

**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) July 27, 2009

**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)

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

**GOLDEN STATE WATER COMPANY**

(Exact name of registrant as specified in its charter)

**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

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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))
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## 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 July 27, 2009, the Compensation Committee of the Board of Directors approved a short-term incentive program (the "Bonus Program") for the executive officers (the "Executive Officers") of Golden State Water Company ("GSWC") and American States Utility Services, Inc. ("ASUS"). Under the terms of the Bonus Program, each of the Executive Officers is eligible to earn two separate cash bonuses for the 2009 calendar year based on an objective bonus and a discretionary bonus. The objective bonus is subject to the terms of the Bonus Program and the Company's Performance Incentive Plan (the "Performance Plan"), which was approved by the independent members of the Board of Directors on July 28, 2009, and will only be payable if all of the applicable terms and conditions of the Bonus Program and Plan are satisfied. The discretionary bonus is subject to the terms of the Bonus Program, but not the Plan, and will only become payable if all of the applicable terms and conditions of the Bonus Program are satisfied. The bonuses awarded under the terms of the Bonus Program and the Performance Plan are subject to recoupment pursuant to the terms of a policy regarding the recoupment of certain performance-based compensation payments (the "Recoupment Policy"), approved by the Compensation Committee on July 27, 2009 and ratified by the independent members of the Board of Directors on July 28, 2009.

The target aggregate bonus for Robert J. Spowls, President and Chief Executive Officer of GSWC, Eva G. Tang, the Senior Vice President - Finance, Chief Financial Officer and Corporate Secretary of GSWC, Denise L. Kruger, Senior Vice President of Regulated Utilities of GSWC, McClellan Harris III, Senior Vice President and Assistant Secretary of ASUS, and James B. Gallagher, Vice President of Management Services of ASUS, is 30%, 20%, 20%, 20% and 15%, respectively, of his or her base salary. The objective bonus is 75% of the aggregate target bonus for each of these Executive Officers and will become payable based upon each Executive Officer's attainment of specific performance targets established for the business criteria set forth in the Bonus Program. The discretionary bonus is 25% of the aggregate target bonus for each of these Executive Officers and is payable based on the Company's subjective assessment of the Executive Officer's attainment of core performance objectives established for each Executive Officer's position.

Under the terms of the Company's Recoupment Policy, performance-based compensation payments are subject to recoupment by the Company if (i) the amount of the payment was calculated based on the achievement of financial results that were subsequently subject to an accounting restatement due to material noncompliance with any financial reporting requirement under the securities laws; (ii) the need for the accounting restatement was identified within three years after the date of the filing of financial results that were subsequently restated; and (iii) a lesser payment would have been made to the Executive Officer based upon the restated financial results.

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The Performance Plan approved by the Board of Directors is intended to provide bonuses for performance periods beginning after December 31, 2009 that qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code. The bonuses granted to Executive Officers pursuant to the Bonus Program were also granted under the terms of the Performance Plan, but are not intended to qualify as performance-based compensation under Section 162(m). The Performance Plan will only become effective for performance periods after December 31, 2009 if the Performance Plan is approved by the Company's shareholders prior to December 31, 2010.

The compensation committee also approved a policy (the "Relocation Policy") for the reimbursement of realtor fees, closing costs, lease termination fees, moving expenses, house hunting trips and temporary living and storage expenses, up to the limits specified in the Relocation Policy, in the event that an officer is permanently transferred to a work location that is 60 miles or more from the officer's current assigned work location and the officer's new residence is at least 40 miles closer to the officer's new assigned work location than the officer's prior home. The officer will also be entitled to a tax gross-up payment for any eligible expenses that are treated as taxable wages based on an applicable marginal tax rate determined by reference to the officer's filing status and employment-related data. Under the terms of the Relocation Policy, the officer must reimburse the Company for any expenses paid by the Company if the officer resigns from the Company or any of its subsidiaries or is terminated for misconduct and/or poor performance within 24 months after having commenced work at the new assigned work location.

## **Section 9 - Financial Statements and Exhibits**

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

Exhibit 10.1 2009 Short-Term Incentive Program

Exhibit 10.2 Form of Award Agreement for Awards under the 2009 Short-Term Incentive Program

Exhibit 10.3 Policy Regarding the Recoupment of Certain Performance-Based Compensation Payments

Exhibit 10.4 Performance Incentive Plan

Exhibit 10.5 Officer Relocation Policy

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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**

/s/ Eva G. Tang

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

**GOLDEN STATE WATER COMPANY**

/s/ Eva G. Tang

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

Date: July 31, 2009

## AMERICAN STATES WATER COMPANY

## 2009 SHORT-TERM INCENTIVE PROGRAM

**1. Purpose of 2009 Short-Term Incentive Program**

American States Water Company, a California corporation, (the “**Corporation**”) has adopted the American States Water Company Performance Incentive Plan (the “**Plan**”) to promote the success of the Corporation by (a) motivating executives selected to participate in the Plan to maximize the performance of the Corporation both from a financial perspective and in serving its customers and (b) rewarding them with cash Objective Bonuses directly related to such performance. The Corporation’s board of directors recognizes that the ability of the Corporation and its subsidiaries to attract capital at a low cost is based on its financial performance and that the Corporation’s customers benefit through its ability to attract low cost capital. This 2009 Short-Term Incentive Program (the “**2009 STIP**”) sets forth the names of the individuals selected to be Participants who are eligible to earn Objective Bonuses under the Plan for the 2009 calendar year and the applicable Business Criteria, Performance Targets, and Payout Percentages for the 2009 calendar year. The 2009 STIP also provides for Discretionary Bonuses, which when added to the Objective Bonuses under the Plan, equal the Aggregate Bonuses payable under the 2009 STIP for the 2009 calendar year.

**2. Term of 2009 STIP**

The Performance Period covered by the 2009 STIP (the “**Term**”) began on January 1, 2009 and will end on December 31, 2009.

**3. Relationship to American States Water Company Performance Incentive Plan**

The Objective Bonuses payable under Awards granted under the 2009 STIP are granted under the authority of the Plan and are subject to all of the terms and conditions of the Plan, as it may be amended from time to time, and any rules adopted by the Committee in accordance with the terms of the Plan, as such rules are in effect from time to time. The Discretionary Bonuses are granted under the general authority of the Compensation Committee to determine the compensation payable to Executives.

