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 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549  
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Form S-3 REGISTRATION STATEMENT  
 Under  
 THE SECURITIES ACT OF 1933  
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AMERICAN STATES WATER COMPANY  
 (Exact name of Registrant as specified in its charter)

CALIFORNIA (State or other jurisdiction of incorporation or organization)	95-4676679 (I.R.S. Employer) Identification Number)
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 630 East Foothill Boulevard  
 San Dimas, California 91773  
 (909) 394-3600

(Address, including zip code, and telephone Number,  
including area code, of Registrant's principal executive offices)

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 McClellan Harris III  
 630 East Foothill Boulevard  
 San Dimas, California 91773  
 (909) 394-3600  
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(Name, address, including zip code, and telephone number, including  
area code, of agent for service)

Approximate date of commencement of proposed sale to the public:  
 From time to time after the effective date of this Registration  
 Statement as determined by market conditions.

If the only securities being registered on this form are being  
 offered pursuant to dividend or interest reinvestment plans, please  
 check the following box. [ ]

If any of the securities being registered on this form are  
 to be offered on a delayed or continuous basis pursuant to Rule 415  
 under the Securities Act of 1933, other than securities offered  
 only in connection with dividend or interest reinvestment plans,  
 check the following box. [ ]

If this form is filed to register additional securities for  
 an offering pursuant to Rule 462(b) under the Securities Act, please  
 check the following box and list the Securities Act registration  
 statement number of the earlier effective registration statement for  
 the same offering. [ ] \_\_\_\_\_

If this form is a post-effective amendment filed pursuant to  
 Rule 462(c) under the Securities Act, check the following box and  
 list the Securities Act registration statement number of the  
 earlier effective registration statement for the same offering.  
 [ ] \_\_\_\_\_

If delivery of the prospectus is expected to be made pursuant  
 to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price <6>	Amount of registration fee <6>
Debt Securities	<1>	N.A.
New Preferred Shares, no par value	<1><2>	N.A.
Depository Shares	<1><2><3>	N.A.
Common Shares, no par value <4>	<1><5>	N.A.
Total	\$60,000,000	\$16,680

<1> In no event will the aggregate maximum offering price of all  
 securities issued pursuant to this Registration Statement

exceed \$60,000,000 or, if any Debt Securities are issued with original issue discount, such greater amount as shall result in an aggregate offering price of \$60,000,000. Any securities registered hereunder may be sold separately or as units with other securities registered hereunder.

- <2> Shares of New Preferred Shares and Depository Shares may be issuable upon conversion of Debt Securities registered hereby.
- <3> In the event American States Water Company elects to offer to the public fractional interests in shares of the New Preferred Shares registered hereunder, Depository Receipts will be distributed to those persons purchasing such fractional interests, and the shares of New Preferred Shares will be issued to the Depository under any such Deposit Agreement.
- <4> Includes stock purchase rights. Prior to occurrence of certain events, these rights will not be exercisable or evidenced separately from the Common Shares.
- <5> Common Shares may be issuable in primary offerings and upon conversion of the New Preferred Shares or Debt Securities registered hereby.
- <6> Calculated pursuant to Rule 457(o) of the rules and regulations under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities and it is not soliciting an offer to buy these securities in any State where the offer or sale is not permitted.

Subject to Completion  
Preliminary Prospectus  
Dated December 1, 1998

AMERICAN STATES WATER COMPANY  
630 East Foothill Blvd.  
San Dimas, California 91773  
Telephone: 909-394-3600

\$60,000,000

DEBT SECURITIES  
COMMON SHARES  
NEW PREFERRED SHARES  
DEPOSITARY SHARES

We may from time to time offer the securities described in this Prospectus, either separately or in combination. We will provide you with the specific terms of each offering in supplements to this Prospectus.

We also periodically file information about our company with the Securities and Exchange Commission. You should read this information, this Prospectus and the supplements carefully before you invest. Our common shares are listed on the New York Stock Exchange under the symbol "AWR."

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PROSPECTUS  
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\_\_\_\_\_, 1998

Neither the Securities and Exchange Commission nor any state securities commission has approved of these securities or

determined that this Prospectus is accurate or complete.  
Any representation to the contrary is a criminal offense.

TABLE OF CONTENTS

SUMMARY	1
WHERE YOU CAN FIND MORE INFORMATION	5
USE OF PROCEEDS	6
DESCRIPTION OF DEBT SECURITIES	6
General	6
Status of Debt Securities	6
Payment and Transfer	7
Global Debt Securities	7
Absence of Restrictive Covenants	8
Successor Corporation	8
Events of Default	9
Modification of Indenture	10
Defeasance	10
Regarding the Trustee	11
Governing Law	11
DESCRIPTION OF CAPITAL STOCK	11
Common Shares	12
Preferred Shares	12
New Preferred Shares	13
Rights Agreement	14
Certain Provisions of our Articles and Bylaws	16
Certain Provisions of State and Federal Law	17
DESCRIPTION OF DEPOSITARY SHARES	18
General	19
Dividends and Other Distributions	19
Conversion and Exchange	19
Redemption of Depositary Shares	19
Global Depositary Receipts	19
Voting New Preferred Shares	20
Amendment and Termination of Depositary Agreement	20
Charges of Depositary	21
Resignation and Removal of Depositary	21
Miscellaneous	21
PLAN OF DISTRIBUTION	21
LEGAL MATTERS	23
EXPERTS	23

## SUMMARY

This Prospectus is part of a registration statement that we filed with the Securities and Exchange Commission ("SEC") using the shelf registration process. Under this process, we may sell up to \$60,000,000 of the securities described in this Prospectus in one or more offerings over the next several years.

This Prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide you with a supplement to this Prospectus that will describe the specific amounts, prices and terms of the securities for that offering. The Prospectus Supplement may also add, update or change information contained in this Prospectus. Although we will try to include all information that we believe may be material to investors, certain details that may be important to you may have been excluded. To see more detail, you should read the exhibits filed by us with the registration statement or other SEC filings.

We also periodically file with the SEC documents that include information about our financial statements and our company, including information on matters that might affect our future financial results. Our principal subsidiary, Southern California Water Company ("SCW"), also periodically files documents with the SEC. Directions on how you may get our documents and those of SCW are provided on page 4. It is important for you to read these documents, this Prospectus and the applicable Prospectus Supplement, in addition to this Summary, before you invest.

### AMERICAN STATES WATER COMPANY

Our company was formed on July 1, 1998 as a holding company for SCW. SCW was founded in 1929 and operates 39 water systems serving approximately 242,500 customers located in 75 communities in California. SCW also sells electricity to approximately 21,000 customers in the Big Bear area of California. The California Public Utilities Commission ("CPUC") regulates SCW.

In addition, our company provides operation and maintenance, billing, meter reading and other services that are not regulated by the CPUC for municipally-owned water systems in California. These activities are not, however, currently material to our company.

Our common shares are listed on the New York Stock Exchange under the symbol "AWR."

### SELECTED FINANCIAL INFORMATION

The following information is unaudited and was derived from our financial statements. The information is only a summary and does not provide all of the information contained in our financial statements, the financial statements of SCW and the periodic reports that we have filed with the SEC.

	For the 12 Months Ended September 30, 1998	For the Year Ended 1997	December 31, 1996	December 31, 1995
----- (Dollars in Thousands)				
Statement of Income Data:				
Operating Revenues	\$148,463	\$153,755	\$151,529	\$129,813
Operating Expenses	123,100	130,297	128,100	108,425
Operating Income	25,363	23,458	23,429	21,388
Other Income	223	758	531	366
Interest Charges	10,979	10,157	10,500	9,559
Net Income	14,607	14,059	13,460	12,165
Dividends on Preferred Shares	91	92	94	96

Earnings Available for Common Shareholder	14,516	13,967	13,366	12,069
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	As of September 30, 1998	As of December 31, 1997	As of December 31, 1996	1995
----- (Dollars in Thousands)				
Balance Sheet Data:				
Total Assets	\$478,771	\$457,074	\$430,922	\$406,255
Long-Term Debt	130,803	115,286	107,190	107,455
Preferred Shares	1,600	1,600	1,600	1,600
Preferred Shares subject to Mandatory Redemption	440	440	480	520
Common Equity	153,504	151,053	146,766	121,576
Total Capitalization	286,347	268,379	256,036	231,151

Set forth below are the ratio of earnings to fixed charges and the ratio of earnings to total fixed charges for the periods indicated:

	For the 12 Months Ended September 30, 1998	For the Year Ended December 31, 1997	1996	1995	1994
1993	-----	-----	-----	-----	-----
Ratio of Earnings to Fixed Charges	3.24	3.35	3.26	3.19	3.58 3.09
Ratio of Earnings to Total Fixed Charges	3.29	3.30	3.21	3.14	3.50 3.04

#### DEBT SECURITIES WE MAY OFFER

We may offer debt securities from time to time in one or more series, either separately or in combination with other securities. Our debt securities will be unsecured and will not be subordinated to any of our other debt. On the date of this Prospectus, we had no outstanding debt. SCW does, however, have outstanding unsecured debt. SCW must make scheduled payments on its debt and otherwise comply with the terms of its debt before it pays dividends to us. We will rely principally on dividends from SCW to pay our debt securities. As a result, SCW's debt is senior to our debt securities.

#### General Indenture Provisions

- The debt securities will be issued pursuant to the terms of an indenture.
- The indenture does not limit the amount of debt securities that we may issue or provide holders any protection should there be a highly leveraged transaction involving our company.
- The indenture allows us to merge or to consolidate with another person, or transfer all or substantially all of our assets to another person. If these events occur, the other person will be required to assume our responsibilities on the debt securities, and we will be released from all liabilities and Obligations.
- The indenture provides that holders of a majority of the total principal amount of the debt securities of any series may vote to change our obligations or your rights concerning that series of debt securities. But to change on terms relating to the time or amount of payment of any series, every holder in that series must consent.
- If we satisfy certain conditions, we may discharge the indenture at any time by depositing sufficient funds with the Trustee to pay our obligations when due. All amounts due to you on the debt securities would be paid by the Trustee from the deposited funds.

- If certain events of default specified in the indenture occur, the Trustee or holders of not less than one-third of the principal amount outstanding in the debt securities of a series may declare the principal of that series immediately payable.
- Events of default under the indenture include:
  - . Failure to pay principal within three business days of when due,
  - . Failure to deposit sinking fund payments within three business days of when due,
  - . Failure to pay any installment of interest for 60 days, and
  - . Violation of covenants for 90 days after receipt of notice to cure.
- The indenture does not contain a provision which is triggered by our default under our other indebtedness.

#### COMMON SHARES WE MAY OFFER

We may issue common shares from time to time either separately or in combination with other securities.

Common shareholders are entitled to receive dividends declared by our Board of Directors (subject to the rights of holders of preferred shares and new preferred shares). As of September 30, 1998, the preferred shareholders had a dividend preference of 92,000. No new preferred shares are currently outstanding. Our Board of Directors recently declared a dividend of \$0.315 per common share payable on December 1, 1998.

Each common shareholder is entitled to one tenth of a vote per share. Each holder of preferred shares is entitled to one vote per share. As of September 30, 1998, there were 83,200 preferred shares and 8,957,671 common shares outstanding. Shareholders have cumulative voting rights with respect to the election of directors, if certain conditions are satisfied. Holders of preferred shares have the right to elect a majority of the directors if we fail to make four quarterly dividend payments on the preferred shares. We are current in the payment of dividends to preferred shareholders.

Shareholders have no preemptive rights.

On August 3, 1998, we adopted a rights agreement and declared a dividend of one right for each common share. We will also issue one right for each common share issued while the rights agreement is in effect, including shares issued under this Prospectus. We will distribute the rights only when we learn that a person has the right to acquire 15% or more of our outstanding common shares.

The rights agreement and certain provisions of our Amended and Restated Articles of Incorporation and Bylaws, as well as certain provisions of California and federal law, may make acquisitions and changes of control of our company more difficult.

#### NEW PREFERRED SHARES WE MAY OFFER

We may issue new preferred shares from time to time in one or more series, either separately or in combination with other securities. Subject to the rights of the preferred shareholders, our Board of Directors will determine the dividend, voting, redemption and conversion rights and other terms of the new preferred shares at the time of the offering.

We may also issue fractional interests in a series of new preferred shares. If we do so, a depositary will issue receipts to you for depositary shares, each of which will represent the fractional interests.

## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. SCW also files annual, quarterly and special reports with the SEC. You may read and copy any document we file, or that SCW files, at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings and those of SCW are also available to the public at the SEC's web site at <http://www.sec.gov>.

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this Prospectus, and later information filed with the SEC will update and supersede this information. We incorporate by reference:

- SCW's Annual Report on Form 10-K for the year ended December 31, 1997,
- SCW's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998,
- Quarterly Reports on Form 10-Q for the quarters ended June 30, 1998 and September 30, 1998,
- our Current Reports on Form 8-K filed with the SEC on July 1, 1998 and August 20, 1998 and November 2, 1998, and
- the portions of SCW's Proxy Statement on Schedule 14A for its Annual Meeting of Shareholders held on April 28, 1998 that have been incorporated by reference into SCW's most recent Form 10-K.

We also incorporate by reference any future filings made by us with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 until our offering is completed.

You may request a copy of these filings and any filings made by SCW, at no cost, by writing or telephoning us at the following address:

Corporate Secretary  
American States Water Company  
630 East Foothill Boulevard  
San Dimas, California 91773  
(909) 394-3600

You should rely only on the information incorporated by reference or provided in this Prospectus or the applicable Prospectus Supplement. We have authorized no one to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this Prospectus or the applicable Prospectus Supplement is accurate as of any date other than the date on the front of the document.



## USE OF PROCEEDS

We will use the net proceeds from the sale of these securities for general corporate purposes. General corporate purposes include making payments to municipalities, funding capital expenditures of SCW, making investments in subsidiaries and other entities and repaying debt. We may temporarily invest the proceeds in short-term securities or use the proceeds to reduce our short-term borrowings or those of SCW.

## DESCRIPTION OF DEBT SECURITIES

We will issue debt securities (the "Debt Securities") under an indenture to be filed with the SEC. We have included a form of this indenture (the "Indenture") as an exhibit to our registration statement. The following summary of the terms of the Indenture is not complete and you should carefully review the Indenture and any supplemental indenture or securities resolution we may file with the SEC in a particular offering.

### GENERAL

We will issue Debt Securities in one or more series from time to time. The Indenture does not limit the principal amount of Debt Securities that we may issue. The specific terms of the Debt Securities will be included in a supplemental indenture or securities resolution and described in a Prospectus Supplement. Some of the terms that may be included are:

- redemption, which may be mandatory or at our option or the option of the holders,
- right to exchange or convert Debt Securities into other securities,
- right to defease the Debt Securities,
- sale at a discount; Debt Securities sold at a discount may bear no interest or interest at a rate below the market rate at the time of issuance,
- interest rates that may be fixed or variable,
- listing of the Debt Securities on a national securities exchange, and
- any changes to or additional Events of Default or covenants.

Unless otherwise specified in the Prospectus Supplement, we will issue the Debt Securities only as fully registered global Debt Securities.

### STATUS OF DEBT SECURITIES

Our Debt Securities will be unsecured and unsubordinated and will rank on a parity with all of our other unsecured and unsubordinated indebtedness. At the date of this Prospectus, we had no outstanding debt. SCW does, however, have outstanding unsecured debt. SCW must make scheduled payments on its debt and otherwise comply with the terms of its debt before it may pay dividends to us. We will rely principally on dividends from SCW to pay our debt securities. As a result, SCW's debt is senior to our Debt Securities.

### PAYMENT AND TRANSFER

We will pay amounts due on the Debt Securities at the place or places designated by us for such purposes. We may, at our option, pay by check mailed to the person in whose name your Debt Securities are registered at the close of business on the day or days specified by us.

If Debt Securities are registered in your name, you

may transfer or exchange Debt Securities at the office of the Trustee or at any other office or agency maintained by us for such purposes, without the payment of any service charge, except for any tax or governmental charge.

If you do not claim any payments that we make to a paying agent on the Debt Securities for a period of one year, then the paying agent may return the payment to us. You must then contact us for such payment.

#### GLOBAL DEBT SECURITIES

Unless otherwise stated in the Prospectus Supplement, we will issue the Debt Securities of each series in the form of a global Debt Security. We will deposit the global Debt Security with the debt depository referred to in the next paragraph. Unless a global Debt Security is exchanged, either in whole or in part, for Debt Securities in definitive form, we may not transfer a global Debt Security except as a whole to the debt depository or its nominee or either of their successors.

Unless otherwise stated in the Prospectus Supplement, The Depository Trust Company, New York, New York ("DTC") will act as debt depository for each series of global Debt Securities. DTC and its participants will maintain records of your beneficial interest in our global Debt Securities. You may only transfer your beneficial interest in a global Debt Security through DTC and its participants.

DTC has provided the following information to us:

- DTC is a limited-purpose trust company organized under the New York Banking Law,
- a "banking organization" within the meaning of the New York Banking Law,
- a member of the United States Federal Reserve System,
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and
- a "clearing agency" registered under the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book entry changes in its participant's accounts. This procedure eliminates the need for physical movement of securities certificates. DTC's Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

DTC also makes access to its book-entry system available to others, such as securities brokers and dealers and banks and trust companies that, either directly or indirectly, clear through or maintain a custodial relationship with a direct participant in DTC. The rules applicable to DTC and its direct and indirect participants are on file with the SEC.

Assuming DTC's nominee is the registered holder of the global note, we will treat DTC's nominee as the owner of the global Debt Securities for all purposes. As a result, we will make all payments through the Trustee to DTC's nominee. All such payments will be the responsibility of DTC's direct and indirect participants. Our sole responsibility is to make payments to the Trustee. The Trustee's sole responsibility is to make payments to DTC's nominee. Likewise, we will give all notices with respect to the Debt Securities, such as notices of redemption or conversion, through DTC, and it will be the responsibility of DTC and its participants to provide such information to you.

We expect that DTC, upon receipt of any payment on global Debt Securities, will credit its participants' accounts on the payment date according to their respective holdings of beneficial interests in the global Debt Securities as shown on DTC's records. We also expect that payments from either direct or indirect participants in DTC will be made to you in accordance with standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in "street name."

Unless otherwise provided in the Prospectus Supplement, you may exchange Debt Securities represented by a global Debt Security for Debt Securities in definitive form in authorized denominations only if:

- DTC notifies us that it is unwilling or unable to continue as debt depository,
- DTC ceases to be a clearing agency registered under applicable law and a successor depository is not appointed by us within 90 days, or
- we, in our discretion, determine not to require all of the Debt Securities of a series to be represented by a global Debt Security and notify the Trustee of our decision.

#### ABSENCE OF RESTRICTIVE COVENANTS

We are not restricted by the Indenture from paying dividends or from incurring, assuming or becoming liable for any type of debt or other obligations, including obligations secured by our property. We are not required to maintain any financial ratios or specified levels of net worth or liquidity. The Indenture does not contain a covenant or other provision that specifically is intended to afford you special protection in the event of a highly leveraged transaction.

#### SUCCESSOR CORPORATION

The Indenture allows us:

- to consolidate or merge with or into any other person, or
- any other person to merge into us, or
- our company to transfer all or substantially all of our assets to another person,

if, in each case, the following conditions are satisfied:

- the surviving company either
  - . is a person organized and existing under the laws of the United States or a state, or
  - . assumes, by supplemental indenture, all of our obligations under the Debt Securities and the Indenture, and
- immediately after the merger, consolidation or transfer, there is no default under the Indenture.

We will be relieved from our obligations on the Debt Securities and under the Indenture if these conditions are satisfied.

Subject to certain limitations in the Indenture, the Trustee may rely on an officer's certificate and an opinion of counsel from us as conclusive evidence that any consolidation, merger or transfer, and any related assumption of our obligations, complies with the Indenture.

#### EVENTS OF DEFAULT

Unless otherwise indicated in the Prospectus Supplement, the term "Event of Default", when used in the Indenture, means any of the following:

- default in the payment of any installment of interest on the Debt Securities of a series if the default continues for a period of 60 days,
- default in the payment of the principal of any Debt Securities of a series when the same becomes due and payable if the default continues for three business days,
- default in the deposit of any sinking fund payment, if any, when and as the same becomes due and payable by the terms of the Debt Securities of a series if the default continues for three business days,
- default for 90 days after notice in the performance of any of our other agreements applicable to the Debt Securities of a series; the notice may be sent by either the Trustee or the holders of at least one-third in aggregate principal amount of the applicable series of Debt Securities; the Trustee is required to notify you of any such event that would become a default with notice if the Trustee has actual knowledge of the event,
- certain events in bankruptcy, insolvency or reorganization of our company, or
- any other Event of Default provided in the terms of the Debt Securities of any series.

The Indenture does not have a cross-default provision. Thus, a default by us or by SCW on any other debt would not constitute an Event of Default. A default on any series of Debt Securities does not necessarily constitute a default on any other series. The Trustee may withhold notice to you of a default for such series (except for payment defaults) if the Trustee considers the withholding of notice in your best interests.

If an Event of Default for any series of Debt Securities has occurred and is continuing, the Trustee or the holders of not less than one-third in aggregate principal amount of the Debt Securities of such series may declare the entire principal amount (or in the case of discounted Debt Securities, such portion as may be described in the applicable Prospectus Supplement) of all the Debt Securities of such series to be due and payable immediately. Subject to certain conditions, the holders of not less than a majority in aggregate principal amount of the Debt Securities of such series may annul such declaration and rescind its consequences.

We must file a certificate annually with the Trustee regarding our compliance with the Indenture.

The Trustee may require a reasonable indemnity from you before it enforces the Indenture or the Debt Securities of any series. Subject to these provisions for indemnification, the holders of a majority in principal amount of the Debt Securities of any series may direct the time, method and place of conducting any proceeding or any remedy available to the Trustee, or of exercising any trust or power conferred upon the Trustee, for the Debt Securities of such series.

#### MODIFICATION OF INDENTURE

Unless indicated in the Prospectus Supplement, the holders of not less than a majority in aggregate principal amount of all outstanding Debt Securities, voting together as a single class, may, with certain exceptions described below, modify the Indenture. We may not, however, modify any terms relating to the amount or timing of payments or reduce the percentage of holders required to approve modifications to the Indenture without your consent.

We may modify the Indenture without your consent to:

- create a new series of Debt Securities and establish its terms,
- cure ambiguities or fix omissions,

- comply with the provisions of the Indenture regarding successor corporations, or
- make any change that does not materially adversely affect your rights as a holder of Debt Securities.

