

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): October 27, 1998

American States Water Company
Southern California Water Company
(Exact name of registrants as specified in their charter)

American States Water Company		
California	333-47647	95-4676679
(State or other	(Commission File	(IRS Employer
jurisdiction	Number)	Identification No.)
of incorporation)		

Southern California Water Company		
California	000-01121	95-1243678
(State or other	(Commission File	(IRS Employer
jurisdiction	Number)	Identification No.)
of incorporation)		

630 East Foothill Boulevard, San Dimas, California 91773-9016
(Address of Principal Executive Offices) (Zip Code)

Registrants' telephone number including area code: (909) 394-3600

(Former name or former address, if changed since last report.)
Not applicable.

Item 5. Other Events.

We are filing this Current Report as a combined report for American States Water Company ("AWR") and its wholly owned subsidiary, Southern California Water Company ("SCW"). Unless otherwise indicated, all references to "Company", "our" or "we" are references to AWR and SCW collectively.

On October 29, 1998, the Administrative Law Judge ("ALJ") assigned to SCW's six pending water rate increase applications issued his proposed decision that, among other things, recommended adoption of a settlement agreement previously signed by all parties and proposed a return on equity of 10%. We anticipate that the final order will be issued by the California Public Utilities Commission ("CPUC") prior to year-end, with new rates effective January 1, 1999. The final order could differ materially from the decision proposed by the ALJ.

This Current Report summarizes certain risks of our business that may affect our future financial results. We also periodically file with the Securities and Exchange Commission documents that include more information on these risks. It is important for investors to read these documents.

Litigation

SCW has recently been sued in five water-quality related lawsuits:

- a suit filed on April 24, 1997 alleging personal injury and property damage as a result of the sale of water from wells located in an area of the San Gabriel Valley that has been designated a

federal superfund site

- a suit filed on November 3, 1997 alleging personal injury and property damage as a result of the sale of water; few of our systems are located in the geographical area covered by this suit
- a suit filed on January 8, 1998 alleging personal injury and property damage as a result of the delivery of contaminated water in SCW's Arden-Cordova service area
- a suit filed in April 1998 alleging personal injury and property damage as a result of the delivery of contaminated water in SCW's Arden-Cordova service area
- a suit filed on July 30, 1998 alleging personal injury and property damage as a result of the sale of water from wells located in an area of the San Gabriel Valley that has been designated a superfund site

In March 1998, the CPUC issued an order instituting investigation (the "OII") as a result of these types of suits being filed against water utilities in California. The CPUC is seeking to determine:

- whether existing standards and policies regarding drinking water quality adequately protect the public health
- whether water utilities are following existing standards

With the exception of the lawsuit filed in July 1998, the lawsuits have been stayed pending the outcome of the OII. We anticipate that the CPUC will issue a report of its initial findings in January 1999. We are unable to predict the nature of the CPUC's findings or the outcome of the lawsuits. An adverse outcome in this type of litigation is, however, likely to be material.

The CPUC has authorized a memorandum account for legal expenses incurred by SCW in the San Gabriel Valley and Arden-Cordova water quality lawsuits. Under the memorandum account procedure, SCW may recover litigation costs from ratepayers to the extent authorized by the CPUC. The CPUC has not yet authorized SCW to recover any of its litigation costs.

Environmental Regulation

We are subject to increasingly stringent environmental regulations that will result in increasing capital and operating costs. These regulations include:

- the 1996 amendments to the Safe Drinking Water Act that require increased testing and treatment of water to reduce specified contaminants to minimum containment levels
- interim regulations expected to be adopted before the end of 1998 requiring increased surface-water treatment to decrease the risk of microbial contamination; these regulations will affect SCW's five surface water treatment plants
- additional regulation of disinfection/disinfection byproducts expected to be adopted before the end of 1998; these regulations will potentially affect two of SCW's systems
- additional regulations expected to be adopted before the end of 1998 requiring disinfection of certain groundwater systems; these regulations will potentially impact several of SCW's systems using groundwater supplies
- potential regulation of radon and arsenic
- new California requirements to fluoridate public water systems serving over 10,000 customers

We may be able to recover costs incurred to comply with these regulations through the ratemaking process for our regulated systems. We may also be able to recover certain of these costs under our contractual arrangements with municipalities. In certain circumstances, we may recover costs from parties responsible or potentially responsible for contamination.

Rates and Regulation

SCW is subject to regulation by the CPUC. AWR is not directly subject to CPUC regulation. The CPUC may, however, regulate transactions between SCW and AWR, including the manner in which overhead costs are allocated between SCW and AWR and the pricing of services rendered by SCW to AWR.

SCW's revenues depend substantially on the rates that it is permitted to charge its customers. SCW may increase rates in three ways:

- by filing for a general rate increase
- by filing for recovery of certain expenses
- by filing an "advice letter" for certain plant additions, thereby increasing rate base

In addition, SCW recovers certain supply costs through a balancing account mechanism. Supply costs include the cost of purchased water and power and groundwater production assessments. The balancing account mechanism is intended to insulate SCW's earnings from changes in supply costs that are beyond SCW's control. The balancing account is not, however, designed to insulate SCW's earnings against changes in supply mix. As a result, SCW may not recover increased costs due to increased use of purchased water through the balancing account mechanism. In addition, balancing account adjustments, if authorized by the CPUC, may result in either increases or decreases in revenues attributable to supply costs incurred in prior periods, depending upon whether there has been an undercollection or overcollection of supply costs.

There are also a number of matters pending before the CPUC that may affect our future financial results. These matters include:

- applications filed by SCW to increase rates in six of its 16 rate-making jurisdictions; the ALJ assigned to this matter has proposed a return on equity of 10%; the final order could provide for a return on equity that is materially different than that proposed by the ALJ
- an application filed by SCW for permission to recover certain costs of SCW's participation in the coastal aqueduct extension of the state water project
- the OII
- new guidelines under consideration by the CPUC for the acquisition and merger of water utilities and for privatization transactions

Adequacy of Water Supplies

The adequacy of water supplies varies from year to year depending upon a variety of factors, including

- rainfall
- the amount of water stored in reservoirs
- the amount used by our customers and others
- water quality, and
- legal limitations on use.

As a result of heavier than normal rainfall in the winter of 1997-1998, most of California's reservoirs are near capacity and the outlook for water supply in the near term is generally favorable. Population growth and increases in the amount of water used have, however, increased limitations on use to prevent overdrafting of groundwater basins. The import of water from the Colorado River, one of our important sources of supply, is expected to decrease in future years due to the requirements of the Central Arizona Project. We also have in recent years taken wells out of service due to water quality problems.

Water shortages affect us in several ways:

- they adversely affect supply mix by causing us to rely on more expensive purchased water
- they adversely affect operating costs
- they may result in an increase in capital expenditures for building pipelines to connect to alternative sources of supplies and reservoirs and other facilities to conserve or reclaim water

We may be able to recover increased operating and construction costs for our regulated systems through the ratemaking process. We may also be able to recover certain of these costs under the terms of our contractual agreements with municipalities.

In certain circumstances, we may recover these costs from third parties that may be responsible, or potentially responsible, for groundwater contamination. We are currently in negotiations with GenCorp Aerojet regarding costs associated with the cleanup of the groundwater supply for our Arden-Cordova System and for the increased costs of purchasing water and developing new sources of groundwater supply. We are also negotiating with two potentially responsible parties on matters relating to the clean-up and purchase of replacement water in the Charnock Basin located in the cities of Santa Monica and Culver City. The Charnock Basin is in SCW's service territory.

Water Quality

SCW has detected ammonium perchlorate and nitrosodimethylemine in amounts in excess of certain state or federal limits in wells serving its Arden-Cordova system. Both substances are byproducts from the production of rocket fuel. SCW has taken wells out of service, increased monitoring of other wells and drilled new wells in the area. In addition, SCW is constructing a new pipeline to the City of Folsom's water system in order to obtain an alternative source of supply for its Arden-Cordova customers. GenCorp Aerojet has reimbursed SCW for certain of these costs. Negotiations with GenCorp Aerojet are continuing with respect to other costs.

The compound methyl tertiary butyl ether has been detected in the Charnock Basin. SCW has taken two wells out of service in this area and is purchasing more expensive groundwater from the Metropolitan Water District to replace the water supply formerly obtained from these wells. SCW is negotiating with two of the potentially responsible parties for recovery of its increased costs.

SCW has recently been sued on water quality issues. In addition, we are subject to increasing regulation relating to water quality matters.

Weather

Our business may be affected by weather in a variety of ways. For instance:

- water volumes sold decrease during wet weather
- water volumes sold decrease during cold weather
- water volumes sold may also decrease during drought conditions if mandatory rationing is imposed
- we may be required to purchase more expensive water and to use less groundwater during drought conditions
- kilowatt-hour sales of electricity decrease if winters are warmer than normal or summers are cooler than normal
- maintenance and capital expenditures decrease during periods of inclement weather
- adverse weather conditions may result in damage to our water and electric systems resulting in increased repair and capital replacement costs, loss of sales and loss of water from broken reservoirs and mains

Weather patterns in California are inherently uncertain. It is therefore difficult to predict from year to year the impact of weather on our financial results.

Unregulated Activities

AWR was formed on July 1, 1998 for the purpose of, among other things, operating and maintaining municipally-owned water systems and providing billing, meter reading and other services for municipalities and special water districts and making investments in subsidiaries and other entities. These activities present different risks than CPUC-regulated activities. AWR does not have extensive experience in engaging in these types of activities and must compete with other private parties with more experience and greater capital resources. It must also compete with special water districts and other government agencies that may have a lower cost of funds and other competitive advantages afforded governmental entities.

AWR's ability to earn a profit on these activities will depend upon a variety of factors, including

- its ability to obtain contracts in a competitive marketplace
- its ability to price its services at a level sufficient to enable it to earn a profit
- its ability to recover the costs of obtaining contracts in a competitive marketplace
- the cost of developing the privatization market in California
- its ability to operate in a cost effective matter
- its ability to negotiate contracts containing favorable terms

Our unregulated activities are not currently profitable. As a result, our unregulated activities cannot currently be financed from AWR's earnings. Under California law, SCW is not permitted to issue securities to finance unregulated activities. Our unregulated activities must therefore be financed directly by AWR or its unregulated subsidiaries or from dividends received by AWR from SCW. To the extent that AWR's activities are financed from dividends from SCW, the funds available for the payment of dividends to AWR's shareholders will be reduced.