**4. Definitions**

Capitalized terms used and not otherwise defined herein have the meanings set forth in the Plan. In addition, the following phrases shall have the meanings specified below:

“**Adjusted EPS-ASUS**” means the EPS of ASUS for 2009 adjusted to remove the amount by which the actual Pension Expense allocated from Golden State Water Company (“**GSWC**”) and charged to ASUS for 2009 exceeds the amount of the Budgeted Pension Expense allocated from GSWC and charged to ASUS for 2009.

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**“Adjusted EPS-AWR Consolidated”** means the Corporation’s EPS for 2009 adjusted to remove (a) settlement charges and outside expenses associated with the California Public Utilities Commission subpoena regarding the capital projects contracting matter and the pending litigation with two former officers of the Corporation, (b) any derivative gains or losses attributable to fixed-price purchase contracts as reported in the Corporation’s consolidated financial statements for 2009, and (c) the amount by which the actual companywide Pension Expense for 2009 exceeds the companywide Budgeted Pension Expense for 2009.

**“Adjusted EPS-Regulated Utilities”** means the sum of the EPS of each of the Regulated Utilities for 2009 adjusted to remove the portion of the following expenses that are otherwise included in each such EPS determination: (a) settlement charges and outside expenses associated with the California Public Utilities Commission subpoena regarding the capital projects contracting matter and the pending litigation with two former officers of the Company, (b) any derivative gains or losses attributable to fixed-rate purchase contracts as reported in the Corporation’s consolidated financial statements for 2009, and (c) the amount by which the actual Pension Expense charged or allocated to the Regulated Utilities for 2009 exceeds the Budgeted Pension Expense charged or allocated to the Regulated Utilities for 2009.

**“Aggregate Bonus”** means the combination of a Participant’s Objective Bonus and his or her Discretionary Bonus.

**“Award Agreement”** means a written agreement setting forth the material terms and conditions of the Award as determined by the Committee consistent with the express limitations of the Plan and the 2009 STIP.

**“Base Salary”** means the Participant’s rate of annual base pay on the date the Committee approves the Business Criteria and Performance Targets.

**“Board of Directors”** means the Corporation’s board of directors.

**“Budget”** or **“Budgeted”** means (a) in the case of Adjusted EPS for the Corporation, the Regulated Utilities or ASUS, as the case may be, the projected Adjusted EPS for 2009 as set forth in the Operating Budget, (b) in the case of Capital Expenditures, the projected capital expenditures as set forth in the Capital Budget, and (c) in the case of Pension Expense, the projected Pension Expense for 2009 as set forth in the Operating Budget.

**“Business Criteria”** means Adjusted EPS-AWR Consolidated, Adjusted EPS - Regulated Utilities, Adjusted EPS - - ASUS, Relative Stock Price, Customer Complaints, Capital Expenditures, SOX Deficiencies - Regulated Utilities, SOX Deficiencies - ASUS, Equitable Adjustment and Price Redetermination.

**Capital Budget** means the Company’s capital budget for 2009 as approved by the Audit and Finance Committee of the Board of Directors at its meeting on October 30, 2008.

**“Capital Expenditures”** means the dollar amount of Budgeted capital expenditures for 2009 for the Regulated Utilities including the Budgeted capital expenditures for 2009 for the Wrightwood project only to the extent that the Division of Ratepayer Advocates of the California Public Utilities Commission does not oppose the Wrightwood project in the 2008-2009 Region III rate case.

“**Compensation Committee**” means the Compensation Committee of the Board of Directors.

“**Customer Complaints**” means the number of water quality, pressure and service complaints reported by customers to the California Department of Public Health during 2009.

“**Discretionary Bonus**” means a bonus payable to a Participant based on that Participant’s Individual Performance Measures.

“**EPS**” means fully diluted earnings per share as reported in the Corporation’s consolidated financial statements for 2009.

“**Equitable Adjustment**” means the execution, during calendar year 2009, of an agreement with the U.S. government that provides for a permanent increase in the Company’s operation and maintenance fees at Old North Utility Services (Fort Bragg) to recognize that the Company is managing more inventory than was included in the government’s initial request for proposal.

“**Individual Performance Measures**” means the criteria or goals utilized to determine the amounts of each Participant’s Discretionary Bonus.

“**Objective Bonus**” means a bonus based on the degree of achievement of the Performance Targets for the Business Criteria.

“**Operating Budget**” means the Company’s operating budget for 2009 as presented to and reviewed by the Board of Directors at its meeting on October 31, 2008.

“**Payout Percentage**” means the percentage of a Participant’s Target Aggregate Bonus that is payable based on the degree of satisfaction of a Performance Target or the Individual Performance Measures.

“**Pension Expense**” means the expense recognized for accounting purposes with respect to the Golden State Water Company Pension Plan as reported in the Corporation’s consolidated financial statements for 2009.

“**Performance Measures**” means the Business Criteria and Individual Performance Measures.

“**Performance Target**” means a specific goal established by the Committee with respect to the Business Criteria as set forth in Section 6.

“**Price Redetermination**” means the execution, during calendar year 2009, of an agreement with the U.S. government that provides for a permanent increase in the monthly fees payable to the Company for operations and maintenance with respect to its operations at Terrapin Utility Services (Andrews AFB).

**“Relative Stock Price”** means the Corporation’s total shareholder return as compared to the total shareholder return of each of the following 12 companies for 2009: UIL Holdings, South Jersey Industries, Aqua America, MGE Energy, Empire District Electric, ITC Holdings, California Water Service, Central Vermont Public Service, Until, Chesapeake Utilities, Southwest Water and SJW Corp. For this purpose, total shareholder return for the Corporation and each of the other 12 companies shall be calculated using the Securities and Exchange Commission guidelines for reporting financial performance. If the stock of any of the 12 companies is no longer traded or is suspended from trading as of December 31, 2009, that company shall not be included in the calculation of Relative Stock Price, but the exclusion of such company shall not affect the Performance Targets for Relative Stock Price set forth in Section A of Exhibit A.

**“SOX”** means the Sarbanes-Oxley Act of 2002.

**“SOX Deficiencies-ASUS”** means the number of “significant deficiencies” (each an **“SD”**) and “material weaknesses” (each a **“MW”**) reported for ASUS in the independent auditor’s report for 2009 pursuant to Section 404 of SOX.

**“SOX Deficiencies-Regulated Utilities”** means the number of SDs and MWs reported for the Regulated Utilities in the independent auditor’s report for 2009 pursuant to Section 404 of SOX.

**“Target Aggregate Bonus”** means the amount of bonus that would be payable if each of the Performance Targets were met at the targeted level and the Participant’s Individual Performance Measures were met at the targeted level.

