age.

**4. Determination of Performance Awards Payable.**

a. **Basis of Determination.** The number of Performance Awards payable to the

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Participant (and any Performance Awards credited as the dividend equivalents thereon) shall be determined on the basis of the extent to which the Performance Targets for each of the Performance Criteria have been achieved. The number of Performance Awards payable to the Participant shall be equal to the sum of the number of Performance Awards payable to the Participant with respect to each Performance Criteria, together with any dividend equivalents credited on such Performance Awards. The number of Performance Awards payable with respect to each Performance Criteria shall be equal to the Target Performance Award for such Performance Criteria multiplied by the Payout Percentages set forth in Exhibit A for such Performance Criteria, together with any dividend equivalents credited on such Performance Awards.

b. **Compensation Determination and Certification.** As soon as practicable following the end of the Performance Period and the completion of the independent auditor's report for the last year of the Performance Period, but in no event later than March 15 of the year following the end of the Performance Period, the Compensation Committee shall determine the extent to which the Performance Targets for Performance Criteria are achieved and determine the Payout Percentages for each of the Performance Criteria. [Add adjustments for shortened Performance Periods established at time of Award]. At the time that the Compensation Committee makes such determinations, it shall certify in accordance with Section 4A.4(b) of the Plan, the number of Performance Awards payable to the Participant.

c. **Adjustments and Limitations.** Notwithstanding the foregoing, the number of Performance Awards payable to the Participant (and the Performance Awards credited as dividend equivalents thereon) shall be subject to the adjustments, limitations (including the share limitation under Section 4A.4(c) of the Plan), the Compensation Committee's discretionary authority to make downward adjustments and other terms and conditions set forth in the Plan.

5. **Continuance of Employment.** The vesting schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Agreement. Partial employment or service, even if substantial, during any vesting period will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services.

Nothing contained in this Agreement or the Plan constitutes an employment or service commitment by the Corporation, affects the Participant's status as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Corporation or Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment or services, or affects the right of the Corporation or any Subsidiary to increase or decrease the Participant's other compensation or benefits. Nothing in this paragraph, however, is intended to adversely affect any independent contractual right of the Participant without his or consent hereto.

## 6. **Dividend and Voting Rights.**

a. **Limitation of Rights Associated with Performance Awards.** The Participant shall have no rights as a shareholder of the Corporation, no dividend rights (except as

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expressly provided in Section 6(b) with respect to dividend equivalent rights) and no voting rights, with respect to the Awards and any Common Shares underlying or issuable in respect of such Awards until such Common Shares are actually issued to and held of record by the Participant. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the Common Shares.

b. **Dividend Equivalents.** The Participant shall be entitled to be credited with dividend equivalents in the form of additional Performance Awards with respect to the Awards credited to his or her Account as the Corporation declares and pays dividends in cash on its Common Shares. The number of Performance Awards to be credited to the Participant's Account as a dividend equivalent will equal (1) the sum of the per share cash dividends paid by the Corporation on its Common Shares during the Performance Period multiplied by the number of Awards credited to the Participant's Account on the last day of the Performance Period divided by (2) the average of the Fair Market Value of the Common Shares on each dividend payment date during the Performance Period. Performance Awards credited as dividend equivalents will become vested to the same extent as the Awards to which they relate. For purposes of clarity, no dividend equivalents shall be credited for a dividend record date with respect to any Awards that were paid or terminated prior to such dividend record date and the dividend equivalents will vest only if and to the extent that the underlying Performance Awards vest.

## 7. **Timing and Manner of Distribution.**

a. **General.** On or soon as administratively practicable following the end of the Performance Period, but in no event later than March 15 of the year following the end of the Performance Period, the Corporation shall deliver to the Participant (or the Participant's Beneficiary) a number of Common Shares equal to the number of Performance Awards subject to this Award that become vested on or prior to the end of the Performance Period (including any Performance Awards credited as dividend equivalents with respect to such vested Performance Awards), unless such Performance Awards terminate prior to such Installment Vesting Date pursuant to Section 3(b) or 3(c).

b. **Payment of Performance Awards upon Early Vesting as a Result of Death, Disability or Termination of Employment following a Change in Control Event.** Notwithstanding Section 7(a), upon termination of the Participant's employment as a result of death or Total Disability, or if the Participant is terminated by the Corporation upon or within twenty four months after the occurrence of a Change in Control Event, the Corporation shall deliver to the Participant or his or her Beneficiary a number of Common Shares equal to the number of Performance Awards subject to this Award that become vested in accordance with Section 3 (including any Performance Awards credited as dividend equivalents with respect to such Performance Awards) as soon as administratively practicable following such termination of employment (but in no event later than the March 15 of the year following the year in which such termination of employment or, to the extent applicable under Section 409A, the date specified in Section 7(e)).

c. **Termination of Performance Awards Upon Payment.** A Performance Award will terminate upon the payment of that Performance Award in accordance with the terms hereof, and the Participant shall have no further rights with respect to such



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Performance Award.

**d. Form of Payment.** The Corporation may deliver the Common Shares payable to the Participant under this Section 7 either by delivering one or more certificates for such shares or by entering such shares in book entry form, as determined by the Corporation in its discretion.

**e. Section 409A.** Notwithstanding anything herein to the contrary, if the Corporation reasonably determines that the payment of Common Shares as a result of the Participant's termination of employment is subject to Section 409A(a)(2)(B)(i) of the Code, such payment shall not be paid until the earlier of (i) six months after the Participant's "separation from service" (within the meaning of Section 409A of the Code and Treasury Regulations Section 1.409A-1(h) without regard to optional alternative definitions available thereunder) and (ii) the Participant's death.

**8. Restrictions on Transfer.** Neither the Award, nor any interest therein or amount or shares payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Corporation, (b) transfers by will or the laws of descent and distribution, or (c) transfers pursuant to a QDRO order if approved or ratified by the Compensation Committee.

**9. Adjustments Upon Specified Events.** Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 5.2 of the Plan, the Compensation Committee shall make adjustments if appropriate in the number of Performance Awards then outstanding and the number and kind of securities that may be issued in respect of the Award.