Potential Year 2000 Risks

We are currently addressing the effect of the Year 2000 ("Y2K") issue on our reporting systems and operations. We are also assessing operational risks related to our suppliers and vendors and developing contingency plans in order to mitigate this risk. We have not currently experienced significant costs with respect to addressing these issues. We anticipate completion of our internal remediation and testing program by December, 1998 and completion of our assessment of risks related to our suppliers and vendors and our operational contingency plan by March, 1999.

The primary business risk associated with Y2K is our ability to continue to treat, transport and distribute water to our customers without interruption. Our operations could be significantly impacted if

- we are unable to resolve or fail to identify all Y2K problems prior to January 1, 2000
- any of our critical suppliers and vendors, such as suppliers of chemicals for water treatment or electric utilities, are unable to resolve or fail to identify all Y2K problems affecting our business prior to January 1, 2000
- we are unable to mitigate or fail to address all operational risks in our contingency plans

Capital Expenditures

We anticipate spending approximately \$47.3 million on capital expenditures during the next 12 months. We anticipate that approximately 45 to 60% of these funds will come from developers and other external sources. The price and terms of this funding will depend upon conditions in the capital markets at the time funds are needed.

We anticipate that capital expenditures will continue to increase due to a variety of factors, including:

- the need to replace aging infrastructure
- the need to comply with increasingly stringent environmental requirements
- the need to address potential water shortage problems
- the need to address water quality problems

Capital expenditures may also increase if AWR is successful in its privatization efforts since many municipalities view privatization as a means to finance needed capital improvements.

Economic Conditions

Our ability to finance capital expenditures, unregulated activities and other matters will depend upon general economic conditions and conditions in the capital markets. Conditions in the capital markets are currently uncertain. We are unable to predict to what extent this uncertainty may impact our access to capital or financing costs or our ability to compete in the privatization market.

Interest rates have recently been declining. Declining interest rates are generally believed to be favorable for utilities because of their high capital costs. On the other hand, SCW's authorized rate of return may be reduced because of lower interest rates. As a result, funds available for the payment of dividends may be reduced.

Sales may also be adversely affected by unfavorable economic conditions if business activity and employment are reduced.

Condemnation

Under California law, a governmental agency may acquire public utility property through the power of eminent domain, also known as condemnation. Although we have not had any of our systems condemned during the past three years, the potential for condemnation nevertheless remains.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) Exhibits

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| 3.01 | Amended and Restated Articles of Incorporation of American States Water Company |
| 3.02 | Bylaws of American States Water Company |
| 10.01 | Change-in-Control Agreement dated as of October 27, 1998 among American States Water Company, Southern California Water Company and Floyd E. Wicks |
| 10.02 | Change-in-Control Agreement dated as of October 27, 1998 among American States Water Company, Southern California Water Company and McClellan Harris III |
| 10.03 | Change-in-Control Agreement dated as of October 27, 1998 among American States Water Company, Southern California Water Company and Joel A. Dickson |
| 10.04 | Change-in-Control Agreement dated as of October 27, 1998 between Southern California Water Company and Joseph F. Young |
| 10.05 | Change-in-Control Agreement dated as of October 27, 1998 between Southern California Water Company and Donald K. Saddoris |
| 10.06 | Change-in-Control Agreement dated as of October 27, 1998 between Southern California Water Company and Randell J. Vogel |
| 10.07 | Change-in-Control Agreement dated as of October 27, 1998 between Southern California Water Company and James B. Gallagher |
| 10.08 | Change-in-Control Agreement dated as of |

10.09

October 27, 1998 between Southern California
Water Company and Denise L. Kruger
Change-in-Control Agreement dated as of
October 27, 1998 between Southern California
Water Company and Susan L. Conway

SIGNATURES

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

AMERICAN STATES WATER COMPANY
and its subsidiary
SOUTHERN CALIFORNIA WATER COMPANY

/s/ McClellan Harris III

By: McClellan Harris III
Vice President - Finance,
Chief Financial Officer,
Treasurer and Secretary

DATED: October 30, 1998

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
AMERICAN STATES WATER COMPANY

ARTICLE I

The name of this Corporation is American States Water Company.

ARTICLE II

The purpose of this Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

ARTICLE III

The name and address of this Corporation's initial agent for service of process is McClellan Harris III, 630 East Foothill Boulevard, San Dimas, California 91773.

ARTICLE IV

This Corporation is authorized to issue three classes of stock to be designated, respectively, "New Preferred Shares", "Preferred Shares", and "Common Shares". The total number of shares which this Corporation is authorized to issue is 30,233,200; 150,000 shares are to be New Preferred Shares with no par value and a stated value of \$100 per share and an aggregate stated value of \$15,000,000; 83,200 shares are to be Preferred Shares with a par value of \$25 per share and an aggregate par value of \$2,080,000; and 30,000,000 shares are to be Common Shares, no par value with a stated value of \$2.50 per share and an aggregate stated value of \$75,000,000.

A statement of the preferences, privileges and restrictions granted to or imposed upon the respective classes or series of shares and/or upon the holders thereof is as follows:

- (1) Subject to the provisions of this Article IV, New Preferred Shares of any particular series shall be entitled to such voting rights, if any, as may be specified for shares of such series in the certificate of determination of preferences of such series filed as provided below; all Preferred Shares shall be entitled to voting rights on the basis of one vote per share; and all Common Shares shall be entitled to voting rights on the basis of one-tenth of one vote per share.
- (2) New Preferred Shares may be issued from time to time in one or more series. Each such series shall be so designated as to distinguish it from other series of New Preferred Shares and from series of Preferred Shares. Such designation may include an appropriate reference to the dividend rate and/or any other characteristics of such series. The Board of Directors is hereby authorized, within the limits of, but to the extent authorized by applicable law and within the limitations and restrictions, if any, stated in this Article IV, to fix or alter, from time to time, the dividend rights, dividend rate, conversion rights, voting rights, right and terms of redemption (including sinking fund provisions), redemption price or prices, and liquidation preferences, or any of them, of any wholly unissued series of New Preferred Shares, and to fix the number of shares constituting any such unissued series, by a resolution or resolutions adopted by the Board of Directors in exercise of the authority hereby granted.
- (3) The Preferred Shares may be issued from time to time in any number of series. One such series shall (i) be and hereby is designated the "4 1/4% Series", (ii) consist of 32,000 shares, (iii) be entitled to

dividends as provided in Paragraph (4) hereof at the rate of 4 1/4% per annum of the par value thereof, and (iv) be redeemable in the manner and otherwise upon the conditions provided in Paragraph (6) hereof by payment of a redemption price equal to the par value thereof and unpaid dividends accrued thereon to and including the date fixed for such redemption and a premium of \$1.50 per share. Another such series of Preferred Shares shall (i) be and hereby is designated as the "4% Series", (ii) consist of 32,000 shares, (iii) be entitled to dividends as provided in Paragraph (4) hereof at the rate of 4% per annum of the par value thereof, and (iv) be redeemable in the manner and otherwise upon the conditions provided in Paragraph (6) hereof by payment of a redemption price equal to the par value thereof and unpaid dividends accrued thereon to and including the date fixed for such redemption and a premium of \$2 per share. Except as to the foregoing particulars no distinction shall exist between any of the Preferred Shares or any series thereof, and all Preferred Shares, regardless of series, shall be of equal rank and priority.

(4) The holders of the outstanding shares of the several and respective series of Preferred Shares shall be entitled to receive, out of any funds legally available therefor, dividends at the respective rates for the shares of said series, payable in cash quarterly on the first days of March, June, September and December in each year when and as declared by the Board of Directors of this Corporation. Such dividends shall accrue on each such share from the date of its original issuance and shall accrue from day to day whether or not earned or declared. Such dividends shall be cumulative so that if such dividends in respect of any quarterly dividend period at the respective rates fixed therefor shall not have been paid on, or declared and set apart for, all Preferred Shares of each series at the time outstanding, the deficiency shall be fully paid on or declared or set apart for such shares before any dividend or other distribution shall be paid upon or declared or set apart for the Common Shares. No such dividend shall be declared or paid upon or set apart for any outstanding shares of any one of said series unless at the same time such dividends on all outstanding Preferred Shares of all of said series shall be declared and paid in full or set apart for such payment.

(5) In the event of the liquidation, dissolution or winding up of this Corporation, whether voluntary or involuntary, the holders of the shares of the several and respective series of Preferred Shares shall be entitled to receive out of the assets of this Corporation, whether such assets are capital or surplus of any nature, an amount equal to the par value thereof plus all unpaid dividends accrued thereon to the date that such amount is made available for distribution to the holders thereof, and no more, or ratably from available assets if such assets are insufficient to permit payment to said holders of their full preferential amount aforesaid. Such amount shall be paid upon said shares, or shall be set apart for such payment, before any distribution is made or set apart for any Common Shares in any such liquidation, dissolution or winding up. A consolidation or merger of this Corporation with or into any other corporation or corporations shall not be deemed to be a liquidation, dissolution or winding up within the meaning of this Paragraph (5).

(6) This Corporation, at the option of its Board of Directors, may at any time or from time to time redeem the whole or any part of the outstanding shares of any one or more series of the Preferred Shares by paying in cash therefor the amount payable upon the redemption thereof (such amount being hereinafter referred to as the "redemption price"). In case of the redemption of a part only of the outstanding shares of any series of Preferred Shares, this Corporation shall designate by lot, in such manner as the Board of Directors may

determine, the shares to be redeemed. At least thirty (30) days' previous notice by mail, postage prepaid, shall be given to the holders of record of the shares to be redeemed, such notice to be addressed to each such shareholder at his post office address as shown by the records of this Corporation at the opening of business on the day of mailing such notice. If on or before the date fixed for redemption and specified in such notice funds necessary for such redemption shall have been set aside at the place designated in said notice so as to be and continue available therefor, then notwithstanding that the certificates evidencing any shares called for such redemption shall not have been surrendered, the dividends with respect to the shares so called for redemption shall cease to accrue after the said date fixed for redemption and all rights with respect to such shares shall forthwith after said date cease and determine except only the right of the holders thereof to receive payment of the redemption price, without interest, upon surrender of their certificates representing the redeemed shares. In case less than all the shares represented by any such surrendered certificate shall have been redeemed, a new certificate shall be issued for the unredeemed shares. Subject to the provisions hereof, the Board of Directors shall have authority to prescribe from time to time the manner in which the Preferred Shares shall be redeemed.