5. ***Participation and Individual Awards***

The individuals who have been selected as Participants in the 2009 STIP are set forth below together with the amount of their Target Aggregate Bonuses as a percentage of Base Salary:



	<b>Participant</b>	<b>Target Aggregate Bonus</b>
	GSWC Officers	
Administrative and General	Robert J. Sprowls	30%
	Eva G. Tang	20%
	Gladys M. Farrow	15%
	Diane D. Rentfrow	15%
	Bryan K. Switzer (Keith)	15%
Operations	Denise L. Kruger	20%
	Patrick R. Scanlon	15%
	William C. Gedney	15%
	Shengder D. Chang (David)	15%
	Roland S. Tanner	15%
	ASUS Officers	
	McClellan Harris III (Bud)	20%
	Granville R. Hodges, Jr. (Rusty)	15%
	James B. Gallagher	15%
	Gregory S. Thomas	15%

For purposes of this 2009 STIP, the GSWC officers will be divided into (1) Administrative and General Officers and (2) Operations Officers.

The Corporation will enter into an Award Agreement with each Participant that (a) describes his or her Individual Performance Measures and sets forth his or her Target Aggregate Bonus, (b) sets forth his or her threshold, target and maximum Performance Targets and (c) incorporates the terms and conditions of the Plan and this 2009 STIP by reference. The Target Aggregate Bonus amount set forth in each Participant's Award Agreement shall represent the aggregate amount of two separate bonuses: an Objective Bonus (under the Plan) and a Discretionary Bonus.

**6. Performance Targets for Objective Bonuses**

The threshold, target and maximum Performance Targets for the 2009 STIP are set forth in Exhibit A to this 2009 STIP.

**7. Determination of Participants' Aggregate Bonuses**

The Aggregate Bonus payable to each Participant shall be determined on the basis of the extent to which the Performance Targets for the Business Criteria and that Participant's Individual Performance Measures are achieved. The amount of Aggregate Bonus payable is equal to the amount of the Target Aggregate Bonus multiplied by the sum of the Payout Percentages for each of the Performance Measures as determined pursuant to the tables in (a) Section B of Exhibit A for Participants that are Administrative and General Officers employed by GSWC, (b) Section C for Participants that are Operations Officers employed by GSWC and (c) Section D for Participants employed by ASUS.

As soon as practicable following the end of the Term of the 2009 STIP and the completion of the independent auditor's report for 2009, the Committee shall determine the extent to which the Performance Targets for the Business Criteria are achieved and the extent to which the Individual Performance Measures are achieved, and determine the Payout Percentage for each of the Performance Measures. In order for a Participant to receive any payment with respect to the Participant's Discretionary Bonus, the Participant must meet the standards established for the Participant's position, which standards shall be one of the components of the Participant's Individual Performance Measures. The determination of whether the standards established for the Participant's position are achieved shall be made by the Committee, which (other than for the Company's President and Chief Executive Officer) determination shall be based on the recommendations of the President and Chief Executive Officer or other direct supervisor of the Participant.

For levels of achievement between threshold and maximum, the Committee shall determine the Payout Percentage by interpolation. Subject to Section 8 below, the Aggregate Bonus for each Participant shall be the sum of the Payout Percentages determined with respect to each Performance Measure multiplied by the amount of Participant's Target Aggregate Bonus.

**8. *Payment of Accounts***

At the time the Committee makes the determinations described in Section 7, it shall certify, in accordance with Section 4.8 of the Plan, the amounts of the Objective Bonuses payable to Participants. The Committee shall, at the same time, determine the amount of the Discretionary Bonus payable to Participants. Payment of such bonuses (the Aggregate Bonuses) shall be made as soon as practicable following the Committee's determination and certification, but in no event later than December 31, 2010.

Notwithstanding the foregoing, any Objective Bonus otherwise payable to any Participant under this 2009 STIP shall be subject to the adjustments, limitations (including the dollar limitation under Section 4.3 of the Plan), Committee's discretionary authority to make downward adjustments and other terms and conditions set forth in the Plan. Any Discretionary Bonus otherwise payable under this 2009 STIP shall be subject to any adjustments, limitations, upward or downward adjustments in amounts and any other terms or conditions that the Committee may impose in its sole discretion.

**9. *Effect of Termination of Employment***

Except as otherwise provided in an employment agreement, memorandum of understanding, other contract between a Participant and the Corporation or one of its Subsidiaries, or by the Committee in its sole discretion, the bonuses payable under a Participant's Award will be forfeited, and the Participant will not be entitled to any bonus payments with respect to such Award if the Participant ceases to be employed by the Corporation or one of its Subsidiaries for any reason prior to the date the bonuses payments under the 2009 STIP are paid to Participants.

**10. Recoupment of Bonuses**

Any payment of an Objective Bonus, Discretionary Bonus or Aggregate Bonus under this 2009 STIP is subject to recoupment pursuant to the Corporation's Policy Regarding the Recoupment of Certain Performance-Based Compensation Payments as in effect from time to time, and a Participant shall promptly make any reimbursement requested by the Board of Directors or the Committee pursuant to such policy with respect to any such bonuses. Further, each Participant shall agree, by accepting an Award under the 2009 STIP and executing an Award Agreement, that the Corporation and/or any of its affiliates may deduct from any amounts it may owe the Participant from time to time (such as wages or other compensation) any and all amounts the Participant is required to reimburse the Corporation pursuant to such policy with respect to the Award.

**EXHIBIT A**

**2009 STIP  
PERFORMANCE TARGETS AND PAYOUT PERCENTAGES**

**A. PERFORMANCE TARGETS FOR OBJECTIVE BONUSES**

Performance Measure	Performance Targets		
	Threshold	Target	Maximum
Adjusted EPS - AWR Consolidated	80% Budget	100% Budget	120% Budget
Adjusted EPS - Regulated Utilities	80% Budget	100% Budget	120% Budget
Adjusted EPS - ASUS	Adjusted EPS > \$0.00	100% Budget	120% Budget
Relative Stock Price	Equal to or greater than 3 companies	Equal to or greater than 6 companies	Equal to or greater than 9 companies
Customer Complaints	782 or fewer	742 or fewer	703 or fewer
Capital Expenditures	80% Budget	100% Budget	120% Budget
SOX -- RU	No MW & 2 or fewer SDs	No MW & 1 SD	No MW & No SD
SOX -- ASUS	No MW & 2 or fewer SDs	No MW & 1 SD	No MW & No SD
Equitable Adjustment	N/A	Completed	N/A
Price Redetermination	N/A	Completed	N/A