**10. Tax Withholding.** Upon the vesting and/or distribution of Common Shares in respect to the Performance Awards, the Corporation (or the Subsidiary last employing the Participant) shall have the right at its option to (a) require the Participant to pay or provide for payment in respect of cash of the amount of any taxes that the Corporation or any Subsidiary may be required to withhold with respect to such vesting and/or distribution, or (b) deduct from any amount payable to the Participant the amount of any taxes which the Corporation or any Subsidiary may be required to withhold with respect to such vesting and/or distribution. In any case where a tax is required to be withheld in connection with the delivery of Common Shares under this Agreement, the Compensation Committee may, in its sole discretion, direct the Corporation or the Subsidiary to reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of whole shares, valued at their then Fair Market Value (with the "Fair Market Value" of such shares determined in accordance with the applicable provisions of the Plan), to satisfy such withholding obligation at the minimum applicable withholding rates.

**11. Notices.** Any notice to be given under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the Participant's last address reflected on the Corporation's records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be given only when received, but if the Participant is no longer an employee of the Corporation, shall be deemed to have been duly given by the Corporation when enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch office regularly maintained by

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the United States Government.

**12. Plan.** The Award and all rights of the Participant under this Agreement are subject to, and the Participant agrees to be bound by, all of the terms and conditions of the provisions of the Plan, incorporated herein by reference. In the event of a conflict or inconsistency between the terms and conditions of this Agreement and of the Plan, the terms and conditions of the Plan shall govern. The Participant agrees to be bound by the terms of the Plan and this Agreement. The Participant acknowledges having read and understood the Plan and this Agreement. Unless otherwise expressly provided in other sections of this Agreement, provisions of the Plan that confer discretionary authority on the Compensation Committee do not (and shall not be deemed to) create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Compensation Committee so conferred by appropriate action of the Compensation Committee under the Plan after the date hereof.

**13. Entire Agreement.** This Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Agreement may be amended pursuant to Section 5.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

**14. Limitation on Participant's Rights.** Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Corporation as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. The Participant shall have only the rights of a general unsecured creditor of the Corporation, with respect to amounts credited and payable, if any, with respect to the Performance Awards, and rights no greater than the right to receive the Common Shares as a general unsecured creditor with respect to such Awards, as and when payable hereunder.

**15. Counterparts.** This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

**16. Section Headings.** The section headings of this Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

**17. Governing Law.** This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without regard to conflict of law principles thereunder.

**18. Construction.** It is intended that the terms of the Award will not result in the imposition of any tax liability pursuant to Section 409A of the Code. This Agreement shall be construed and interpreted consistent with that intent.

**19. Recoupment.** The Award under this Agreement and the Common Shares received by the Participant upon the vesting of the Award, or the value, proceeds or other benefits received

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by the Participant upon the sale of such Common Shares, shall be subject to the Corporation's Policy Regarding Recoupment of Certain Performance-Based Compensation Payments, as it may be amended from time to time, or as otherwise required by law or as may be necessary to enable the Corporation to comply with the rules of the New York Stock Exchange or the rules of any other national securities exchange or national securities association on which the securities of the Corporation or any of its subsidiaries may be listed.

**IN WITNESS WHEREOF**, the Corporation has caused this Agreement to be executed on its behalf by a duly authorized officer and the Participant has hereunto set his or her hand as of the date and year first above written.

**AMERICAN STATES WATER COMPANY, a California corporation**

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

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

**PARTICIPANT**

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

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**CONSENT OF SPOUSE**

In consideration of the execution of the foregoing Performance Award Agreement by American States Water Company, I, \_\_\_\_\_, the spouse of the Participant therein named, do hereby join with my spouse in executing the foregoing Performance Award Agreement and do hereby agree to be bound by all of the terms and provisions thereof and of the Plan.

Dated: \_\_\_\_\_

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

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**EXHIBIT A  
2015 PERFORMANCE AWARD AGREEMENT**

**[Add at time of Performance Award]**

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**AMENDMENT  
TO  
AMERICAN STATES WATER COMPANY  
2008 STOCK INCENTIVE PLAN  
FORM OF NONQUALIFIED STOCK OPTION AGREEMENT**

THIS NONQUALIFIED STOCK OPTION AGREEMENT (this "Option Agreement") by and between AMERICAN STATES WATER COMPANY, a California corporation (the "Corporation"), and (the "Participant") evidences the nonqualified stock option (the "Option") granted by the Corporation to the Participant as to the number of shares of the Corporation's common shares, no par value (the "Common Shares"), first set forth below.

**Number of Common Shares:**(1)

**Award Date:**

**Exercise Price per Share:**(1)

§

**Expiration Date:** (1),(2)

% Vesting	Date of Vesting(1),(2)
[ %]	
[ %]	
[ %]	

The Option is granted under the American States Water Company 2008 Stock Incentive Plan, as amended (the "Plan") and subject to the Terms and Conditions of Option (the "Terms") attached to this Option Agreement (incorporated herein by this reference) and to the Plan. The Option has been granted to the Participant in addition to, and not in lieu of, any other form of compensation otherwise payable or to be paid to the Participant. The Option is not and shall not be deemed to be an incentive stock option within the meaning of Section 422 of the Code. Capitalized terms are defined in the Plan if not defined herein. The parties agree to the terms of the Option set forth herein, and the Participant acknowledges receipt of a copy of the Terms and the Plan.

**"PARTICIPANT"**

**AMERICAN STATES WATER  
COMPANY,**  
a California corporation

\_\_\_\_\_  
*Signature*

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

\_\_\_\_\_  
*Print Name*

Its: President & Chief Executive Officer

\_\_\_\_\_  
*Address*

\_\_\_\_\_  
*City, State, Zip Code*

**CONSENT OF SPOUSE**

In consideration of the Corporation's execution of this Option Agreement, the undersigned spouse of the Participant agrees to be bound by all of the terms and provisions hereof and of the Plan.

\_\_\_\_\_  
*Signature of Spouse*

\_\_\_\_\_  
*Date*

- (1) Subject to adjustment under Section 5.2 of the Plan.
- (2) Subject to early termination as provided in Section 4 below.

**TERMS AND CONDITIONS OF OPTION**

**1. Vesting; Limits on Exercise.**

(a) General. As set forth in the Option Agreement, the Option shall vest and become exercisable in percentage installments of the aggregate number of Common Shares subject to the Option. The Option may be exercised only to the extent the Option is vested and exercisable.