(7) If at any time four (4) quarterly dividends (whether or not consecutive) which have accrued on the outstanding Preferred Shares pursuant to Paragraph (4) hereof shall be in arrears, then at the annual meeting of shareholders next following the fourth such quarterly dividend default, or, if such next annual meeting is not to be held within sixty (60) days following such default, at a special meeting of shareholders called for the purpose on the written request of the holders of not less than ten percent (10%) of the then outstanding Preferred Shares, the holders of said outstanding Preferred Shares shall be entitled, voting separately as a class (regardless of series), to elect the smallest number of directors of this Corporation which shall constitute a majority of the authorized number of such directors and the holders of the New Preferred Shares and the holders of the Common Shares, in accordance with their respective voting rights, shall be entitled to elect the remaining number of such authorized directors; which voting rights by said respective classes of shares shall continue until, but only until, all dividends which shall have accrued for any period under said Paragraph (4) upon the outstanding Preferred Shares shall have been paid or set apart for payment. At all meetings of shareholders held for the purpose of electing directors during such time as the holders of the Preferred Shares have the right, voting separately as a class, to elect directors pursuant to this Paragraph (7), the presence in person or by proxy of the holders of a majority of the outstanding Preferred Shares (regardless of series), shall be required to constitute a quorum of such class for the election of directors, and the presence in person or by proxy of the holders of a majority of the other outstanding shares entitled to vote at such meeting, as a separate class or classes in accordance with their respective voting rights, shall be required to constitute a quorum of such class for the election of directors; provided, however, that the absence of a quorum of the holders of outstanding shares of either such class or classes shall not prevent the election at any such meeting, or adjournment thereof, of directors by the other such class or classes if the necessary quorum of such other class or classes is present in person or by proxy at such meeting or adjournment; and provided further that in the event that at such meeting or adjournment such a quorum of the holders of classes other than the Preferred Shares is present and such quorum of the holders of the Preferred Shares is not present, then an election of the directors elected at such meeting or adjournment by the holders of classes other than the

Preferred Shares shall not be effective and any directors so elected by such holders of classes other than the Preferred Shares shall not assume office until the holders of the Preferred Shares, with such a quorum present, shall elect the directors they are entitled to elect. In the event of an election of directors by holders of Preferred Shares pursuant to this Paragraph (7), the term of office as directors of all persons who are directors of this Corporation at the time of the accrual under this Paragraph (7) of the right of the holders of the Preferred Shares to elect directors shall terminate when the holders of the outstanding Preferred Shares shall have so elected directors. In case any vacancy shall occur among the directors elected as aforesaid by the holders of the Preferred Shares, or among the directors elected as aforesaid by the holders of classes other than the Preferred Shares, during any period for which a majority of the directors shall have been so elected by the holders of the Preferred Shares, such vacancy shall be filled by the vote of a majority of the remaining directors who were so elected by the holders of the Preferred Shares or by the holders of classes other than the Preferred Shares, as the case may be.

(8) Without the approval of the holders of at least two-thirds of the outstanding Preferred Shares, given in person or by proxy, either by written consent or by vote as provided by law, this Corporation shall not

(i) alter or amend the preferences, voting powers or other special rights or the qualifications, limitations and restrictions imposed in favor of any of the Preferred Shares so as adversely to affect any of the Preferred Shares then outstanding; or

(ii) authorize or issue any shares of any class, or any securities convertible into shares of any class, ranking prior to the Preferred Shares as to dividends or assets; or

(iii) reclassify any shares of any class ranking junior to or on a parity with the Preferred Shares into shares of any other class ranking prior to the Preferred Shares; or

(iv) issue any shares of any class ranking on a parity with the Preferred Shares, unless in either case (a) the aggregate of the par or stated value of the Common Shares to be outstanding immediately after such issue, plus the surplus of this Corporation, all determined in accordance with accepted accounting practice, shall be at least equal to the par or stated value of all shares which rank prior to the Common Shares and which are to be outstanding immediately after such issue; (b) the net earnings of this Corporation, computed in accordance with accepted accounting practice (but after provision for all taxes based upon or measured by income, and after annual interest charges adjusted by provision for amortization of bond discount and expense or of premium on indebtedness, and also after deduction of depreciation as reported in the accounts of this Corporation as filed with the Public Utilities Commission of the State of California or other public authority of said State having jurisdiction to establish or approve the system of accounts of this Corporation), for a period of 12 consecutive calendar months out of the 15 calendar months immediately preceding the date of such issue shall have been at least equal to twice the aggregate of the annual dividend requirements on all shares of this Corporation which rank prior to the Common Shares and which are to be outstanding immediately after such issue, and (c) the net earnings of this Corporation, computed as above (but before interest charges as aforesaid and after deduction for depreciation and provision for all taxes as provided above), for said 12 months period, shall have been at least equal to one and one-half times the aggregate of all such interest charges and the annual dividend requirements on all shares of this Corporation which rank prior to the Common Shares and which are to

be outstanding immediately after such issue.

(9) Without the approval of the holders of a majority of the outstanding Preferred Shares, given in person or by proxy, by written consent or by vote as provided by law, this Corporation shall not (i) issue, assume, or guarantee any unsecured notes or obligations unless immediately thereafter the total principal amount of the unsecured indebtedness of this Corporation shall be less than 10% of the aggregate of the total principal amount of outstanding bonds or other securities representing secured indebtedness issued, assumed or guaranteed by this Corporation, plus its stated capital and surplus; provided, however, that the foregoing provisions of this Paragraph (9) shall not apply to any such notes or obligations which (a) represent liabilities incurred in the ordinary course of business or for construction or acquisition of capital assets or represent tax liability or liability incurred or accrued on account of customers' deposits, or (b) are issued to extend, renew, redeem or refund outstanding indebtedness of this Corporation in principal amount not less than the principal amount of such notes or obligations, or are issued to redeem or refund then outstanding Preferred Shares which have an aggregate par or stated value at least equal to the aggregate principal amount of such notes or obligations, or (ii) sell, convey, lease or otherwise dispose of all or substantially all of its assets, property or business, or consolidate or merge with or into any other corporation.

(10) The approval of the holders of outstanding Preferred Shares which in any case may be required by the foregoing Paragraphs (8) and (9) for the taking of any action referred to in any of said paragraphs shall be in addition to any such approval of shareholders of this Corporation as may at the time be required by the laws of the State of California with respect to such action and no such action shall be taken without compliance with such laws of said State as are in effect at the time of taking of any such action.

(11) For the purposes of Paragraphs (8)(iv) and (9)(i) hereof, the certificate or opinion of any independent certified or public accountant of recognized standing (who may be the accountant regularly retained by this Corporation), selected in good faith by the Board of Directors, shall be conclusive with respect to all questions of fact therein required to be determined.

(12) Subject to the dividend preferences provided for herein for all shares of each other class at the time outstanding and to the restrictions set forth above and in this Paragraph (12), the Common Shares shall be entitled to receive dividends when and as declared by the Board of Directors out of any funds of this Corporation legally available therefor. After payment of the full preferential amounts hereinabove provided for all shares of each other class outstanding at the time of any liquidation, dissolution or winding up of this Corporation, whether voluntary or involuntary, all then remaining assets of this Corporation available for distribution to its shareholders shall be distributed ratably upon the Common Shares. No dividend shall be declared on the Common Shares which, after giving effect to such declaration, would reduce the Common Stock Equity of this Corporation as of the end of the calendar month last preceding that in which such dividend was declared to an amount less than 25% of the Total Capitalization of this Corporation as of the end of said last preceding month, except that any such dividend may be declared (a) which would reduce such Common Stock Equity to less than 25% but not less than 20% of such Total Capitalization if the amount of such dividend plus all dividends on the Common Shares declared during the 12 months period terminating at the end of such last preceding calendar month shall not exceed 75% of the net income of this Corporation applicable to its Common Shares for such period, or (b) which would

reduce such Common Stock Equity to less than 20% of such Total Capitalization if the amount of such dividend plus all dividends on the Common Shares declared during said 12 months period shall not exceed 50% of the net income of this Corporation applicable to its Common Shares for such period; provided, however, that the foregoing restrictions of this sentence shall not apply to, nor in any way restrict, (a) the payment of any dividend on the Common Shares which is payable in shares of stock of this Corporation, or (b) any reclassification, subdivision, split-up or combination of the Common Shares, or (c) any transfer between the capital and surplus accounts of this Corporation in connection with any such reclassification, subdivisions, split-up or combination or payment of dividend in shares of stock of this Corporation. Common Stock Equity as herein used shall mean the aggregate of (i) par value or stated capital of all outstanding Common Shares, and (ii) the surplus (including capital surplus, paid-in surplus and earned surplus) as shown by the books of this Corporation after giving effect to the declaration of the proposed dividend, and (iii) premium on Common Shares; less the remaining balance of the amount of organization expenses, as shown on said books. Total Capitalization as herein used shall mean the aggregate of (i) Common Stock Equity, (ii) premium on and the par value or stated capital of all outstanding shares of this Corporation of any and all classes having preferences over the Common Shares as to dividends or assets, and (iii) the principal amount of all outstanding debt maturing more than 12 months after the close of said 12 months period, all as shown by the books of this Corporation; less the remaining balance of organization expenses, as shown on said books. Net Income as herein used shall be determined in accordance with accepted accounting practice (but after provision for all taxes based upon or measured by income, and after annual interest charges adjusted by provision for amortization of bond discount and expense or of premium on indebtedness, and also after deduction of depreciation for said 12 months period as reported in the accounts of this Corporation as filed with the Public Utilities Commission of the State of California or other public authority of said state having jurisdiction to establish or approve the system of accounts of this Corporation). Net Income applicable to Common Shares as herein used shall mean net income after deduction therefrom of all dividends payable for the period involved on all outstanding shares of any and all classes of this Corporation having preference over the Common Shares as to dividends or assets.

(13) No Preferred Shares of this Corporation which have been reacquired in any manner by this Corporation after the original issue thereof shall ever again be reissued and all such shares so reacquired shall upon such reacquisition cease to be a part of the authorized shares of this Corporation.