**B. PAYOUT PERCENTAGES FOR PERFORMANCE MEASURES - GSWC ADMINISTRATIVE AND GENERAL OFFICERS**

Performance Measure	Payout Percentage		
	Threshold	Target	Maximum
Adjusted EPS - AWR Consolidated	10%	20%	30%
Relative Stock Price	5%	15%	20%
Adjusted EPS - RU	7.5%	15%	22.5%
Customer Complaints	2.5%	5%	7.5%
Capital Expenditures	2.5%	5%	7.5%
SOX - RU	2.5%	5%	7.5%
Adjusted EPS-ASUS	2.5%	5%	7.5%
SOX - ASUS	2.5%	5%	7.5%
Objective Bonus Total	35%	75%	110%
Individual Performance Measure (Discretionary Bonus)	15%	25%	40%
Aggregate Bonus	50%	100%	150%

C. PAYOUT PERCENTAGES FOR PERFORMANCE MEASURES - GSWC OPERATIONS OFFICERS

Performance Measure	Payout Percentage		
	Threshold	Target	Maximum
Adjusted EPS - AWR Consolidated	10%	20%	30%
Relative Stock Price	5%	10%	15%
Adjusted EPS - RU	10%	20%	30%
Customer Complaints	2.5%	5%	7.5%
Capital Expenditures	2.5%	10%	12.5%
SOX - RU	2.5%	5%	7.5%
Adjusted EPS-ASUS	2.5%	5%	7.5%
Objective Bonus Total	35%	75%	110%
Individual Performance Measure (Discretionary Bonus)	15%	25%	40%
Aggregate Bonus	50%	100%	150%

D. PAYOUT PERCENTAGES FOR PERFORMANCE MEASURES - ASUS

Performance Measure	Payout Percentage		
	Threshold	Target	Maximum
Adjusted EPS - AWR Consolidated	10%	20%	30%
Relative Stock Price	5%	10%	15%
Adjusted EPS - RU	2.5%	5%	7.5%
Adjusted EPS - ASUS	15%	20%	35%
Equitable Adjustment	N/A	7.5%	7.5%
Price Redetermination	N/A	7.5%	7.5%
SOX - ASUS	2.5%	5%	7.5%
Objective Bonus Total	35%	75%	110%
Individual Performance Measure (Discretionary Bonus)	15%	25%	40%
Aggregate Bonus	50%	100%	150%

**FORM OF  
AMERICAN STATES WATER COMPANY  
2009 SHORT-TERM INCENTIVE PROGRAM**

[Date]

**To: 2009 Short-Term Incentive Program Participants**

American States Water Company (the "Company") is pleased to inform you that you have been selected as a participant in the Company's 2009 Short-Term Incentive Program (the "Bonus Program"). Unless otherwise defined in this award agreement, capitalized terms used in this award agreement have the same meanings as in the Bonus Program.

As a participant in the Bonus Program, you are eligible to earn two separate cash bonuses for the 2009 calendar year—an Objective Bonus and a Discretionary Bonus. Your total Target Aggregate Bonus is set forth opposite your name in the Bonus Program, and is equal to the sum of the target amount of your Objective Bonus plus the sum of the target amount of your Discretionary Bonus.

Your Objective Bonus is subject to the terms of the Bonus Program and the Company's Performance Incentive Plan (the "Plan"), and will only become payable if all of the applicable terms and conditions of both the Bonus Program and the Plan are satisfied. The portion of your Target Aggregate Bonus attributable to your Objective Bonus will become payable based on the Company's attainment of the specific Performance Targets established for the Business Criteria that have been established for you. Your applicable Business Criteria, Performance Targets (including the threshold, target and maximum Performance Targets) and Payout Percentages are set forth in Exhibit A to the Bonus Program. Please note, however, that payment of your Objective Bonus remains subject to the Compensation Committee's discretion to reduce Objective Bonuses pursuant to Section 4 of the Plan.

Your Discretionary Bonus is subject to the terms of the Bonus Program (but not the Plan), and will only become payable if all of the applicable terms and conditions of the Bonus Program are satisfied. The portion of your Target Aggregate Bonus attributable to your Discretionary Bonus will become payable based on the Company's assessment of your attainment of the core performance objectives for your position, and you will only be entitled to receive a Discretionary Bonus if you are determined to meet the standards established for your position. These individual performance requirements applicable to your Discretionary Bonus are referred to as your Individual Performance Measures. The Payout Percentages for your Discretionary Bonus are set forth in Exhibit A to the Bonus Program.

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Any Objective Bonus or Discretionary Bonus that becomes payable to you will be paid as soon as practicable following the Compensation Committee's determination and certification pursuant to Section 8 of the Bonus Program, but in no event later than December 31, 2010. However, any Objective Bonus or Discretionary Bonus that becomes payable to you is subject to recoupment pursuant to the Company's Policy Regarding the Recoupment of Certain Performance-Based Compensation Payments as in effect from time to time, and you agree to promptly make any reimbursement requested by the Board of Directors or the Compensation Committee pursuant to such policy with respect to any such bonuses. In addition, you agree that the Company and/or any of its affiliates may deduct from any amounts it may owe you from time to time (such as wages or other compensation) any and all amounts that you are required to reimburse the Company pursuant to such policy.

Copies of the Bonus Program and the Plan are being provided to you with this award agreement. The Company advises you to read these documents carefully because they are legal documents that establish the terms and conditions of your Objective Bonus and your Discretionary Bonus. The Bonus Program and the Plan are each incorporated into this award agreement by reference, and will control in the event there is any conflict between the terms of this award agreement and the Bonus Program or Plan, as applicable.

Sincerely,

Robert J. Sprowls  
President and Chief Executive Officer

Accepted and Agreed:

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*[Executive]*

POLICY REGARDING THE RECOUPMENT OF CERTAIN  
PERFORMANCE-BASED COMPENSATION PAYMENTS

The Board of Directors or Compensation Committee shall, in such circumstances as it determines to be appropriate, require reimbursement of all or a portion of any performance-based short or long-term cash or equity incentive payments to an employee at the level of vice-president or above where: (1) the amount of, or the number of shares included in, any such payment was calculated based on the achievement of financial results that were subsequently the subject of an accounting restatement due to material noncompliance with any financial reporting requirement under the securities laws; (2) the need for the accounting restatement was identified within 3 years after the date of the first public issuance or filing of the financial results that were subsequently restated; and (3) a lesser payment of cash or shares would have been made to the employee based upon the restated financial results. This policy does not limit any other remedies the Company may have available to it in the circumstances, which may include, without limitation, dismissing the employee or initiating other disciplinary procedures. The provisions of this policy are in addition to (and not in lieu of) any rights to repayment the Company may have under Section 304 of the Sarbanes-Oxley Act of 2002 and other applicable laws.