#### DEFEASANCE

Unless otherwise provided in the Prospectus Supplement, we may either:

- terminate as to a series all of our obligations (except for our obligation to pay all amounts due on the Debt Securities in accordance with their terms and certain other obligations with respect to the transfer or exchange of a Debt Security and the replacement of destroyed, lost or stolen Debt Securities), or
- terminate as to a series our obligations, if any, with respect to the Debt Securities of the series under the covenants, if any, described in the Prospectus Supplement.

We may exercise either defeasance option notwithstanding our prior exercise of the other defeasance option. If we terminate all of our obligations, a series may not be accelerated because of an Event of Default. If we terminate our covenants, a series may not be accelerated by reference to the covenants described in the Prospectus Supplement.

To exercise either defeasance option as to a series of Debt Securities, we must deposit in trust with the Trustee money or U.S. government obligations sufficient to make all payments on the Debt Securities of the series being defeased to redemption or maturity. We must also comply with certain other conditions. In particular, we must obtain an opinion of tax counsel that the defeasance will not result in recognition of any gain or loss to you for Federal income tax purposes.

#### REGARDING THE TRUSTEE

Unless otherwise indicated in a Prospectus Supplement, Chase Manhattan Bank and Trust Company, National Association will act as Trustee, registrar, transfer and paying agent for the Debt Securities. We may remove the Trustee with or without cause if we notify the Trustee 30 days in advance and if no default occurs or is continuing during the 30-day period.

In certain circumstances, the Trustee may not enforce its rights as one of our creditors. The Trustee may, however, engage in certain other transactions. If it acquires any conflicting interest as a result of any of these transactions and there is a default under the Debt Securities, the Trustee must eliminate the conflict of interest or resign.

The Trustee also acts as trustee under an indenture between SCW and the Trustee, dated September 1, 1993 (the "1993 Indenture"), under which certain debt securities of SCW may be issued and outstanding at the same time that Debt Securities may be issued and outstanding under the Indenture. Under the Indenture, the Trustee is authorized to continue acting as trustee under the 1993 Indenture with respect to such SCW debt securities while also acting as Trustee with respect to the Debt Securities. So long as a successor trustee has been appointed, the Indenture further authorizes the Trustee to resign from either or both of its appointments as Trustee hereunder and as trustee under the 1993 Indenture in the event that the Trustee determines in good faith that its performance hereunder or under the 1993 Indenture subjects the Trustee to a conflict of interest.

#### GOVERNING LAW

The Indenture and the Debt Securities will be governed by and construed in accordance with the laws of the State of California.

#### DESCRIPTION OF CAPITAL STOCK

As of September 30, 1998, our authorized capital

stock was 30,233,200 shares. Those shares consisted of:

- 30,000,000 common shares, no par value, with a stated value of \$2.50 per share, of which 8,957,671 were outstanding (the "Common Shares"),
- 83,200 preferred shares, \$25 par per share (the "Preferred Shares"), all of which were outstanding; 19,200 of these shares are subject to mandatory redemption, and
- 150,000 new preferred shares, no par value, with a stated value of \$100 per share (the "New Preferred Shares"), none of which were outstanding; a portion of the New Preferred Shares have, however, been reserved for issuance under our rights agreement described below (the "Rights Agreement").

We will list any Common Shares offered hereunder on the New York Stock Exchange. One or more series of New Preferred Shares may also be listed on a national securities exchange.

The following summary of the terms of our capital stock is not complete. You should look at our Amended and Restated Articles of Incorporation (the "Articles"), our Bylaws and the Rights Agreement, each of which we have filed with the SEC, and any amendment to our Articles setting forth the terms of any series of New Preferred Shares we may file with the SEC.

#### COMMON SHARES

We may issue Common Shares from time to time in one or more offerings, either separately or in combination with the offering of other securities.

Subject to the rights of holders of our Preferred Shares and New Preferred Shares, Common Shareholders are entitled to receive such dividends as may be declared by our Board of Directors out of funds legally available therefor. Our Board of Directors recently declared a quarterly dividend on our Common Shares of \$0.315 per share payable on December 1, 1998.

Our Articles provide that, except under certain specified circumstances, our Board of Directors may not declare any cash dividends on our Common Shares if, after giving effect to the payment of the dividend, our Common Stock Equity would be less than 25% of Total Capitalization. Common Stock Equity under this formula was 52% of Total Capitalization as of September 30, 1998. In addition, our ability to pay dividends depends upon receipt of dividends from SCW. SCW's ability to pay dividends is restricted under the terms of its debt. Under the most restrictive provision, as of September 30, 1998, all of the earned surplus was available, subject to applicable law, for the payment of cash dividends by SCW to us.

Each Common Shareholder is entitled to one tenth of a vote per share. Common Shareholders have cumulative voting rights with respect to the election of directors, if certain conditions are met. Upon our liquidation, dissolution, or winding up (but subject to the rights of holders of our Preferred Shares and New Preferred Shares), we will ratably distribute our assets legally available for distribution to holders of Common Shares. Common Shareholders have no preemptive or other subscription or conversion rights, and no liability for further calls upon their shares. The Common Shares are not subject to assessment.

Our Common Shares are listed on the New York Stock Exchange under the symbol "AWR." The transfer agent and registrar for our Common Shares is ChaseMellon Shareholder Services, L.L.C. Common Shareholders may participate in our Dividend Reinvestment and Stock Purchase Plan.

#### PREFERRED SHARES

We may not issue any additional Preferred Shares. The rights of the Common Shareholders are, however, affected by the rights of the Preferred Shareholders.

Dividends on the Preferred Shares are cumulative, so that if we fail to pay any dividends on the Preferred Shares or any sinking fund payment, we must cure the default before we are permitted to

pay any dividend on the Common Shares. Preferred Shareholders are also entitled to certain preferential payments in the event of our liquidation, dissolution or winding up. We must make these preferential payments before we may pay Common Shareholders. As of September 30, 1998, Preferred Shareholders had a dividend preference of \$92,000.

Common and Preferred Shareholders are entitled to vote together on all matters. Each Preferred Shareholder is entitled to one vote per share. Common Shareholders are only entitled to one tenth of a vote per share. Holders of Preferred Shares also have the right to elect a majority of the directors if we fail to make four quarterly dividend payments on the Preferred Shares. We are current on the payment of all dividends on Preferred Shares. In addition, we may not take certain actions which may adversely affect the interests of the Preferred Shareholders without the approval of two-thirds (or in certain circumstances a majority) of the Preferred Shares.

Preferred Shareholders have no preemptive or other subscription or conversion rights, and no liability for further calls upon their shares. The Preferred Shares are not subject to assessment.

The Preferred Shares may be redeemed by us at our option. In addition, a portion of the outstanding Preferred Shares is subject to mandatory redemption. We currently redeem 1,600 Preferred Shares annually pursuant to these mandatory redemption provisions.

#### NEW PREFERRED SHARES

We may issue New Preferred Shares from time to time in one or more series. Subject to the rights of the Preferred Shareholders described below, our Board of Directors will determine the dividend, voting, redemption and conversion rights and other terms of the New Preferred Shares at the time of the offering. We may also issue fractional shares of New Preferred Shares that will be represented by depositary shares and receipts. For further information about depositary shares and receipts, see "- Description of Depositary Shares."

Under the terms of our Articles, we may not issue any New Preferred Shares containing the following terms, without a vote of at least two-thirds of the outstanding Preferred Shares or redemption of all of the Preferred Shares:

- any term that alters or amends the preferences, voting powers or rights of the New Preferred Shares,
- any term that gives the New Preferred Shares of any series a priority as to dividends or assets over the Preferred Shares, and
- the New Preferred Shares of any series may not have the same priority as to dividends or assets as the Preferred Shares unless:
  - . the aggregate stated value of the Common Shares is at least equal to the par or stated value of all outstanding Preferred Shares and New Preferred Shares that have the same priority as the Preferred Shares,
  - . our net earnings during a period of 12 consecutive months out of the previous 15 months (after deduction for income taxes, interest and depreciation) are at least equal to twice the annual dividend requirements on all outstanding Preferred Shares and New Preferred Shares that have the same or greater priority as the Preferred Shares, and
  - . our net earnings (before interest, but after income taxes and depreciation) during the same period are at least equal to one and one-half times the aggregate of all interest charges and dividend requirements on all outstanding Preferred Shares and New Preferred Shares that have the same or greater priority as the Preferred Shares.

#### RIGHTS AGREEMENT

On August 3, 1998, we adopted a Rights Agreement and declared a dividend of one right for each outstanding Common Share. In addition, we will issue one additional right with each Common Share issued while the Rights Agreement remains in effect, including shares issued under this Prospectus. You may only transfer the rights with your Common Shares until the rights become exercisable. The rights will expire on August 3, 2008.

You may not exercise the rights until the distribution date. The distribution date is the earlier of

- ten business days after we learn that a person or group (including any affiliate or associate of such person or group) has acquired, or has obtained the right to acquire, beneficial ownership of 15% or more of our general voting power (such person or group being preferred to herein as an "Acquiring Person"), unless provisions preventing accidental triggering of the distribution of the rights apply, and
- ten business days following the commencement of, or first public disclosure of an intent to commence, a tender offer or exchange offer for 15% or more of our general voting power.

When the right becomes exercisable, you may purchase from us one one-thousandth of a share of Junior Participating Preferred Stock ("Junior Preferred Shares") at a price of \$120 per share (the "Purchase Price"), subject to adjustment in certain circumstances. The description and terms of the rights are set forth in a Rights Agreement. The following summary of the Rights Agreement is not complete and you should look at the Rights Agreement filed by us with the SEC.

Until the distribution date, the rights will be evidenced by the certificates for Common Shares. As soon as practicable following the distribution date, we will mail to you separate certificates evidencing the rights on the distribution date. Each separate rights certificate alone will evidence the rights. Until a right is exercised, you will have no rights as a shareholder, including the right to vote or to receive dividends for the rights or the Junior Preferred Shares.

Upon exercise, you will be entitled to dividends of 1,000 times the dividends per share declared on the Common Shares, unless you are an Acquiring Person. In the event of liquidation, you will be entitled to a minimum preferential liquidating distribution of \$1,000 per share and an aggregate liquidating distribution per share of 1,000 times the distribution made per Common Share. The holders of Junior Preferred Shares will vote together with holders of Common Shares and will be entitled to 100 votes for each Junior Preferred Share held on the record date. In the event of any merger, consolidation or other transaction in which Common Shares are exchanged, each Junior Preferred Share will be entitled to receive 1,000 times the amount received per Common Share. Because of the Junior Preferred Shares' dividend and liquidation rights, the value when issued of the one one-thousandth interest in a Junior Preferred Share purchasable upon exercise of each right should approximate the value of one Common Share.

In the event that any person other than you becomes an Acquiring Person other than by a purchase pursuant to a Qualified Offer, you will thereafter have the right to receive upon exercise that number of Common Shares or Common Share equivalents having a market value of two times the exercise price of the right. For these purposes, a "Qualified Offer" is a tender offer for all outstanding Common Shares which is determined by our non affiliated continuing directors to be fair and otherwise in our best interests and that of our shareholders.

In the event that, at any time after an Acquiring Person has become such, we are acquired in a merger or other business combination transaction (other than a merger which follows a Qualified Offer at the same or a higher price) or 50% or more of our consolidated assets or earning power are sold, you will thereafter have the right to receive, upon exercise of the right at its then current exercise price, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the right.



At any time after a person has become an Acquiring Person, our Board of Directors may exchange the rights (other than rights owned by the Acquiring Person), in whole or in part, at an exchange ratio of one Common Share per right (subject to adjustment).

Up to and including the distribution date, our Board of Directors may redeem the rights in whole, but not in part, at a price of \$.01 per right, subject to adjustment (the "Redemption Price"). Immediately upon any redemption of the rights, you will only have the right to receive the Redemption Price.

Our Board of Directors may amend the Rights Agreement without your consent at any time prior to the distribution date. Thereafter our Board of Directors may amend the Rights Agreement to make changes which do not adversely affect your interests or which shorten or lengthen time periods, subject to certain limitations set forth in the Rights Agreement.

The Rights Agreement is designed to protect you in the event of unsolicited offers to acquire our company and other coercive takeover tactics, which in the opinion of our Board of Directors, could impair its ability to represent shareholder interests. The provisions of the Rights Agreement may render an unsolicited takeover more difficult or less likely to occur or may prevent such a takeover, even though that takeover may offer our shareholders the opportunity to sell their shares at a price above the prevailing market rate and may be favored by a majority of our shareholders.

#### CERTAIN PROVISIONS OF OUR ARTICLES AND BYLAWS

Certain provisions of our Articles and Bylaws may delay or make more difficult acquisitions or changes of control of our company. Certain of these provisions may also have the affect of preventing changes in our management. The following summary of certain of these provisions is not complete and you should look at our Articles and Bylaws which we have filed with the SEC.

**Classified Board.** Our Articles provide for the classification of our Board of Directors into one or two classes (depending upon the number of directors), each consisting of a number of directors as nearly equal as practicable. Our Board of Directors currently has two classes. So long as the Board remains classified into two classes, a minimum of two annual meetings of shareholders would generally be required to replace our entire Board, absent intervening vacancies.

**Business Combinations.** Our Articles also provide that certain business combinations and sales of substantially all of our assets must be approved either by the affirmative vote of a majority of our continuing directors or by the affirmative vote of at least two thirds of the combined voting power of our outstanding shares, voting together as a single class, in addition to any other approvals required by applicable law. In addition, any amendments to our Bylaws relating to the calling of shareholders' meetings, the bringing of business at shareholders' meetings or amending the provisions of our Articles described in this paragraph and the preceding paragraph must be approved by at least two-thirds of the combined voting power of our outstanding shares, voting together as a single class.

**Directors' Liability.** California law permits corporations to limit or eliminate the personal liability of their directors in any action, including actions brought by the corporation or its shareholders for monetary damages for breach of a director's fiduciary duty of care. The duty of care requires that, when acting on behalf of the corporation, a director must act

- in good faith,
- in a manner such director believes to be in the best interests of the corporation and its shareholders, and
- with such care, including reasonable inquiry, as an ordinary prudent person in a like position would use under similar circumstances.

As a result, the relief available to a corporation and its shareholders may be limited to equitable remedies such as injunction or rescission if a company indemnifies its directors to the fullest extent permitted by California law.

Our Articles and Bylaws limit the liability of our directors to us or our shareholders (in their capacity as directors, but not in their capacity as officers) to the fullest extent permitted by California law. Specifically, our directors are not personally liable to us or our shareholders for monetary damages for breach of a director's fiduciary duty as a director, except

- on account of profits made in connection with a purchase or sale of securities in violation of Section 16(b) of the Securities and Exchange Act of 1934,
- if a court of competent jurisdiction determines that indemnification is unlawful,
- for acts or omissions involving intentional misconduct or knowing and culpable violations of law,
- for acts or omissions that the director believed to be contrary to our best interests or those of our shareholders or that involve the absence of good faith on the part of the director,
- for any transaction for which the director derived an improper benefit,
- for acts or omissions that show a reckless disregard for the director's duty to us or our shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing his or her duties, of a risk of serious injury to us or our shareholders,
- for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duties to us or our shareholders,
- for liabilities arising out of transactions in which the director had a personal interest,
- for the approval of distributions to our shareholders in violation of California law, and
- for the approval of any loan of our money or property to one of our directors or officers or the guarantee of the obligations of any such director or officer in violation of California law.

The inclusion of these provisions in our Articles and Bylaws may have the effect of reducing the likelihood of litigation against our directors, even though such an action, if successful, might otherwise have benefited us or our shareholders.

#### CERTAIN PROVISIONS OF STATE AND FEDERAL LAW

Certain provisions of California and federal law may delay or make more difficult acquisitions or changes in control of our company. Certain of these provisions are summarized below.

California Law. Under California law, if a tender offer or a written proposal for approval of a reorganization of a corporation or a sale of substantially all of its assets is made by an "interested party", the person making the offer must deliver an affirmative opinion to each shareholder in writing as to the fairness of the consideration to be received by the shareholders. The term "interested party" means a person who is a party to the transaction and who

- directly or indirectly controls the corporation that is the subject of the tender offer or proposal,
- is, or is directly or indirectly controlled by, an officer or director of the corporation, or
- is an entity in which a material financial interest is held by any director or executive officer.

No person may acquire or control, either directly or indirectly, any public utility in California without prior approval of the CPUC. A business combination involving the company would result in the acquisition of control of SCW.

Public Utility Holding Company Act. No person may acquire, either directly or indirectly, 5% or more of the voting stock of an electric utility (other than by merger), without SEC approval, if such person owns 5% or more of the stock of another public utility or public utility holding company. A registered public utility holding company may not acquire any security of another electric utility without SEC approval, unless an exemption is available under the Public Utility Holding Company Act of 1935, as amended (the "PUHCA"), or the regulations promulgated thereunder. The SEC may not approve the acquisition of securities of an electric utility or holding company unless it determines that the acquisition would tend toward the economical and efficient development of an integrated public utility system and would not be detrimental to investor interests. The SEC may also condition its approval of the acquisition of the securities of an electric utility upon a fair offer being made for the other securities of the utility. SCW is an electric utility under PUHCA. The company is a holding company under PUHCA.

A person becomes a holding company required to be registered under PUHCA upon acquisition of 10% or more of the voting stock of a holding company or an electric utility, unless the SEC determines that the person does not control the electric utility or an exemption is available. The SEC may condition any such determination upon the applicant refraining from exercising voting rights, controlling proxies or designating officers or directors.

We are exempt from registration as a holding company under PUHCA. The acquisition of this company by a third party could, however, affect the availability of this exemption. Registered holding companies are subject to extensive regulation by the SEC and limitations on certain of their activities. These limitations may make it impracticable to acquire our company unless an exemption is available.

## DESCRIPTION OF DEPOSITARY SHARES

We may from time to time issue fractional New Preferred Shares that will be represented by depositary shares and receipts issued pursuant to a deposit agreement. We have included a form of deposit agreement (the "Deposit Agreement") as an exhibit to the registration statement. The following summary of the general terms of the Deposit Agreement is not complete. You should look at the Deposit Agreement and any amendments thereto or to our Articles setting forth the terms of the New Preferred Shares we may file with the SEC.

### GENERAL

If we elect to offer fractional interests in a series of New Preferred Shares, a depositary will issue receipts for depositary shares ("Depositary Shares"), each of which will represent fractional interests of a particular series of New Preferred Shares. The depositary will hold the New Preferred Shares under the terms of the Deposit Agreement. The depositary will be a bank or trust company selected by us. Subject to the terms of the Deposit Agreement, you will be entitled to all the rights and preferences of the New Preferred Shares underlying such Depositary Shares in proportion to your fractional interest in the New Preferred Shares. Those rights include dividend, voting, redemption, conversion and liquidation rights.

The Depositary Shares will be evidenced by depositary receipts issued under the Deposit Agreement (the "Depositary Receipts"). The terms of the Depositary Shares, Depositary Receipts and New Preferred Shares will be described in the Prospectus Supplement.

The Deposit Agreement will contain provisions relating to adjustments in the fraction of New Preferred Shares represented by a Depositary Share in the event of a split-up, combination or other reclassification of the New Preferred Shares or upon any recapitalization, merger or sale of substantially all or our assets as an entirety.

Upon surrender of Depositary Receipts at the office of the Depositary, payment of the charges provided in the Deposit Agreement and satisfaction of other conditions in the Deposit Agreement, the Depositary will deliver to you the whole New Preferred Shares of the series underlying the Depositary Shares evidenced by the Depositary Receipts. There may, however, be no market for the underlying series of New Preferred Shares. Once you have withdrawn the underlying series of New Preferred Shares from the Depositary, you may not redeposit them.

### DIVIDENDS AND OTHER DISTRIBUTIONS

The Depositary will distribute all cash dividends or other cash distributions received for any applicable series of New Preferred Shares to you in proportion to the number of Depositary Shares outstanding on the record date. The Depositary will distribute only such amount as can be distributed without attributing to you a fraction of one cent. The balance not distributed to you will be added to and treated as part of the next sum received by the Depositary for distribution to you.

If there is a distribution other than in cash, the Depositary will distribute property received by it to you in proportion, insofar as possible, to the number of Depositary Shares outstanding, unless the Depositary determines (after consultation with us) that it is not feasible to make such distribution. If this occurs, the Depositary may, with our approval, sell such property and distribute the net proceeds from the sale to you.

The Deposit Agreement will also contain provisions relating to how any subscription or similar rights offered by us to you will be made available to you.

All amounts distributed to you will be reduced by any amount required to be withheld by us on account of taxes and other governmental charges.

### CONVERSION AND EXCHANGE

If any series of New Preferred Shares underlying the Depositary Shares is subject to conversion or exchange, you will have the right or obligation to convert or exchange the Depositary Shares represented by such Depositary Receipts.

#### REDEMPTION OF DEPOSITARY SHARES

If a series of the New Preferred Shares underlying the Depositary Shares is subject to redemption, the Depositary will redeem the Depositary Shares from the proceeds received by it as a result of the redemption. The Depositary will mail notice of redemption to you not less than 30 and not more than 60 days prior to the date fixed for redemption at your address appearing in the Depositary's books. The redemption price per Depositary Share will be equal to the applicable fraction of the redemption price per share payable to you on such series of the New Preferred Shares. Whenever we redeem shares of any series of New Preferred Shares held by the Depositary, the Depositary will redeem as of the same redemption date, the number of Depositary Shares representing the applicable series of New Preferred Shares. If less than all the Depositary Shares are to be redeemed, the Depositary will select the Depositary Shares to be redeemed by lot or pro rata as determined by the Depositary (subject to rounding to avoid fractions of Depositary Shares).

After the date fixed for redemption, the Depositary Shares called for redemption will no longer be outstanding. When the Depositary Shares are no longer outstanding, all of your rights will cease, except your right to receive money, securities or other property payable upon such redemption and any money, securities or other property that you were entitled to receive upon such redemption upon surrender to the Depositary of the Depositary Receipts evidencing your Depositary Shares.

#### GLOBAL DEPOSITARY RECEIPTS

If stated in the Prospectus Supplement, we may issue each series of Depositary Receipts in the form of a global Depositary Receipt. We will deposit the global Depositary Receipt with the depositary referred to in the next paragraph. Unless a global Depositary Receipt is exchanged, either in whole or in part, for Depositary Receipts in definitive form, we may not transfer a global Depositary Receipt except as a whole to the depositary or its nominee or either of their successors.