(14) Unless such action has been approved by the affirmative vote of at least a majority of the Continuing Directors (as defined below), without the approval of Common Shares, Preferred Shares and, unless otherwise provided in the certificate of determination for any series of New Preferred Shares, the New Preferred Shares representing in the aggregate at least 66 2/3% of the combined voting power of this Corporation's outstanding Common Shares, Preferred Shares and the New Preferred Shares, voting together as a single class, this Corporation shall not

- (i) subject to subparagraph (iii) below, sell, convey, lease or otherwise dispose of all or substantially all of its assets, property or business;
- (ii) approve the sale, conveyance, lease or other disposition by any subsidiary of this Corporation of all or substantially all of such subsidiary's assets, property or

business;

- (iii) sell, transfer, convey or otherwise dispose of more than a majority of the outstanding capital stock of any subsidiary of the Corporation, if such subsidiary holds assets accounting for 50% or more of the Corporation's consolidated assets, other than to an entity the majority of the voting power of the capital stock or other equity interest of which is owned and controlled by this Corporation;
- (iv) consolidate or merge with or into any other corporation or other business entity, except if, immediately after such consolidation or merger, the shareholders of this Corporation immediately prior to such consolidation or merger will own more than 60% of the voting power of the outstanding capital stock or other equity interest of or in the surviving entity; or
- (v) approve the consolidation or merger of any subsidiary of this Corporation, if such subsidiary holds assets accounting for 50% or more of the Corporation's consolidated assets, with or into any other corporation or other business entity.

For purposes of this paragraph (14) of Article IV, the term "Continuing Directors" shall mean any member of the Board of Directors of the Corporation (while such person is a member of the Board) who (i) is not an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and (ii) either (A) was a member of the Board of Directors prior to the time any person became an Acquiring Person, or (B) became a member of the Board of Directors subsequent to the time any person became an Acquiring Person, if such person's nomination for election, or re-election, to the Board was recommended, or approved, by a majority of the Continuing Directors then in office. For purposes of the foregoing definition, (i) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect as of the date hereof; (ii) "Acquiring Person" shall mean any person or entity which, alone or together with all Affiliates and Associates of such person or entity, shall be the beneficial owner of 20% or more of the Corporation's voting stock, but shall not include (1) an Exempt Person or (2) any person or entity who or which acquires 20% or more of the Corporation's voting stock in connection with a transaction or series of transactions approved prior to such transaction or transactions by the Board of Directors of the Corporation; provided that no person or entity shall become an Acquiring Person solely as a result of a reduction in the number of shares of the Corporation's voting stock outstanding, unless and until such person or entity shall thereafter become the beneficial owner of additional shares constituting 1% or more of the general voting power of the Corporation. "Exempt Person" shall mean the Corporation, any majority-owned subsidiary of the Corporation, and any employee benefit plan or employee stock plan of the Corporation, or any trust or other entity organized, established or holding Common Shares by, for or pursuant to, the terms of any such plan.

(15) Another series of Preferred Shares shall have the following terms and provisions:

(i) Designation. The designation of said series shall be "Preferred Shares, 5% Series".

(ii) Number of Shares. The authorized number of shares constituting said Preferred Shares, 5% Series, shall be 19,200 shares.

(iii) Dividend Rate. The dividend rate of said Preferred Shares, 5% Series, shall be, per share, 5% per annum of the share par value.

(iv) Optional Redemption. The redemption prices of the shares of said series, when redeemed by this Corporation at the option of its Board of Directors, shall be an amount per share equal to the par value thereof and unpaid dividends accrued thereon to and including the date fixed for redemption, plus a premium of \$.25 per share.

(v) Sinking Fund for Mandatory Purchases or Redemptions.

(a) So long as any of the Preferred Shares, 5% Series, shall be outstanding, this Corporation, as a sinking fund for the purchase or redemption thereof (hereinafter called the "Sinking Fund"), shall set aside in cash out of any moneys legally available therefor, after full payment or provision for payment of dividends on all outstanding Preferred Shares of all series and all other shares of this Corporation ranking prior to or on a parity with the Preferred Shares for all prior periods through the end of the last preceding quarterly dividend period for such Preferred Shares and such other shares, on September 5 of each year (hereinafter called the "Sinking Fund payment date"), a sum equal to two percent (2%) of the aggregate par value of the total number of Preferred Shares, 5% Series, theretofore issued. If on any Sinking Fund payment date the funds of this Corporation legally available therefor shall be insufficient to discharge in full the Sinking Fund requirement then accrued, funds to the extent legally available for such purpose shall be set aside for the Sinking Fund. Such Sinking Fund requirements shall be cumulative so that if for any year or years such requirements shall not be fully discharged as they accrue, funds legally available therefor, after such payment or provision for dividends, for each fiscal year thereafter shall be applied thereto until such requirements are fully discharged.

(b) This Corporation at its option shall be entitled to use as a credit against its Sinking Fund requirement for any year, in an amount equal to the par value thereof, Preferred Shares, 5% Series, which this Corporation shall have theretofore acquired by purchase or redemption, otherwise than through the operation of the Sinking Fund, and for which credit shall not therefore have been taken against any Sinking Fund requirement.

(c) On or before the 60th day next following each Sinking Fund payment date, the cash in the Sinking Fund shall be used to acquire Preferred Shares, 5% Series, by purchase, at a price or prices not exceeding the par value thereof, or by redemption at the par value thereof in the manner provided in Paragraph 6 of Article IV of the Articles of Incorporation of this Corporation, in each case plus an additional amount equal to accrued dividends thereon to the date of such purchase or redemption, which additional amount shall be paid from general funds of this Corporation legally available therefor and not from the Sinking Fund, or by both such purchase and such redemption. Upon retirement of all Preferred Shares, 5% Series, any cash remaining in the Sinking Fund in excess of that required to complete payment for any shares purchased or agreed to be purchased, or to redeem shares called for redemption through the operation of the Sinking Fund, shall become a part of the general funds of this Corporation.

ARTICLE V

The liability of the directors of this Corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

This Corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with agents, vote of shareholders or disinterested directors, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the applicable limits set forth in Section 204 of the California Corporations Code.

ARTICLE VI

Notwithstanding any contrary provision of these Articles of Incorporation, any amendment or repeal of paragraph (14) of Article IV, this Article VI or any amendment to these Articles of Incorporation providing for a classified board shall require the affirmative vote of shares representing not less than 66 2/3% of the combined voting power of the outstanding Common Shares, Preferred Shares and, unless otherwise provided in the certificate of determination, the New Preferred Shares, voting together as a single class.

Notwithstanding any contrary provision of these Articles of Incorporation, and except as otherwise expressly provided in the California Corporations Code, none of the following provisions of the Bylaws of the Company may be amended or repealed, except by a majority of the Board or by the shareholders upon the affirmative vote of shares representing at least 66 2/3% of the combined voting power of the outstanding Common Shares, Preferred Shares and, unless otherwise provided in the certificate of determination for any series of New Preferred Shares, the New Preferred Shares, voting together as a single class: (a) Section 2 of Article II, (b) Section 15 of Article II, and (c) Section 2 of Article III.

ARTICLE VII

In the event that the authorized number of directors shall be fixed with at least six (6) but less than nine (9) during any period of time that the Common Shares are listed on the New York Stock Exchange, the Board of Directors shall be divided into two classes, designated Class I and Class II. Each class shall consist of one-half of the directors or as close an approximation as possible. The initial term of office of the directors of Class I shall commence on the date that the Common Shares are listed on the New York Stock Exchange and shall expire at the annual meeting to be held during fiscal year 1999 and the initial term of office of the directors of Class II shall commence on the date that the Common Shares are listed on the New York Stock Exchange and shall expire at the annual meeting to be held during fiscal year 2000. At each subsequent annual meeting, each of the successors to the directors of the class whose term shall have expired at such annual meeting shall be elected for a term running until the second annual meeting next succeeding his or her election and until his or her successor shall have been duly elected and qualified, unless the Common Shares are no longer listed on the New York Stock Exchange.

In the event that the authorized number of directors shall be fixed at nine (9) or more during any period of time that the Common Shares are listed on the New York Stock Exchange, the Board of Directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist of one-third of the directors or as close an approximation as possible. At each subsequent annual meeting, each of the successors to the directors of the class whose term shall have expired at such annual meeting shall be elected for a term running until the third annual meeting next succeeding his or her election until his or her successor shall have been duly elected and qualified, unless the Common Shares are no longer listed on the New York Stock Exchange.

Notwithstanding the rule that the classes shall be as nearly equal in number of directors as possible, in the event of any change in the authorized number of directors, each director

then continuing to serve as such shall nevertheless continue as a director of the class of which he or she is a member until the expiration of his or her current term, or his or her prior death, resignation or removal.

At each annual election, the directors chosen to succeed those whose terms then expire shall be of the same class as the directors they succeed, unless, by reason of any intervening changes in the authorized number of directors, the Board of Directors shall designate one or more directorships whose term then expires as directorships of another class in order more nearly to achieve equality of number of directors among the classes.

The effective date of the amendment adding this Article VII shall be that date the Common Shares are first listed on the New York Stock Exchange.

BYLAWS
for the regulation, except
as otherwise provided by statute or
its Articles of Incorporation,
of
AMERICAN STATES WATER COMPANY
(a California corporation)

ARTICLE I. Offices.

Section 1. PRINCIPAL EXECUTIVE OFFICE. The corporation's principal executive office shall be fixed and located at such place as the Board of Directors (herein called the "Board") shall determine. The Board is granted full power and authority to change said principal executive office from one location to another.

Section 2. OTHER OFFICES. Branch or subordinate offices may be established at any time by the Board at any place or places.

ARTICLE II. Shareholders.

Section 1. PLACE OF MEETINGS. Meetings of shareholders shall be held either at the principal executive office of the corporation or at any other place within or without the State of California which may be designated either by the Board or by the written consent of all persons entitled to vote thereat given either before or after the meeting and filed with the Secretary.

Section 2. SPECIAL MEETINGS. Special meetings of the shareholders may be called at any time by the Board, the Chairman of the Board, the President or by the holders of shares entitled to cast not less than ten percent of the votes at such meeting. Upon request in writing to the Chairman of the Board, the President, any Vice President or the Secretary by any person (other than the Board) entitled to call a special meeting of shareholders, the officer forthwith shall cause notice to be given to the shareholders entitled to vote that a meeting will be held at a time requested by the person or persons calling the meeting, not less than thirty-five nor more than sixty days after the receipt of the request. Such request shall be made in accordance with applicable law and these Bylaws. If the notice is not given within twenty days after receipt of the request, the persons entitled to call the meeting may give the notice.