- **Cumulative Exercisability.** To the extent that the Option is vested and exercisable, the Participant has the right to exercise the Option (to the extent not previously exercised), and such right shall continue, until the expiration or earlier termination of the Option.
- **No Fractional Shares.** Fractional share interests shall be disregarded, but may be cumulated.
- **Minimum Exercise.** No fewer than 100(1) Common Shares may be purchased at any one time, unless the number purchased is the total number at the time exercisable under the Option.

(b) Early Vesting Upon Change in Control. Notwithstanding Section 1(a), if the Participant's employment is terminated by the Corporation without Cause upon or within twenty four months after the occurrence of a Change in Control Event, to the extent the Participant's Option is not then vested,

the Participant's Option shall be deemed fully vested immediately prior to the first date the Participant is no longer employed by the Corporation. In the case of any inconsistency between this Section 1(b) and Sections 5.2(c) or (e) of the Plan, this Section 1(b) shall control.

## **2. Continuance of Employment Required; No Employment Commitment.**

Except as provided in Section 4.2 below, (a) the vesting schedule requires continued service through each applicable vesting date as a condition to the vesting of the applicable installment of the Option and the rights and benefits under this Option Agreement and (b) employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or service as provided in Section 4.2 below or under the Plan.

Nothing contained in this Option Agreement or the Plan constitutes an employment commitment by the Company, affects the Participant's status as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment, or affects the right of the Corporation or any Subsidiary to increase or decrease the Participant's other compensation.

## **3. Method of Exercise of Option.**

The Option shall be exercisable by the delivery to the Secretary of the Corporation of a written notice stating the number of Common Shares to be purchased pursuant to the Option and accompanied by:

- delivery of an executed Exercise Agreement in substantially the form attached hereto as Exhibit A or such other form as from time to time may be required by the Committee (the "**Exercise Agreement**");
- payment in full for the Exercise Price of the shares to be purchased, by check or electronic funds transfer to the Corporation, subject to such specific procedures or directions as the Committee may establish;
- satisfaction of the tax withholding provisions of Section 5.5 of the Plan; and
- any written statements or agreements required pursuant to Section 5.4 of the Plan.

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(1) Subject to adjustment under Section 5.2 of the Plan.

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The Committee also may but is not required to authorize a non-cash payment alternative specified below at or prior to the time of exercise, in which case, the Exercise Price and/or applicable withholding taxes, to the extent so authorized, may be paid in full or in part by Common Shares already owned by the Participant, valued at their Fair Market Value on the exercise date; provided, however, that any shares acquired upon exercise of a stock option or otherwise directly from the Corporation must have been owned by the Participant for at least six (6) months before the date of such exercise.

## **4. Early Termination of Option.**

**4.1 Possible Termination of Option upon Change in Control.** The Option is subject to termination in connection with a Change in Control Event or certain similar reorganization events as provided in Section 5.2 of the Plan.

**4.2 Termination of Option upon a Termination of Participant's Employment or Services.** Subject to earlier termination on the Expiration Date of the Option or pursuant to Section 4.1 above, if the Participant ceases to be employed by or ceases to provide services to the Corporation or a Subsidiary, the following rules shall apply (the last day that the Participant is employed by or provides services to the Corporation or a Subsidiary is referred to as the Participant's "**Severance Date**"):

- if the termination of the Participant's employment or services is the result of any reason other than the Participant's death, Total Disability, Retirement or a termination by the Corporation or a Subsidiary for Cause, (a) the Participant will have until the date that is three months after his or her Severance Date to exercise the Option (or portion thereof) to the extent that it was vested on the Severance Date, (b) the Option, to the extent not vested on the Severance Date, shall terminate on the Severance Date, and (c) the Option, to the extent exercisable for the 3-month period following the Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the 3-month period;
- if the termination of the Participant's employment or services is the result of the Participant's death, Total Disability or the Participant's Retirement, (a) the Option will continue to vest and become exercisable in accordance with the vesting schedule set forth in the Option Agreement, (b) the Participant (or his or her beneficiary or personal representative, as the case may be) will have until the close of business on the date immediately prior to the Expiration Date, to the extent it is then vested, to exercise the Option, and (c) the Option, to the extent not exercised during such period, shall terminate on the Expiration Date; and
- if the Participant's employment or services are terminated by the Company for Cause, the Option, to the extent not exercised, whether vested or unvested, on the Severance Date shall terminate on the Severance Date.

For purposes of the Option, "**Total Disability**" and "**Cause**" have the meanings given to such terms in the Plan. For purposes of the Option, "**Retirement**" means retirement by the Participant from active service as an officer or employee of the Corporation and/or its Subsidiaries after attaining age 55 if the sum of the Participant's years of service with the Corporation and/or its Subsidiaries and age is at least 75.

Notwithstanding the foregoing, in all events, the Option is subject to earlier termination on the Expiration Date of the Option or as contemplated by Section 4.1. The Administrator shall be the sole judge of whether the Participant continues to render employment or services for purposes of this Option Agreement.

## **5. Non-Transferability and Other Restrictions.**

The Option and any other rights of the Participant under this Option Agreement or the Plan are nontransferable and exercisable only by the Participant, except as set forth in Section 1.8 of the Plan.

## **6. Notices.**

Any notice to be given under the terms of this Option Agreement or the Exercise Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the address given beneath the Participant's signature hereto, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be given only when received, but if the Participant is no longer an Eligible Employee, shall be deemed to have been duly given when enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government.

## **7. Plan.**

The Option and all rights of the Participant under this Option Agreement are subject to, and the Participant agrees to be bound by, all of the terms and conditions of the Plan, incorporated herein by this reference. In the event of a conflict or inconsistency between the terms and conditions of this Option Agreement and of the Plan, the terms and conditions of the Plan shall govern. The Participant acknowledges receipt of a copy of the Plan and agrees to be bound by the terms thereof. The Participant acknowledges reading and understanding the Plan, the prospectus for the Plan, and this Option Agreement. Unless otherwise expressly provided in other sections of this Option Agreement, provisions of the Plan that confer discretionary authority on the Board or the Committee do not and shall not be deemed to create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Committee so conferred by appropriate action of the Board or the Committee under the Plan after the date hereof.

## **8. Entire Agreement.**

This Option Agreement (together with the form of Exercise Agreement attached hereto) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan, this Option Agreement and the Exercise Agreement may be amended pursuant to Section 5.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, consistent with the terms of the Plan, unilaterally waive any provision hereof or of the Exercise Agreement in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

## **9. Governing Law; Limited Rights.**

**9.1. California Law.** This Option Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without regard to conflict of law principles thereunder.