Unless otherwise stated in the Prospectus Supplement, DTC will act as depositary for each series of global Depositary Receipts. DTC and its participants will maintain records of your beneficial interest in our global Depositary Receipts. You may only transfer your beneficial interest in a global Depositary Receipt through DTC and its participants.

For additional information regarding DTC, see "DESCRIPTION OF DEBT SECURITIES - Global Debt Securities."

Assuming DTC's nominee is the registered holder of the global Depositary Receipt, we will treat DTC's nominee as the owner of the global Depositary Receipt for all purposes. As a result, we will make all payments through the Depositary to DTC's nominee. All such payments will be the responsibility of DTC's direct and indirect participants. Our sole responsibility is to make payments to the Depositary. The Depositary's sole responsibility is to make payments to DTC's nominee. Likewise, the Depositary will give all notices with respect to the Depositary Receipts, such as notices of redemption or conversion, through DTC, and it will be the responsibility of DTC and its participants to provide such information to you.

We expect that DTC, upon receipt of any payment on global Depositary Receipts, will credit its participants' accounts on the payment date according to their respective holdings of beneficial interests in the global Depositary Receipts as shown on DTC's records. We also expect that payments from either direct or indirect participants in DTC will be made to you in accordance with standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in "street name."

Unless otherwise provided in the Prospectus Supplement, you may exchange Depositary Receipts represented by a global Depositary Receipt for Depositary Receipts in definitive form in authorized denominations only if:

- DTC notifies us that it is unwilling or unable to continue as depositary,
- DTC ceases to be a clearing agency registered under applicable law and a successor depositary is not appointed by us within 90 days, or
- we, in our discretion, determine not to require all of the Depositary Receipts of a series to be represented by a global Depositary Receipt and notify the Depositary of our decision.

#### VOTING NEW PREFERRED SHARES

Upon receipt of notice of any meeting at which you are entitled to vote, the Depositary will mail the information contained in the notice of such meeting to you. You may instruct the Depositary on the exercise of your voting rights. The Depositary will try, if practical, to vote the number of shares of New Preferred Shares underlying your Depositary Shares according to your instructions. We agree to take all reasonable action requested by the Depositary in order to enable the Depositary to do so. The Depositary will abstain from voting, or giving consents with respect to, New Preferred Shares to the extent it does not receive specific instructions from you.

#### AMENDMENT AND TERMINATION OF DEPOSITARY AGREEMENT

We may amend the form of Depositary Receipt evidencing the Depositary Shares and any provision of the Deposit Agreement. However, any amendment that imposes or increases fees, taxes or charges upon you or otherwise materially and adversely alters your rights will not be effective unless approved by the record holders of at least a majority of the Depositary Shares then outstanding. Notwithstanding the foregoing, no amendment may impair your right to receive any moneys or property to which you are entitled under the terms of the Depositary Receipts or Deposit Agreement at the times and in the manner and amount provided therein.

A Deposit Agreement may be terminated by us or the Depositary only if

- all related outstanding Depositary Shares have been redeemed,
- there has been a final distribution of the New Preferred Shares of the relevant series in connection with our liquidation, dissolution, or winding up and such distribution has been distributed to you, and
- the Depositary Shares relate to a series of New Preferred Shares which is convertible into other securities and all of the outstanding Depositary Shares have been so converted.

#### CHARGES OF DEPOSITARY

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will pay associated charges of the Depositary for the initial deposit of any series of New Preferred Shares and any redemption or withdrawal by us of any series of New Preferred Shares. You must pay transfer and other taxes and governmental charges and such other charges as are stated in the Deposit Agreement to be for your account.

#### RESIGNATION AND REMOVAL OF DEPOSITARY

The Depositary may resign by delivering notice to us, and we may remove the Depositary. Resignations or removals will take effect upon the appointment of a successor Depositary and its acceptance of such appointment. The successor Depositary must be appointed within 60 days after delivery of the notice of resignation or removal.

#### MISCELLANEOUS

The Depositary will forward to you all reports and communications from us that are delivered to the Depositary and

that we must furnish to you as the holder of the New Preferred Shares or Depositary Receipts.

Neither the Depositary or any of its agents, the registrar nor us will be:

- liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under the Deposit Agreement,
- subject to any liability under the Deposit Agreement to you other than for its gross negligence or willful misconduct, or
- obligated to prosecute or defend any legal proceeding in respect of Depositary Receipts, Depositary Shares or any series of New Preferred Series, unless satisfactory indemnity is furnished by you.

We and the Depositary may rely upon written advice of counsel or accountants, or information provided by persons presenting New Preferred Shares for deposit, holders of Depositary Shares, or other persons believed by us to be competent and on documents believed to be genuine.

#### PLAN OF DISTRIBUTION

We may sell the securities:

- through underwriters or dealers,
- directly to one or more purchasers, or
- through agents.

Any underwriter or agent involved in the offer and sale of any of the securities to you will be named in the applicable Prospectus Supplement. We may also offer and sell securities in exchange for one or more other securities.

Underwriters may offer and sell securities:

- at a fixed price or prices, which may be changed,
- at market prices prevailing at the time of sale,
- at prices related to prevailing market prices, or
- at negotiated prices.

We may also, from time to time authorize dealers, acting as our agents, to offer and sell securities upon the terms and conditions set forth in the applicable Prospectus Supplement. In connection with the sale of securities, underwriters may receive compensation from us in the form of underwriting discounts or commissions and may also receive commissions from purchasers of securities for whom they act as agent. Underwriters may sell securities to or through dealers. The dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they act as agent.

We may compensate underwriters or agents in connection with an offering of securities. Any discounts, concessions or commissions allowed by underwriters to participating dealers will be set forth in the applicable Prospectus Supplement. Underwriters, dealers and agents that participate in the distribution of securities may be underwriters, and any discounts or commissions we pay them and their profit on the resale of the securities may be treated as underwriting discounts and commissions, under the Securities Act of 1933 (the "Act"). We may agree to indemnify the underwriters, dealers or agents who participate in the distribution of the securities against certain civil liabilities, including liabilities under the Act, or to contribute to payments which the underwriters, dealers or agents may be required to make. Underwriters, dealers and agents may perform other services for us in the ordinary course of business.

If indicated in the Prospectus Supplement, we may offer or sell the securities by remarketing any securities acquired in connection

with a redemption or repayment of securities in accordance with their terms or otherwise. One or more remarketing firms may act as principal for their own account or as our agent in connection with the remarketing. We will identify the remarketing firm and will describe the terms of the remarketing in the applicable Prospectus Supplement. Remarketing firms may be deemed to be underwriters in connection with the securities remarketed. We may agree to indemnify the remarketing firms against certain liabilities, including liabilities under the Act. Remarketing agents may perform other services for us in the ordinary course of business.

If underwriters are used in any sale of the securities, the purchase agreement in connection with such sale may provide for an option on the part of the underwriters to purchase additional securities within 30 days of the execution of such purchase agreement, which option may be exercised solely to cover overallocments. Any such overallocation option will be disclosed in the prospectus supplement in connection with the securities offered thereby.

If indicated in the Prospectus Supplement, we may authorize dealers acting as our agents to solicit offers by certain institutions to purchase our securities from us at the public offering price set forth in the applicable Prospectus Supplement pursuant to delayed delivery contracts providing for payment and delivery on the date or dates stated in the applicable Prospectus Supplement. Each delayed delivery contract will be for an amount not less than, and the aggregate principal amount of the securities sold pursuant to such contracts will be not less nor more than, the amounts set forth in the applicable Prospectus Supplement. Dealers may enter into delayed delivery contracts with commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and other institutions with our approval. Delayed delivery contracts will only be subject to the following conditions:

- the purchase must be a legal investment for the purchaser, and
- the aggregate principal amount of securities sold to underwriters and pursuant to delayed delivery contracts may not exceed the aggregate amount to be sold in the offering.

#### LEGAL MATTERS

O'Melveny & Myers LLP will pass on the validity of the securities offered by this Prospectus for the Company. Certain legal matters in connection with the securities will be passed upon for the Agents by Cahill Gordon & Reindel, a partnership including a professional corporation, New York, New York. They may rely upon the opinion of O'Melveny & Myers LLP as to matters of California law in passing upon such matters.

#### EXPERTS

Our financial statements and schedules incorporated in this Prospectus by reference to our Annual Report on Form 10-K for the year ended December 31, 1997 have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.



AMERICAN STATES WATER COMPANY

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San Dimas, California 91773  
Telephone: 909-394-3600

\$60,000,000

DEBT SECURITIES  
COMMON SHARES  
NEW PREFERRED SHARES  
DEPOSITARY SHARES

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PROSPECTUS  
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\_\_\_\_\_, 1998

PART II  
INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.<1>

Registration fee	\$16,680
Rating agency fees	45,000<1>
Printing and engraving expenses	75,000<1>
Accounting fees and expenses	15,000<1>
Legal fees and expenses	110,000<1>
Blue sky fees and expenses	20,000<1>
Fees and expenses of Transfer Agent, Trustee and Depositary	20,000<1>
Miscellaneous	9,000<1>
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Total	\$441,680

<1> Expenses are estimated except for the registration fee.

Item 15. Indemnification of Directors and Officers.

Section 317 of the General Corporation Law of California provides that a corporation has the power, and in some cases is required, to indemnify an agent, including a director or officer, who was or is a party or is threatened to be made a party to any proceeding, against certain expenses, judgments, fines, settlements and other amounts under certain circumstances. Article VI of the Company's Bylaws provides for the indemnification of directors, officers and agents as allowed by statute. In addition, the Company has purchased directors and officers insurance policies which provide insurance against certain liabilities of directors and officers of the Company.

Item 16. Exhibits.

Exhibit Number -----	Description of Exhibit -----
1.01<1>	Forms of Underwriting Agreement or Distribution Agreement.
3.01	Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Form 8-K filed on November 2, 1998)
3.02	Bylaws (incorporated by reference to Form 8-K filed on November 2, 1998)
3.03	Rights Agreement dated August 3, 1998 between the Company and Chase Mellon Shareholder Services L.L.C. (incorporated by reference to the Company's current Report on form 8-K filed August 20, 1998)
4.01	Indenture with respect to Debt Securities.
4.02	Form of Deposit Agreement with respect to the Depositary Shares.
4.03	Form of Certificate for Common Shares
5.01<1>	Opinion of O'Melveny & Myers LLP as to the validity of Securities issued by the Company.
12.01	Computation of Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Share Dividends of the Company.
23.01	Consent of Arthur Andersen LLP.
23.02<1>	Consent of O'Melveny & Myers LLP (included in Exhibit 5.1).
24.01	Power of Attorney (included on page II-3).

- -----  
[FN]  
<1> To be filed by amendment or pursuant to a Form 8-K.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, unless the information required to be included in such post-effective amendment is contained in a periodic report filed by Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 and incorporated herein by reference;

(ii) To reflect in the Prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement, unless the information required to be included in such post-effective amendment is contained in a periodic report filed by each Registrant pursuant to Section 13 or Section 15(d) of the Securities Act of 1934 and incorporated herein by reference. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such posteffective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act of 1933, each filing of a Registrant's annual report pursuant to Section 13(a) or Section 5(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 15 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or

controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Dimas, State of California, on November 30, 1998.

AMERICAN STATES WATER COMPANY

By: /s/ Floyd E. Wicks

-----  
Name: Floyd E. Wicks

Title: Principal Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Each person whose signature appears below authorizes Floyd E. Wicks and McClellan Harris III, and each of them, as attorneys-in-fact, to sign any amendment, including post-effective amendments, to this Registration Statement on his or her behalf, individually and in each capacity stated below, and to file any such amendment.

Signature	Title	Date
-----	-----	-----
Floyd E. Wicks	/s/ Floyd E. Wicks ----- Principal Executive Officer, President, Chief Executive Officer and Director	November 30, 1998
McClellan Harris III	/s/ McClellan Harris III ----- Principal Financial Officer and Principal Accounting Officer, Vice President - Finance, Chief Financial Officer, Treasurer and Secretary	November 30, 1998
William V. Caveney	/s/ William V. Caveney ----- Chairman of the Board and Director	November 30, 1998
James L. Anderson	/s/ James L. Anderson ----- Director	November 30, 1998
Jean E. Auer	/s/ Jean E. Auer ----- Director	November 30, 1998
N.P. Dodge, Jr.	/s/ N.P. Dodge, Jr. ----- Director	November 30, 1998
Robert F. Kathol	/s/ Robert F. Kathol ----- Director	November 30, 1998
Lloyd E. Ross	/s/ Lloyd E. Ross ----- Director	November 30, 1998
Anne Holloway	/s/ Anne Holloway ----- Director	November 30, 1998



AMERICAN STATES WATER COMPANY

AND

CHASE MANHATTAN BANK AND TRUST COMPANY, NATIONAL ASSOCIATION

TRUSTEE

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INDENTURE

Dated as of December 1, 1998

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DEBT SECURITIES

PARTIAL CROSS-REFERENCE TABLE

Indenture Section	TIA Section
2.04.....	317(b)
2.05.....	312(a)
2.10.....	316(a) (last sentence)
4.04.....	314(a)(4)
4.05.....	314(a)(1)
6.04.....	316(a)(1)(B)
6.05.....	316(a)(1)(A)
6.07.....	317(a)(1)
7.04.....	315(b)
7.05.....	313(a)
7.05.....	313(d)
7.07.....	310(a), 310(b)
7.10.....	310(b)(1)
8.02.....	310(a), 310(b)
9.04.....	316(c)
10.01.....	318(a)
10.02.....	313(c)
10.03.....	314(c)(1)
	314(c)(2)
10.04.....	314(e)

ARTICLE 1 - DEFINITIONS. . . . .	1
SECTION 1.01 Definitions. . . . .	1
SECTION 1.02 Other Definitions. . . . .	2
SECTION 1.03 Rules of Construction. . . . .	2
ARTICLE 2 - THE SECURITIES. . . . .	3
SECTION 2.01 Issuable in Series . . . . .	3
SECTION 2.02 Execution and Authentication. . . . .	4
SECTION 2.03 Securities Agents. . . . .	5
SECTION 2.04 Paying Agent to Hold Money in Trust. . . . .	5
SECTION 2.05 Securityholder Lists. . . . .	5
SECTION 2.06 Transfer and Exchange . . . . .	6
SECTION 2.07 Replacement Securities. . . . .	6
SECTION 2.08 Outstanding Securities. . . . .	6
SECTION 2.09 Discounted Securities. . . . .	7
SECTION 2.10 Treasury Securities. . . . .	7
SECTION 2.11 Global Securities. . . . .	7
SECTION 2.12 Temporary Securities. . . . .	7
SECTION 2.13 Cancellation. . . . .	8
SECTION 2.14 Defaulted Interest. . . . .	8
ARTICLE 3 - REDEMPTION. . . . .	8
SECTION 3.01 Notices to Trustee. . . . .	8
SECTION 3.02 Selection of Securities to Be Redeemed. . . . .	8
SECTION 3.03 Notice of Redemption. . . . .	9
SECTION 3.04 Effect of Notice of Redemption. . . . .	9
SECTION 3.05 Payment of Redemption Price. . . . .	9
SECTION 3.06 Securities Redeemed in Part. . . . .	10
ARTICLE 4 - COVENANTS. . . . .	10
SECTION 4.01 Certain Definitions. . . . .	10
SECTION 4.02 Payment of Securities. . . . .	10
SECTION 4.03 Overdue Interest. . . . .	10
SECTION 4.04 No Lien Created, etc. . . . .	10
SECTION 4.05 Compliance Certificate. . . . .	11
SECTION 4.06 SEC Reports. . . . .	11
ARTICLE 5 - SUCCESSORS. . . . .	11
SECTION 5.01 When Company May Merge, etc. . . . .	11
ARTICLE 6 - DEFAULTS AND REMEDIES. . . . .	11
SECTION 6.01 Events of Default. . . . .	11
SECTION 6.02 Acceleration. . . . .	13
SECTION 6.03 Other Remedies. . . . .	13
SECTION 6.04 Waiver of Past Defaults. . . . .	13
SECTION 6.05 Control by Majority. . . . .	14
SECTION 6.06 Limitation on Suits. . . . .	14
SECTION 6.07 Collection Suit by Trustee. . . . .	14
SECTION 6.08 Priorities. . . . .	15
ARTICLE 7 - TRUSTEE. . . . .	15
SECTION 7.01 Rights of Trustee. . . . .	15
SECTION 7.02 Individual Rights of Trustee. . . . .	16
SECTION 7.03 Trustee's Disclaimer. . . . .	17
SECTION 7.04 Notice of Defaults. . . . .	17
SECTION 7.05 Reports by Trustee to Holders. . . . .	17
SECTION 7.06 Compensation and Indemnity. . . . .	17
SECTION 7.07 Replacement of Trustee. . . . .	18
SECTION 7.08 Successor Trustee by Merger, etc. . . . .	19
SECTION 7.09 Trustee's Capital and Surplus. . . . .	19
ARTICLE 8 - DISCHARGE OF INDENTURE. . . . .	19
SECTION 8.01 Defeasance. . . . .	19
SECTION 8.02 Conditions to Defeasance. . . . .	20
SECTION 8.03 Application of Trust Money. . . . .	20
SECTION 8.04 Repayment to Company. . . . .	21
ARTICLE 9 - AMENDMENTS. . . . .	21
SECTION 9.01 Without Consent of Holders. . . . .	21
SECTION 9.02 With Consent of Holders. . . . .	21
SECTION 9.03 Compliance with Trust Indenture Act. . . . .	22
SECTION 9.04 Effect of Consents. . . . .	22
SECTION 9.05 Notation on or Exchange of Securities. . . . .	22
SECTION 9.06 Trustee Protected. . . . .	23
ARTICLE 10 - MISCELLANEOUS. . . . .	23
SECTION 10.01 Trust Indenture Act. . . . .	23
SECTION 10.02 Notices. . . . .	23
SECTION 10.03 Certificate and Opinion as to Conditions Precedent. . . . .	24
SECTION 10.04 Statements Required in Certificate or Opinion. . . . .	24
SECTION 10.05 Rules by Company and Agents. . . . .	24
SECTION 10.06 Legal Holidays. . . . .	25
SECTION 10.07 No Recourse Against Others. . . . .	25
SECTION 10.08 Counterparts. . . . .	25





INDENTURE dated as of December 1, 1998 between AMERICAN STATES WATER COMPANY, a California corporation ("Company"), and CHASE MANHATTAN BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, as trustee ("Trustee").

Each party agrees as follows for the benefit of the Holders of the Company's debt securities issued under this Indenture:

#### ARTICLE 1 - DEFINITIONS

##### SECTION 1.01 Definitions.

"Affiliate" means any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company (other than any trust or other entity subject to the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor statute).

"Agent" means any Registrar, Transfer Agent or Paying Agent with respect to the Securities.

"Board" means the Board of Directors of the Company or any authorized committee of the Board.

"Company" means the party named as such above until a successor replaces it and thereafter means the successor.

"Default" means any event which is, or after notice or passage of time would be, an Event of Default.

"Discounted Security" means a Security where the amount of principal due upon acceleration is less than the stated principal amount.

"Holder" or "Securityholder" means the person in whose name a Security is registered as to principal and interest by the Registrar.

"Indenture" means this Indenture and any Securities Resolution as amended or supplemented from time to time.

"Officer" means the Chairman, the President, the Chief Financial Officer, any Executive Vice-President, any Senior Vice-President, any Vice-President, the Treasurer, the Secretary, any Assistant Treasurer, or any Assistant Secretary of the Company.

"Officers' Certificate" means a certificate signed by two Officers or by an Officer.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"principal" of a debt security means the principal of the security plus the premium, if and when applicable, on the security.

"SEC" means the Securities and Exchange Commission.

"Securities" means the debt securities issued under this Indenture.

"Securities Resolution" means a resolution authorizing a series of Securities adopted by the Board.

"series" means a series of Securities or the Securities of the series.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code Section 77aaa-77bbb) as in effect on the date shown above.

"Trustee" means the party named as such above until a successor replaces it and thereafter means the successor.

"Trust Officer" means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"United States" means the United States of America, its territories and possessions and other areas subject to its jurisdiction.

SECTION 1.02 Other Definitions.

Term	Defined in Section
"Indenture"	7.02
"Bankruptcy Law"	6.01
"Custodian"	6.01
"Event of Default"	6.01
"Legal Holiday"	10.06
"Lien"	4.01
"Paying Agent"	2.03
"Registrar"	2.03
"Subsidiary"	4.01
"Transfer Agent"	2.03
"U.S. Government Obligations"	3.02
"Voting Stock"	4.01
"Yield to Maturity"	4.01

SECTION 1.03 Rules of Construction.

Unless the context otherwise requires:

- (1) a term has the meaning assigned to it;
- (2) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles in the United States;
- (3) generally accepted accounting principles are those applicable from time to time;
- (4) all terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings assigned to them by such definitions;
- (5) "or" is not exclusive; and
- (6) words in the singular include the plural, and in the plural include the singular.

ARTICLE 2 - THE SECURITIES

SECTION 2.01 Issuable in Series.

The aggregate principal amount of Securities that may be issued under this Indenture is unlimited. The Securities may be issued from time to time in one or more series. Each series shall be created by a Securities Resolution or a supplemental indenture that establishes the terms of the series, which may include the following:

- (1) the title of the series;
- (2) the aggregate principal amount of the series;
- (3) the interest rate or rates, if any, or method of calculating the interest rate or rates;
- (4) the date from which interest will accrue;
- (5) the record dates for interest payable on Securities;
- (6) the dates when principal and interest are payable;
- (7) the manner of paying principal and interest;
- (8) the places where principal and interest are payable;
- (9) the Registrar, Transfer Agent and Paying Agent;
- (10) the terms of any mandatory or optional redemption by the Company or by the Holder;
- (11) the denominations in which Securities are issuable;
- (12) whether and upon what terms Securities may be exchanged;
- (13) the terms on which Securities may be converted;
- (14) whether any Securities will be represented by a Security

in global form and the terms of any global Security;

- (15) if amounts of principal or interest may be determined by reference to an index, formula or other method, the manner for determining such amounts;
- (16) provisions for electronic issuance of Securities or for Securities in uncertificated form;
- (17) the amount or portion of principal payable upon acceleration of a Discounted Security;
- (18) any Events of Default or covenants in addition to or in lieu of those set forth in this Indenture;
- (19) whether and upon what terms Securities may be defeased;
- (20) the form of the Securities;
- (21) any terms that may be required by or advisable under U.S. or other applicable laws; and
- (22) any other terms not inconsistent with this Indenture.