Section 3. ANNUAL MEETINGS. The annual meetings of shareholders shall be held on such date and at such time as may be fixed by the Board. At such meetings, directors shall be elected and any other proper business may be transacted in accordance with applicable law and these Bylaws.

Section 4. NOTICE OF ANNUAL OR SPECIAL MEETINGS. Written notice of each annual or special meeting of shareholders shall be given not less than ten nor more than sixty days before the date of the meeting to each shareholder entitled to vote thereat. Such notice shall state the place, date and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (ii) in the case of the annual meeting, those matters which the Board, at the time of the mailing of the notice, intends to present for action by the shareholders, but, subject to the provisions of applicable law and these Bylaws, any proper matter may be presented at the meeting for such action. The notice of any meeting at which directors are to be elected shall include the names of nominees intended at the time of the notice to be presented by management for election.

Notice of a shareholders' meeting shall be given either personally or by mail or by other means of written communication, addressed to the shareholder at the address of such shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice, or, if no such address appears or is given, at the place where the principal executive office of the corporation is located or by publication at least once in a newspaper of general circulation in the county in which the principal executive office is located.

Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient.

Section 5. QUORUM. A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at any meeting of shareholders. If a quorum is present, the affirmative vote of a majority of the shares represented and voting at the meeting (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by law or by the Articles, except as provided in the following sentence. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

Section 6. ADJOURNED MEETINGS AND NOTICE THEREOF. Any shareholders' meeting, whether or not a quorum is present, may be adjourned from time to time by the vote of shareholders entitled to exercise a majority of the voting power represented either in person or by proxy, but in the absence of a quorum (except as provided in Section 5 of this Article) no other business may be transacted at such meeting.

It shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat, other than by announcement at the meeting at which such adjournment is taken; provided, however, when any shareholders' meeting is adjourned for more than forty-five days or, if after adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given as in the case of an original meeting.

Section 7. VOTING. The shareholders entitled to notice of any meeting or to vote at such meeting shall be only persons in whose name shares stand on the stock records of the corporation on the record date determined in accordance with Section 8 of this Article.

Subject to the following sentence and to the provisions of Section 708 of the California General Corporation Law, every shareholder entitled to vote at any election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are entitled, or distribute the shareholder's votes on the same principle among as many candidates as the shareholder thinks fit. No shareholder shall be entitled to cumulate votes for any candidate or candidates pursuant to the preceding sentence unless such candidate or candidates' names have been placed in nomination prior to the voting and the shareholder has given notice at the meeting prior to the voting of the shareholder's intention to cumulate the shareholder's votes. If any one shareholder has given such notice, all shareholders may cumulate their votes for candidates in nomination.

Elections need not be by ballot; provided, however, that all elections for directors must be by ballot upon demand made by a shareholder at the meeting and before the voting begins.

In any election of directors, the candidates receiving the highest number of votes of the shares entitled to be voted for them up to the number of directors to be elected by such shares are elected.

Voting shall in all cases be subject to the provisions of Chapter 7 of the California General Corporation Law, and to the following provisions:

(a) Subject to clause (g), shares held by an administrator, executor, guardian, conservator or custodian may be voted by such holder either in person or by proxy, without a

transfer of such shares into the holder's name; and shares standing in the name of a trustee may be voted by the trustee, either in person or by proxy, but no trustee shall be entitled to vote shares held by such trustee without a transfer of such shares into the trustee's name.

(b) Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into the receiver's name if authority to do so is contained in the order of the court by which such receiver was appointed.

(c) Subject to the provisions of Section 705 of the California General Corporation Law and except where otherwise agreed in writing between the parties, a shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(d) Shares standing in the name of a minor may be voted and the corporation may treat all rights incident thereto as exercisable by the minor, in person or by proxy, whether or not the corporation has notice, actual or constructive, of the nonage, unless a guardian of the minor's property has been appointed and written notice of such appointment given to the corporation.

(e) Shares outstanding in the name of another corporation, domestic or foreign, may be voted by such officer, agent or proxyholder as the bylaws of such other corporation may prescribe or, in the absence of such provision, as the board of directors of such other corporation may determine or, in the absence of such determination, by the chairman of the board, president or any vice president of such other corporation, or by any other person authorized to do so by the chairman of the board, president or any vice president of such other corporation. Shares which are purported to be voted or any proxy purported to be executed in the name of a corporation (whether or not any title of the person signing is indicated) shall be presumed to be voted or the proxy executed in accordance with the provisions of this clause, unless the contrary is shown.

(f) Shares of the corporation owned by any subsidiary shall not be entitled to vote on any matter.

(g) Shares held by the corporation in a fiduciary capacity, and shares of the issuing corporation held in a fiduciary capacity by any subsidiary, shall not be entitled to vote on any matter, except to the extent that the settlor or beneficial owner possesses and exercises a right to vote or to give the corporation binding instructions as to how to vote such shares.

(h) If shares stand of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, husband and wife as community property, tenants by the entirety, voting trustees, persons entitled to vote under a shareholder voting agreement or otherwise, or if two or more persons (including proxyholders) have the same fiduciary relationship respecting the same shares, unless the Secretary of the corporation is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect:

(i) If only one votes, such act binds all;

(ii) If more than one vote, the act of the majority so voting binds all;

(iii) If more than one vote, but the vote is evenly split on any particular matter each faction may vote the securities in question proportionately.

If the instrument is so filed or the registration of the shares shows that any such tenancy is held in unequal interests, a majority or even split for the purpose of this Section shall be a

majority or even split in interest.

Section 8. RECORD DATE. The Board may fix, in advance, a record date for the determination of the shareholders entitled to notice of any meeting or to vote or entitled to receive payment of any dividend or other distribution, or any allotment of rights, or to exercise rights in respect of any other lawful action. The record date so fixed shall be not more than sixty days nor less than ten days prior to the date of the meeting nor more than sixty days prior to any other action. When a record date is so fixed, only shareholders of record on that date are entitled to notice of and to vote at the meeting or to receive the dividend, distribution, or allotment of rights, or to exercise of the rights, as the case may be, notwithstanding any transfer of shares on the books of the corporation after the record date. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting. The Board shall fix a new record date if the meeting is adjourned for more than forty-five days.

If no record date is fixed by the Board, the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held. The record date for determining shareholders for any purpose other than set forth in this Section 8 or Section 10 of this Article shall be at the close of business on the day on which the Board adopts the resolution relating thereto, or the sixtieth day prior to the date of such other action, whichever is later.

Section 9. CONSENT OF ABSENTEES. The transactions of any meeting of shareholders, however called and noticed, and wherever held, are as valid as though had at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance of a person at a meeting shall constitute a waiver of notice of and presence at such meeting, except when the person objects, at the beginning of the meeting, to the transactions of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not waiver of any right to object to the consideration of matters required by the California General Corporation Law to be included in the notice but not so included, if such objection is expressly made at the meeting. Neither the business to be transacted at nor the purpose of any regular or special meeting of shareholders need to be specified in any written waiver of notice, consent to the holding of the meeting or approval of the minutes thereof, except as provided in Section 601(f) of the California General Corporation Law.

Section 10. ACTION WITHOUT MEETING. Subject to Section 603 of the California General Corporation Law, any action which, under any provision of the California General Corporation Law, may be taken at any annual or special meeting of shareholders, may be taken without a meeting and without prior notice if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Unless a record date for voting purposes be fixed as provided in Section 8 of this Article, the record date for determining shareholders entitled to give consent pursuant to this Section 10, when no prior action by the Board has been taken, shall be the day on which the first written consent is given.

Section 11. PROXIES. Every person entitled to vote shares has the right to do so either in person or by one or more persons authorized by a written proxy executed by such shareholder and filed with the Secretary. Any proxy duly executed is not revoked and continues in full force and effect

until revoked by the person executing it prior to the vote pursuant thereto by a writing delivered to the corporation stating that the proxy is revoked or by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting, or by attendance at the meeting and voting in person by the person executing the proxy; provided, however, that no proxy shall be valid after the expiration of eleven months from the date of its execution unless otherwise provided in the proxy.

Section 12. INSPECTORS OF ELECTION. In advance of any meeting of shareholders, the Board may appoint inspectors of election to act at such meeting and any adjournment thereof. If inspectors of election be not so appointed, or if any persons so appointed fail to appear or refuse to act, the chairman of any such meeting may, and on the request of any shareholder or shareholder's proxy shall, make such appointment at the meeting. The number of inspectors shall be either one or three. If appointed at a meeting on the request of one or more shareholders or proxies, the majority of shares present shall determine whether one or three inspectors are to appointed.

The duties of such inspectors shall be as prescribed by Section 707(b) of the California General Corporation Law and shall include: determining the number of shares outstanding and the voting power of each; determining the shares represented at the meeting; determining the existence of a quorum; determining the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining when the polls shall close; determining the result; and doing such acts as may be proper to conduct the election or vote with fairness to all shareholders. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all.

Section 13. CONDUCT OF MEETING. The Chairman of the Board shall preside as chairman at all meetings of the shareholders. The chairman shall conduct each such meeting in a businesslike and fair manner, but shall not be obligated to follow any technical, formal or parliamentary rules or principles of procedure. The chairman's rulings on procedural matters shall be conclusive and binding on all shareholders, unless at the time of a ruling a request for a vote is made to the shareholders holding shares entitled to vote and which are represented in person or by proxy at the meeting, in which case the decision of a majority of such shares shall be conclusive and binding on all shareholders. Without limiting the generality of the foregoing, the chairman shall have all of the powers usually vested in the chairman of a meeting of shareholders.

Section 14. QUALIFICATIONS OF DIRECTORS. Only persons who are nominated in accordance with the procedures set forth in these Bylaws shall be qualified to serve as directors. Nominations of persons for election to the Board may be made at a meeting of shareholders (a) by or at the direction of the Board or (b) by any shareholder of the corporation who is a shareholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Bylaw.