**9.2. Limited Rights.** The Participant has no rights as a shareholder of the Corporation with respect to the Option as set forth in Section 5.7 of the Plan. The Option does not place any limit on the corporate authority of the Corporation as set forth in Section 5.14 of the Plan.

## **10. Miscellaneous.**

**10.1 Effect of this Agreement.** Subject to the Corporation's right to terminate the Option pursuant to Section 5.6 of the Plan, this Option Agreement shall be assumed by, be binding upon and inure to the benefit of any successor or successors of the Corporation.

**10.2 Counterparts.** This Option Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

**10.3 Section Headings.** The section headings of this Option Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

**11. Recoupment.** The Option under this Agreement and the Common Shares received by the Participant from the exercise of the Option, or the value, proceeds or other benefits received by the Participant upon the sale of such Common Shares, shall be subject to the Corporation's Policy Regarding Recoupment of Certain Performance-Based Compensation Payments, as it may be amended from time to time, or as otherwise may be required by law.

*(Remainder of Page Intentionally Left Blank)*

EXHIBIT A

### **AMERICAN STATES WATER COMPANY 2008 STOCK INCENTIVE PLAN OPTION EXERCISE AGREEMENT**

The undersigned (the "**Purchaser**") hereby irrevocably elects to exercise his/her right, evidenced by that certain Nonqualified Stock Option Agreement dated as of \_\_\_\_\_ (the "**Option Agreement**") under the American States Water Company 2008 Stock Incentive Plan, as amended (the "**Plan**"), as follows:

· the Purchaser hereby irrevocably elects to purchase \_\_\_\_\_ shares of Common Shares (the "**Shares**"), of American States Water Company (the "**Corporation**"), and

· such purchase shall be at the price of \$ \_\_\_\_\_ per share, for an aggregate amount of \$ \_\_\_\_\_ (subject to

applicable withholding taxes pursuant to Section 5.5 of the Plan).

Capitalized terms are defined in the Plan if not defined herein.

**Delivery of Shares.** The Purchaser requests that (1) a certificate representing the Common Shares be registered to Purchaser and delivered to:  
or (2) that the Common Shares be registered in the Purchaser's name and electronically delivered

to:

**Plan and Option Agreement.** The Purchaser acknowledges that all of his/her rights are subject to, and the Purchaser agrees to be bound by, all of the terms and conditions of the Plan and the Option Agreement, both of which are incorporated herein by this reference. If a conflict or inconsistency between the terms and conditions of this Exercise Agreement and of the Plan or the Option Agreement shall arise, the terms and conditions of the Plan and/or the Option Agreement shall govern. The Purchaser acknowledges receipt of a copy of all documents referenced herein and acknowledges reading and understanding these documents and having an opportunity to ask any questions that he/she may have had about them.

**“PURCHASER”**

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Print Name*

\_\_\_\_\_  
*Address*

\_\_\_\_\_  
*City, State, Zip Code*

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## [FORM OF CHANGE-IN-CONTROL AGREEMENT]

**CHANGE-IN-CONTROL AGREEMENT**

This Change-in-Control Agreement (the "Agreement") is dated as of [ ], is entered into by and between [ ] (the "Executive") and [Golden State Water Company, a California corporation][American States Utility Services, Inc., a California corporation][NEEDS TO BE CHANGED TO BE SIGNED BY ACTUAL EMPLOYER] (the "Company").

**RECITALS**

The Company considers it essential to the best interest of the Company and its shareholders that the Executive be encouraged to remain with the Company and continue to devote full attention to the Company's business notwithstanding the possibility, threat or occurrence of a Change in Control (as defined in Section 3). The Company believes that it is in the best interest of the Company, its shareholder and the shareholders of its parent, American States Water Company, a California corporation ("AWR"), to reinforce and encourage the continued attention and dedication of the Executive and to diminish inevitable distractions arising from the possibility of a Change in Control. Accordingly, to assure the Company that it will have the Executive's undivided attention and services notwithstanding the possibility, threat or occurrence of a Change in Control, and to induce the Executive to remain in the employ of the Company, and for other good and valuable consideration, the Board of Directors of the Company has, at the recommendation of the Company's Compensation Committee, caused the Company to enter into this Agreement.

**TERMS AND CONDITIONS**

The Executive and the Company hereby agree to the following terms and conditions:

**1. Term of Agreement**

If a Change in Control (as defined in Section 3) occurs on or before the expiration date of this Agreement and while the Executive is still an employee of the Company, then this Agreement will continue in effect for two years from the date of such Change in Control and, if the Executive's employment with the Company is terminated within such two-year period, this Agreement shall thereafter continue in effect until all of the obligations of the Company under this Agreement shall have been fulfilled. If no Change in Control occurs on or before December 31, 2018, this Agreement shall expire; provided, however that this Agreement shall be automatically extended for an additional two years to December 31, 2020 if (i) a plan or agreement for a Change in Control has been approved by the Board of Directors of AWR, on or before the expiration date, or (ii) the Company has not delivered to you or you shall have not delivered to the Company written notice at least 60 days prior to the expiration date that such expiration date shall not be so extended. This Agreement shall continue to be automatically extended for an additional two-year period and each succeeding two-year period if a plan or agreement for a Change in Control has been approved by the Board of Directors of AWR, or the Company or the Executive fails to give notice by the time and in the manner described in this Section 1.

**2. Change in Control Date**

The "Change in Control Date" shall mean the first date during the term of this Agreement on which a Change in Control (as defined in Section 3) occurs; provided, however, that if a Change in Control occurs and if the Executive's employment with the Company is terminated after approval by the Board of Directors of AWR of a plan or agreement for a Change in Control but prior to the date on which the Change in Control occurs, the "Change in Control Date" shall mean the date immediately preceding the date of such termination.