**AMERICAN STATES WATER COMPANY  
PERFORMANCE INCENTIVE PLAN**

**Section 1. Purpose of Plan**

The purpose of the American States Water Company Performance Incentive Plan (the “**Plan**”) is to promote the success of American States Water Company, a California corporation, (the “**Corporation**”) by (a) motivating executives selected to participate in the Plan to maximize the performance of the Corporation both from a financial perspective and in serving its customers and (b) rewarding the executives with cash bonuses directly related to such performance. The Corporation’s board of directors recognizes that the ability of the Corporation and its subsidiaries to attract capital at a low cost is based on its financial performance and that the Corporation’s utility customers benefit through lower rates when the Corporation is able to attract low cost capital.

This Plan is intended to provide Bonuses for Performance Periods beginning after December 31, 2009, that qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (“**Section 162(m)**”). The Bonuses payable for the year ending on December 31, 2009, are not intended to satisfy Section 162(m).

This Plan is adopted effective as of January 1, 2009; provided, however, that its continued effectiveness after December 31, 2009, is subject to shareholder approval of the Plan before December 31, 2010.

**Section 2. Definitions and Terms**

2.1 *Accounting Terms.* Except as otherwise expressly provided or the context otherwise requires, financial and accounting terms in this Plan and the Awards granted under this Plan are used as defined for purposes of, and shall be determined in accordance with, generally accepted accounting principles, as from time to time in effect, as applied and included in the consolidated financial statements of the Corporation, prepared in the ordinary course of business.

2.2 *Specific Terms.* The following words and phrases as used herein shall have the following meanings unless a different meaning is plainly required by the context:

“*ASUS*” means American States Utility Services, Inc. and its subsidiaries.

“*Award*” means an award under this Plan of a conditional opportunity to receive a Bonus if the applicable Performance Targets are satisfied in the applicable Performance Period.

“*Bonus*” means a cash payment or a cash payment opportunity under the Plan, as the context requires.

“*Business Criteria*” means any one or any combination of the following business criteria: earnings per share, shareholder return, customer satisfaction, customer complaints, capital expenditures, capital investments, significant deficiencies and material weaknesses under Section 404 of the Sarbanes-Oxley Act of 2002, operating revenue, revenues from specific facilities, net income from operations, net income, earnings (before or after interest, taxes, depreciation and/or amortization), growth in earnings, return on equity, return on capital, economic value added, and cash flow.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time.

“*Committee*” means the Compensation Committee of the Corporation’s Board of Directors.

“*Company*” means American States Water Company, a California corporation, and its subsidiaries.

“*Corporation*” means American States Water Company, a California corporation.

“*Executive*” means the Chief Executive Officer of the Corporation and any other key employee (including any officer) of the Company who is a Senior Vice President or Vice President.

“*Participant*” means an Executive selected to participate in the Plan by the Committee.

“*Performance Period*” means the Year or Years (or portions thereof) with respect to which the Performance Targets are set by the Committee.

“*Performance Targets*” means the specific objective goal or goals that are timely set in writing by the Committee pursuant to Section 4.2 for each Participant for the applicable Performance Period in respect of any one or more of the Business Criteria.

“*Plan*” means this American States Water Company Performance Incentive Plan.

“*Regulated Utility*” means Golden State Water Company and Chaparral City Water Company and any other regulated utility acquired by the Company.

“*Section 162(m)*” means Section 162(m) of the Code, and the regulations promulgated thereunder, all as amended from time to time.

“*Section 409A*” means Section 409A of the Code, and the regulations and any interpretative guidance promulgated thereunder, all as amended from time to time.

“*Year*” means a calendar year commencing on or after January 1, 2009.

### **Section 3. Administration of the Plan**

3.1 *Powers of the Committee.* The Committee shall have the sole authority to establish and administer the Business Criteria and Performance Targets and the responsibility of determining from among the Executives those persons who will participate in and receive Awards under the Plan and, subject to the terms of the Plan, the amount of Awards, and the time or times at which and the manner in which Awards will be paid (which may include elective or mandatory deferral alternatives subject to Section 409A) and shall otherwise be responsible for the administration of the Plan, in accordance with its terms. The Committee shall have the authority to construe and interpret the Plan (except as otherwise provided herein) and any agreement or other document relating to any Awards under the Plan, may adopt rules and regulations governing the administration of the Plan, and shall exercise all other duties and powers conferred on it by the Plan, or which are incidental or ancillary thereto.

#### Section 4. Bonus Awards

4.1 *Provision for Bonus.* Each Participant may receive a Bonus if the Performance Targets established by the Committee, relative to the applicable Business Criteria, are attained in the applicable Performance Period established by the Committee. The applicable Performance Period and Performance Targets shall be determined by the Committee consistent with the terms of the Plan and, after December 31, 2009, Section 162(m). Notwithstanding the fact that the Performance Targets have been attained, the Company may pay a Bonus of less than the amount determined by the formula or standard established pursuant to Section 4.2 or may pay no Bonus at all.

4.2 *Selection of Performance Targets.* With respect to Performance Periods beginning after December 31, 2009, the Committee must establish the specific Performance Targets with respect to the Business Criteria within the first 90 days of the Performance Period (and, in the case of any Performance Period of less than one year, in no event after 25% or more of the Performance Period has elapsed) and while the performance relating to the Performance Targets remains substantially uncertain within the meaning of Section 162(m). The Committee may establish the Performance Targets with respect to any Performance Period on a stand-alone basis with respect to the Corporation or on a relative basis with respect to any peer companies or index selected by the Committee. The Committee may establish the Performance Targets with respect to any Performance Period on the basis of one or more of the Business Criteria for the Corporation on a consolidated basis or for one or more of the Corporation's subsidiaries, divisions, segments, facilities or business units or any combination of the foregoing. At the time the Committee selects the Performance Targets, the Committee shall provide, in terms of an objective formula or standard for each Participant the method of computing the specific amount that will represent the maximum amount of Bonus payable to the Participant if the Performance Targets are attained, subject to Sections 4.1, 4.3, 4.7, 5.1 and 5.7. The objective formula or standard shall preclude the use of discretion to increase the amount of any Bonus earned pursuant to the terms of the Award.

4.3 *Maximum Annual Bonuses.* Notwithstanding any other provision hereof, the maximum amount that may be payable in respect of all Awards under this Plan to any single Executive for any one Year shall not exceed \$400,000.