Nominations by shareholders shall be made pursuant to timely notice in writing to the Secretary. To be timely as to an annual meeting, a shareholder's notice must be received at the principal executive officers of the corporation not less than 75 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is changed by more than 30 days from such anniversary date, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. To be timely as to a special meeting at which directors are to be elected, a shareholder's notice must be received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. Such shareholder's notice shall set forth (a) as to each person whom the shareholder

proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to the shareholder giving the notice (i) the name and address, as they appear on the corporation's books, of such shareholder and (ii) the class and number of shares of the corporation which are beneficially owned by such shareholder and also which are owned of record by such shareholder; and (c) as to the beneficial owner, if any, on whose behalf the nomination is made, (i) the name and address of such person and (ii) the class and number of shares of the corporation which are beneficially owned by such person. At the request of the Board, any person nominated by the Board for election as a director shall furnish to the Secretary that information required to be set forth in the shareholder's notice of nomination which pertains to the nominee.

No person shall be qualified to serve as a director of the corporation unless nominated in accordance with the procedures set forth in this Bylaw. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if the Chairman should so determine, that the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Bylaw, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Bylaw.

Section 15. PROPER BUSINESS FOR SHAREHOLDER MEETINGS.

At a meeting of the shareholders, only such business shall be proper as shall be brought before the meeting (a) pursuant to the corporation's notice of meeting, (b) by or at the direction of the Board or (c) by any shareholder of the corporation who is a shareholder of record at the time of giving of the notice provided for in this Bylaw, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this Bylaw.

For business to be properly brought before a meeting by a shareholder pursuant to clause (c) of the first paragraph of this Bylaw, the shareholder must have given timely notice thereof in writing to the Secretary. To be timely as to an annual meeting of shareholders, a shareholder's notice must be received at the principal executive offices of the corporation not less than 75 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that if the date of the meeting is changed by more than 30 days from such anniversary date, notice by the shareholder to be timely must be received no later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. To be timely as to a special meeting of shareholders, a shareholder's notice must be received not later than the call of the meeting by the Board, the Chairman of the Board or the President, or the date of receipt of a valid request by a person (other than the Board) that the special meeting be called. Such shareholder's notice shall set forth as to each matter the shareholder proposes to bring before the meeting (a) a brief description of such matter and the reasons for proposing such matters(s) at the meeting, (b) the name and address, as they appear on the corporation's books, of the shareholder proposing such business, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made, (c) the class and number of shares of the corporation which are owned beneficially and of record by such shareholder of record and by the beneficial owner, if any, on whose behalf the proposal is made and (d) any material interest of such shareholder of record and the beneficial owner, if any, on whose behalf the proposal is made in such proposal.

Notwithstanding anything in these Bylaws to the contrary, no business shall be proper at a meeting unless brought before it in accordance with the procedures set forth in this Bylaw. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the

procedures prescribed by these Bylaws, and if the Chairman should so determine, that any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Bylaw, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Bylaw.

ARTICLE III. Directors.

Section 1. POWERS. Subject to limitations of the Articles, of these Bylaws and of the California General Corporation Law relating to action required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these Bylaws:

(a) To select and remove all the other officers, agents and employees of the corporation, prescribe the powers and duties for them as may not be inconsistent with law, the Articles or these Bylaws, fix their compensation and require from them security for faithful service.

(b) To conduct, manage and control the affairs and business of the corporation and to make such rules and regulations therefor not inconsistent with law, the Articles or these Bylaws, as they may deem best.

(c) To adopt, make and use a corporate seal, and to prescribe the forms of certificates of stock, and to alter the form of such seal and of such certificates from time to time, as they may deem best.

(d) To authorize the issuance of shares of stock of the corporation from time to time, upon such terms and for such consideration as may be lawful.

(e) To borrow money and incur indebtedness for the purposes of the corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

Section 2. NUMBER OF DIRECTORS. The authorized number of directors shall be not less than five nor more than nine until changed by amendment of the Articles or by a Bylaw duly adopted by the shareholders amending this Section 2. The exact number of directors shall be fixed, within the limits specified, by the Board from time to time in a resolution adopted by a majority of the directors. The exact number of directors shall be seven until changed as provided in this Section 2.

Section 3. ELECTION AND TERM OF OFFICE. Except as otherwise provided in the Articles, the directors shall be elected at each annual meeting of the shareholders, but if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of shareholders held for that purpose. Each director shall hold office until the next annual meeting and until a successor has been elected and qualified.

Section 4. VACANCIES. Any director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary or the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Vacancies in the Board, except those existing as a result of a removal of a director, may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until the next annual meeting and until such director's successor has been elected and qualified.

A vacancy or vacancies in the Board shall be deemed to exist in case of the death, resignation or removal of any director, or if the authorized number of directors be increased, or if the shareholders fail, at any annual or special meeting of shareholders at which any director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting.

The Board may declare vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony.

The shareholders, subject to applicable law and these Bylaws, may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors. Any such election by written consent, other than to fill a vacancy created by removal, requires the consent of a majority of the outstanding shares entitled to vote. Any such election by written consent to fill a vacancy created by removal requires unanimous consent.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of the director's term of office.

Section 5. PLACE OF MEETING. Regular or special meetings of the Board shall be held at any place within or without the State of California which has been designated from time to time by the Board. In the absence of such designation, regular meetings shall be held at the principal executive office of the corporation.

Section 6. REGULAR MEETINGS. Immediately following each annual meeting of shareholders, the Board shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business.

Other regular meetings of the Board shall be held without call on such dates and at such times as may be fixed by the Board. Call and notice of all regular meetings of the Board are hereby dispensed with.

Section 7. SPECIAL MEETINGS. Special meetings of the Board for any purpose or purposes may be called at any time by the Chairman of the Board, the President, any Vice President, the Secretary or by any two directors.

Special meetings of the Board shall be held upon four days' written notice or forty-eight hours' notice given personally or by telephone, telegraph, telex, or other similar means of communication. Any such notice shall be addressed or delivered to each director at such director's address as it is shown upon the records of the corporation or as may have been given to the corporation by the director for purposes of notice or, if such address is not shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held.

Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

Section 8. QUORUM. A majority of the authorized number of directors constitutes a quorum of the Board for the transaction of business, except to adjourn as provided in Section 11 of this Article. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number be required by law or by the Articles. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 9. PARTICIPATION IN MEETINGS BY CONFERENCE

TELEPHONE. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another.

Section 10. WAIVER OF NOTICE. Notice of a meeting

need not be given to any director who signs a waiver of notice or consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

Section 11. ADJOURNMENT. A majority of the directors

present, whether or not a quorum is present, may adjourn any directors' meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place be fixed at the meeting adjourned, except as provided in the next sentence. If the meeting is adjourned for more than twenty-four hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 12. FEES AND COMPENSATION. Directors and

members of committees may receive such compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by the Board.

Section 13. ACTION WITHOUT MEETING. Any action

required or permitted to be taken by the Board may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such consent or consents shall have the same effect as a unanimous vote of the Board and shall be filed with the minutes of the proceedings of the Board.

Section 14. RIGHTS OF INSPECTION. Every director

shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the corporation and also of its subsidiary corporations, domestic or foreign. Such inspection by a director may be made in person or by agent or attorney and includes the right to copy and obtain extracts.

Section 15. COMMITTEES. The Board may appoint one or

more committees, each consisting of two or more directors, and delegate to such committees any of the authority of the Board except with respect to:

- (a) The approval of any action for which the California General Corporation Law also requires shareholders' approval or approval of the outstanding shares;
- (b) The filling of vacancies on the Board or on any committee;
- (c) The fixing of compensation of the directors for service on the Board or on any committee;
- (d) The amendment or repeal of bylaws or the adoption of new bylaws;
- (e) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;
- (f) A distribution to the shareholders of the corporation except at a rate or in a periodic amount or within a price range determined by the Board; or
- (g) The appointment of other committees of the Board or the members thereof.

Any such committee must be designated, and the members or alternate members thereof appointed, by resolution adopted by a majority of the authorized number of directors and any such committee may be designated an Executive Committee or by such

other name as the Board shall specify. Alternative members of a committee may replace any absent member at any meeting of the committee. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any such committee shall be governed by the provisions of this Article applicable to meetings and actions of the Board. Minutes shall be kept of each meeting of each committee.

ARTICLE IV. Officers.

Section 1. OFFICERS. The officers of the corporation shall be a President, a Secretary and a Chief Financial Officer. The corporation may also have, at the discretion of the Board, a Chairman of the Board, an Executive Vice President, a Senior Vice President, one or more Vice Presidents, a Treasurer, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be elected or appointed in accordance with the provisions of Section 3 of this Article.

Section 2. ELECTION. The officers of the corporation, except such officers as may be elected or appointed in accordance with the provisions of Section 3 or Section 5 of this Article, shall be chosen annually by, and shall serve at the pleasure of, the Board, and shall hold their respective offices until their resignation, removal, or other disqualification from service, or until their respective successors shall be elected.

Section 3. SUBORDINATE OFFICERS. The Board may elect, and may empower the Chairman of the Board, if there be such an officer, or the President, to appoint such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

Section 4. REMOVAL AND RESIGNATION. Any officer may be removed, either with or without cause, by the Board at any time or, except in the case of an officer chosen by the Board, by an officer upon whom such power of removal may be conferred by the Board. Any such removal shall be without prejudice to the rights, if any, of the officer under any contract of employment of the officer.

Any officer may resign at any time by giving written notice to the corporation, but without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular election or appointment to such office.

Section 6. CHAIRMAN OF THE BOARD. The Chairman of the Board, if there shall be such an officer, shall be the Chief Executive Officer of the corporation unless, in its sole discretion, the Board should elect the President to be such. The Chief Executive Officer is the general manager and chief executive officer of the corporation and has, subject to the control of the Board, general supervision, direction and control of the business and officers of the corporation. The Chairman of the Board, if there shall be such an officer, shall, if present, preside at all meetings of the shareholders and the Board and exercise and perform such other powers and duties as may be from time to time assigned by the Board.

Section 7. PRESIDENT. Subject to such powers, if any, as may be given to the Chairman of the Board, if there be such an officer, the President shall have the general powers and duties of management usually vested in the office of the president of a corporation and such other powers and duties as may be prescribed by the Board or the Chief Executive Officer, if other than the

President. In the absence of the Chairman of the Board, or if there be none, the President shall preside at all meetings of the shareholders and the Board. In the absence or disability of the Chief Executive Officer, if other than the President, the President shall perform all the duties of the Chief Executive Officer and, when so acting, shall have all of the powers of, and be subject to all the restrictions upon, the Chief Executive Officer.

