

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) January 31, 2011

**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**  
(Address of principal executive offices)

**91773**  
(Zip Code)

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 requirement 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 February 1, 2011, the independent members of the Board of Directors approved, upon recommendation of the Compensation Committee, base salaries for 2011 for Robert J. Sprowls, President and Chief Executive Officer of American States Water Company and its subsidiaries, Eva G. Tang, Senior Vice President-Finance, Chief Financial Officer and Corporate Secretary of American States Water Company and Golden State Water Company and Treasurer of American States Water Company, Denise L. Kruger, Senior Vice President-Regulated Utilities for Golden State Water Company and Chaparral City Water Company, McClellan Harris III, Senior Vice President and Assistant Secretary of American States Utility Services, Inc. and James B. Gallagher, Vice President of Management Services of American States Utility Services, Inc. of \$550,000, \$320,000, \$339,400, \$330,000 and \$247,388, respectively.

On January 31, 2011, the Compensation Committee of the Board of Directors approved an award of restricted stock units to the same executive officers in the amount of 11,529 restricted stock units for Mr. Sprowls, 2,738 restricted stock units for Ms. Tang, Ms. Kruger and Mr. Harris, and 2,162 restricted stock units for Mr. Gallagher, respectively, effective January 31, 2011. The awards vest and restrictions lapse on the first, second and third anniversaries of the grant date in the percentages of 33%, 33% and 34%, respectively. Under the terms of each restricted stock unit grant, each officer will be entitled to receive dividends payable in additional restricted stock units equal to the amount of dividends payable on an equivalent number of the Company's common shares. The restricted stock units have been awarded pursuant to the terms of an amended restricted stock unit agreement as filed as Exhibit 10.1.

On January 31, 2011, the Compensation Committee of the Board of Directors also approved the following amendments to the form of award agreements for stock options and restricted stock units awarded pursuant to the Company's 2008 Stock Incentive Plan:

- Form of Non-Qualified Stock Option Agreement was amended to provide for the recoupment of the award or the value, proceeds or other benefits received upon exercise of the option or the sale of the underlying common shares of the Company, as provided in the Company's Policy for Recoupment of Certain Performance-Based Compensation Payments, as it may be amended from time to time, or as otherwise may be required by law.
  - Form of Restricted Stock Unit Agreement was amended to provide for the recoupment of the award or the value, proceeds or other benefits received upon vesting of the award or the sale of the underlying common shares of the Company, as provided in the Company's Policy for Recoupment of Certain Performance-Based Compensation Payments, as it may be amended from time to time, or as otherwise may be required by law.
-

**Section 9 - Financial Statements and Exhibits**

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

Exhibit 10.1 Form of Amendment to the Restricted Stock Unit Agreement for the 2008 Stock Incentive Plan

Exhibit 10.2 Form of Amendment to the Non-Qualified Stock Option Agreement for the 2008 Stock Incentive Plan

**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: February 4, 2011

/s/ Eva G. Tang

---

Eva G. Tang  
Senior Vice President, Chief Financial Officer,  
Corporate Secretary and Treasurer

**GOLDEN STATE WATER COMPANY:**

/s/ Eva G. Tang

---

Eva G. Tang  
Senior Vice President, Chief Financial Officer  
and Secretary

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**”).

WITNESSETH

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.

(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), 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 upon the occurrence of a Change in Control Event, as defined in the Plan.

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.

---

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.  0; 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, 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).

---

(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.

---

**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.

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.

**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.

<p><b>AMERICAN STATES WATER COMPANY,</b> <b>a California corporation</b></p> <p>By: _____</p> <p>Print Name: _____</p> <p>Its: _____</p>	<p><b>PARTICIPANT</b></p> <p>_____</p> <p><i>Signature</i></p> <p>_____</p> <p><i>Print Name</i></p>
--	--

**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: \_\_\_\_\_, [ ]

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

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

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.

<b>Number of Common Shares:</b> <sup>1</sup>		<b>Award Date:</b>
<b>Exercise Price per Share:</b> <sup>1</sup>	\$	<b>Expiration Date:</b> <sup>1,2</sup>
<b>% Vesting</b>	<b>Date of Vesting</b> <sup>1,2</sup>	
[ _ %]		
[ _ %]		
[ _ %]		

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

<sup>1</sup> Subject to adjustment under Section 5.2 of the Plan.

<sup>2</sup> Subject to early termination as provided in Section 4 below.

## TERMS AND CONDITIONS OF OPTION

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

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<sup>1</sup> Common Shares may be purchased at any one time, unless the number purchased is the total number at the time exercisable under the Option.

### 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.

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)*



**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*