4.4 *Selection of Participants.* For each Performance Period, the Committee shall determine, at the time it sets the Business Criteria and the Performance Target(s), those Executives who will participate in the Plan. At the time that the Committee establishes the applicable Performance Targets for any Year, the Committee shall also specify, subject to the limitation specified in Section 4.3, the maximum individual amount payable to each Executive for such Year.

4.5 *Termination of Employment.* In the event of the termination of employment of a Participant prior to the payment of a Bonus, the Participant shall not be entitled to any payment in respect of the Bonus, unless otherwise expressly provided by the terms of the applicable Award, another written contract with the Corporation or by the Committee in its sole discretion.

4.6 *Adjustments.* To preserve the intended incentives and benefits of an Award, the Committee shall adjust the Performance Targets or Business Criteria to eliminate the effects of the following: (i) the gain, loss, income or expense resulting from changes in accounting principles that become effective during the Performance Period, and (ii) the gains or losses resulting from, and the direct expenses incurred in connection with, the purchase or disposition of a business. The Committee may, however, provide at the time it establishes the Performance Targets that one or both of the foregoing adjustments will not be made as to a specific Award. In addition, the Committee may determine at the time it establishes the Performance Targets that other adjustments shall apply to the objective formula or standard with respect to the applicable Performance Target to take into account, in whole or in part, in any manner specified by the Committee, any one or more of the following with respect to the Performance Period: (a) gain or loss from all or certain claims and/or litigation and all or certain insurance recoveries relating to claims or litigation, (b) the impact of impairment of tangible or intangible assets, (c) the impact of investments or acquisitions made during the year or, to the extent provided by the Committee, any prior year, (d) derivative gains or losses attributable to fixed-price purchase contracts and (e) the impact of significant adverse market conditions on pension expenses. Each of the adjustments described in this Section 4.6 may relate to the Company as a whole or any part of the Company's business or operations, as determined by the Committee at the time the Performance Targets are established. The adjustments are to be determined in accordance with generally accepted accounting principles and standards, unless another objective method of measurement is designated by the Committee. In addition to the foregoing, the Committee shall adjust any Business Criteria, Performance Targets or other features of an Award that relate to or are wholly or partially based on the number of, or the value of, any shares of stock of the Corporation or any of its subsidiaries, to reflect a change in the capitalization, such as a stock split or dividend, or a corporate transaction, such as a merger, consolidation, separation (including a spin-off or other distribution of stock or property), or a reorganization.

4.7 *Committee Discretion to Determine Bonuses.* The Committee has the sole discretion to determine the standard or formula pursuant to which each Participant's Bonus shall be calculated (in accordance with Sections 4.1 and 4.2), whether all or any portion of the amount so calculated will be paid, and the specific amount (if any) to be paid to each Participant, subject in all cases to the terms, conditions and limits of the Plan and of any other written commitment authorized by the Committee. To this same extent, the Committee may at any time establish (and, once established, rescind, waive or amend) additional conditions and terms of payment of Bonuses (including but not limited to the achievement of other financial, strategic or individual goals, which may be objective or subjective) as it may deem desirable in carrying out the purposes of the Plan and may take into account such other factors as it deems appropriate in administering any aspect of the Plan. The Committee may not, however, increase the maximum amount permitted to be paid to any individual under Section 4.2, 4.3, 4.4 or 4.5 of the Plan or award a Bonus under this Plan if the applicable Performance Targets have not been satisfied.

4.8 *Committee Certification.* No Executive shall receive any payment under the Plan unless the Committee has certified, by resolution or other appropriate action in writing, that the amount thereof has been accurately determined in accordance with the terms, conditions and limits of the Plan and that the Performance Targets and any other material terms previously established by the Committee or set forth in the Plan were in fact satisfied.

4.9 *Time of Payment; Deferred Amounts.* Any Bonuses granted by the Committee under the Plan shall be paid as soon as practicable following the Committee's determinations under this Section 4 and the certification of the Committee's findings under Section 4.8. Any such payment shall be in cash or cash equivalent or in such other form of equal value on such payment date as the Committee may approve or require, subject to applicable withholding requirements. Notwithstanding the foregoing, the Committee, in its sole discretion (but subject to compliance with Section 162(m) and the applicable provisions of Section 409A and to any prior written commitments and to any conditions consistent with Sections 4.3 and 5.7 that it deems appropriate), may defer the payout or vesting of any Bonus and/or provide to Participants the opportunity to elect to defer the payment of any Bonus under a nonqualified deferred compensation plan. Any action by the Committee or any election made by an Executive to defer payment of any Bonus shall be made not later than the date(s) required to avoid the acceleration of income recognition and the imposition of an additional rate of tax under Section 409A. In the case of any deferred payment of a Bonus after the attainment of the applicable Performance Target(s), any amount in excess of the amount otherwise payable shall be based on either Moody's Average Corporate Bond Yield (or such other rate of interest that is deemed to constitute a "reasonable rate of interest" for purposes of Section 162(m)) over the deferral period or the return over the deferral period of one or more predetermined actual investments such that the amount payable at the later date will be based upon actual returns, including any decrease or increase in the value of the investment(s), unless the alternative deferred payment is otherwise exempt from the limitations under Section 162(m).

## **Section 5. General Provisions**

5.1 *No Right to Awards or Continued Employment.* Neither the establishment of the Plan nor the provision for or payment of any amounts hereunder nor any action of the Company (including, for purposes of this Section 5.1, any predecessor or subsidiary), the Board of Directors of the Corporation or the Committee in respect of the Plan shall be held or construed to confer upon any person any legal right to receive, or any interest in, an Award or any other benefit under the Plan, or any legal right to be continued in the employ of the Company. The Company expressly reserves any and all rights to discharge an Executive in its sole discretion, without liability of any person, entity or governing body under the Plan or otherwise. Nothing in this Section 5.1, however, is intended to adversely affect any express independent right of any person under a separate employment agreement. Notwithstanding any other provision hereof and notwithstanding the fact that the Performance Targets have been attained and/or the individual maximum amounts hereunder have been calculated, the Company shall have no obligation to pay any Bonus hereunder nor to pay the maximum amount so calculated or any prorated amount based on service during the period, unless the Committee otherwise expressly provides by written contract or other written commitment.

5.2 *Discretion of Company, Board of Directors and Committee.* Any decision made or action taken by the Company or by the Board of Directors of the Corporation or by the Committee arising out of or in connection with the creation, amendment, construction, administration, interpretation and effect of the Plan shall be within the absolute discretion of such entity and shall be conclusive and binding upon all persons. No member of the Committee shall have any liability for actions taken or omitted under the Plan by the member or any other person.