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**3. Change in Control**

A "Change in Control" shall mean any of the following events:

(a) any sale, lease, exchange or other change in ownership (in one or a series of transactions) of all or substantially all of the assets of AWR, unless its business is continued by another entity in which holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than seventy percent (70%) of the continuing entity's voting securities immediately after the event;

(b) any reorganization or merger of AWR, unless (i) the holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than seventy percent (70%) of the continuing or surviving entity's voting securities immediately after the event, and (ii) at least a majority of the members of the Board of Directors of the surviving entity resulting from such reorganization or merger were members of the incumbent Board of Directors of AWR at the time of the execution of the initial agreement or of the action of such incumbent Board of Directors providing for such reorganization or merger;

(c) an acquisition by any person, entity or group acting in concert of more than fifty percent (50%) of the voting securities of AWR, unless the holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than seventy percent (70%) of the acquirer's voting securities immediately after the acquisition;

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(d) the consummation of a tender offer or exchange offer by any individual, entity or group which results in such individual, entity or group beneficially owning (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934) twenty-five percent (25%) or more of the voting securities of AWR, unless the tender offer is made by AWR or any of its subsidiaries or the tender offer is approved by a majority of the members of the Board of Directors of AWR who were in office at the beginning of the twelve month period preceding the commencement of the tender offer; or

(e) a change of one-half or more of the members of the Board of Directors of AWR within a twelve-month period, unless the election or nomination for election by shareholders of new directors within such period constituting a majority of the applicable Board was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were in office at the beginning of the twelve month period.

#### 4. Effective Period

For the purpose of this Agreement, the "Effective Period" is the period commencing on the Change in Control Date and ending on the date that is twenty four months thereafter.

#### 5. Termination of Employment

(a) Death or Disability: The Executive's employment shall terminate automatically upon the Executive's death. If the Disability (as defined below) of the Executive occurs during the Effective Period, the Company may give the Executive written notice of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of his or her duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from his or her duties with the Company on a full-time basis for 180 consecutive business days as a result of a physical or mental condition which prevents the Executive from performing the Executive's normal duties of employment and which is (i) determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative and/or (ii) entitles the Executive to the payment of long-term disability benefits from the Company's or AWR's long-term disability plan commencing no later than the Disability Effective Date.

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(b) Cause: The Company may terminate the Executive's employment other than for Cause or Disability during the Effective Period. The Company may also terminate the Executive's employment during the Effective Period for Cause. For purposes of this Agreement, "Cause" shall be limited to the following:

- (i) the Executive's failure to render services to the Company where such failure amounts to gross neglect or gross misconduct of the Executive's responsibility and duties,
- (ii) the Executive's commission of an act of fraud or dishonesty against the Company or any affiliate of the Company, or
- (iii) the Executive's conviction of a felony or other crime involving moral turpitude.

(c) Good Reason: The Executive's employment may be terminated by the Executive during the Effective Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

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(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect on the Change in Control Date, or any other action by the Company or AWR which results in a diminution in such position, authority, duties or responsibilities;

(ii) any failure by the Company or AWR to reappoint the Executive to a position held by the Executive on the Change in Control Date, except as a result of the termination of the Executive's employment by the Company for Cause or Disability, the death of the Executive, or the termination of the Executive's employment by the Executive other than for Good Reason;

(iii) reduction by the Company or AWR in the Executive's base salary in effect on the date hereof or as the same may be increased from time-to-time;

(iv) (A) elimination by the Company or AWR of any cash incentive or other cash bonus compensation plan, without providing substantially equivalent substitutes therefor, or (B) any modification of the terms thereof, that would (in the case of either clause (A) or (B)) substantially diminish (in the aggregate, taking into consideration changes in salary, etc.) the aggregate amount of the base salary and cash incentive or other cash bonus and equity incentives or other equity-based compensation that is reasonably expected to be earned by the Executive during any calendar year from the aggregate amount that would reasonably have been expected to be earned by the Executive, assuming the maintenance of the cash incentive or cash bonus compensation plan or plans in effect on the Change in Control Date;

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(v) (A) elimination by the Company or AWR of any equity incentive or other equity-based compensation plan, without providing substantially equivalent substitutes therefor, or (B) any modification of the terms thereof that would (in the case of either clause (A) or (B)) substantially diminish (in the aggregate, taking into consideration changes in salary, etc.) the aggregate amount of the base salary, cash incentive or cash bonus and equity incentive or other equity-based compensation that is reasonably expected to be earned by the



Executive during any calendar year from the aggregate amount that would reasonably have been expected to be earned by the Executive, assuming the maintenance of the equity incentive or other equity-based compensation plan or plans in effect on the Change in Control Date.

(vi) the taking of any action by the Company or AWR (including the elimination of benefit plans without providing substitutes therefor or the reduction of the Executive's benefits thereunder) that would substantially diminish the aggregate value of the Executive's other fringe benefits, including the executive benefits and perquisites, from the levels in effect prior to the Change in Control Date;

(vii) the Company or AWR provides written notice to the Executive that the Executive will be based at any office or location which increases the distance from the Executive's home to the office location by more than 35 miles from the distance in effect as of the Change in Control Date; and

(viii) any failure by the Company or AWR to comply with and satisfy Section 12(c) of this Agreement;

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which condition in any event under (i)-(viii) is not cured within twenty (20) days after written notice to the Company from the Executive. Executive shall provide notice of intent to terminate employment citing Good Reason not later than thirty (30) business days after an initial occurrence of a condition that Executive purports to constitute Good Reason, which termination shall be effective no later than twenty-one (21) days thereafter, unless otherwise cured.

## 6. Obligations of the Company upon Termination

(a) Good Reason, Other Than for Cause or Disability: If the Company shall terminate the Executive's employment other than for Cause or Disability during the Effective Period, or the Executive shall terminate employment for Good Reason during the Effective Period, the Company and AWR agree, subject to Sections 6(f), 8 and 9, to make the payments and provide the benefits described below:

(i) The Company or AWR shall pay to the Executive in a cash lump sum within 10 days from the date of the Executive's termination of employment (the "Date of Termination"), an amount equal to the product of (A) and (B), where (A) is 2.99 and (B) is calculated as the sum of (i) the Executive's annual base salary at the highest rate in effect in any year of the three calendar years immediately preceding the date of termination of employment, including the calendar year in which the termination of employment occurred; plus (ii) the payments made to the Executive pursuant to any "cash-pay" performance incentive plan of the Company or AWR (a "Cash Incentive Payment") during the calendar year in which termination of employment occurred (and assuming that the performance targets thereafter are achieved "at target"); and provided that if the Executive is employed pursuant to any written employment agreement, the Cash Incentive Payment in any year for purposes of calculations under this clause (ii) shall not be less than any minimum incentive or annual cash bonus required thereunder; provided that Cash Incentive Payments do not include (A) any extraordinary bonus, including any holiday, year end, anniversary or signing bonus; (B) any amounts paid or to be paid to the Executive under this Agreement, (C) reimbursement of moving or other expenses; or (D) any other lump sum payment, unless specifically designated as a Cash Incentive Payment pursuant to an incentive plan of the Company or AWR by the Board of Directors of AWR or the Company, or any committee thereof. Unless otherwise provided pursuant to the terms of the cash incentive compensation plan of AWR or the Company or the terms of the award, the amount paid to the Executive pursuant to this Section 6(a)(i) shall be in lieu of any Cash Incentive Payment to which the Executive would otherwise be entitled under any cash incentive plan of the Company or AWR for the year in which the Executive's employment is terminated as a result of a Change in Control.