All Securities of one series need not be issued at the same time and, unless otherwise provided in the Securities Resolution or supplemental indenture for such series, a series may be reopened for issuances of additional Securities of such series.

#### SECTION 2.02 Execution and Authentication.

Two Officers shall sign the Securities by manual or facsimile signature. The Company's seal shall be reproduced on the Securities.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated or delivered, the Security shall nevertheless be valid.

A Security shall not be valid until the Security is authenticated by the manual signature of the Registrar. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

Each Security shall be dated the date of its authentication.

Securities may have notations, legends or endorsements required by law, stock exchange rule, agreement or usage.

In the event Securities are issued in electronic or other uncertificated form, such Securities may be validly issued without the signatures or seal contemplated by this Section 2.02.

#### SECTION 2.03 Securities Agents.

The Company shall maintain an office or agency where Securities may be authenticated ("Registrar"), where Securities may be presented for registration of transfer or for exchange ("Transfer Agent") and where Securities may be presented for payment ("Paying Agent"). Whenever the Company must issue or deliver Securities pursuant to this Indenture, the Registrar shall authenticate the Securities at the Company's request contained in an Officer's Certificate delivered to the Registrar. The Transfer Agent shall keep a register of the Securities and of their transfer and exchange.

The Company may appoint more than one Registrar, Transfer Agent or Paying Agent for a series. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture. If the Company fails to maintain a Registrar, Transfer Agent or Paying Agent for a series, the Trustee shall act as such.

#### SECTION 2.04 Paying Agent to Hold Money in Trust.

The Company shall require each Paying Agent for a series other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of the persons entitled thereto all money held by the Paying Agent for the payment of principal of or interest on the series, and will notify the Trustee of any default by the Company in making any such payment.

While any such default continues, the Trustee may require a Paying Agent to pay all money so held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee upon delivery to the Paying Agent of an Officer's Certificate so stating. Upon payment over to the Trustee of all money held by it in trust, the Paying Agent shall have no further liability for the money.

If the Company or an Affiliate acts as Paying Agent for a series, it shall segregate and hold as a separate trust fund all money held by it as Paying Agent for the series.

#### SECTION 2.05 Securityholder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Transfer Agent, the Company shall furnish, or cause the Registrar to furnish, to the Trustee semiannually and at such other times as the Trustee may reasonably request a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders.

#### SECTION 2.06 Transfer and Exchange.

Where Securities of a series are presented to the Transfer Agent with a request to register a transfer or to exchange them for an equal principal amount of Securities of other denominations of the series, the Transfer Agent shall register the transfer or make the exchange if its requirements for such transactions are met. The Transfer Agent need not exchange or register the transfer of any Security or portion of a Security selected for redemption. Also, it need not exchange or register the transfer of any Securities for a period of 15 days before a selection of Securities to be redeemed.

The Transfer Agent may require a Holder to pay a sum sufficient to cover any taxes imposed on a transfer or exchange.

#### SECTION 2.07 Replacement Securities.

If the Holder of a Security claims that it has been lost, destroyed or wrongfully taken, then, in the absence of notice to the Company or the Trustee that the Security has been acquired by a bona fide purchaser, the Company shall issue a replacement Security if the Company and the Trustee receive:

- (1) evidence satisfactory to them of the loss, destruction or taking;
- (2) an indemnity bond satisfactory to them; and
- (3) payment of a sum sufficient to cover their expenses and any taxes for replacing the Security.

Every replacement Security is an additional obligation of the Company.

#### SECTION 2.08 Outstanding Securities.

The Securities outstanding at any time are all the Securities authenticated by the Registrar except for those cancelled by it, those delivered to it for cancellation, and those described in this Section as not outstanding.

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee and the Company receive proof satisfactory to them that the replaced Security is held by a bona fide purchaser.

If Securities are considered paid under Section 4.02, they cease to be outstanding and interest on them ceases to accrue.

A Security does not cease to be outstanding because the Company or an Affiliate holds the Security.

#### SECTION 2.09 Discounted Securities.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, the principal amount of a Discounted Security shall be the

amount of principal that would be due as of the date of such determination if payment of the Security were accelerated on that date.

#### SECTION 2.10 Treasury Securities.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or an Affiliate shall be disregarded, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which the Trustee knows are so owned shall be so disregarded.

#### SECTION 2.11 Global Securities.

If the Securities Resolution or supplemental indenture so provides, the Company may issue some or all of the Securities of a series in temporary or permanent global form. A global Security may be in registered form, in bearer form with or without coupons or in uncertificated form. A global Security shall represent that amount of Securities of a series as specified in the global Security or as endorsed thereon from time to time. At the Company's request, the Registrar shall endorse a global Security to reflect the amount of any increase or decrease in the Securities represented thereby.

The Company may issue a global Security only to a depository designated by the Company. A depository may transfer a global Security only as a whole to its nominee or to a successor depository.

The Securities Resolution or supplemental indenture may establish, among other things, the manner of paying principal and interest on a global Security and whether and upon what terms a beneficial owner of an interest in a global Security may exchange such interest for definitive Securities.

The Company, an Affiliate, the Trustee and any Agent shall not be responsible for any acts or omissions of a depository, for any depository records of beneficial ownership interests or for any transactions between the depository and beneficial owners.

#### SECTION 2.12 Temporary Securities.

Until definitive Securities of a series are ready for delivery, the Company may use temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Temporary Securities may be in global form. Without unreasonable delay, the Company shall deliver definitive Securities in exchange for temporary Securities. Until so exchanged, the temporary Securities are entitled to the same benefits under this Indenture as definitive Securities.

#### SECTION 2.13 Cancellation.

The Company at any time may deliver Securities to the Registrar for cancellation. The Transfer Agent and the Paying Agent shall forward to the Registrar any Securities surrendered to them for payment, exchange or registration of transfer. The Registrar shall cancel all Securities surrendered for payment, registration of transfer, exchange or cancellation which have been received by it. The Registrar shall destroy cancelled Securities unless the Company otherwise directs.

Unless the Securities Resolution or supplemental indenture otherwise provides, the Company may not issue new Securities to replace Securities that the Company has paid or that the Company has delivered to the Registrar for cancellation.

#### SECTION 2.14 Defaulted Interest.

If the Company defaults in a payment of interest on Securities, it need not pay the defaulted interest to Holders on the regular record date. The Company may fix a special record date for determining Holders entitled to receive defaulted interest or the Company may pay defaulted interest in any other lawful manner.

### SECTION 3.01 Notices to Trustee.

Securities of a series that are redeemable before maturity shall be redeemable in accordance with their terms and, unless the Securities Resolution or supplemental indenture otherwise provides, in accordance with this Article.

In the case of a redemption by the Company, the Company shall notify the Trustee and the Transfer Agent of the redemption date and the principal amount of Securities to be redeemed. The Company shall notify the Trustee and Transfer Agent at least 45 days before the redemption date unless a shorter notice is satisfactory to the Trustee.

If the Company is required to redeem Securities, it may reduce the principal amount of Securities required to be redeemed to the extent it is permitted a credit by the terms of the Securities and it notifies the Trustee of the amount of the credit and the basis for it. If the reduction is based on a credit for acquired or redeemed Securities that the Company has not previously delivered to the Registrar for cancellation, the Company shall deliver the Securities at the same time as the notice.

### SECTION 3.02 Selection of Securities to Be Redeemed.

If less than all the Securities of a series are to be redeemed, the Trustee shall select the Securities to be redeemed by a method the Trustee considers fair and appropriate, which shall reflect any method required by applicable law or stock exchange regulations. The Trustee shall make the selection from the outstanding Securities of the series not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities having denominations larger than the minimum denomination for the series. Securities and portions thereof selected for redemption shall be in amounts equal to the minimum denomination for the series or an integral multiple thereof. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. At least 20 days before a redemption date, the Trustee shall notify the Company, the Registrar, the Transfer Agent and each Paying Agent of the Securities to be redeemed and, if a Security is to be redeemed only in part, the principal amount thereof so to be redeemed.

### SECTION 3.03 Notice of Redemption.

At least 20 days but not more than 60 days before a redemption date, the Company shall mail a notice of redemption by first-class mail to each Holder whose Securities are to be redeemed.

A notice shall identify the Securities of the series to be redeemed and shall state:

- (1) the redemption date;
- (2) the redemption price;
- (3) the name and address of the Paying Agent;
- (4) that Securities called for redemption, in whole or in part, must be surrendered to the Paying Agent to collect the redemption price; and
- (5) that interest on Securities, or portions thereof, called for redemption ceases to accrue on and after the redemption date.

At the Company's written request, the Trustee shall give the notice of redemption in the Company's name and at its expense.

### SECTION 3.04 Effect of Notice of Redemption.

Except as provided below, once notice of redemption is given, Securities called for redemption become due and payable on the redemption date at the redemption price stated in the notice.

A notice of redemption may provide that it is subject to the occurrence of any event before the date fixed for such redemption as described in such notice ("Conditional Redemption"), and such notice of Conditional Redemption shall be of no effect unless all such conditions to the redemption have occurred on or before such date or have been waived by the Company in its sole discretion.

#### SECTION 3.05 Payment of Redemption Price.

On or before the redemption date, the Company shall deposit with the Paying Agent money sufficient to pay the redemption price of and accrued interest, if any, on all Securities to be redeemed on that date.

When the Holder of a Security surrenders it for redemption in accordance with the redemption notice, the Company shall pay, or cause the Paying Agent to pay, to the Holder on the redemption date the redemption price and accrued interest, if any, to such date, except that the Company will pay any such interest (except defaulted interest) to Holders on the record date (as such term is defined in the applicable Securities Resolution) if the redemption date occurs on an interest payment date (as such term is defined in the applicable Securities Resolution).

#### SECTION 3.06 Securities Redeemed in Part.

Upon surrender of a Security that is redeemed in part, the Company shall deliver or cause the Transfer Agent to deliver to the Holder a new Security of the same series equal in principal amount to the unredeemed principal amount of the Security surrendered.

### ARTICLE 4 - COVENANTS

#### SECTION 4.01 Certain Definitions.

"Lien" means any mortgage, pledge, security interest or lien.

"Subsidiary" means a corporation a majority of whose Voting Stock is owned by the Company or a Subsidiary.

"Voting Stock" means capital stock having voting power under ordinary circumstances to elect directors.

"Yield to Maturity" means the yield to maturity on a Discounted Security at the time of its issuance or at the most recent determination of interest on the Discounted Security.

#### SECTION 4.02 Payment of Securities.

The Company shall pay the principal of and interest on a series in accordance with the terms of the Securities for the series and this Indenture. Principal and interest on a series shall be considered paid on the date due if the Paying Agent for the series holds on that date money sufficient to pay all principal and interest then due on the series.

#### SECTION 4.03 Overdue Interest.

Unless the Securities Resolution or supplemental indenture otherwise provides, the Company shall pay interest on overdue principal of a Security of a series at the rate (or Yield to Maturity in the case of a Discounted Security) borne by the series; it shall pay interest on overdue installments of interest at the same rate or Yield to Maturity to the extent lawful.

#### SECTION 4.04 No Lien Created, etc.

This Indenture and the Securities do not create a Lien, charge or encumbrance on any property of the Company or any Subsidiary.

#### SECTION 4.05 Compliance Certificate.

The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, a brief certificate signed on its behalf by the principal executive officer, principal financial officer or principal accounting officer of the Company, as to the signer's knowledge of the Company's compliance with all conditions and covenants under this Indenture as of the end of such fiscal year (determined without regard to any period of grace or requirement of notice provided herein).

Any other obligor on the Securities also shall deliver to the Trustee such a certificate similarly signed as to its compliance with this Indenture within 120 days after the end of each of its fiscal years.

#### SECTION 4.06 SEC Reports.



The Company shall file with the Trustee, within 15 days after the Company is required to file the same with the SEC, copies of the annual reports and of the information, documents, and other reports (or such portions of the foregoing as the SEC may prescribe) which the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Any other obligor on the Securities shall do likewise as to the above items which it is required to file with the SEC pursuant to those Sections.

#### ARTICLE 5 - SUCCESSORS

##### SECTION 5.01 When Company May Merge, etc.

The Company shall not consolidate with or merge into, or transfer all or substantially all of its assets to, any person unless:

- (1) the person is organized under the laws of the United States or a State thereof;
- (2) the person assumes by supplemental indenture all the obligations of the Company under this Indenture and the Securities; and
- (3) immediately after the transaction no Default exists.

The successor shall be substituted for the Company, and thereafter all obligations of the Company under this Indenture and the Securities shall terminate.

#### ARTICLE 6 - DEFAULTS AND REMEDIES

##### SECTION 6.01 Events of Default.

An "Event of Default" on a series occurs if:

- (1) the Company defaults in any payment of interest on any Securities of the series when the same becomes due and payable and the Default continues for a period of 60 days;
- (2) the Company defaults in the payment of the principal of any Securities of the series when the same becomes due and payable at maturity or upon redemption, acceleration or otherwise and the Default continues for a period of three business days;
- (3) the Company defaults in the payment or satisfaction of any sinking fund obligation with respect to any Securities of a series as required by the Securities Resolution or supplemental indenture establishing such series and the Default continues for a period of three business days;
- (4) the Company defaults in the performance of any of its other agreements applicable to the series and the Default continues for 90 days after the notice specified below;
- (5) the Company pursuant to or within the meaning of any Bankruptcy Law:
  - (A) commences a voluntary case,
  - (B) consents to the entry of an order for relief against it in an involuntary case,
  - (C) consents to the appointment of a Custodian for it or for all or substantially all of its property, or
  - (D) makes a general assignment for the benefit of its creditors;
- (6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:
  - (A) is for relief against the Company in an

involuntary case,

- (B) appoints a Custodian for the Company or for all or substantially all of its property, or
  - (C) orders the liquidation of the Company; and the order or decree remains unstayed and in effect for 60 days; or
- (7) any other Event of Default provided for in the series occurs.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or State law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or a similar official under any Bankruptcy Law.

A Default under clause (4) is not an Event of Default until the Trustee or the Holders of at least 33-1/3% in principal amount of the series notify the Company of the Default and the Company does not cure the Default within the time specified after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If Holders notify the Company of a Default, they shall notify the Trustee at the same time.

The failure to redeem any Security subject to a Conditional Redemption is not an Event of Default if any event on which such redemption is so conditioned does not occur and is not waived before the scheduled redemption date.

A Default on any series of Securities shall not constitute a Default on any other series unless so provided in such other series.

#### SECTION 6.02 Acceleration.

If an Event of Default occurs and is continuing on a series, the Trustee by notice to the Company, or the Holders of at least 33-1/3% in principal amount of the series by notice to the Company and the Trustee, may declare the principal of and accrued interest on all the Securities of the series to be due and payable immediately. Discounted Securities may provide that the amount of principal due upon acceleration is less than the stated principal amount.

The Holders of a majority in principal amount of the series by notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default on the series have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration.

#### SECTION 6.03 Other Remedies.

If an Event of Default occurs and is continuing on a series, the Trustee may pursue any available remedy to collect principal or interest then due on the series, to enforce the performance of any provision applicable to the series, or otherwise to protect the rights of the Trustee and Holders of the series.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

#### SECTION 6.04 Waiver of Past Defaults.

Unless the Securities Resolution or supplemental indenture otherwise provides, the Holders of a majority in principal amount of a series by notice to the Trustee may waive an existing Default or Event of Default on the series and its consequences except:

- (1) an Event of Default under clauses (1), (2) or (3) of Section 6.01, or
- (2) a Default in respect of a provision that under Section 9.02 cannot be amended without the consent of each Securityholder affected.

#### SECTION 6.05 Control by Majority.

The Holders of a majority in principal amount of a series may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or of exercising any trust or power conferred on the Trustee, with respect to the series. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture.

#### SECTION 6.06 Limitation on Suits.

A Securityholder of a series may pursue a remedy with respect to the series only if:

- (1) the Holder gives to the Trustee notice of a continuing Event of Default on the series;
- (2) the Holders of at least 33-1/3% in principal amount of the series make a request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and
- (5) during such 60-day period the Holders of a majority in principal amount of the series do not give the Trustee a direction inconsistent with such request.

A Securityholder may not use this Indenture to prejudice the rights of another Securityholder or to obtain a preference or priority over another Securityholder.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal and (except as contemplated by Section 2.14) interest on such Security on the respective stated maturities expressed in such Security and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

#### SECTION 6.07 Collection Suit by Trustee.

If an Event of Default in payment of interest, principal or sinking fund payment specified in Section 6.01(1), (2) or (3) occurs and is continuing on a series, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal and interest remaining unpaid on the series.

#### SECTION 6.08 Priorities.

If the Trustee collects any money for a series pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 7.06;

Second: to Securityholders of the series for amounts due and unpaid for principal and interest, ratably, without reference or priority of any kind, according to the amounts due and payable for principal and interest, respectively; and

Third: to the Company.

The Trustee may fix a payment date for any payment to Securityholders.

### ARTICLE 7 - TRUSTEE

#### SECTION 7.01 Rights of Trustee.

- (1) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

- (2) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on the Certificate or Opinion.
- (3) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care, unless such Agent is affiliated with the Trustee.
- (4) The Trustee shall not be liable for any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.
- (5) The Trustee may refuse to perform any duty or exercise any right or power which it reasonably believes may expose it to any loss, liability or expense unless it receives indemnity satisfactory to it against such loss, liability or expense.
- (6) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.
- (7) The Trustee shall have no duty with respect to a Default unless it has actual knowledge of the Default.
- (8) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized and within its powers.
- (9) Any Agent shall have the same rights and be protected to the same extent as if it were Trustee.
- (10) The right of the Trustee to perform any discretionary act specified in or contemplated by this Indenture shall not be construed as a duty.
- (11) The Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights and powers.
- (12) The Trustee may consult with counsel (who may be counsel for the Company or for the Holders), and with other experts, and the written advice or opinion of such counsel or other experts shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.
- (13) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a written order signed in the name of the Company by any Officer of the Company and delivered to the Trustee or by resolution duly adopted by the Board.
- (14) Whether or not therein expressly provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.
- (15) Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

#### SECTION 7.02 Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or an Affiliate with the same rights it would have if it

were not Trustee. Any Agent may do the same with like rights.

The Trustee is hereby authorized to act as trustee under that certain indenture between Southern California Water Company and the Trustee, dated September 1, 1993 (the "1993 Indenture") notwithstanding any provisions of this Indenture or the 1993 Indenture affecting the relative rights of holders of securities issued under such indentures to payment thereon and to security given to secure such payment. Subject to the acceptance of appointment by a successor trustee under Section 7.07 of this Indenture and/or Section 7.07 of the 1993 Indenture, as applicable, the Trustee is further authorized to resign from either or both of its appointments as Trustee hereunder and as trustee under the 1993 Indenture in the event that the Trustee determines in good faith that its performance hereunder or thereunder subjects the Trustee to a conflict of interest.

#### SECTION 7.03 Trustee's Disclaimer.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities; it shall not be accountable for the Company's use of the proceeds from the Securities; it shall not be responsible for any statement in the Securities; it shall not be responsible for any overissue; it shall not be responsible for determining whether the form and terms of any Securities were established in conformity with this Indenture; and it shall not be responsible for determining whether any Securities were issued in accordance with this Indenture.

#### SECTION 7.04 Notice of Defaults.

If a Default occurs and is continuing on a series and if it is actually known to the Trustee, the Trustee shall mail a notice of the Default within 90 days after it occurs to Holders of Securities of the series. Except in the case of a Default in payment on a series, the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interest of Holders of the series.

#### SECTION 7.05 Reports by Trustee to Holders.

Any report required by TIA Section 313(a) to be mailed to Securityholders shall be mailed by the Trustee on or before June 30 of each year.

A copy of each report at the time of its mailing to Securityholders shall be filed with the SEC and each stock exchange on which any Securities are listed. The Company shall notify the Trustee when any Securities are listed on a stock exchange. The Trustee shall send a copy of each such report to the Company.

#### SECTION 7.06 Compensation and Indemnity.

The Company shall pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it in connection with this Indenture. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee and each of the Trustee's directors, officers, employees, agents, successors and assigns against any loss or liability incurred in connection with the exercise or performance of the powers or duties as Trustee, Registrar, Transfer Agent or Paying Agent. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel, reasonably acceptable to the Company, and the Company shall pay the reasonable fees and expenses of such counsel.

The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence or willful misconduct.

To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay principal or interest on particular Securities. Such lien shall survive the removal or resignation of the Trustee for

such period as any amount shall remain due and payable to the Trustee (including any successor Trustee).

#### SECTION 7.07 Replacement of Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign by so notifying the Company. The Holders of a majority in principal amount of the Securities may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee with the Company's consent.

The Company may remove the Trustee if:

- (1) the Trustee fails to comply with TIA Section 310(a) or TIA Section 310(b) or with Section 7.09;
- (2) the Trustee is adjudged a bankrupt or an insolvent;
- (3) a Custodian or other public officer takes charge of the Trustee or its property;
- (4) the Trustee becomes incapable of acting; or
- (5) an event of the kind described in Section 6.01(5) or (6) occurs with respect to the Trustee.

The Company also may remove the Trustee with or without cause if the Company so notifies the Trustee 30 days in advance and if no Default occurs during the 30-period.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in principal amount of the Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with TIA Section 310(a) or TIA Section 310(b) or with Section 7.09, any Securityholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.06.

#### SECTION 7.08 Successor Trustee by Merger, etc.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

#### SECTION 7.09 Trustee's Capital and Surplus.

The Trustee at all times shall have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published report of condition; provided, however, that the initial Trustee hereunder shall have a combined capital and surplus of at least \$10,000,000 and shall be a wholly owned subsidiary of a bank with combined capital and surplus of at least \$50,000,000.

### ARTICLE 8 - DISCHARGE OF INDENTURE

#### SECTION 8.01 Defeasance.

Securities of a series may be defeased in accordance with their terms and, unless the Securities Resolution or supplemental indenture otherwise provides, in accordance with this Article.