Section 8. VICE PRESIDENTS. The Executive Vice President and Senior Vice President, if any, and other Vice Presidents shall have (subject to the authority of the Board) such powers and perform such duties as from time to time determined by the Chief Executive Officer. In the absence or disability of the President, the Vice Presidents, in the following order, shall perform all the duties of the President and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President: the Executive Vice President, if any, the Senior Vice President, if any, and the Vice Presidents in the order of their rank as fixed by the Board, or if not ranked, the Vice President designated by the Board. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for them, respectively, by the Board.

Section 9. SECRETARY. The Secretary shall keep or cause to be kept, at the principal executive office and such other place as the Board may order, a book of minutes of all meetings of shareholders, the Board and its committees, with the time and place of holding, whether regular or special, how authorized, the notice thereof given, the names of those present at Board and committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, a copy of the Bylaws of the corporation at the principal executive office or business office in accordance with Section 213 of the California General Corporation Law.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, if one be appointed, a share register, or a duplicate share register, showing the names of the shareholders and their addresses, the number of classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the Board and any committees thereof required by these Bylaws or by law to be given, shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board.

Section 10. CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation, and shall send or cause to be sent to the shareholders of the corporation such financial statements and reports as are by law or these Bylaws required to be sent to them. The books of account shall at all times be open to inspection by any director.

The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the Board. The Chief Financial Officer shall disburse the funds of the corporation as may be ordered by the Board, shall render to the President and the directors, whenever they request it, an account of all transactions as Chief Financial Officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board.

ARTICLE V. Other Provisions.

Section 1. INSPECTION OF CORPORATE RECORDS.

(a) A shareholder or shareholders holding at least five percent in the aggregate of the outstanding voting shares of the corporation or who hold at least one percent of such voting

shares and have filed a Schedule 14B with the United States Securities and Exchange Commission relating to the election of directors of the corporation shall have the absolute right to do either or both of the following:

(i) Inspect and copy the record of shareholders' names and addresses and shareholders during usual business hours upon five business days' prior written demand upon the corporation; or

(ii) Obtain from the transfer agent, if any, for the corporation, upon five business days' prior written demand and upon the tender of its usual charges for such a list (the amount of which charges shall be stated to the shareholder by the transfer agent upon request), a list of the shareholders' names and addresses who are entitled to vote for the election of directors and their shareholdings, as of the most recent compiled or as of the date specified by the shareholder subsequent to the date of demand.

(b) The record of shareholders shall also be open to inspection and copying by any shareholder or holder of a voting trust certificate at any time during usual business hours upon written demand on the corporation, for a purpose reasonably related to such holder's interest as a shareholder or holder of a voting trust certificate.

(c) The accounting books and records and minutes of proceedings of the shareholders and the Board and committees of the Board shall be open to inspection upon written demand on the corporation of any shareholder or holder of a voting trust certificate at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interests as a shareholder or as a holder of such voting trust certificate.

(d) Any inspection and copying under this Article may be made in person or by agent or attorney.

Section 2. INSPECTION OF BYLAWS. The corporation shall keep in its principal executive office in the State of California, or if its principal executive office is not in such State at its principal business office in such state, the original or copy of these Bylaws as amended to date, which shall be open to inspection by shareholders at all reasonable times during office hours. If the principal executive office of the corporation is located outside the State of California and the corporation has no principal business office in such state, it shall upon the written request of any shareholder furnish to such shareholder a copy of these Bylaws as amended to date.

Section 3. ENDORSEMENT OF DOCUMENTS, CONTRACTS. Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, share certificate, conveyance or other instrument in writing and any assignment or endorsements thereof executed or entered into between the corporation and any other person, when signed by the Chairman of the Board, the President or any Vice President and the Secretary, any Assistant Secretary, the Chief Financial Officer, the Treasurer or any Assistant Treasurer of the corporation, shall be valid and binding on the corporation in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same. Any such instruments may be signed by any other person or persons and in such manner as from time to time shall be determined by the Board, and, unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

Section 4. CERTIFICATES OF STOCK. Every holder of shares of the corporation shall be entitled to have a certificate signed in the name of the corporation by the Chairman of the Board, the President or a Vice President and by the Chief Financial Officer, the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be facsimile. If any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued

by the corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

Certificates for shares may be issued prior to full payment under such restrictions and for such purposes as the Board may provide; provided, however, that on any certificate issued to represent any partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated.

Except as provided in this Section, no new certificate for shares shall be issued in lieu of an old one unless the latter is surrendered and cancelled at the same time. The Board may, however, if any certificate for shares is alleged to have been lost, stolen or destroyed, authorize the issuance of a new certificate in lieu thereof, and the corporation may require that the corporation be given a bond or other adequate security sufficient to indemnify it against any claim that may be made against it (including expense or liability) on account of the alleged loss, theft or destruction of such certificate or the issuance of such new certificate.

Section 5. REPRESENTATION OF SHARES OF OTHER CORPORATIONS. The Chief Executive Officer, the President or any other officer or officers authorized by the Board or the Chief Executive Officer are each authorized to vote, represent and exercise on behalf of the corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the corporation. The authority herein granted may be exercised either by any such officer in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officer.

Section 6. STOCK PURCHASE PLANS. The corporation may adopt and carry out a stock purchase plan or agreement or stock option plan or agreement providing for the issue and sale for such consideration as may be fixed of its unissued shares, or of issued shares acquired or to be acquired, to one or more of the employees or directors of the corporation or of a subsidiary or to a trustee on their behalf and for the payment for such shares in installments or at one time, and may provide for aiding any such persons in paying for such shares by compensation for services rendered, promissory notes or otherwise.

Any such stock purchase plan or agreement or stock option plan or agreement may include, among other features, the fixing of eligibility for participation therein, the class and price of shares to be issued or sold under the plan or agreement, the number of shares which may be subscribed for, the method of payment therefor, the reservation of title until full payment therefor, the effect of the termination of employment, an option or obligation on the part of the corporation, to repurchase the shares upon termination of employment, restrictions upon transfer of the shares, the time limits of and termination of the plan, and any other matters, not in violation of applicable law, as may be included in the plan as approved or authorized by the Board or any committee of the Board.

Section 7. CONSTRUCTION AND DEFINITIONS. Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the General Provisions of the California Corporations Code and in the California General Corporation Law shall govern the construction of these Bylaws.

ARTICLE VI. Indemnification.

Section 1. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

(a) Each person who was or is a party or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the corporation, or of any predecessor corporation, or is or was a director or officer who is or was serving at the request of the corporation as a director, officer, employee or other agent of another corporation, a partnership, joint venture, trust or other enterprise (including service with respect to corporation-sponsored employee benefit plans), whether the basis of such proceeding is alleged action or inaction in an official capacity as a director or officer or in any other capacity while

serving as a director or officer, shall, subject to the terms of any agreement between the corporation and such person, be indemnified and held harmless by the corporation to the fullest extent permissible under California law and the corporation's Articles, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith; provided, however, that amounts paid in settlement of a proceeding shall be payable only if the settlement is approved in writing by the corporation. Such indemnification shall continue as to a person who has ceased to be a director or officer for acts performed while a director or officer and shall inure to the benefit of his or her heirs, executors and administrators. Notwithstanding the foregoing, the corporation shall indemnify any such person in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of the corporation. The right to indemnification conferred in this Article shall include the right to be paid by the corporation the expenses incurred in defending any proceeding in advance of final disposition to the fullest extent permitted by law; provided, however, that the payment under this Article of such expenses in advance of the final disposition of a proceedings shall be conditioned upon the delivery to the corporation of a written request for such advance and of an undertaking by or on behalf of the director or officer to repay all amounts so advanced if it shall be ultimately determined that such director or officer is not entitled to be indemnified.

(b) Notwithstanding the foregoing or any other provisions under this Article, the corporation shall not be liable under this Article to indemnify a director or officer against expenses, liabilities or losses incurred or suffered in connection with, or make any advances with respect to, any proceeding against a director or officer: (i) as to which the corporation is prohibited by applicable law from paying as an indemnity; (ii) with respect to expenses of defense or investigation, if such expenses were or are incurred without the corporation's consent (which consent may not be unreasonably withheld); (iii) for which payment is actually made to the director or officer under a valid and collectible insurance policy maintained by the corporation, except in respect of any excess beyond the amount of payment under such insurance; (iv) for which payment is actually made to the director or officer under an indemnity by the corporation otherwise than pursuant to this Bylaw Article, except in respect of any excess beyond the amount of payment under such indemnity; (v) based upon or attributable to the director or officer gaining in fact any personal profit or advantage to which he or she was not legally entitled; (vi) for an accounting of profits made from the purchase or sale by the director or officer of securities of the corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law; or (vii) based upon acts or omissions involving intentional misconduct or a knowing and culpable violation of law.

Section 2. INDEMNIFICATION OF EMPLOYEES AND AGENTS. A person who was or is a party or is threatened to be made a party to or is involved in any proceeding by reason of the fact that he or she is or was an employee or agent of the corporation or is or was an employee or agent of the corporation who is or was serving at the request of the corporation as an employee or agent of another enterprise, including service with respect to corporation-sponsored employee benefits plans, whether the basis of such action is alleged action or inaction in an official capacity or in any other capacity while serving as an employee or agent, may, upon appropriate action by the corporation and subject to the terms of any agreement between the corporation and such person, be indemnified and held harmless by the corporation up to the fullest extent permitted by California law and the corporation's Articles, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith.

Section 3. RIGHT OF DIRECTORS AND OFFICERS TO BRING SUIT. If a claim under Section 1 of this Article is not paid by the corporation or on its behalf within 90 days after a written

claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim, and, if successful in whole or in part, the claimant also shall be entitled to be paid the expense of prosecuting such claim.

Section 4. SUCCESSFUL DEFENSE. Notwithstanding any other provision of this Article, to the extent that a director or officer has been successful on the merits or otherwise (including the dismissal of a proceeding without prejudice or the settlement with the written consent of the corporation of a proceeding without admission of liability) in defense of any proceeding referred to in Section 1 or in defense of any claim, issue or matter therein, such director or officer shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith.

Section 5. INDEMNITY AGREEMENTS. The corporation may enter into agreements with any director, officer, employee or agent of the corporation providing for indemnification to the fullest extent permissible under applicable law and the corporation's Articles.