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(ii) The Company or AWR shall also pay to the Executive in a cash lump sum within 10 days from the date of the Executive's termination of employment, an amount equal to the sum of (A) the Executive's base salary through the date of termination, plus (B) any accrued vacation pay, in each case to the extent not theretofore paid (the amounts referred to in this paragraph (ii) are hereinafter referred to as the "Accrued Obligations").

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(iii) The Company or AWR shall also pay the Executive in cash at the end of each four-month period during the twelve-months immediately following the date of the Executive's termination of employment, an amount equal to the excess of (A) over (B), divided by three, where (A) is equal to the single sum actuarial equivalent of what would be the Executive's accrued benefits under the terms of the Golden State Water Company Pension Plan, or any successor thereto, including the Golden State Water Company Pension Restoration Plan and any other supplemental retirement plan providing pension benefits (hereinafter together referred to as the "Pension Plan") at the time of the Executive's termination of employment, without regard to whether such benefits would be vested thereunder, if the Executive were credited with an additional three years of credited service (as defined in the Pension Plan), and (B) is equal to the single sum actuarial equivalent of the Executive's vested accrued benefits under the Pension Plan at the time of the Executive's termination of employment; provided, however, that the Corporation shall only be required to make any such payments for so long as the Executive has not breached the covenants contained in Section 10. For purposes of this paragraph (iii), the term "single sum actuarial equivalent" shall, for Executives age 55 or older, be the lump sum value of the immediate annuity determined (A) using an interest rate calculated at (i) the sum of the monthly rates prevailing for the twelve full months prior to the termination of employment, for the second segment rates published pursuant to Section 417(e)(3)(D) of the Code, (ii) divided by 12; and (B) using the applicable mortality table under Section 417(e)(3)(B) of the code for the plan year of termination, after the reduction (if any), of the Executive's benefit, using the applicable factors under the terms of the Pension Plan (Regular Factors under Section A.4, or Special Early Retirement Factors under Section A.4 if the Executive has 80 points, including the three additional years of service provided under this agreement), and using the Executive's age upon termination of employment. For Executives under age 55, the benefit shall be reduced to a benefit payable at age 55, using the Regular Factors under Section A.4 of the Pension Plan. The "single sum actuarial equivalent" shall be calculated as an annuity deferred to age 55,

determined (A) using an interest rate calculated at (i) the sum of the monthly rates prevailing for the twelve full months prior to the termination of employment, for the second segment rates published pursuant to Section 417(e)(3)(D) of the Code, (ii) divided by 12; and (B) using the applicable mortality table under Section 417(e)(3)(B) of the Code for the plan year of termination, using the Executive's age upon termination of employment. Any payment under this paragraph (iii) shall not extinguish any rights the Executive has to benefits under the Pension Plan.

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(iv) For [three years for CEO and CFO] two years after the date of the Executive's termination of employment, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue to provide medical, dental, vision, accidental death and dismemberment, and life insurance coverage, and reimbursement of club dues to the Executive and/or the Executive's family at least equal to those which would have been provided to them if the Executive's employment had not been terminated (in accordance with the most favorable plans, practices, programs or policies of the Company and its affiliates applicable generally to other peer executives and their families immediately preceding the date of the Executive's termination of employment); provided, however, that if the Executive becomes employed by another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for any retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until [three years for CEO and CFO] two years after the date of termination of employment and to have retired on the last day of such period. Following the period of continued benefits referred to in this subsection, the Executive and the Executive's covered family members shall be given the right provided in Section 4980B of the Internal Revenue Code of 1986 (the "Code") to elect to continue benefits in all group medical plans. In the event that the Executive's participation in any of the plans, programs, practices or policies of the Company referred to in this subsection is barred by the terms of such plans, programs, practices or policies or applicable law, the Company shall provide the Executive with benefits substantially similar to those which the Executive would be entitled as a participant in such plans, programs, practices or policies. At the end of the period of coverage, the Executive shall have the option to have assigned to the Executive, at no cost and with no apportionment of prepaid premiums, any assignable insurance policy owned by the Company and relating specifically to the Executive.

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(v) The Company and AWR shall enable the Executive to purchase within 10 days following the Executive's termination of employment, the automobile, if any, provided by the Company for the Executive's use at the time of the Executive's termination of employment at the wholesale value of such automobile at such time, as shown in the current edition of the National Auto Research Publication Blue Book.

(vi) To the extent not theretofore paid or provided, the Company or AWR shall timely pay or provide the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy, practice, contract or agreement of the Company and its affiliates (such other amounts and benefits being hereinafter referred to as "Other Benefits") in accordance with the terms of such plan, program, policy, practice, contract or agreement.

(vii) The Executive shall be entitled to interest on any payments not paid on a timely basis as provided in this Section 6(a) at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.

(viii) Each stock option granted to an Executive under any stock incentive plan of AWR or the Company shall be deemed fully vested immediately prior to the date of termination and each restricted stock or other award under any stock incentive plan of AWR or the Company shall immediately vest free of restrictions and become payable upon the date of termination (or to the extent applicable under Section 409A, in accordance with Section 6(f)). If the number of shares payable under any such option or award is dependent upon future results or performance, the number shall be determined and established at an assumed result or performance that achieves targeted amounts therefore.

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(b) Death: If the Executive's employment is terminated by reason of the Executive's death during the Effective Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a cash lump sum within 10 days of the date of the Executive's death.

(c) Disability: If the Executive's employment is terminated by reason of the Executive's Disability during the Effective Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a cash lump sum within 10 days of the Executive's termination of employment.