The Company at any time may terminate as to a series all of its obligations under this Indenture, the Securities of a series and any related coupons ("legal defeasance option"). The Company at any time may terminate as to a series its obligations, if any, under any restrictive covenants which may be applicable to a particular series ("covenant defeasance option"). However, in the case of the legal defeasance option, the Company's obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 7.06, 7.07 and 8.04 shall survive until the Securities of the series are no longer outstanding; thereafter the Company's obligations in Section 7.06 shall survive.

The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its legal defeasance option, a series may not be accelerated because of an Event of Default. If the Company exercises its covenant defeasance option, a series may not be accelerated by reference to any restrictive covenants which may be applicable to a particular series so defeased under the terms of the series.

The Trustee upon request shall acknowledge in writing the discharge of those obligations that the Company terminates.

#### SECTION 8.02 Conditions to Defeasance.

The Company may exercise as to a series its legal defeasance option or its covenant defeasance option if:

- (1) the Company irrevocably deposits in trust with the Trustee or another trustee money or U.S. Government Obligations;
- (2) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due on the deposited U.S. Government Obligations without reinvestment plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all the Securities of the series to maturity or redemption, as the case may be;
- (3) immediately after the deposit no Default exists;
- (4) the deposit does not constitute a default under any other agreement binding on the Company;
- (5) the deposit does not cause the Trustee to have a conflicting interest under TIA Section 310(a) or TIA Section 310(b) as to another series;
- (6) the Company delivers to the Trustee an Opinion of Counsel to the effect that Holders of the series will not recognize income, gain or loss for Federal income tax purposes as a result of the defeasance; and
- (7) 91 days pass after the deposit is made and during the 91-day period no Default specified in Section 6.01(4) or(5) occurs that is continuing at the end of the period.

Before or after a deposit the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date in accordance with Article 3.

"U.S. Government Obligations" means direct obligations of the United States which have the full faith and credit of the United States pledged for payment and which are not callable at the issuer's option, or certificates representing an ownership interest in such obligations.

#### SECTION 8.03 Application of Trust Money.

The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.02. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal and interest on Securities of the defeased series.

#### SECTION 8.04 Repayment to Company.

The Trustee and the Paying Agent shall promptly turn over to the Company upon written request any money or securities held by them at any time in excess of amounts required under the terms of the Securities Resolution to be held by them.

The Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal or interest that remains unclaimed for one year. After payment to the Company, Securityholders entitled to the money must look to the Company for payment as unsecured general creditors unless an abandoned property or similar law designates another person.

#### ARTICLE 9 - AMENDMENTS

##### SECTION 9.01 Without Consent of Holders.

The Company and the Trustee may amend this Indenture and the Securities without the consent of any Securityholder:

- (1) to cure any ambiguity, omission, defect or inconsistency;
- (2) to comply with Article 5;
- (3) to provide that specific provisions of this Indenture shall not apply to a series not previously issued;
- (4) to create a series and establish its terms;
- (5) to provide for a separate Trustee for one or more series;
- (6) to make any change that does not materially adversely affect the rights of any Securityholder under this Indenture or the Securities; or
- (7) to make any change that may be necessary to comply with the TIA.

##### SECTION 9.02 With Consent of Holders.

Unless the Securities Resolution otherwise provides, the Company and the Trustee may amend this Indenture and the Securities with the written consent of the Holders of a majority in principal amount of the Securities of all series affected by the amendment voting as one class. However, without the consent of each Securityholder affected, an amendment under this Section may not:

- (1) reduce the amount of Securities whose Holders must consent to an amendment;
- (2) reduce the interest on or change the time for payment of interest on any Security;
- (3) change the dates on which principal and interest on any Security are payable;
- (4) change the times at which principal or sinking fund payments are payable pursuant to, or the amounts of principal or sinking fund payments subject to, provisions, if any, relating to mandatory redemption;
- (5) reduce the principal of any non-Discounted Security or reduce the amount of principal of any Discounted Security that would be due upon an acceleration thereof; or
- (6) make any change in Section 6.04 or 9.02, except to increase the amount of Securities whose Holders must consent to an amendment or waiver or to provide that other provisions of this Indenture cannot be amended or waived without the consent of each Securityholder affected thereby.

An amendment applicable solely to one or more series, or a provision included solely for the benefit of one or more series, does not affect Securityholders of any other series.



Securityholders need not consent to the exact text of a proposed amendment or waiver; it is sufficient if they consent to the substance thereof.

#### SECTION 9.03 Compliance with Trust Indenture Act.

Every amendment pursuant to Section 9.01 or 9.02 shall be set forth in a supplemental indenture that complies with the TIA as then in effect.

#### SECTION 9.04 Effect of Consents.

An amendment or waiver becomes effective in accordance with its terms and thereafter binds every Securityholder entitled to consent to it.

A consent to an amendment or waiver by a Holder of a Security is a continuing consent by the Holder and every subsequent Holder of a Security that evidences the same debt as the consenting Holder's Security. Any Holder or subsequent Holder may revoke the consent as to his Security if the Trustee receives notice of the revocation before the amendment or waiver becomes effective.

The Company may fix a record date for the determination of Holders entitled to give a consent. The record date shall not be less than 10 nor more than 60 days prior to the first written solicitation of Securityholders.

#### SECTION 9.05 Notation on or Exchange of Securities.

The Company or the Trustee may place an appropriate notation about an amendment or waiver on any Security thereafter authenticated. The Company may issue in exchange for affected Securities new Securities that reflect the amendment or waiver.

#### SECTION 9.06 Trustee Protected.

The Trustee need not sign any supplemental indenture that adversely affects its rights.

### ARTICLE 10 - MISCELLANEOUS

#### SECTION 10.01 Trust Indenture Act.

The provisions of TIA Sections 310 through 317 that impose duties on any person (including the provisions automatically deemed included herein unless expressly excluded by this Indenture) are a part of and govern this Indenture, whether or not expressly set forth herein.

If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

#### SECTION 10.02 Notices.

Any notice by one party to another is duly given if in writing and delivered in person, sent by facsimile transmission confirmed by mail or mailed by first-class mail to the other's address shown below:

Company: American States Water Company  
630 East Foothill Boulevard  
San Dimas, California 91773

Attention: Chief Financial Officer

Trustee: Chase Manhattan Bank and Trust Company, National Association  
101 California Street, Suite 2725  
San Francisco, California 94111

Attention: Paula Oswald

A party by notice to the other parties may designate additional or different addresses for subsequent notices. Any notice mailed to a Securityholder shall be mailed to his address shown on the register kept by the Transfer Agent. Failure to mail a notice to a Securityholder or any defect in a notice mailed to a Securityholder shall not affect the sufficiency of the notice mailed to other Securityholders or the sufficiency of any published notice.

If a notice is mailed in the manner provided above within the

time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice to Securityholders, it shall mail a copy to the Trustee and each Agent at the same time.

If in the Company's opinion it is impractical to mail a notice required to be mailed or to publish a notice required to be published, the Company may give such substitute notice as the Trustee approves. Failure to publish a notice as required or any defect in it shall not affect the sufficiency of any mailed notice.

All notices shall be in the English language, except that any published notice may be in an official language of the country of publication.

A "notice" includes any communication required by this Indenture.

#### SECTION 10.03 Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall if so requested furnish to the Trustee:

- (1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and
- (2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent, if any, have been complied with.

#### SECTION 10.04 Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with condition or covenant provided for in this Indenture shall include:

- (1) a statement that the person making such certificate or opinion has read such covenant or condition;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) as to each certificate, a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

#### SECTION 10.05 Rules by Company and Agents.

The Company may make reasonable rules for action by or at a meeting of Securityholders. An Agent may make reasonable rules and set reasonable requirements for its functions.

#### SECTION 10.06 Legal Holidays.

A "Legal Holiday" is a Saturday, a Sunday or a day on which banking institutions in California or New York are not required to be open. If a payment date is a Legal Holiday at a place of payment, unless the Securities Resolution otherwise provides, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

#### SECTION 10.07 No Recourse Against Others.

A director, officer, employee or shareholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their

creation. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

SECTION 10.08 Counterparts.

This Indenture may be executed by the parties in counters, each of which shall be an original, but all of such counterparts shall together constitute one and the same instrument.

SECTION 10.09 Governing Law.

The laws of the State of California shall govern this Indenture and the Securities, unless federal law governs.

SIGNATURES

AMERICAN STATES WATER COMPANY

By /s/ McClellan Harris III

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McClellan Harris III  
Chief Financial Officer  
Vice President - Finance  
Treasurer and Corporate  
Secretary

CHASE MANHATTAN BANK AND  
TRUST COMPANY, NATIONAL ASSOCIATION

By /s/ Paula Oswald

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Paula Oswald  
Assistant Vice President



[FORM OF DEPOSIT AGREEMENT]

AMERICAN STATES WATER COMPANY,

\_\_\_\_\_, As Depositary

AND

THE HOLDERS FROM TIME TO TIME OF  
THE DEPOSITARY RECEIPTS DESCRIBED HEREIN

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DEPOSIT AGREEMENT

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Dated as of \_\_\_\_\_, \_\_\_\_

ARTICLE I

DEFINITIONS. . . . . 1

ARTICLE II

FORM OF RECEIPTS, DEPOSIT OF STOCK, EXECUTION AND DELIVERY,  
TRANSFER, SURRENDER AND REDEMPTION OF RECEIPTS

SECTION 2.1 Form and Transfer of Receipts. . . . . 2  
SECTION 2.2 Deposit of Stock; Execution and Delivery of  
Receipts in Respect Thereof . . . . . 3  
SECTION 2.3 Redemption of Stock. . . . . 3  
SECTION 2.4 Conversion of Stock into Common Shares. . . . . 5  
SECTION 2.5 Registration of Transfer of Receipts. . . . . 5  
SECTION 2.6 Split-ups and Combinations of Receipts;  
Surrender of Receipts and Withdrawal of Stock. . . . . 5  
SECTION 2.7 Limitations on Execution and Delivery, Transfer,  
Surrender and Exchange of Receipts. . . . . 6  
SECTION 2.8 Lost Receipts, etc. . . . . 7  
SECTION 2.9 Cancellation and Destruction of Surrendered  
Receipts. . . . . 7

ARTICLE III

CERTAIN OBLIGATIONS OF THE HOLDERS OF RECEIPTS AND THE COMPANY

SECTION 3.1 Filing Proofs, Certificates and Other  
Information . . . . . 7  
SECTION 3.2 Payment of Taxes or Other Governmental  
Charges. . . . . 7  
SECTION 3.3 Warranty as to Stock. . . . . 8  
SECTION 3.4 Covenants and Warranties as to Common Shares. . . . . 8

ARTICLE IV

THE DEPOSITED SECURITIES; NOTICES

SECTION 4.1 Cash Distributions. . . . . 8  
SECTION 4.2 Distributions Other than Cash. . . . . 8  
SECTION 4.3 Subscription Rights, Preferences or Privileges. . . . . 9  
SECTION 4.4 Notice of Dividends, etc.; Fixing of Record  
Date for Holders of Receipts. . . . . 9  
SECTION 4.5 Voting Rights. . . . . 10  
SECTION 4.6 Changes Affecting Deposited Securities and  
Reclassifications, Recapitalizations, etc. . . . . 10  
SECTION 4.7 Delivery of Reports. . . . . 11  
SECTION 4.8 List of Receipt Holders. . . . . 11

ARTICLE V

THE DEPOSITARY, THE DEPOSITARY'S AGENTS  
AND THE COMPANY

SECTION 5.1	Maintenance of Offices, Agencies and Transfer Books by the Depositary. . . . .	11
SECTION 5.2	Prevention of or Delay in Performance by the Depositary, the Depositary's Agents or the Company. . . . .	11
SECTION 5.3	Obligations of the Depositary, the Depositary's Agents and the Company. . . . .	12
SECTION 5.4	Resignation and Removal of the Depositary; Appointment of Successor Depositary. . . . .	12
SECTION 5.5	Corporate Notices and Reports. . . . .	13
SECTION 5.6	Indemnification by the Company. . . . .	13
SECTION 5.7	Charges and Expenses. . . . .	13

ARTICLE VI

AMENDMENT AND TERMINATION

SECTION 6.1	Amendment. . . . .	14
SECTION 6.2	Termination. . . . .	14

ARTICLE VII

MISCELLANEOUS

SECTION 7.1	Counterparts. . . . .	14
SECTION 7.2	Exclusive Benefit of Parties. . . . .	14
SECTION 7.3	Invalidity of Provisions. . . . .	15
SECTION 7.4	Notices. . . . .	15
SECTION 7.5	Depositary's Agents. . . . .	15
SECTION 7.6	Holder of Receipts Are Parties. . . . .	15
SECTION 7.7	Governing Law. . . . .	15
SECTION 7.8	Inspection of Deposit Agreement. . . . .	16
SECTION 7.9	Headings. . . . .	16

DEPOSIT AGREEMENT dated as of \_\_\_\_\_, among  
AMERICAN STATES WATER COMPANY,  
a California corporation,  
a \_\_\_\_\_,  
and the holders from time to time of  
the Receipts described herein.

WHEREAS it is desired to provide, as hereinafter set forth in this Deposit Agreement, for the deposit of shares of \_\_\_\_\_% \_\_\_\_\_ New Preferred Shares, no par value, of AMERICAN STATES WATER COMPANY with the Depositary (as hereinafter defined) for the purposes set forth in this Deposit Agreement and for the issuance hereunder of Receipts (as hereinafter defined) evidencing Depositary Shares (as hereinafter defined) so deposited;

NOW, THEREFORE, in consideration of the premises, the parties hereto agree as follows:

#### ARTICLE I DEFINITIONS

The following definitions shall for all purposes, unless otherwise indicated, apply to the respective terms used in this Deposit Agreement and the Receipts:

"Certificate" shall mean the certificate of determination filed with the Secretary of State of the State of California establishing the Stock as a series of preferred stock of the Company.

"Common Shares" shall mean the shares of the Company's common stock, no par value.

"Company" shall mean American States Water Company, a California corporation, and its successors.

"Deposit Agreement" shall mean this Deposit Agreement, as amended or supplemented from time to time.

"Depositary" shall mean \_\_\_\_\_, and any successor as Depositary and registrar to register ownership and transfers of Depositary Shares hereunder as herein provided.

"Depositary Shares" shall mean Depositary Shares, each representing a \_\_\_\_\_ interest in a share of Stock and evidenced by a Receipt.

"Depositary's Agent" shall mean an agent appointed by the Depositary pursuant to Section 7.05.

"Depositary's Office" shall mean the principal office of the Depositary in \_\_\_\_\_, \_\_\_\_\_, at which at any particular time its depositary receipt business shall be administered.

"Receipt" shall mean one of the depositary receipts issued hereunder, whether in definitive or temporary form.

"record holder" as applied to a Receipt shall mean the person in whose name a Receipt is registered on the books of the Depositary maintained for such purpose.

"Stock" shall mean shares of the Company's \_\_\_\_\_% \_\_\_\_\_ New Preferred Shares, no par value.

#### ARTICLE II Form of Receipts, Deposit of Stock, Execution and Delivery, Transfer, Surrender and Redemption of Receipts

SECTION 2.1. Form and Transfer of Receipts. Definitive Receipts shall be engraved or printed or lithographed and shall be substantially in the form set forth in Exhibit A annexed to this Deposit Agreement, with appropriate insertions, modifications and omissions, as hereinafter provided. Pending the preparation of definitive Receipts, the Depositary, upon the written order of the Company delivered in compliance with Section 2.2, shall execute and

deliver temporary Receipts which are printed, lithographed, typewritten, mimeographed or otherwise substantially of the tenor of the definitive Receipts in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the persons executing such Receipts may determine, as evidenced by their execution of such Receipts. If temporary Receipts are issued, the Company and the Depositary will cause definitive Receipts to be prepared without unreasonable delay. After the preparation of definitive Receipts, the temporary Receipts shall be exchangeable for definitive Receipts upon surrender of the temporary Receipts at an office described in the third paragraph of Section 2.2, without charge to the holder. Upon surrender for cancellation of any one or more temporary Receipts, the Depositary shall execute and deliver in exchange therefor definitive Receipts representing the same number of Depositary Shares as represented by the surrendered temporary Receipt or Receipts. Such exchange shall be made at the Company's expense and without any charge therefor. Until so exchanged, the temporary Receipts shall in all respects be entitled to the same benefits under this Deposit Agreement, and with respect to the Stock, as definitive Receipts.

Receipts shall be executed by the Depositary by the manual signature of a duly authorized officer of the Depositary. No Receipt shall be entitled to any benefits under this Deposit Agreement or be valid or obligatory for any purpose unless it shall have been executed manually by a duly authorized officer of the Depositary. The Depositary shall record on its books each Receipt so signed and delivered as hereinafter provided.

Receipts shall be in denominations of any number of whole Depositary Shares.

Receipts may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Deposit Agreement as may be required by the Company or the Depositary or required to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange upon which the Stock, the Depositary Shares or the Receipts may be listed or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Receipts are subject.

Title to Depositary Shares evidenced by a Receipt which is properly endorsed, or accompanied by a properly executed instrument of transfer, shall be transferable by delivery with the same effect as in the case of a negotiable instrument; provided, however, that until transfer of a Receipt shall be registered on the books of the Depositary as provided in Section 2.5, the Depositary may, notwithstanding any notice to the contrary, treat the record holder thereof at such time as the absolute owner thereof for the purpose of determining the person entitled to receive distributions of dividends or other distributions, withdraw any Stock underlying the Depositary Shares, exercise any conversion rights or to receive any notice provided for in this Deposit Agreement and for all other purposes.

SECTION 2.2. Deposit of Stock; Execution and Delivery of Receipts in Respect Thereof. Subject to the terms and conditions of this Deposit Agreement, the Company may from time to time deposit shares of Stock under this Deposit Agreement by delivery to the Depositary of a certificate or certificates for the Stock to be deposited, properly endorsed or accompanied, if required by the Depositary, by a duly executed instrument of transfer or endorsement, in form satisfactory to the Depositary, together with all such certifications as may be required by the Depositary in accordance with the provisions of this Deposit Agreement, and together with a written order of the Company directing the Depositary to execute and deliver to, or upon the written order of, the person or persons stated in such order a Receipt or Receipts for the number of Depositary Shares relating to such deposited Stock.

Deposited Stock shall be held by the Depositary at the Depositary's Office or at such other place or places as the Depositary shall determine.

Upon receipt by the Depositary of a certificate or certificates for Stock deposited in accordance with the provisions of this Section, together with the other documents required as above



specified, and upon recordation of the Stock so deposited on the books of the Company in the name of the Depository or its nominee, the Depository, subject to the terms and conditions of this Deposit Agreement, shall execute and deliver, to or upon the order of the person or persons named in the written order delivered to the Depository referred to in the first paragraph of this Section, a Receipt or Receipts for the number of Depository Shares relating to the Stock so deposited and registered in such name or names as may be requested by such person or persons. The Depository shall execute and deliver such Receipt or Receipts at the Depository's Office or such other offices, if any, as the Depository may designate. Delivery at other offices shall be at the risk and expense of the person requesting such delivery.

Other than in the case of splits, combinations or other reclassifications affecting the Stock, or in the case of dividends or other distributions of Stock, if any, there shall be deposited hereunder not more than \_\_\_\_\_ shares of Stock.

SECTION 2.3. Redemption of Stock. Whenever the Company shall elect to redeem shares of Stock in accordance with the provisions of the Certificate, it shall (unless otherwise agreed in writing with the Depository) mail notice to the Depository of such proposed redemption, by first class mail, postage prepaid not less than 45 nor more than 75 days prior to the date fixed for redemption of Stock by the Company in accordance with Section 2 of the Certificate. On the date of such redemption, provided that the Company shall then have paid in full to the Depository the redemption price of the Stock to be redeemed, as set forth in the Certificate, plus any accrued and unpaid dividends thereon to and including the Redemption Date (as defined below), the Depository shall redeem the Depository Shares relating to such Stock. The Depository shall mail notice of such redemption and the proposed simultaneous redemption of the number of Depository Shares relating to the Stock to be redeemed, by first-class mail, postage prepaid, not less than 30 and not more than 60 days prior to the date fixed for redemption of such Stock and Depository Shares (the "Redemption Date"), to the record holders of the Receipts evidencing the Depository Shares to be so redeemed, at the addresses of such holders as they appear on the records of the Depository; but neither failure to mail any such notice to one or more such holders nor any defect in any notice to one or more such holders shall affect the sufficiency of the proceedings for redemption as to other holders. Each such notice shall state: (i) the Redemption Date; (ii) the number of Depository Shares to be redeemed and, if less than all the Depository Shares held by any such holder are to be redeemed, the number of such Depository Shares held by such holder to be so redeemed; (iii) the redemption price (which shall include any accrued and unpaid dividends to and including the Redemption Date); (iv) the place or places where Receipts evidencing Depository Shares are to be surrendered for payment of the redemption price; (v) that dividends in respect of the Stock underlying the Depository Shares to be redeemed will cease to accumulate after the close of business on such Redemption Date; and (vi) that the right, if any, to convert Depository Shares into Common Shares or other securities will expire after the close of business on the \_\_\_\_ day preceding the Redemption Date, and, if applicable, the then-effective conversion price, if applicable, and the place or places where Receipts evidencing such Depository Shares are to be surrendered for conversion. In case less than all the outstanding Depository Shares are to be redeemed, the Depository Shares to be so redeemed shall be selected by lot or pro rata (subject to rounding to avoid fractions of Depository Shares) as may be determined by the Depository to be equitable. A notice of redemption may provide that it is subject to the occurrence of any event before the date fixed for such redemption as described in such notice ("Conditional Redemption"), and such notice of Conditional Redemption shall be of no effect unless all such conditions to the redemption shall have occurred on or before such date or have been waived by the Company in its sole discretion.

Notice having been mailed by the Depository as aforesaid (unless the Company shall have failed to redeem the shares of Stock to be redeemed by it as set forth in the Company's notice provided for in the preceding paragraph), (i) after the close of business on the fifth day preceding the Redemption Date, all conversion rights in respect of the Depository Shares called for redemption on such Redemption Date will terminate and (ii) from and after the Redemption Date all dividends in respect of the Depository Shares so called for redemption shall cease to accumulate, the Depository Shares being redeemed from such proceeds shall be deemed no longer

to be outstanding, all remaining rights of the holders of Receipts evidencing such Depositary Shares (except the right to receive the redemption price without interest) shall, to the extent of such Depositary Shares, cease and terminate and, upon surrender in accordance with such notice of the Receipts evidencing any such Depositary Shares (properly endorsed or assigned for transfer, if the Depositary shall so require), such Depositary Shares shall be redeemed by the Depositary at a redemption price per Depositary Share equal to \_\_\_\_\_ of the redemption price per share paid in respect of the shares of Stock plus all money and other property, if any, paid with respect to such Depositary Shares, including all amounts paid by the Company in respect of dividends which on the Redemption Date have accumulated on the shares of Stock to be so redeemed and have not theretofore been paid.