5.3 *No Funding of Plan.* The Company shall not be required to fund or otherwise segregate any cash or any other assets which may at any time be paid to Participants under the Plan. The Plan shall constitute an "unfunded" plan of the Company. The Company shall not, by any provisions of the Plan, be deemed to be a trustee of any property, and any rights of any Participant or former Participant shall be no greater than those of a general unsecured creditor or shareholder of the Company, as the case may be.

5.4 *Non-Transferability of Benefits and Interests.* Except as expressly provided by the Committee, no benefit payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such attempted action shall be void and no such benefit shall be in any manner liable for or subject to debts, contracts, liabilities, engagements or torts of any Participant or former Participant. This Section 5.4 shall not apply to an assignment of a contingency or payment due (i) after the death of a Participant to the deceased Participant's legal representative or beneficiary or (ii) after the disability of a Participant to the disabled Participant's personal representative.

5.5 *Law to Govern.* All questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of California.

5.6 *Non-Exclusivity.* The Plan does not limit the authority of the Company, the Board or the Committee, or any subsidiary of the Company to grant awards or authorize any other compensation to any person under any other plan or authority.

5.7 *Section 162(m) Conditions.* It is the intent of the Company that the Plan and Awards made hereunder satisfy and be interpreted in a manner, that, in the case of Participants who are persons whose compensation is subject to Section 162(m), satisfies any applicable requirements as performance-based compensation. Any provision, application or interpretation of the Plan inconsistent with this intent to satisfy the standards in Section 162(m) of the Code shall be disregarded.

#### **Section 6. Amendments, Suspension or Termination of Plan**

The Board of Directors or the Committee may from time to time amend, suspend or terminate in whole or in part, and if suspended or terminated, may reinstate, any or all of the provisions of the Plan. Notwithstanding the foregoing, no amendment shall be effective without Board of Directors and/or shareholder approval if such approval is necessary to comply with the applicable provisions of Section 162(m). To the extent applicable, it is intended that the Plan and all Awards hereunder comply with the requirements of Section 409A of the Code, and the Plan and all award agreements shall be interpreted and applied by the Committee in a manner consistent with this intent in order to avoid the imposition of any additional tax under Section 409A of the Code.



**Section 7. Expiration of Authority to Grant Awards**

As required pursuant to Section 162(m), the Committee's authority to grant new Awards under the Plan shall terminate upon the first meeting of the Corporation's shareholders that occurs in the fifth year following the year in which the Corporation's shareholders first approve this Plan, subject to any subsequent extension that may be approved by shareholders.

**Officer Relocation Policy**

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<b>Eligible Group</b>	Officers
<b>Purpose</b>	To establish a policy for the reimbursement of eligible expenses incurred when an Officer is permanently transferred from one location to another at the Company's request.
<b>Objective</b>	To provide financial relocation assistance to an Officer in order to maximize the Officer's performance and minimize inconvenience during the relocation.
<b>Scope of Policy</b>	<p>This policy applies to an Officer who is required to relocate because he/she is being permanently transferred (for no less than 12 months) at the Company's written request to an assigned work location within the Company that is at least sixty (60) miles from the Officer's current assigned work location. No reimbursement will be allowed unless the Officer's new residence is at least forty (40) miles closer to the Officer's new assigned work location than the Officer's prior residence is to the new assigned work location.</p> <p>Expenses eligible for reimbursement are limited to those expenses set forth in the "Covered Expenses" portion of this policy incurred by an Officer, spouse or registered domestic partner of the Officer, or the Officer's children who currently reside with the Officer.</p> <p>Nothing in this policy should be construed as a contract for employment for any period of time or as altering the at-will nature of the employment relationship. The Company has the right to terminate Officers for any or no reason at all, at any time.</p>

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**Officer Relocation Policy, continued**

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**Reimbursement to the Company**

Benefits under this policy will cease if an Officer resigns his/her employment or is terminated for misconduct and/or poor performance. In addition, if an Officer resigns from his/her employment, or is terminated for misconduct and/or poor performance within twenty-four (24) months of having commenced work at the new assigned work location or other agreed upon time in writing, the Officer will be required to reimburse the Company for any reimbursements associated with the most recent move paid for by the Company under this policy.

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**Policy Administration**

This policy is administered by the Human Capital Management Department. The Company will not be responsible for any action taken which is beyond the scope of this policy.

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**Compensation Committee Discretion**

The Compensation Committee of the Company can authorize reimbursement of a higher level of expenses than this policy allows, at its discretion.

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**General Policy**

An Officer is eligible to have his/her relocation expenses reimbursed after relocating to a new assigned job location that is at least sixty (60) miles from the Officer's current assigned work location. No reimbursement will be allowed unless the Officer's new residence is at least forty (40) miles closer to the new assigned work location than the Officer's prior residence is to the new assigned work location.

- Relocated Officers shall submit, in sufficient detail, documentation for all expenses incurred to the Human Capital Management Department for approval and reimbursement.
  - All relocation-related expenses are required to be submitted separately from other types of reimbursable business expenses and are to be clearly marked "Relocation Expenses."
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## Officer Relocation Policy, continued

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### General Policy (continued)

Officers to be relocated should be made fully aware of the contents of this policy. Because the determination of whether an expense is covered by this policy is at the discretion of the Company, a relocating officer is encouraged to obtain clarification from the Administration Manager for Human Capital Management of any expense for which the nature as a covered expense may be questionable or is unusual in nature prior to incurring such expense. Any questionable expenses should be resolved with the Administration Manager for Human Capital Management before the expense is incurred.

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### Approvals

All requests for Officer relocation must be approved in writing by the direct supervisor of the relocating Officer and the President and CEO prior to actual relocation or commitment to the Officer. An Officer Relocation Approval Form (see form at the end of this policy statement) is required to be completed and approved. In addition, any exceptions to this policy require the prior written approval of the President and CEO.

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## Covered Expenses

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### Overview

In order to alleviate the financial burden an Officer may incur in relocating at the Company's direction, the Company will cover the following reasonable costs subject to other limitations set forth herein:

- Realtor Fees, Closing Costs, and Lease Termination Fees;
  - Moving Expenses;
  - House-Hunting Trips;
  - Temporary Living Expenses; and
  - Tax Gross-Up.
- 

### Realtor Fees, Closing Costs, and Lease Termination Fees

An Officer will be reimbursed for reasonable realtor fees and reasonable closing costs incurred by the Officer on the sale of his/her residence or lease termination fees for Officers currently leasing a residence, associated with a relocation required by the Company. The reimbursement will be limited to the lower of the actual realtor fees and closing costs paid or \$36,000. The Officer must sell his/her house within one year from the date the Officer commences work at the new assigned work location (or other time agreed to in writing) to receive this reimbursement.