(d) Cause, Other than for Good Reason: If the Executive's employment shall be terminated for Cause during the Effective Period or, if the Executive voluntarily terminates employment during the Effective Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and any benefits payable to the Executive under a plan, policy, practice, etc., referred to in Section 7 below. Accrued Obligations shall be paid to the Executive in a cash lump sum within 10 days of the Executive's termination of employment.

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(e) Payment of Club Dues. This Section 6(e) shall apply to any club dues that may be reimbursed pursuant to Section 6(a)(iv) that exceed the de minimus amounts set forth in Treasury Regulations Section 1.409A-1(b)(9)(v)(D) (the “Club Dues”). The amount of Club Dues that the Executive receives in one taxable year shall not affect the amount of Club Dues that the Executive receives in any other taxable year. To the extent the Executive is reimbursed for any Club Dues, such reimbursement shall be paid to the Executive on or before the last day of the Executive’s taxable year following the taxable year in which the expense was incurred. The Club Dues are not subject to liquidation or exchange for another benefit.

(f) Six-Month Delay. Notwithstanding any other provisions of the Agreement, any payment or benefit otherwise required to be made after the Executive’s termination of employment that the Company reasonably determines is subject to Section 409A(a)(2)(B)(i) of the Code, shall not be paid or payment commenced until the later of (i) six months after the date of the Executive’s “separation from service” (within the meaning of Section 409A of the Code and Treasury Regulations Section 1.409A-1(h) without regard to optional alternative definitions available thereunder) and (ii) the payment date or commencement date specified in the Agreement for such payment(s). With respect to any benefit that the Company cannot provide during the six-month period following the Executive’s separation from service pursuant to the preceding sentence, the Executive shall pay the cost or premium for such benefit during such period and be reimbursed by the Company therefor. On the earliest date on which such payments can be made or commenced without violating the requirements of Section 409A(a)(2)(B)(i) of the Code, the Executive shall be paid, in a single cash lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to this Section 6(f), including reimbursement for any premiums paid by the Executive as a result of the delay.

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## **7. Non-Exclusivity of Rights**

Subject to Section 8, nothing in this Agreement shall prevent or limit the Executive’s continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliates and for which the Executive may qualify, nor, subject to Sections 6(f), 8 and 20, shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliates. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice, program, contract or agreement with the Company or any of its affiliates at or subsequent to the date of termination of the Executive’s employment shall be payable in accordance with such plan, policy, practice, program, contract or agreement except as explicitly modified by this Agreement.

## **8. Limitation on Benefits**

Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive’s benefit, whether pursuant to this Agreement or otherwise, whether by the Company or another entity or person, would not be deductible by the Company due to limitations imposed by Section 162(m) of the Code, then to the extent permitted by Treasury Regulation Section 1.409A-2(b)(7)(i) without subjecting the Executive to adverse tax consequences, such payments or benefits shall be delayed. The delayed amounts shall be paid to the Executive at the earliest date the Company reasonably anticipates that the deduction of the payment of the amount will not be limited or eliminated by application of Section 162(m) of the Code; provided, however, that if the Executive is a “Specified Employee,” as defined under Section 409A of the Code, to the extent deemed necessary to comply with Treasury Regulations Section 1.409A-3(i)(2), the delayed payment shall not be made before the end of the six-month period following the Executive’s separation from service. The Executive shall also be entitled to interest on any payments deferred as a result of the limitations on deductibility under Section 162(m) of the Code at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code. Either the Company or the Executive may request a determination as to whether any payments would be subject to limitations on deductibility under Section 162(m) of the Code and, if so requested, such determination shall be made by independent legal counsel selected by the Company and approved by the Executive.

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## **9. Best After Tax Position**

(a) If it is determined that any amount or benefit to be paid or payable to the Executive under this Agreement (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) would give rise to liability of the Executive for the excise tax imposed by Section 4999 of the Code or any successor provision (the “Excise Tax”), then the amount or benefits payable to the Executive (the total value of such amounts or benefits, the “Payments”) shall be reduced by the Company to the extent necessary so that no portion of the Payments to the Executive is subject to the Excise Tax; provided, however, such reduction shall be made only if it results in Executive retaining a greater amount of Payments on an after-tax basis (taking into account the Excise Tax and applicable federal, state, and local income and payroll taxes). In the event Payments are required to be reduced pursuant to this Section 9(a), they shall be reduced in the following order of priority in a manner consistent with Section 409A: (i) first from cash compensation that is exempt from Section 409A, (ii) next from equity compensation that is exempt from Section 409A, then (iii) from payments that are subject to Section 409A in reverse chronological order of scheduled distribution.

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(b) In making any determination as to whether the Payments would be subject to an Excise Tax, consideration shall be given to whether any portion of the Payments could reasonably be considered, based on the relevant facts and circumstances, to be reasonable compensation for services rendered (whether before or after the consummation of the applicable Change in Control).

(c) In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Payments, a change is formally determined to be required in the amount of taxes paid by, or Payments made to, the Executive, appropriate adjustments will be made under this Agreement such that the net amount that is payable to the Executive after taking into account the provisions of Code Section 4999 will reflect the intent of the parties as expressed in this Section 9.

## **10. Non-Compete**

(a) Executive agrees not to engage in any Competitive Activity until one year after the Date of Termination. For purposes of this Agreement, the term “Competitive Activity” shall mean Executive’s participation as an employee or consultant, without the written consent of the Company’s Chief Executive Officer or the Board of Directors of AWR or any authorized committee thereof, in the management of any business enterprise anywhere in the world if such enterprise is a “Significant Customer” of any product or service of the Company or engages in competition with any product or service of the Company or is planning to engage in such competition. For purposes of this Agreement, the term “Significant Customer” shall mean any customer who represents in excess of 5% of the Company’s sales in any of the three calendar years prior to the date of determination, but shall not include the United States Government or any branch, agency or department thereof. “Competitive Activity” shall not include the mere ownership of, and exercise of rights appurtenant to, securities of a publicly-traded company representing 5% or less of the total voting power and 5% or less of the total value of such an enterprise. Executive agrees that the Company is a national business and that it is appropriate for this Section 10 to apply to Competitive Activity conducted anywhere in the United States of America.