If less than all the Depositary Shares evidenced by a Receipt are called for redemption, the Depositary will deliver to the holder of such Receipt upon its surrender to the Depositary, together with the redemption payment, a new Receipt evidencing the Depositary Shares evidenced by such prior Receipt and not called for redemption.

SECTION 2.4. Conversion of Stock into Common Shares. The Company hereby agrees to accept the delivery of Receipts for purposes of effecting conversions of the Stock utilizing the same procedures as those provided for delivery of certificates for the Stock to effect such conversions in accordance with the terms and conditions of the Stock as provided in the Certificate. Any whole number of Depositary Shares (whether or not evenly divisible by \_\_\_\_ ) represented by a Receipt may be surrendered for conversion. If the Depositary Shares represented by a Receipt are to be converted in part only, a new Receipt or Receipts will be issued by the Depositary for the Depositary Shares not to be converted. No fractional Common Shares will be issued upon conversion, and if such conversion will result in a fractional share being issued, an amount will be paid in cash by the Company equal to the value of the fractional interest based upon the closing price of the Common Shares on the last business day prior to the conversion. For this purpose, a holder of a Receipt or Receipts must surrender such Receipt or Receipts to the Company, together with a duly completed and executed Notice of Conversion in the form included in the Receipt. In all cases the foregoing shall be conditioned upon compliance in full by the holders with the applicable terms and conditions of the Stock as provided in the Certificate and of this Deposit Agreement. The Company and the Depositary will thereafter effect the cancellation of each Receipt surrendered for such conversion and of the related Stock so converted. In the event that the conversion of Depositary Shares results in issuance of a fraction of a share of Stock, the Depositary will make appropriate adjustment in its records to reflect such issuance and, if appropriate, the combination of any fractions of shares into one or more whole shares of Stock.

Upon conversion no adjustments will be made for accrued dividends and, therefore, Depositary Shares surrendered for conversion after the record date next preceding a dividend payment date for the Stock and prior to such dividend payment date must be accompanied by payment of an amount equal to the applicable fraction of the dividend thereon which is to be paid on such dividend payment date (unless the Depositary Shares surrendered for conversion have been called for redemption prior to such dividend payment date). No adjustment of the conversion price will be required to be made in any case until cumulative adjustments amount to 1% or more of the conversion price.

SECTION 2.5 Registration of Transfer of Receipts. Subject to the terms and conditions of this Deposit Agreement, the Depositary shall register on its books from time to time transfers of Receipts upon any surrender thereof by the holder in person or by duly authorized attorney, properly endorsed or accompanied by a properly executed instrument of transfer. Thereupon the Depositary shall execute a new Receipt or Receipts evidencing the same aggregate number of Depositary Shares as those evidenced by the Receipt or Receipts surrendered and deliver such new Receipt or Receipts to or upon the order of the person entitled thereto.

SECTION 2.6 Split-ups and Combinations of Receipts; Surrender of Receipts and Withdrawal of Stock. Upon surrender of a Receipt or Receipts at the Depositary's Office or at such other offices as it may designate for the purpose of effecting a split-up or combination of such Receipt or Receipts, and subject to the terms and conditions of this Deposit Agreement, the Depositary shall

execute and deliver a new Receipt or Receipts in the denominations requested, evidencing the aggregate number of Depositary Shares evidenced by the Receipt or Receipts surrendered.

Any holder of a Receipt or Receipts evidencing at least \_\_\_\_\_ Depositary Shares may withdraw the number of whole shares of Stock underlying such Depositary Shares and all money and other property, if any, relating thereto by surrendering Receipts evidencing such Depositary Shares at the Depositary's Office or at such other offices as the Depositary may designate for such withdrawals. Thereafter, without unreasonable delay, the Depositary shall deliver to such holder, or to the person or persons designated by such holder as hereinafter provided, the number of whole shares of Stock and all money and other property, if any, relating to the Depositary Shares evidenced by the Receipts so surrendered for withdrawal, but holders of such whole shares of Stock will not thereafter be entitled to deposit such Stock hereunder or to receive Receipts evidencing Depositary Shares therefor. If a Receipt delivered by a holder to the Depositary in connection with such withdrawal shall evidence a number of Depositary Shares relating to other than a number of whole shares of Stock, the Depositary shall at the same time, in addition to such number of whole shares of Stock and such money and other property, if any, to be so withdrawn, deliver to such holder, or (subject to Section 3.2) upon his order, a new Receipt evidencing such excess number of Depositary Shares. Delivery of the Stock and money and other property being withdrawn may be made by delivery of such certificates, documents of title and other instruments as the Depositary may deem appropriate. The Depositary may require a holder of Depositary Receipts to pay a sum sufficient to cover any taxes imposed upon any such withdrawal.

HOLDERS ACKNOWLEDGE THAT THERE MAY BE NO MARKET FOR THE UNDERLYING STOCK AND THAT UPON WITHDRAWAL OF THE STOCK, HOLDERS THEREOF WILL NOT BE ENTITLED THEREAFTER TO DEPOSIT SUCH STOCK UNDER THIS DEPOSIT AGREEMENT.

If the Stock and the money and other property being withdrawn are to be delivered to a person or persons other than the record holder of the Receipts being surrendered for withdrawal of Stock, such holder shall execute and deliver to the Depositary a written order so directing the Depositary, and the Depositary may require that the Receipt or Receipts surrendered by such holder for withdrawal of such shares of Stock be properly endorsed in blank or accompanied by a properly executed instrument of transfer.

Delivery of the Stock and the money and other property, if any, underlying the Depositary Shares evidenced by the Receipts surrendered for withdrawal shall be made by the Depositary at the Depositary's Office, except that, at the request, risk and expense of the holder surrendering such Receipts and for the account of such holder, such delivery may be made at such other place as may be designated by such holder.

SECTION 2.7 Limitations on Execution and Delivery, Transfer, Surrender and Exchange of Receipts. As a condition precedent to the execution and delivery, registration of transfer, split-up, combination, surrender, exchange or redemption of any Receipt, the withdrawal of any Stock underlying the Depositary Shares or the exercise of any conversion rights, the Depositary, any of the Depositary's Agents or the Company may require payment to it of a sum sufficient for the payment (or, in the event that the Depositary or the Company shall have made such payment, the reimbursement to it) of any charges or expenses payable by the holder of a Receipt pursuant to Section 5.7, may require the production of evidence satisfactory to it as to the identity and genuineness of any signature and may also require compliance with such regulations, if any, as the Depositary or the Company may establish consistent with the provisions of this Deposit Agreement.

The exercise of any conversion rights or the withdrawal of any Stock underlying the Depositary Shares may be suspended, the delivery of Receipts against Stock may be suspended, the registration of transfer of Receipts may be refused and the registration of transfer, surrender, exchange or redemption of outstanding Receipts may be suspended (i) during any period when the register of shareholders of the Company is closed or (ii) if any such action is deemed necessary or advisable by the Depositary, any of the Depositary's Agents or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission or under any provision of this

## Deposit Agreement.

SECTION 2.8 Lost Receipts, etc. In case any Receipt shall be mutilated, destroyed, lost or stolen, the Depositary in its discretion may execute and deliver a Receipt of like form and tenor in exchange and substitution for such mutilated Receipt, or in lieu of and in substitution for such destroyed, lost or stolen Receipt, upon (i) the filing by the holder thereof with the Depositary of evidence satisfactory to the Depositary of such destruction or loss or theft of such Receipt, of the authenticity thereof and of his or her ownership thereof and (ii) the furnishing of the Depositary with reasonable indemnification satisfactory to it.

SECTION 2.9 Cancellation and Destruction of Surrendered Receipts. All Receipts surrendered to the Depositary or any Depositary's Agent shall be canceled by the Depositary. Except as prohibited by applicable law or regulation, the Depositary is authorized to destroy all Receipts so canceled.

### ARTICLE III Certain Obligations of the Holders of Receipts and the Company

SECTION 3.1 Filing Proofs, Certificates and Other Information. Any holder of a Receipt may be required from time to time to file such proof of residence, or other matters or other information, to execute such certificates and to make such representations and warranties as the Depositary or the Company may reasonably deem necessary or proper. The Depositary or the Company may withhold the delivery, or delay the registration of transfer, redemption or exchange, of any Receipt, the exercise of any conversion rights, the withdrawal of any Stock underlying the Depositary Shares or the distribution of any dividend or other distribution or the sale of any rights or of the proceeds thereof until such proof or other information is filed or such certificates are executed or such representations and warranties are made.

SECTION 3.2 Payment of Taxes or Other Governmental Charges. Holders of Receipts shall be obligated to make payments to the Depositary of certain taxes, charges and expenses, as provided in Section 5.7. Registration of transfer of any Receipt, the exercise of any conversion rights, any withdrawal of Stock and delivery of all money or other property, if any, represented by the Depositary Shares evidenced by such Receipt may be refused until any such payment due is made, and any dividends, interest payments or other distributions may be withheld or all or any part of the Stock or other property relating to the Depositary Shares evidenced by such Receipt and not theretofore sold may be sold for the account of the holder thereof (after attempting by reasonable means to notify such holder prior to such sale), and such dividends, interest payments or other distributions or the proceeds of any such sale may be applied to any payment of such taxes, charges or expenses, the holder of such Receipt remaining liable for any deficiency.

SECTION 3.3 Warranty as to Stock. The Company hereby represents and warrants that the Stock, when issued, will be validly issued, fully paid and nonassessable. Such representation and warranty shall survive the deposit of the Stock and the issuance of Receipts.

SECTION 3.4 Covenants and Warranties as to Common Shares. The Company covenants that it will keep reserved or otherwise available a sufficient number of authorized and unissued Common Shares to meet conversion requirements in respect of the Depositary Shares and that it will give written notice to the Depositary of any adjustments in the conversion price made pursuant to the Certificate. The Company represents and warrants that the Common Shares issued upon conversion of the Depositary Shares will be validly issued, fully paid and non-assessable.

### ARTICLE IV The Deposited Securities; Notices

SECTION 4.1 Cash Distributions. Whenever the Depositary shall receive any cash dividend or other cash distribution on the Stock, the Depositary shall, subject to Sections 3.1 and 3.2, distribute to the record holders of Receipts on the record date fixed pursuant to Section 4.4 such amounts of such dividend or distribution as are, as nearly as practicable, in proportion to the respective numbers of Depositary Shares evidenced by the Receipts held by such holders; provided, however, that in case the Company or the Depositary shall

be required to withhold and shall withhold from any cash dividend or other cash distribution in respect of the Stock an amount on account of taxes and governmental charges, the amount made available for distribution or distributed in respect of Depositary Shares shall be reduced accordingly. The Depositary shall distribute or make available for distribution, as the case may be, only such amount, however, as can be distributed without attributing to any holder of Receipts a fraction of one cent, and any balance not so distributable shall be held by the Depositary (without liability for interest thereon) and shall be added to and be treated as part of the next sum received by the Depositary for distribution to record holders of Receipts then outstanding.

SECTION 4.2 Distributions Other than Cash. Whenever the Depositary shall receive any distribution other than cash on the Stock, the Depositary shall, subject to Sections 3.1 and 3.2, distribute to record holders of Receipts on the record date fixed pursuant to Section 4.4 such amounts of the securities or property received by it as are, as nearly as practicable, in proportion to the respective numbers of Depositary Shares evidenced by the Receipts held by such holders, in any manner that the Depositary may deem equitable and practicable for accomplishing such distribution. If in the opinion of the Depositary such distribution cannot be made proportionately among such record holders, or if for any other reason (including any requirement that the Company or the Depositary withhold an amount on account of taxes and governmental charges) the Depositary deems, after consultation with the Company, such distribution not to be feasible, the Depositary may, with the approval of the Company, adopt such method as it deems equitable and practicable for the purpose of effecting such distribution, including the sale (at public or private sale) of the securities or property thus received, or any part thereof, at such place or places and upon such terms as it may deem proper. The net proceeds of any such sale shall, subject to Sections 3.1 and 3.2, be distributed or made available for distribution, as the case may be, by the Depositary to record holders of Receipts as provided by Section 4.1 in the case of a distribution received in cash.

SECTION 4.3 Subscription Rights, Preferences or Privileges. If the Company shall at any time offer or cause to be offered to the persons in whose names Stock is recorded on the books of the Company any rights, preferences or privileges to subscribe for or to purchase any securities or any rights, preferences or privileges of any other nature, such rights, preferences or privileges shall in each such instance be made available by the Depositary to the record holders of Receipts in such manner as the Depositary may determine, either by the issue to such record holders of warrants representing such rights, preferences or privileges or by such other method as may be approved by the Depositary in its discretion with the approval of the Company; provided, however, that (i) if at the time of issue or offer of any such rights, preferences or privileges the Depositary determines that it is not lawful or (after consultation with the Company) not feasible to make such rights, preferences or privileges available to holders of Receipts by the issue of warrants or otherwise, or (ii) if and to the extent so instructed by holders of Receipts who do not desire to exercise such rights, preferences or privileges, then the Depositary, in its discretion (with the approval of the Company, in any case where the Depositary has determined that it is not feasible to make such rights, preferences or privileges available), may, if applicable laws or the terms of such rights, preferences or privileges permit such transfer, sell such rights, preferences or privileges at public or private sale, at such place or places and upon such terms as it may deem proper. The net proceeds of any such sale shall, subject to Sections 3.1 and 3.2, be distributed by the Depositary to the record holders of Receipts entitled thereto as provided by Section 4.1 in the case of a distribution received in cash.

If registration under the Securities Act of 1933, as amended (the "Act"), of the securities to which any rights, preferences or privileges relate is required in order for holders of Receipts to offer or sell the securities to which such rights, preferences or privileges relate, the Company agrees with the Depositary that the Company will notify the Depositary and file promptly a registration statement pursuant to such Act with respect to such rights, preferences or privileges and securities and use its best efforts and take all steps available to it to cause such registration statement to become effective sufficiently in advance of the expiration of such rights, preferences or privileges to enable such holders to exercise such rights, preferences or privileges. In no event shall the Depositary make available to the holders of

Receipts any right, preference or privilege to subscribe for or to purchase any securities unless and until such a registration statement shall have become effective, or unless the offering and sale of such securities to such holders are exempt from registration under the provisions of the Act.

If any other action under the laws of any jurisdiction or any governmental or administrative authorization, consent or permit is required in order for such rights, preferences or privileges to be made available to holders of Receipts, the Company agrees with the Depositary that the Company will notify the Depositary and use its best efforts to take such action or obtain such authorization, consent or permit sufficiently in advance of the expiration of such rights, preferences or privileges to enable such holders to exercise such rights, preferences or privileges.

SECTION 4.4 Notice of Dividends, etc.; Fixing of Record Date for Holders of Receipts. Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or if rights, preferences or privileges shall at any time be offered, with respect to the Stock, or whenever the Depositary shall receive notice of any meeting or action to be taken by written consent at or as to which holders of Stock are entitled to vote or consent, or of which holders of Stock are entitled to notice, the Depositary shall in each such instance fix a record date (which shall be the same date as the record date fixed by the Company with respect to the Stock) for the determination of the holders of Receipts who shall be entitled to receive a distribution in respect of such dividend, distribution, rights, preferences or privileges or the net proceeds of the sale thereof, or to give instructions for the exercise of any rights to vote or consent at any such meeting or with respect to any such action, or who shall be entitled to receive notice of such meeting or such action.

SECTION 4.5 Voting Rights. Upon receipt of notice of any meeting or action to be taken by written consent at or as to which the holders of the Stock are entitled to vote or consent, the Depositary shall, as soon as practicable thereafter, mail to the record holders of Receipts a notice which shall contain (i) such information as is contained in such notice of meeting or action and (ii) a statement informing holders of Receipts that they may instruct the Depositary as to the exercise of the voting rights or the giving or refusal of consent, as the case may be, pertaining to the amount of Stock underlying their respective Depositary Shares and a brief statement as to the manner in which such instructions may be given. Upon the written request of the holders of Receipts on the record date (which shall be the same date as the record date for the Stock), the Depositary shall endeavor insofar as practicable to vote or cause to be voted, or give or withhold consent with respect to, in accordance with the instructions set forth in such requests, the maximum number of whole shares of Stock underlying the Depositary Shares evidenced by all Receipts as to which any particular voting or consent instructions are received. The Company hereby agrees to take all action which may be deemed necessary by the Depositary in order to enable the Depositary to vote such Stock or cause such Stock to be voted or give or withhold consent with respect to such Stock. In the absence of specific instructions from the holder of a Receipt, the Depositary will abstain from voting, or giving consents (but, at its discretion, not from appearing at any meeting with respect to such Stock unless directed to the contrary by the holders of a majority of the Receipts) to the extent of the Stock underlying the Depositary Shares evidenced by such Receipt. Notwithstanding the foregoing, the Depositary may, if and as directed by the Company, vote on any matter on which brokers have discretionary authority to vote (unless directed to the contrary by the holders of a majority of the Receipts). The Company also agrees that it will at all times comply with the proxy rules of the Securities Exchange Act of 1934, as amended.

SECTION 4.6 Changes Affecting Deposited Securities and Reclassifications, Recapitalizations, etc. Upon any change in par value, split-up, combination or any other reclassification of the Stock, or upon any recapitalization, reorganization, merger, amalgamation or consolidation affecting the Company or to which it is a party or sale of the Company's assets substantially as an entirety, the Depositary may in its discretion, with the approval of, and shall upon the instructions of, the Company, and (in either case) in such manner as the Depositary may deem equitable, (i) make such adjustments in (a) the fraction of an interest in one share of Stock underlying one Depositary Share and (b) the ratio of the

redemption price per Depositary Share to the redemption price of a share of the Stock, in each case as may be necessary fully to reflect the effects of such change in par value, split-up, combination or other reclassification of the Stock, or of such recapitalization, reorganization, merger, amalgamation or consolidation or sale and (ii) treat any securities which shall be received by the Depositary in exchange for or upon conversion of or in respect of the Stock as new deposited securities so received in exchange for or upon conversion of or in respect of such Stock. In any such case the Depositary may in its discretion, with the approval of the Company, execute and deliver additional Receipts, or may call for the surrender of all outstanding Receipts to be exchanged for new Receipts specifically describing such new deposited securities.

SECTION 4.7 Delivery of Reports. The Depositary will forward to record holders of Receipts, at their respective addresses appearing in the Depositary's books, all notices, reports and communications received from the Company which are delivered to the Depositary and which the Company is required to furnish to the holders of Stock or Receipts.

SECTION 4.8 List of Receipt Holders. Promptly upon request from time to time by the Company, the Depositary shall furnish to it a list, as of a recent date, of the names, addresses and holdings of Stock of all persons in whose names Receipts are registered on the books of the Depositary.

#### ARTICLE V

The Depositary, The Depositary's Agents and the Company

SECTION 5.1 Maintenance of Offices, Agencies and Transfer Books by the Depositary. Upon execution of this Deposit Agreement, the Depositary shall maintain at the Depositary's Office, facilities for the execution and delivery, registration and registration of transfer, surrender and exchange of Receipts, and at the offices of the Depositary's Agents, if any, facilities for the delivery, registration of transfer, surrender and exchange of Receipts, all in accordance with the provisions of this Deposit Agreement.

The Depositary shall keep books at the Depositary's Office for the registration and registration of transfer of Receipts, which books at all reasonable times shall be open for inspection by the record holders of Receipts; provided, that any such holder requesting to exercise such right shall certify to the Depositary that such inspection shall be for a proper purpose reasonably related to such person's interest as an owner of Depositary Shares evidenced by the Receipts.

The Depositary may close such books, at any time or from time to time, when deemed expedient by it in connection with the performance of its duties hereunder.

If the Receipts or the Depositary Shares evidenced thereby or the Stock represented by such Depositary Shares shall be listed on the New York Stock Exchange or any other stock exchange, the Depositary will, at the request of the Company, arrange such facilities for the delivery, registration, registration of transfer, surrender, exchange, redemption or conversion of such Receipts, such Depositary Shares or such Stock as applicable and as may be required by law or applicable stock exchange regulation.

SECTION 5.2 Prevention of or Delay in Performance by the Depositary, the Depositary's Agents or the Company. Neither the Depositary nor any Depositary's Agent nor the Company shall incur any liability to any holder of any Receipt if by reason of any provision of any present or future law, or regulation thereunder, of the United States of America or of any other governmental authority or, in the case of the Depositary or any Depositary's Agent, by reason of any provision, present or future, of the Company's Amended and Restated Articles of Incorporation (including the Certificate) or by reason of any act of God or war or other circumstance beyond the control of the relevant party, the Depositary, any Depositary's Agent or the Company shall be prevented or forbidden from doing or performing any act or thing which the terms of this Deposit Agreement provide shall be done or performed; nor shall the Depositary, any Depositary's Agent or the Company incur any liability to any holder of a Receipt (i) by reason of any nonperformance or delay, caused as aforesaid, in the performance of any act or thing which the terms of this Deposit Agreement provide shall or may be done or performed, or (ii) by reason of any exercise

of, or failure to exercise, any discretion provided for in this Deposit Agreement except, in case of any such exercise or failure to exercise discretion not caused as aforesaid, if caused by the gross negligence or willful misconduct of the party charged with such exercise or failure to exercise.

SECTION 5.3 Obligations of the Depositary, the Depositary's Agents and the Company. Neither the Depositary nor any Depositary's Agent nor the Company assumes any obligation or shall be subject to any liability under this Deposit Agreement to holders of Receipts other than for the relevant party's gross negligence or willful misconduct.

Neither the Depositary nor any Depositary's Agent nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of the Stock, the Depositary Shares or the Receipts which in its opinion may involve it in expense or liability unless indemnity satisfactory to it against all expense and liability be furnished as often as may be required.