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### Moving Expenses

An Officer will be reimbursed for the following reasonable moving expenses incurred:

- packing and unpacking household goods;
- transportation of goods, including up to two personal vehicles;
- transportation of the Officer, spouse or registered domestic partner (RDP) of the Officer, and the Officer's children or children of the RDP, who reside in the current residence and will reside in the new residence;
- connecting appliances; and
- transportation of household pets.

The above-listed moving expenses are reimbursable up to a limit of \$20,000. The Officer is required to receive two bids for packing and unpacking household goods and transportation of goods. The Officer must include the bids in his/her request for reimbursement, and any reimbursement will be limited to the lower of the two bids.

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## Covered Expenses, continued

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### Ineligible Expenses

No reimbursement will be provided for the following expenses:

- Moving or shipment of items such as livestock, boats, shrubs, construction materials, more than two vehicles, or similar items requiring special handling;
  - Cleaning, maintenance or repair of the Officer's former or new residence;
  - Removal or installation of permanently fixed items such as lighting fixtures, fencing, patios, fireplaces, or the like;
  - Assembly or disassembly of swing sets, pool tables, waterbeds, outdoor fixtures, appliances, or the like;
  - Purchase of fixtures, appliances, equipment or materials for new residence;
  - Tips or gifts to moving company representatives;
  - Any services performed by the Officer, the Officer's dependents or relatives; and
  - Any refundable deposit.
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### House Hunting Trips

An Officer will be reimbursed for expenses incurred by the Officer and the Officer's spouse/registered domestic partner for two house hunting trips not to exceed six calendar days in total. House hunting trip expenses eligible for reimbursement are limited to reasonable travel, lodging, meals and rental vehicle expenses and are subject to the same requirements and limitations set forth in the Travel Expense Reimbursement Policy.

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### Temporary Living Expenses

An Officer will be reimbursed for reasonable temporary housing expenses incurred for up to 90 calendar days following the relocation while waiting to move into a permanent residence. If the temporary housing does not contain cooking facilities, reimbursement under this category may include reasonable breakfast and dinner expenses. In no event may reimbursement under this category exceed \$3,000 per consecutive 30-day period (prorated for periods less than 30 days).

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### Temporary Storage

An Officer will be reimbursed for temporary storage costs for up to 90 consecutive days after the day the Officer's possessions are moved from the former residence and before they are delivered to the new home.

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**Covered Expenses, continued**

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**Tax Gross Up** An Officer may receive a payment to cover the tax liabilities incurred as a result of reimbursement of eligible expenses under this policy which are treated as taxable wages, including the tax reimbursement itself ("tax gross-up"). A tax gross-up is intended to approximate the reasonably estimated income and employment tax liabilities an Officer may incur in connection with reimbursements under this policy and is not intended to determine an actual amount by reference to an Officer's actual tax profile. As such, tax rates used in the estimate will be based on an applicable marginal rate determined by reference to employee-specific filing statuses, and only the Officer's employment-related data.

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**Market Loss** The Company will not reimburse any loss in market value associated with an Officer's disposition of property in connection with relocating.

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**Limitations** Relocation expenses eligible for reimbursement under this policy should be incurred as soon as practicable after the date on which the Officer reports to work at a new assigned work location. Relocation expenses incurred after one year of such date are not reimbursable under this policy without separate approval of the President and CEO.

Depending upon the circumstances, all or a portion of the tax gross-up coverage component of this policy may be restricted.

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## Covered Expenses, continued

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### Example

Assume an officer sells his/her residence and incurs the following costs:

- ü realtor fee of \$40,000 (taxable)
- ü other selling expenses of \$2,000 (taxable)
- ü packing and unpacking expenses of \$3,000 (not taxable)
- ü transportation of packed household goods of \$12,000 (not taxable)
- ü air fare to transport family of \$2,000 (not taxable)
- ü expenses associated with house-hunting trips of \$2,500 (taxable)
- ü temporary housing expenses of \$5,000 (taxable)
- ü combined federal/state/employment tax rate of 39%

Calculation of reimbursement:

Total expenses reimbursed that are taxable - \$43,500

- realtor fee of \$40,000 + other selling expense of \$2,000 – total limited to \$36,000
- expenses associated with house-hunting trips - \$2,500
- temporary housing expenses - \$5,000

Total taxable expenses reimbursed including tax gross up - \$71,311

Total expenses reimbursed that are not taxable - \$17,000

Total reimbursement - \$88,311

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### Reimbursement Obligation:

Before any reimbursement is made under this policy, an Officer will be required to agree in writing that the Officer will reimburse the Company for any relocation expenses paid if he/she should voluntarily leave the employment of the Company or is terminated for misconduct and/or poor performance, within twenty four months of relocating.

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**OFFICER RELOCATION APPROVAL FORM**

Name		Employee #	
Relocation of Assigned Work Location - From:		To:	
Relocation of Residence - From:		To:	
Approximate dates of Relocation			
Is this move budgeted?	Yes	No	
<b>Approvals</b>			
Senior Vice President			
President & CEO			

A Relocation Expense Estimate (see form on the following page) must be submitted with this Officer Relocation Approval Form.



Relocation Expense Estimate

Column A	Column B	Column C	Column D
A	Estimated market value of present home		
B	Realtor's commission percentage in area		
C	Estimated realtor's fee (A times B)		
D	Closing costs on sale of present home		
E	Realtor's fee plus closing costs (C plus D)		
F	If E exceeds \$36,000 then use \$36,000, otherwise include amount from line E		
G	House hunting trips		
H	Other taxable expenses		
I	Total taxable expenses (F plus G plus H)		
J	Tax rate for employment and income taxes (contact Tax Director)		
K	Total amount of reimbursement for taxable expenses including: gross up (I divided by)1-J) (Note: Place in Column D)		
L	Packing Expenses		
M	Transportation of goods to new location		
N	Transportation of Officer, Officer's spouse or registered domestic partner, or Officer's children that currently reside with Officer, to new location		
O	Connecting appliances		
P	Other Moving Expenses		
Q	Total Moving Expenses (L+M+N+O+Q)		
R	Is the amount on line Q greater than \$20,000? If so, use \$20,000, otherwise use the amount on line Q. Enter appropriate amount in Column D		
S	Total estimated reimbursement (add amount on Line K, Column D, to amount on Line R, Column D)		