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(b) Executive shall not directly or indirectly, either on Executive’s own account or with or for anyone else, (i) solicit or attempt to solicit any of the Company’s customers, (ii) solicit or attempt to solicit for any business endeavor any employee of the Company, provided, however, that such limitations will not prohibit Executive, directly or indirectly, either on Executive’s own account or with or for anyone else, from placing public advertisements or conducting any other form of general solicitation that is not specifically targeted towards employees of the Company, and hiring any employee of the Company that responds to such solicitation, (iii) except as permitted by clause (ii) in response to a general solicitation, hire or attempt to hire any employee of the Company, or (iv) otherwise divert or attempt to divert from the Company any business whatsoever or interfere with any business relationship between the Company and any other person, until one (1) year after the Date of Termination.

(c) Executive acknowledges and agrees that damages in the event of a breach or threatened breach of the covenants in this Section 10 will be difficult to determine and will not afford a full and adequate remedy, and therefore agree that the Company, in addition to seeking actual damages pursuant to Section 10 hereof, may seek specific enforcement of the covenant not to compete in any court of competent jurisdiction, including, without limitation, by the issuance of a temporary or permanent injunction, without the necessity of a bond. Executive and the Company agree that the provisions of this covenant not to compete are reasonable. However, should any court or arbitrator determine that any provision of this covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties agree that this covenant not to compete should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.

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## 11. Full Settlement

The obligation of the Company to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 6(a)(iv), such amounts shall not be reduced whether or not the Executive obtains other employment.

## 12. Successors

(a) This Agreement is personal to the Executive and shall not be assignable by the Executive other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive’s legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, the “Company” shall mean the Company as defined and any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise, and “AWR” shall mean AWR as defined and any successor to its business and/or assets by operation of law or otherwise.

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## 13. Arbitration

(a) Because it is agreed that time will be of the essence in determining whether any payments are due to the Executive under this Agreement, the Executive may submit any claim for payment under this Agreement or dispute regarding the interpretation of this Agreement to arbitration. This right to select arbitration shall be solely that of the Executive, and the Executive may decide whether or not to arbitrate in his or her discretion. The “right to select arbitration” is not mandatory on the Executive, and the Executive may choose in lieu thereof to bring an action in an appropriate civil court. Once arbitration is commenced, however, it may not be discontinued without the mutual consent of both parties to the arbitration. During the lifetime of the Executive only he or she can use the arbitration procedure set forth in this section.

(b) Any claim for arbitration may be submitted as follows: If the Executive disagrees with the Company regarding the interpretation of this Agreement and the claim is finally denied by the Company in whole or in part, such claim may be filed in writing with an arbitrator of the Executive’s choice who is selected by the method described in the next three sentences. The first step of the selection shall consist of the Executive submitting a list of 5 potential arbitrators to the Company. Each of the five arbitrators must be either (1) a member of the National Academy of Arbitrators located in the State of California or (2) a retired California Superior Court or Appellate Court judge. Within 2 weeks after receipt of the list, the Company shall select one of the

five arbitrators as the arbitrator for the dispute in question. If the Company fails to select an arbitrator in a timely manner, the Executive shall then designate one of the five arbitrators as the arbitrator for the dispute in question.

(c) The arbitration hearing shall be held within 30 days (or as soon thereafter as possible) after the picking of the arbitrator. No continuance of the hearing shall be allowed without the mutual consent of the Executive and the Company. Absence from or nonparticipation at the hearing by either party shall not prevent the issuance of an award. Hearing procedures which will expedite the hearing may be ordered at the arbitrator’s discretion, and the arbitrator may close the hearing at his or her discretion when sufficient evidence to satisfy issuance of an award has been presented.

(d) The arbitrator’s award shall be rendered as expeditiously as possible and in no event later than 30 days after the close of the hearing. In the event the arbitrator finds that the Company has breached this Agreement, he or she shall order the Company to immediately take the necessary steps to remedy the breach. The award of the arbitrator shall be final and binding upon the parties. The award may be enforced in any appropriate court as soon as possible after it is rendered. If an action is brought to confirm the award, the Company and the Executive agree that no appeal shall be taken by either party from any decision rendered in such action.

(e) Each party will pay the fees of their respective attorneys, the expenses of their witnesses, costs of any record or transcript of the arbitration, and any other expenses connected with the arbitration that such party might be expected to incur had the dispute been subject to resolution in court, but all costs of the arbitration that would not be incurred by the parties if the dispute was litigated in court, including fees of the arbitrator and any arbitration association administrative fees will be paid by the Company.

**14. Governing Law**

The laws of California shall govern the validity and interpretation of this Agreement, with regard to conflicts of laws.

**15. Captions**

The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

**16. Amendment**

This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

**17. Notices**

All notices and other communications regarding this Agreement shall be in writing and shall be hand delivered to the other party or sent by prepaid registered or certified mail, return receipt requested, addressed as follows:

If to the Executive:	[	]
	[	]
	[	]
If to the Company:	[	]
	[	]
	[	]

or to such other address as either party shall have furnished to the other in writing. Notice and communications shall be effective when actually received by the addressee.

**18. Severability**

The lack of validity or enforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

**19. Withholding Taxes**

The Company may withhold required federal, state, local or foreign taxes from any amounts payable under this Agreement.

**20. No Waiver**

The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have under this Agreement, including, without limitation, the right of the Executive to terminate employment for Good Reason, shall not be deemed to be a waiver of such provision or right or any other provision or right under this Agreement.

**21. At-Will Employment**

The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company prior to the Change in Control Date is "at will" and, prior to the Change in Control Date, the Executive's employment may be terminated by either the Executive or the Company at any time, in which case the Executive shall have no further rights under this Agreement. From and after the Change in Control Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

**22. Counterparts**

This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same Agreement.

**23. Section 409A**

It is intended that any amounts payable under this Agreement shall either be exempt from Section 409A of the Code or shall comply with Section 409A (including Treasury regulations and other published guidance related thereto) so as not to subject the Executive to payment of any additional tax, penalty or interest imposed under Section 409A of the Code. Each payment in a series of payments hereunder shall be deemed to be a separate payment for purposes of Section 409A of the Code. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Section 409A of the Code yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Executive.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first written above in San Dimas, California.

**[GOLDEN STATE WATER COMPANY]**

**[AMERICAN STATES UTILITY SERVICES, INC.]**

By \_\_\_\_\_  
Title

**EXECUTIVE**

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