Neither the Depositary nor any Depositary's Agent nor the Company shall be liable for any action or any failure to act by it in reliance upon the written advice of legal counsel or accountants, or information from any person presenting Stock for deposit, any holder of a Receipt or any other person believed by it in good faith to be competent to give such information. The Depositary, any Depositary's Agent and the Company may each rely and shall each be protected in acting upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

The Depositary shall not be responsible for any failure to carry out any instruction to vote or give or withhold consent, with respect to any of the shares of Stock or for the manner or effect of any such vote or consent, as long as any such action or non-action is in good faith. The Depositary undertakes to perform such duties and only such duties as are specifically set forth in this Deposit Agreement, and no implied covenants or obligations shall be read into this Deposit Agreement against the Depositary. The Depositary will indemnify the Company against any liability which may arise out of acts performed or omitted by the Depositary or its agents due to its or their gross negligence or willful misconduct. The Depositary, the Depositary's Agents and the Company may own and deal in any class of securities of the Company and its affiliates and in Receipts. The Depositary may also act as transfer agent and registrar of any of the securities of the Company and its affiliates.

SECTION 5.4 Resignation and Removal of the Depositary; Appointment of Successor Depositary. The Depositary may at any time resign as Depositary hereunder by written notice of its election so to do delivered to the Company, such resignation to take effect upon the appointment of a successor Depositary and its acceptance of such appointment as hereinafter provided.

The Depositary may at any time be removed by the Company by written notice of such removal delivered to the Depositary, such removal to take effect upon the appointment of a successor Depositary and its acceptance of such appointment as hereinafter provided.

In case the Depositary acting hereunder shall at any time resign or be removed, the Company shall, within 60 days after the delivery of the notice of resignation or removal, as the case may be, appoint a successor Depositary, which shall be a bank or trust company having its principal office in the United States of America and having a combined capital and surplus of at least \$50,000,000. Every successor Depositary shall execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor Depositary, without any further act or deed, shall become fully vested with all the rights, powers, duties and obligations of its predecessor and for all purposes shall be the Depositary under this Deposit Agreement, and such predecessor, upon payment of all sums due it and on the written request of the Company, shall execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder, shall duly assign, transfer and deliver all right, title and interest in the Stock and any moneys or property held hereunder to such successor and shall deliver to such successor a list of the record holders of all outstanding Receipts.



Any successor Depositary shall promptly mail notice of its appointment to the record holders of Receipts.

Any corporation into or with which the Depositary may be merged, consolidated or converted shall be the successor of such Depositary without the execution or filing of any document or, any further act. Such successor Depositary may authenticate the Receipts in the name of the predecessor Depositary or in the name of the successor Depositary.

SECTION 5.5 Corporate Notices and Reports. The Company agrees that it will transmit to the Depositary all notices, reports and communications (including without limitation financial statements) required by law, the rules of any national securities exchange upon which the Stock, the Depositary Shares or the Receipts are listed or by the Company's Amended and Restated Articles of Incorporation (including the Certificate) to be furnished by the Company to holders of the Stock or Receipts.

SECTION 5.6 Indemnification by the Company. The Company shall indemnify the Depositary and any Depositary's Agent against, and hold each of them harmless from, any loss, liability or expense (including the costs and expenses of defending itself) which may arise out of (i) acts performed or omitted in connection with this Deposit Agreement and the Receipts (a) by the Depositary or any Depositary's Agent, except for any liability arising out of the gross negligence or willful misconduct on the respective parts of any such person or persons, or (b) by the Company or any of its agents, or (ii) the offer, sale or registration of the Receipts or the Stock pursuant to the provisions hereof.

SECTION 5.7 Charges and Expenses. The Company shall pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. The Company shall pay all charges of the Depositary in connection with the initial deposit of the Stock and the initial issuance of the Receipts, any redemption of the Stock at the option of the Company and any withdrawals of Stock by holders of Receipts. All other transfer and other taxes and governmental charges shall be at the expense of holders of Depositary Shares. If, at the request of a holder of Receipts, the Depositary incurs charges or expenses for which it is not otherwise liable hereunder, such holder will be liable for such charges and expenses. All other charges and expenses of the Depositary and any Depositary's Agent hereunder (including, in each case, fees and expenses of counsel) incident to the performance of their respective obligations hereunder will be paid by the Company after consultation and agreement between the Depositary and the Company as to the amount and nature of such charges and expenses. The Depositary shall present its statement for charges and expenses to the Company once every three months or at such other intervals as the Company and the Depositary may agree.

#### ARTICLE VI Amendment and Termination

SECTION 6.1 Amendment. The form of the Receipts and any provisions of this Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary in any respect which they may deem necessary or desirable; provided, however, that no such amendment which imposes or increases any fees, taxes or charges upon holders of Depositary Shares or Receipts or which materially and adversely alters the existing rights of such holders shall be effective unless such amendment shall have been approved by the record holders of Receipts evidencing at least a majority of the Depositary Shares then outstanding. A holder of a Receipt at the time any such amendment so becomes effective shall be deemed, by continuing to hold such Receipt, to consent and agree to such amendment and to be bound by this Deposit Agreement as amended thereby. Notwithstanding the foregoing, no such amendment may impair the right of any holder of Depositary Shares or Receipts to receive any moneys or other property to which such holder may be entitled under the terms of such Receipts or this Deposit Agreement at the times and in the manner and amount provided for therein and herein.

SECTION 6.2 Termination. This Deposit Agreement may be terminated by the Company or the Depositary only after the occurrence of any of the following events: (i) all outstanding Depositary Shares shall have been redeemed and any accumulated and unpaid dividends on the Stock represented by the Depositary Shares, together with all other moneys and property, if any, to which

holders of the related Receipts are entitled under the terms of such Receipts or this Deposit Agreement, have been paid or distributed as provided in this Deposit Agreement or provision therefor has been duly made pursuant to Section 2.3, (ii) there shall have been made a final distribution in respect of the Stock in connection with any liquidation, dissolution or winding up of the Company and such distribution shall have been distributed to the holders of Receipts pursuant to Section 4.1 or 4.2, as applicable or (iii) all outstanding Depositary Shares shall have been converted pursuant to Section 2.4 hereof.

Upon the termination of this Deposit Agreement, the Company shall be discharged from all obligations under this Deposit Agreement except for its obligations to the Depositary and any Depositary's Agent under Sections 5.6 and 5.7.

#### ARTICLE VII Miscellaneous

SECTION 7.1 Counterparts. This Deposit Agreement may be executed in any number of counterparts, and by each of the parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed an original, but all such counterparts taken together shall constitute one and the same instrument.

SECTION 7.2 Exclusive Benefit of Parties. This Deposit Agreement is for the exclusive benefit of the parties hereto, and their respective successors hereunder, and shall not be deemed to give any legal or equitable right, remedy or claim to any other person whatsoever.

SECTION 7.3 Invalidity of Provisions. In case any one or more of the provisions contained in this Deposit Agreement or in the Receipts should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

SECTION 7.4 Notices. Any and all notices to be given to the Company hereunder or under the Receipts shall be in writing and shall be deemed to have been duly given if personally delivered or sent by mail or telecopier confirmed by letter, addressed to the Company at 630 East Foothill Boulevard, San Dimas, California 91773, to the attention of McClellan Harris III, or at any other address of which the Company shall have notified the Depositary in writing.

Any and all notices to be given to the Depositary hereunder or under the Receipts shall be in writing and shall be deemed to have been duly given if personally delivered or sent by mail or by telecopier confirmed by letter, addressed to the Depositary at the Depositary's Office, at \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, to the attention of \_\_\_\_\_, or at any other address of which the Depositary shall have notified the Company in writing.

Any and all notices to be given to any record holder of a Receipt hereunder or under the Receipts shall be in writing and shall be deemed to have been duly given if personally delivered or sent by mail or by telecopier confirmed by letter, addressed to such record holder at the address of such record holder as it appears on the books of the Depositary, or if such holder shall have filed with the Depositary a written request that notices intended for such holder be mailed to some other address, at the address designated in such request.

Delivery of a notice sent by mail or by telecopier shall be deemed to be effected at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a telecopier message) is deposited, postage prepaid, in a post office letter box. The Depositary or the Company may, however, act upon any telecopier message received by it from the other or from any holder of a Receipt, notwithstanding that such telecopier message shall not subsequently be confirmed by letter or as aforesaid.

SECTION 7.5 Depositary's Agents. The Depositary may from time to time, with the prior approval of the Company appoint Depositary's Agents to act in any respect for the Depositary for the purposes of this Deposit Agreement and may at any time appoint additional Depositary's Agents and vary or terminate the appointment of such

Depository's Agents. The Depository will notify the Company of any such action.

SECTION 7.6 Holders of Receipts Are Parties. The holders of Receipts from time to time shall be parties to this Deposit Agreement and shall be bound by all of the terms and conditions hereof and of the Receipts by acceptance of delivery thereof.

SECTION 7.7 Governing Law. THIS DEPOSIT AGREEMENT AND THE RECEIPTS AND ALL RIGHTS HEREUNDER AND THEREUNDER AND PROVISIONS HEREOF AND THEREOF SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 7.8 Inspection of Deposit Agreement. Copies of this Deposit Agreement shall be filed with the Depository and the Depository's Agents and shall be open to inspection during business hours at the Depository's Office and the respective offices of the Depository's Agents, if any, by any holder of a Receipt.

SECTION 7.9 Headings. The headings of articles and sections in this Deposit Agreement and in the form of the Receipt set forth in Exhibit A hereto have been inserted for convenience only and are not to be regarded as a part of this Deposit Agreement or the Receipts or to have any bearing upon the meaning or interpretation of any provision contained herein or in the Receipts.

IN WITNESS WHEREOF, the Company and the Depository have duly executed this Deposit Agreement as of the day and year first above set forth, and all holders of Receipts shall become parties hereto by and upon acceptance by them of delivery of Receipts issued in accordance with the terms hereof.

AMERICAN STATES WATER COMPANY

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

\_\_\_\_\_

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

[FORM OF DEPOSIT RECEIPT]

EXHIBIT A

[FORM OF FACE]

DEPOSITARY RECEIPT  
FOR  
DEPOSITARY SHARES,  
EACH REPRESENTING A \_\_\_\_\_  
INTEREST IN A SHARE OF \_\_\_\_%  
\_\_\_\_\_ NEW PREFERRED SHARES  
(No Par Value)

OF

AMERICAN STATES WATER COMPANY  
(Incorporated under the Laws of the State of California)  
This Depositary Receipt is transferable in

Los Angeles, California and New York, New York

NUMBER OF DEPOSITARY SHARES

THIS CERTIFIES THAT \_\_\_\_\_  
IS THE REGISTERED OWNER OF DEPOSITARY SHARES

\_\_\_\_\_, with an office at the time of the execution of the Deposit Agreement (as defined below) at \_\_\_\_\_, as Depositary and Registrar (the "Depositary"), hereby certifies that the registered owner specified above is the registered owner of Depositary Shares ("Depositary Shares"), each Depositary Share representing a \_\_\_\_\_ interest in a share of \_\_\_\_\_% \_\_\_\_\_ New Preferred Shares, no par value (the "Stock"), of American States Water Company, a corporation duly organized and existing under the laws of the State of California (the "Company"), on deposit with the Depositary, subject to the terms and entitled to the benefits of the Deposit Agreement (the "Deposit Agreement") dated as of \_\_\_\_\_, between the Company, the Depositary and all holders from time to time of Depositary Receipts (the "Receipts"). By accepting this Receipt the holder hereof becomes a party to and agrees to be bound by all the terms and conditions of the Deposit Agreement.

Subject to the terms of the Deposit Agreement, each owner of a Depositary Share is entitled, proportionately, through the Depositary, to all the rights and preferences of the Stock relating thereto, including dividend, voting, conversion, redemption and liquidation rights contained in the certificate of determination adopted by the Company's Board of Directors setting forth the number, terms, powers, designations, rights, preferences, qualifications, restrictions and limitations of the Stock (the "Certificate of Determination"), copies of which are on file at the Depositary's Office.

This receipt shall not be entitled to any benefits under the Deposit Agreement or be valid or obligatory for any purpose, unless this Receipt shall have been executed by the manual signature of a duly authorized officer of the Depositary.

Dated:

-----  
Depositary and Registrar

By  
-----  
Authorized Officer

[FORM OF REVERSE]

1. The Deposit Agreement. The Receipts, of which this Receipt is one, are made available upon the terms and conditions set

forth in the Deposit Agreement. The Deposit Agreement (copies of which are on file at the Depository's Office) sets forth the rights of holders of Receipts and the rights and duties of the Depository and the Company in respect of the Stock deposited, and any and all other property and cash deposited from time to time, thereunder. The statements made on the face and the reverse of this Receipt are summaries of certain provisions of the Deposit Agreement and are subject to the detailed provisions thereof, to which reference is hereby made. Unless otherwise expressly herein provided, all defined terms used herein shall have the meanings ascribed thereto in the Deposit Agreement.

[INSERT THE FOLLOWING IF THE STOCK IS REDEEMABLE]

[2.] Redemption. Whenever the Company shall elect, in accordance with the provisions of the Certificate of Determination relating to the Stock, to redeem shares of the Stock, it shall (unless otherwise agreed in writing with the Depository) mail notice to the Depository of such redemption not less than 45 nor more than 75 days prior to the date fixed for redemption. The Depository shall mail notice of such redemption and the simultaneous redemption of the number of Depository Shares relating to the Stock to be redeemed not less than 30 and not more than 60 days prior to the date fixed for redemption to the holders of record of Receipts evidencing the number of Depository Shares to be redeemed. Each such notice shall state: (a) the date of such proposed redemption; (b) the number of Depository Shares to be redeemed; (c) the redemption price (which shall include full cumulative dividends thereon to the redemption date); (d) the place or places where Receipts evidencing Depository Shares are to be surrendered for payment of the redemption price; (e) any conditions to the redemption if a Conditional Redemption; (f) subject to satisfaction of any conditions, if a Conditional Redemption, that dividends in respect of the Stock underlying the Depository Shares to be redeemed will cease to accumulate at the close of business on such redemption date; and (g) subject to satisfaction of any conditions, if a Conditional Redemption, that the right to convert Depository Shares into Common Shares or other securities will expire at the close of business on the fifth day preceding the redemption date; the then-effective conversion price and the place or places where Receipts for such Depository Shares are to be surrendered for conversion. In case less than all the outstanding Depository Shares are to be redeemed, the Depository Shares to be so redeemed shall be selected by lot or pro rata (subject to rounding to avoid fractions of Depository Shares) as may be determined by the Depository to be equitable. From and after the date set for redemption, all dividends in respect of the Depository Shares so called for redemption shall cease to accumulate, such Depository Shares shall no longer be deemed outstanding and all remaining rights of the holders of Receipts evidencing such Depository Shares (except the right to receive the redemption price and to convert Depository Shares into Common Shares or other securities until the close of business on the \_\_\_\_\_ day preceding the redemption date) shall cease and terminate. From and after the redemption date, upon surrender in accordance with the redemption notice of the Receipts evidencing any such Depository Shares (properly endorsed or assigned for transfer, if the Depository shall so require), such Depository Shares shall be redeemed by the Depository at a redemption price per share equal to \_\_\_\_\_ of the redemption price per share paid in respect of the shares of Stock plus any money or other property relating thereto.

[3.] Transfer, Split-ups and Combinations. This Receipt is transferable on the books of the Depository upon surrender of this Receipt to the Depository, properly endorsed or accompanied by a properly executed instrument of transfer, and upon such transfer the Depository shall execute a new Receipt to or upon the order of the person entitled thereto, as provided in the Deposit Agreement. This Receipt may be split into other Receipts or combined with other Receipts into one Receipt, representing the same aggregate number of Depository Shares as the Receipt or Receipts surrendered.

[4.] Surrender of Receipts and Withdrawal of Stock, Conversion of Stock. Any holder of a Receipt or Receipts evidencing at least \_\_\_\_\_ Depository Shares may withdraw the number of whole shares of Stock underlying such Depository Shares and all money and other property relating thereto by surrendering Receipts evidencing such Depository Shares. Thereafter, the Depository shall deliver to such holder the number of whole shares of Stock and all money and other property underlying the Depository Shares evidenced by the Receipts so surrendered, but holders of such whole shares of Stock

will not thereafter be entitled to deposit such Stock under the Deposit Agreement or to receive Receipts evidencing Depositary Shares therefor. If a Receipt delivered by a holder to the Depositary in connection with such withdrawal shall evidence a number of Depositary Shares relating to other than a whole number of shares of Stock, the Depositary shall at the same time, in addition to such number of whole shares of Stock and such money and other property to be so withdrawn, deliver to such holder a new Receipt evidencing such excess number of Depositary Shares. Delivery of the Stock and money and other property being withdrawn may be made by delivery of such certificates, documents of title and other instruments as the Depositary may deem appropriate.

If the Stock and the money and other property being withdrawn are to be delivered to a person other than the record holder of the Depositary Shares evidenced by the Receipts being surrendered, such holder shall deliver a written order so directing the Depositary. The Depositary may require that Receipts surrendered for withdrawal of Stock be properly endorsed in blank or accompanied by a properly executed instrument of transfer.

Delivery of the Stock and the money and other property underlying the Depositary Shares evidenced by the Receipts surrendered for withdrawal shall be made by the Depositary at the Depositary's Office, except that, at the request, risk and expense of the holder surrendering such Receipts and for the account of such holder, such delivery may be made at such other place as may be designated by such holder.

THE HOLDER HEREOF ACKNOWLEDGES THAT THERE MAY BE NO MARKET FOR THE UNDERLYING STOCK AND THAT UPON WITHDRAWAL OF THE STOCK, THE HOLDER HEREOF WILL NOT BE ENTITLED THEREAFTER TO DEPOSIT SUCH STOCK UNDER THE DEPOSIT AGREEMENT.

[INSERT THE FOLLOWING PARAGRAPH IF THE STOCK IS CONVERTIBLE INTO COMMON SHARES. IF CONVERTIBLE INTO OTHER SECURITIES, INCLUDE A MODIFIED VERSION OF THIS PARAGRAPH.]

The Stock and Depositary Shares are convertible into the Common Shares. The Company has agreed in Section 2.4 of the Deposit Agreement to accept the delivery of Receipts for purposes of effecting conversions of the Stock utilizing the same procedures as those provided for delivery of certificates for the Stock to effect such conversions in accordance with the terms and conditions of the Stock as provided in the Certificate of Determination. Any whole number of Depositary Shares (whether or not evenly divisible by \_\_\_\_\_) represented by a Receipt may be surrendered for conversion. If the Depositary Shares represented by a Receipt are to be converted in part only, a new Receipt or Receipts will be issued by the Depositary for the Depositary Shares not to be converted. No fractional Common Shares will be issued upon conversion, and if such conversion will result in a fractional share being issued, an amount will be paid in cash by the Company equal to the value of the fractional interest based upon the closing price of the Common Shares on the last business day prior to the conversion. For this purpose, a holder of a Receipt or Receipts must surrender such Receipt or Receipts to the Company, together with a duly completed and executed Notice of Conversion in the form included herein. In all cases the foregoing shall be conditioned upon compliance in full by the holder hereof with the terms and conditions of the Stock as provided in the Certificate of Determination and the Deposit Agreement. As more fully set forth in Section 2.4 of the Deposit Agreement, no adjustments will be made for accrued dividends upon conversion.

[5.] Suspension of Delivery, Transfer, etc. The transfer or surrender of this Receipt may be suspended during any period when the register of shareholders of the Company is closed or if any such action is deemed necessary, or advisable by the Depositary, any Depositary's Agent, or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of the Deposit Agreement.

[6.] Filing Proofs, Certificates and Other Information. Any holder of a Depositary Receipt may be required to file such proof of residence, or other matters or other information, to execute such certificates and to make such representations and warranties as the Depositary or the Company may reasonably deem necessary or proper. The Depositary or the Company may withhold the delivery, or delay the registration of transfer, redemption, exchange or

conversion, of any Receipts, the withdrawal of any Stock underlying Depositary Shares or the distribution of any dividend or other distribution or the sale of any rights or of the proceeds thereof until such proof or other information is filed or such certificates are executed or such representations and warranties are made.

[7.] Payment of Taxes or Other Governmental Charges. Except as otherwise noted herein and in the Deposit Agreement, if any tax or other governmental charge shall become payable by or on behalf of the Depositary with respect to this Receipt, such tax (including transfer taxes, if any) or governmental charge shall be payable by the holder hereof. Transfer of this Receipt, any withdrawal of Stock and delivery of all money or other property, if any, represented by the Depositary Shares evidenced by this Receipt may be refused until such payment is made, and any dividends, interest payments or other distributions may be withheld on all or any part of the Stock or other property relating to this Receipt and not theretofore sold may be sold for the account of the holder hereof (after attempting by reasonable means to notify such holder prior to such sale), and such dividends, interest payments or other distributions or the proceeds of any such sale may be applied to any payment of such tax or charge, the holder of this Receipt remaining liable for any deficiency.

[INSERT THE FOLLOWING PARAGRAPH OR A MODIFIED VERSION THEREOF IF THE STOCK IS CONVERTIBLE.]

[8.] Warranty by Company. The Company has warranted that the Stock and the Common Shares issuable upon conversion of the Depositary Shares, when issued, will be validly issued, fully paid and nonassessable.

[9.] Amendment. The form of the Receipts and any provisions of the Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary in any respect which they may deem necessary or desirable; provided, however, that no such amendment which imposes or increases any fees, taxes or charges upon holders of Depositary Shares or Receipts or which materially and adversely alters the existing rights of such holders shall be effective unless such amendment shall have been approved by the record holders of Receipts evidencing at least a majority of the Depositary Shares then outstanding. Notwithstanding the foregoing, no such amendment may impair the right of any holder of Depositary Shares or Receipts to receive any moneys or other property to which such holder may be entitled under the terms of such Receipts or the Deposit Agreement at the times and in the manner and amount provided for therein or impair any right the holder of a Receipt would have if such holder were the record holder of the Stock to which such Receipt entitles such holder to receive. A holder of a Receipt at the time any such amendment so becomes effective shall be deemed, by continuing to hold such Receipt, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby.

[10.] Charges of Depositary. The Company will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements, and all charges of the Depositary in connection with the initial deposit of the Stock and the initial issuance of the Receipts, any redemption of the Stock at the option of the Company and any withdrawals of Stock by holders of the Receipts. All other transfer and other taxes and other governmental charges shall be at the expense of holders of Depositary Shares. Certain other charges and expenses of the Depositary and any Depositary's Agent will be paid upon consultation and agreement between the Depositary and the Company.

[11.] Title to Receipts. This Receipt (and the Depositary Shares evidenced hereby), when properly endorsed or accompanied by a properly executed instrument of transfer, is transferable by delivery with the same effect as in the case of a negotiable instrument; provided, however, that until transfer of a Receipt shall be registered on the books of the Depositary, the Depositary may, notwithstanding any notice to the contrary, treat the record holder of such Receipt at such time as the absolute owner thereof for the purpose of determining the person entitled to receive distributions of dividends or other distributions, withdraw any Stock underlying the Depositary Shares, exercise any conversion or voting rights or to receive any notice provided for in the Deposit Agreement and for all other purposes.

[12.] Dividends and Distributions. Whenever the Depositary

receives any cash dividend or other cash distribution on the Stock, the Depositary will, subject to the provisions of the Deposit Agreement, make such distribution to the Receipt holders as nearly as practicable in proportion to the number of Depositary Shares evidenced by the Receipts held by them; provided, however, that the amount distributed will be reduced by any amounts required to be withheld by the Company or the Depositary on account of taxes and governmental charges. Other distributions received on the Stock may be distributed to holders of Receipts as provided in the Deposit Agreement.

[13.] Fixing of Record Date. Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or if rights, preferences or privileges shall at any time be offered, with respect to Stock, or whenever the Depositary shall receive notice of any meeting or action to be taken by written consent at or as to which holders of Stock are entitled to vote or consent, or of which holders of Stock are entitled to notice, the Depositary shall in each instance fix a record date (which shall be the record date fixed by the Company with respect to the Stock), for the determination of the holders of Receipts who shall be entitled to receive such dividend, distribution, rights, preferences or privileges or the net proceeds of the sale thereof, or to give instructions for the exercise of rights to vote or consent at any such meeting, or who shall be entitled to notice of such meeting or action.

[14.] Voting Rights. Upon receipt of notice of any meeting or action to be taken by written consent at or as to which holders of Stock are entitled to vote or consent, the Depositary shall, as soon as practicable thereafter, mail to the record holders of Receipts a notice, including any proxy statement, which shall contain (i) such information as is contained in such notice of meeting or action and (ii) a statement informing holders of Receipts that they may instruct the Depositary as to the exercise of the voting rights or the giving or refusal of consent, as the case may be, pertaining to the amount of Stock underlying their respective Depositary Shares and a brief statement as to the manner in which such instructions may be given. Upon the written request of a holder of a Receipt on the record date (which will be the same date as the record date for the Stock), the Depositary shall endeavor insofar as practicable to vote or cause to be voted or give or withhold consent with respect to, the amount of Stock underlying such Receipt in accordance with the instructions set forth in such request. In the absence of specific instructions from the holder of a Receipt, the Depositary will abstain from voting or giving consents (but, at its discretion, not from appearing at any meeting with respect to such Stock unless directed to the contrary by the holders of a majority of Receipts) to the extent of the Stock underlying the Depositary Shares evidenced by such Receipt.

[15.] Changes Affecting Deposited Stock. Upon any change in par value, split-up, combination or any other reclassification of the Stock or upon any recapitalization, reorganization, merger, amalgamation or consolidation affecting the Company or to which it is a party, or upon the sale of the Company's assets substantially as an entirety, the Depositary may in its discretion with the approval of, and shall upon the instructions of, the Company, and in such manner as the Depositary may deem equitable, (i) make such adjustments in (a) the fraction of an interest in one share of Stock underlying one Depositary Share and (b) the ratio of the redemption price per Depositary Share to the redemption price of a share of Stock, in each case as may be necessary fully to reflect the effect of such change and (ii) treat any securities which shall be received by the Depositary in exchange for or upon conversion of or in respect of the Stock as new deposited securities so received in exchange for or upon conversion of or in respect of such Stock. In any such case the Depositary may in its discretion, with the approval of the Company, execute and deliver additional Receipts, or may call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing such new deposited securities.

[16.] Liability and Obligations of the Depositary, the Depositary's Agents or the Company. Neither the Depositary nor any Depositary's Agent nor the Company assumes any obligation or shall be subject to any liability under the Deposit Agreement to any holder of any Receipt, other than for its gross negligence or willful misconduct. Neither the Depositary nor any Depositary's Agent nor the Company shall incur any liability to any holder of any Receipt if by reason of any provision of any present or future law



or regulation thereunder of the United States of America or any other governmental authority or, in the case of the Depository or any Depository's Agent, by reason of any provision, present or future, of the Company's Amended and Restated Articles of Incorporation (including the Certificate of Determination) or by reason of any act of God or war or other circumstance beyond their control, the Depository, any Depository's Agent or the Company shall be prevented or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement provide shall be done or performed; nor shall the Depository, any Depository's Agent or the Company incur any liability to any holder of a Receipt by reason of nonperformance or delay, caused as aforesaid, in performance of any act or thing which by the terms of the Deposit Agreement it is provided shall or may be done or performed, or by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement, other than for its gross negligence or willful misconduct. Neither the Depository nor any Depository's Agent nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of the Stock, the Depository Shares or the Receipts, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense and liability be furnished. The Deposit Agreement contains various other exculpatory, indemnification and related provisions, to which reference is hereby made.

[17.] Resignation and Removal of Depository. The Depository may at any time (i) resign by written notice of its election to do so delivered to the Company, such resignation to take effect upon the appointment of a successor Depository and its acceptance of such appointment, or (ii) be removed by the Company effective upon the appointment of a successor Depository and its acceptance of such appointment.

[18.] Termination of Deposit Agreement. The Deposit Agreement may be terminated by the Company or the Depository only after the occurrence of any of the following events: (i) all outstanding Depository Shares shall have been redeemed and any accumulated and unpaid dividends on the Stock represented by the Depository Shares, together with all other moneys and property, if any, to which holders of the related Receipts are entitled under the terms of such Receipts or the Deposit Agreement, have been paid or distributed as provided in the Deposit Agreement or provision therefor has been duly made or (ii) there shall have been made a final distribution in respect of the Stock in connection with any liquidation, dissolution or winding up of the Company and such distribution shall have been distributed to the holders of the Receipts [or (iii) all outstanding Depository Shares shall have been converted]. Upon the termination of the Deposit Agreement, the Company shall be discharged from all obligations thereunder except for its obligations to the Depository with respect to indemnification, charges and expenses.

[19.] Governing Law. THIS RECEIPT AND THE DEPOSIT AGREEMENT AND ALL RIGHTS HEREUNDER AND THEREUNDER AND PROVISIONS HEREOF AND THEREOF SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

THE DEPOSITARY IS NOT RESPONSIBLE FOR THE VALIDITY OF ANY DEPOSITED STOCK. THE DEPOSITARY ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF THE FOREGOING DESCRIPTION WHICH CAN BE TAKEN AS A STATEMENT OF THE COMPANY SUMMARIZING CERTAIN PROVISIONS OF THE DEPOSIT AGREEMENT WHICH APPEARS IN THE RECEIPTS. THE DEPOSITARY MAKES NO WARRANTIES OR REPRESENTATIONS AS TO THE VALIDITY, GENUINENESS OR SUFFICIENCY OF ANY STOCK AT ANY TIME DEPOSITED WITH THE DEPOSITARY HEREUNDER OR OF THE DEPOSITARY SHARES, AS TO THE VALIDITY OR SUFFICIENCY OF THE DEPOSIT AGREEMENT, AS TO THE VALUE OF THE DEPOSITARY SHARES OR AS TO ANY RIGHT, TITLE OR INTEREST OF THE RECORDHOLDERS OF THE RECEIPTS TO THE DEPOSITARY SHARES.

THE COMPANY WILL FURNISH WITHOUT CHARGE TO EACH RECEIPTHOLDER WHO SO REQUESTS A COPY OF THE DEPOSIT AGREEMENT AND A STATEMENT OR SUMMARY OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OR SERIES THEREOF WHICH THE COMPANY IS AUTHORIZED TO ISSUE AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS. ANY SUCH REQUEST IS TO BE ADDRESSED TO THE \_\_\_\_\_ OF THE COMPANY.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were

written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entirety

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)  
under the Uniform Gifts to Minors Act \_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the above list.

For value received, \_\_\_\_\_ hereby sell(s), assign(s) and transfer(s) unto \_\_\_\_\_

(Please insert social security or other identifying number of Assignee)

\_\_\_\_\_  
(Please print or typewrite Name and address including postal zip code of Assignee)

\_\_\_\_\_ Depository Shares represented by the within Receipt and all rights thereunder, and do hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney to transfer said Depository Shares on the books of the within-named Depository with full power of substitution in the premises.

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

\_\_\_\_\_  
NOTICE. The signature(s) to this assignment must correspond with the name(s) as written upon the face of this instrument in every particular, without alteration or enlargement or any change whatever.

SIGNATURE(S) GUARANTEED

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

[INCLUDE THE FOLLOWING OR A MODIFIED VERSION  
IF THE STOCK IS CONVERTIBLE]  
NOTICE OF CONVERSION

The undersigned holder of this Receipt for Depository Shares (the "Depository Shares") hereby irrevocably exercises the option to convert \_\_\_\_\_ Depository Shares evidenced thereby into Common Shares (and any other applicable securities or property) of the Company in accordance with the terms and conditions of the Deposit Agreement, dated as of \_\_\_\_\_, \_\_\_\_\_, among the Company, \_\_\_\_\_, as Depository, and the holders from time to time of Receipts referred to in such Deposit Agreement, and directs that certificates for the securities deliverable upon such conversion be registered in the name of and delivered, together with a check in payment for any fractional shares and any other property deliverable upon which conversion to the undersigned unless a different name has been indicated below. If securities are to be registered in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. If the number of Depository Shares indicated above is less than the number of Depository Shares evidenced by this Receipt, the undersigned directs the Depository to issue to the undersigned, unless a different name is indicated below, a new Receipt evidencing the Depository Shares not so converted.

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

NOTE: The signature(s) to this exercise notice must correspond with the name(s) as written upon the face of the Receipt in every particular, without alteration or enlargement, or

any change whatever.

(Please print name and address of registered holder)

Name \_\_\_\_\_

Taxpayer Identification Number \_\_\_\_\_

Address \_\_\_\_\_

(Please indicate other delivery instructions, if applicable)

Name \_\_\_\_\_

Address \_\_\_\_\_



FORM OF CERTIFICATE FOR COMMON SHARES

[Front of Certificate]

COMMON STOCK

AMERICAN STATES WATER COMPANY

SHARES [Box for indicating number of shares]

See reverse for statements relating to rights, preferences, privileges and restrictions, if any.

CUSIP 029899 10 1

Incorporated under the laws of the State of Delaware.

This Certificate is transferable in the cities of Ridgefield Park, NJ or New York, NY.

[LOGO]

Fully paid and nonassessable shares of the Common Stock, no par value, of

AMERICAN STATES WATER COMPANY

transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

["CERTIFICATE OF STOCK" is overlaid on the preceding paragraph]

WITNESS the seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

/s/ McClellan Harris III

-----  
Secretary

[CORPORATE SEAL]

/s/ Floyd E. Wicks

-----  
President

Countersigned and registered: ChaseMellon Shareholder Services, L.L.C.  
Transfer Agent and Registrar

By: \_\_\_\_\_  
Authorized Signature

[Back of Certificate]

The Corporation is authorized to issue two classes of stock, Common Stock and Preferred Stock. The Board of Directors of the Corporation has the authority to fix the number of shares and the designation of any series of Preferred Stock and to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any unissued series of Preferred Stock.

A statement of the rights, preferences, privileges and restrictions granted to or imposed upon the respective classes or series of shares and upon the holders thereof as established by the Articles of Incorporation of the Corporation and by any certificate of determination, and the number of shares constituting each class or series and the designations thereof, may be obtained by any shareholder of the Corporation upon written request and without charge from the Secretary of the Corporation at its corporate headquarters.

KEEP THIS CERTIFICATE IN A SAFE PLACE, IF IT IS LOST, STOLEN OR DESTROYED THE CORPORATION WILL REQUIRE A BOND OF INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common  
TEN ENT - as tenants by the entireties  
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT \_\_\_\_\_ Custodian \_\_\_\_\_  
(cust) (minor)  
under Uniform Gift to Minors Act \_\_\_\_\_  
(state)

UNIF TRF MIN ACT \_\_\_\_\_ Custodian (until age \_\_\_\_\_)  
(cust) \_\_\_\_\_  
under Uniform Transfers \_\_\_\_\_  
(minor)  
to Minors Act \_\_\_\_\_  
(state)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, \_\_\_\_\_ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE [Box for indicating Social Security Number]

-----  
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)  
-----  
-----  
-----

Shares of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney

to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated \_\_\_\_\_

X  
-----  
X  
-----

The signature(s) to the assignment must correspond with the name(s) as written upon the face of the certificate in every particular, without alteration or enlargement or any change whatsoever.

Signature(s) Guaranteed

By \_\_\_\_\_

The signature(s) must be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program). Pursuant to SEC Rule 17Ad-15.

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in the Rights Agreement between the Company and ChaseMellon Shareholder Services, L.L.C., as Rights Agent (as the same may be amended from time to time, the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights issued to, or

held by, any Person who is, was or becomes an Acquiring Person or any Affiliate or Associate thereof (as such terms are defined in the Rights Agreement) or certain transferees of any subsequent holder, may be limited as provided in Section 7(f) of the Rights Agreement.

## EXHIBIT 12.01

## RATIOS OF EARNINGS TO FIXED CHARGES AND TOTAL FIXED CHARGES

	12 Months Ended September 30, 1998	Year Ended December 31,				
	1997	1996	1995	1994	1993	
(Dollars in Thousands)						
Income from Continuing Operations	\$14,607	\$14,059	\$13,460	\$12,165	\$11,338	\$ 2,016
Taxes on Income	\$11,098	\$ 9,830	\$10,283	\$ 8,784	\$ 8,865	\$ 5,491
Interest Charges	\$10,979	\$10,157	\$10,500	\$ 9,559	\$ 7,828	\$ 8,378
Earnings Available for Fixed Charges	\$36,684	\$34,046	\$34,243	\$30,508	\$28,031	\$25,895
Total Fixed Interest Charges	\$10,979	\$10,157	\$10,500	\$ 9,559	\$7,828	\$ 8,378
Ratio of Earnings to Fixed Charges	3.34	3.35	3.26	3.19	3.58	3.09
Preferred Dividends	\$91	\$92	\$94	\$96	\$98	\$100
Effective Tax Rate	43.3%	42.3%	43.7%	41.8%	45.0%	23.5%
Tax-effected Preferred Dividends	\$160	\$159	\$167	\$165	\$178	\$131
Ratio of Earnings to Total Fixed Charges	3.29	3.30	3.21	3.14	3.50	3.04



[LETTERHEAD OF ARTHUR ANDERSEN LLP]

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this registration of our reports dated February 12, 1998 incorporated by reference in Southern California Water Company's Form 10-K for the year ended December 31, 1997 and to all references to our Firm included in this Registration Statement.

/s/ Arthur Andersen LLP

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ARTHUR ANDERSEN LLP

Los Angeles, California  
November 30, 1998

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FORM T-1  
Statement of Eligibility and Qualification  
Under the Trust Indenture  
Act of 1939 of a Corporation  
Designated to Act as Trustee

-----  
CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE  
PURSUANT TO SECTION 305(B)(2)\_\_\_\_

-----  
CHASE MANHATTAN BANK AND TRUST COMPANY,  
NATIONAL ASSOCIATION  
(Exact name of trustee as specified  
in its charter)

95-4655078  
(I.R.S. Employer Identification No.)

101 California Street, San Francisco, California  
(Address of principal executive offices)

94111  
(Zip Code)

-----  
SOUTHERN CALIFORNIA WATER COMPANY  
(Exact name of Obligor as specified in its charter)

CALIFORNIA  
(State or other jurisdiction of incorporation or organization)

95-1243678  
(I.R.S. Employer Identification No.)

630 EAST FOOTHILL BOULEVARD  
SAN DIMAS, CA  
(Address of principal executive offices)

91773  
(Zip Code)

-----  
Debt Securities  
(Title of Indenture securities)

ITEM 1. GENERAL INFORMATION.

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervising authority to which it is subject.

Comptroller of the Currency, Washington, D.C.  
Board of Governors of the Federal Reserve System,  
Washington, D.C.

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

ITEM 2. AFFILIATIONS WITH OBLIGOR.

If the Obligor is an affiliate of the trustee, describe each such affiliation.

None.

ITEM 4. TRUSTEESHIPS UNDER OTHER INDENTURES

- (a) Title of the securities outstanding under each such

other indenture:

\$30,600,000 Series A Medium Term Notes issued under Indenture dated as of 9/1/93

\$45,000,000 Series B Medium Term Notes issued under Indenture dated as of 9/1/93

- (b) A brief statement of the facts relied upon as a basis for the claim that no conflicting interest within the meaning of Section 310(b)(1) of the Act arises as a result of the trusteeship under any such other indenture, including a statement as to how the indenture securities with rank as compared with the securities issued under such other indenture.

The Trustee is not deemed to have a conflicting interest within the meaning of Section 310 (b)(1) of the Act because (i) the indenture securities referenced in (a) above (the "Prior Securities") are not in default and (ii) proviso (i) under 310(b)(1) is applicable and excludes the operations of 310 (b)(1) as the indenture to be qualified and the indenture entered into in connection with the Prior Securities (the "Prior Indenture") are wholly unsecured and rank equally and the Prior Indenture is specifically described in the indenture to be qualified.

ITEM 16. LIST OF EXHIBITS.

List below all exhibits filed as part of this statement of eligibility.

- Exhibit 1. Articles of Association of the Trustee as Now in Effect(see Exhibit 1 to Form T-1 filed in connection with Registration Statement No. 333-41329, which is incorporated by reference).
- Exhibit 2. Certificate of Authority of the Trustee to Commence Business (see Exhibit 2 to Form T-1 filed in connection with Registration Statement No. 333-41329, which is incorporated by reference).
- Exhibit 3. Authorization of the Trustee to Exercise Corporate Trust powers (contained in Exhibit 2).
- Exhibit 4. Existing By-Laws of the Trustee (see Exhibit 4 to Form T-1 filed in connection with Registration Statement No. 333-41329, which is incorporated by reference).
- Exhibit 5. Not Applicable
- Exhibit 6. The consent of the Trustee required by Section 321 (b) of the Act (see Exhibit 6 to Form T-1 filed in connection with Registration Statement No. 333-41329, which is incorporated by reference).
- Exhibit 7. A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority.
- Exhibit 8. Not Applicable
- Exhibit 9. Not Applicable

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Trustee, Chase Manhattan Bank and Trust Company, National Association, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of San Francisco, and State of California, on the 13th day of November, 1998.

CHASE MANHATTAN BANK AND TRUST  
COMPANY, NATIONAL ASSOCIATION

By /s/ Paula Oswald

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Paula Oswald  
Assistant Vice President

EXHIBIT 7. Report of Condition of the Trustee.

CONSOLIDATED REPORT OF CONDITION OF  
Chase Manhattan Bank and Trust Company, N.A.

-----  
(Legal Title)

LOCATED AT 1800 Century Park East, Ste. 400 Los Angeles, CA 94111

-----  
(Street) (City) (State)(Zip)

AS OF CLOSE OF BUSINESS ON September 30, 1998  
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ASSETS  
DOLLAR AMOUNTS IN THOUSANDS

1.	Cash and balances due from	
	a. Noninterest-bearing balances and currency and coin <1><2>	911
	b. Interest bearing balances <3>	0
2.	Securities	
	a. Held-to-maturity securities (from Schedule RC-B, column A)	0
	b. Available-for-sale securities (from Schedule RC-B, column D)	1,080
3.	Federal Funds sold <4> and securities purchased agreements to resell	47,620
4.	Loans and lease financing receivables:	
	a. Loans and leases, net of unearned income (from Schedule RC-C)	11
	b. LESS: Allowance for loan and lease losses	0
	c. LESS: Allocated transfer risk reserve	0
	d. Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b and 4.c)	11
5.	Trading assets	0
6.	Premises and fixed assets (including capitalized leases)	350
7.	Other real estate owned (from Schedule RC-M)	0
8.	Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)	0
9.	Customers liability to this bank on acceptances outstanding	0
10.	Intangible assets (from Schedule RC-M)	1,470
11.	Other assets (from Schedule RC-F)	3,288
12a.	TOTAL ASSETS	54,730
	b. Losses deferred pursuant to 12 U.S.C. 1823 (j)	0
	c. Total assets and losses deferred pursuant to 12 U.S.C. 1823 (j) (sum of items 12.a and 12.b)	54,730

=====

- <1> includes cash items in process of collection and unposted debits.  
 <2> The amount reported in this item must be greater than or equal to the sum of Schedule RC-M, items 3.a and 3.b  
 <3> includes time certificates of deposit not held for trading.  
 <4> Report "term federal funds sold" in Schedule RC, item 4.a "Loans and leases, net of unearned income" and in Schedule RC-C, part 1.

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LIABILITIES

13. Deposits:		
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E)		24,839
(1) Noninterest-bearing		6,558
(2) Interest-bearing		18,281
b. In foreign offices, Edge and Agreement subsidiaries, and IBF		
(1) Noninterest-bearing		
(2) Interest-bearing		
14. Federal funds purchased (2) and securities sold under agreements to repurchase		0
15. a. Demand notes issued to the U.S. Treasury		0
b. Trading liabilities		0
16. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases):		
a. With a remaining maturity of one year or less		0
b. With a remaining maturity of more than one year through three years		0
c. With a remaining maturity of more than three years		0
17. Not applicable		
18. Bank's liability on acceptances executed and outstanding		0
19. Subordinated notes and Debentures (3)		0
20. Other liabilities (from Schedule RC-G)		5,033
21. Total liabilities (sum of items 13 through 20)		29,872
22. Not applicable		

EQUITY CAPITAL

23. Perpetual preferred stock and related surplus		0
24. Common stock		600
25. Surplus (exclude all surplus related to preferred stock)		12,590
26. a. Undivided profits and capital reserves		11,667
b. Net unrealized holding gains (losses) on available-for-sale securities		1
27. Cumulative foreign currency translation adjustments		
28. a. Total equity capital (sum of items 23 through 27)		24,858
b. Losses deferred pursuant to 12 U.S.C. 1823 (j)		0
c. Total equity capital and losses deferred pursuant to 12 U.S.C. 1823 (j) (sum of items 28.a and 28.b)		24,858
29. Total liabilities, equity capital, and losses deferred pursuant to 12 U.S.C. 1823 (j) (sum of items 21 and 28.c)		54,730

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