Section 6. SUBROGATION. In the event of payment by the corporation of a claim under Section 1 of this Article, the corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the indemnified person, who shall execute all papers required and shall do everything that may be necessary or appropriate to secure such rights, including the execution of such documents necessary or appropriate to enable the corporation effectively to bring suit to enforce such rights.

Section 7. NON-EXCLUSIVITY RIGHTS. The right to indemnification provided by this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, bylaw, agreement, vote of shareholders or disinterested directors or otherwise.

Section 8. INSURANCE. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, a partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under California law.

Section 9. EXPENSES AS A WITNESS. To the extent that any director, officer or employee of the corporation is by reason of such position a witness in any action, suit or proceeding, he or she will be indemnified against all costs and expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

Section 10. NONAPPLICABILITY TO FIDUCIARIES OF EMPLOYEE BENEFIT PLANS. This Article does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the corporation. The corporation shall have power to indemnify such trustee, investment manager or other fiduciary to the extent permitted by subdivision (f) of Section 207 of the California General Corporation Law.

Section 11. SEPARABILITY. Each and every paragraph, sentence, term and provision of this Article is separate and distinct so that if any paragraph, sentence, term or provision shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of any other paragraph, sentence, term or provision hereof. To the extent required, any paragraph, sentence, term or provision of this Article may be modified by a court of competent jurisdiction to preserve its validity and to provide the claimant with, subject to the limitations set forth in this Article and any agreement between the corporation and the claimant, the broadest possible indemnification permitted under applicable law.

Section 12. EFFECT OF REPEAL OR MODIFICATION. Any repeal or modification of this Article shall not adversely affect any right of indemnification of a director, officer, employee or

agent of the corporation existing at the time of such repeal or modification with respect to any action or omission occurring prior to such repeal or modification.

ARTICLE VII. Emergency Provisions.

Section 1. GENERAL. The provisions of this Article shall be operative only during a national emergency declared by the President of the United States or the person performing the President's functions, or in the event of a nuclear, atomic or other attack on the United States or a disaster making it impossible or impracticable for the corporation to conduct its business without recourse to the provisions of this Article. Said provisions in such event shall override all other Bylaws of the corporation in conflict with any provisions of this Article, and shall remain operative so long as it remains impossible or impracticable to continue the business of the corporation otherwise, but thereafter shall be inoperative; provided that all actions taken in good faith pursuant to such provisions shall thereafter remain in full force and effect unless and until revoked by action taken pursuant to the provisions of the Bylaws other than those contained in this Article.

Section 2. UNAVAILABLE DIRECTORS. All directors of the corporation who are not available to perform their duties as directors by reason of physical or mental incapacity or for any other reason or who are unwilling to perform their duties or whose whereabouts are unknown shall automatically cease to be directors, with like effect as if such persons had resigned as directors, so long as such unavailability continues.

Section 3. AUTHORIZED NUMBER OF DIRECTORS. The authorized number of directors shall be the number of directors remaining after eliminating those who have ceased to be directors pursuant to Section 2, or the minimum number required by law, whichever number is greater.

Section 4. QUORUM. The number of directors necessary to constitute a quorum shall be one-third of the authorized number of directors as specified in the foregoing Section, or other minimum number as, pursuant to the law or lawful decree then in force, it is possible for the Bylaws of a corporation to specify.

Section 5. CREATION OF EMERGENCY COMMITTEE. In the event the number of directors remaining after eliminating those who have ceased to be directors pursuant to Section 2 is less than the minimum number of authorized directors required by law, then until the appointment of additional directors to make up such required minimum, all the powers and authorities which the Board could by law delegate, including all powers and authorities which the Board could delegate to a committee, shall be automatically vested in an emergency committee, and the emergency committee shall thereafter manage the affairs of the corporation pursuant to such powers and authorities and shall have all other powers and authorities as may by law or lawful decree be conferred on any person or body of persons during a period of emergency.

Section 6. CONSTITUTION OF EMERGENCY COMMITTEE. The emergency committee shall consist of all the directors remaining after eliminating those who have ceased to be directors pursuant to Section 2, provided that such remaining directors are not less than three in number. In the event such remaining directors are less than three in number the emergency committee shall consist of three persons, who shall be the remaining director or directors and either one or two officers or employees of the corporation as the remaining director or directors may in writing designate. If there is no remaining director, the emergency committee shall consist of the three most senior officers of the corporation who are available to serve, and if and to the extent that officers are not available, the most senior employees of the corporation. Seniority shall be determined in accordance with any designation of seniority in the minutes of the proceedings of the Board, and in the absence of such designation, shall be determined by rate of remuneration. In the event that there are no remaining directors and no officers or employees of the corporation available, the emergency committee shall consist of three persons designated in writing by the shareholder owning the largest number of shares of record as of the date of the last record date.

Section 7. POWERS OF EMERGENCY COMMITTEE. The emergency committee, once appointed, shall govern its own procedures and shall have power to increase the number of members thereof beyond the original number, and in the event of a vacancy or vacancies therein, arising at any time, the remaining member or members of the emergency committee shall have the power to fill such vacancy or vacancies. In the event at any time after its appointment all members of the emergency committee shall die or resign or become unavailable to act for any reason whatsoever, a new emergency committee shall be appointed in accordance with the foregoing provisions of this Article.

Section 8. DIRECTORS BECOMING AVAILABLE. Any person who has ceased to be a director pursuant to the provisions of Section 2 and who thereafter becomes available to serve as a director shall automatically become a member of the emergency committee.

Section 9. ELECTION OF BOARD OF DIRECTORS. The emergency committee, shall, as soon after its appointment as is practicable, take all requisite action to secure the election of a board of directors, and upon such election, all the powers and authorities of the emergency committee shall cease.

Section 10. TERMINATION OF EMERGENCY COMMITTEE. In the event, after the appointment of an emergency committee, a sufficient number of persons who ceased to be directors pursuant to Section 2 become available to serve as directors, so that if they had not ceased to be directors as aforesaid, there would be enough directors to constitute the minimum number of directors required by law, then all such persons shall automatically be deemed to be reappointed as directors and the powers and authorities of the emergency committee shall be at an end.

ARTICLE VIII. Amendments.

Subject to the Articles of Incorporation, these Bylaws may be amended or repealed either by approval of the outstanding shares (as defined in Section 152 of the California General Corporation Law) or by the approval of the Board; provided, however, that after the issuance of shares, a bylaw specifying or changing a fixed number of directors or the maximum or minimum number or changing from a fixed to a variable number of directors or vice versa may only be adopted by approval of the outstanding shares and a bylaw reducing the fixed number or the minimum number of directors to a number less than five shall be subject to the provisions of Section 212(a) of the California General Corporation Law.

CHANGE-IN-CONTROL AGREEMENT

This Change-in-Control Agreement (the "Agreement") is dated as of October 27, 1998, and is entered into by and among Floyd E. Wicks (the "Executive"), American States Water Company (the "Company") and its wholly owned subsidiary, Southern California Water Company, a California corporation ("SCW").

RECITALS

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

TERMS AND CONDITIONS

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

1. Term of Agreement

If a Change in Control (as defined in Section 3) occurs on or before the expiration date of this Agreement and while the Executive is still an employee of the Company or SCW, then this Agreement will continue in effect for two years from the date of such Change in Control and, if the Executive's employment with the Company or SCW is terminated within such two-year period, this Agreement shall thereafter continue in effect until all of the obligations of the Company and SCW under this Agreement shall have been fulfilled. If no Change in Control occurs on or before December 31, 2000, this Agreement shall expire; provided, however that this Agreement shall be automatically extended for an additional two years to December 31, 2002 if (i) a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or SCW on or before the expiration date, or (ii) the Company and SCW have not delivered to you or you shall have not delivered to the Company and SCW written notice at least 60 days prior to the expiration date that such expiration date shall not be so extended. This Agreement shall continue to be automatically extended for an additional two-year period and each succeeding two-year period if a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or SCW or the Company, SCW or you have failed to give notice by the time and in the manner described in this Section 1.

2. Change in Control Date

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

3. Change in Control

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

events:

(a) the dissolution or liquidation of either the Company or SCW, unless its business is continued by another entity in which holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(b) any sale, lease, exchange or other transfer (in one or a series of transactions) of all or substantially all of the assets of either the Company or SCW, unless its business is continued by another entity in which holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(c) any reorganization or merger of the Company or SCW, unless the holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing or surviving entity's voting securities immediately after the event;

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

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

4. Effective Period

For the purpose of this Agreement, the "Effective Period" is the period commencing on the Change in Control Date and ending on the date this Agreement terminates.

5. Termination of Employment

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

(b) Cause: The Company or SCW may terminate the Executive's employment other than for Cause or Disability during the Effective Period as provided in Section 6(a). The Company or SCW may also terminate the Executive's employment during the Effective Period for Cause. For purposes of this Agreement, "Cause" shall be limited to the following:

(i) the Executive's failure to render services to the Company or SCW where such failure amounts to gross neglect or gross misconduct of the Executive's responsibility

and duties,

(ii) the Executive's commission of an act of fraud or dishonesty against the Company or any affiliate of the Company, or

(iii) the Executive's conviction of a felony or other crime involving moral turpitude.

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

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect on the Change in Control Date, or any other action by the Company or SCW which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company or SCW, as the case may be, promptly after receipt of notice thereof given by the Executive;

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

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

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

(v) the Company's or SCW's requiring the Executive to be based at any office or location which increases the distance from the Executive's home to the office location by more than [35] miles from the distance in effect as of the Change in Control Date;

(vi) any failure by the Company or SCW to comply with and satisfy Section 10(c) of this Agreement.

6. Obligations of the Company upon Termination

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

(i) The Company and/or SCW shall pay to the Executive in a cash lump sum within 10 days from the date of the Executive's termination of employment an amount equal to the product of (A) and (B), where (A) is three and (B) is the Executive's annual base salary at the highest of the rate in effect at any time during the three years preceding the date of termination.

(ii) The Company and/or SCW shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the sum of (A) the Executive's base salary through the date of termination, plus (B) any compensation previously deferred by the Executive (together with any accrued earnings or interest thereon), plus (C) any accrued vacation pay, in each case to the extent not theretofore paid (the amounts referred to in this paragraph (ii) are hereinafter referred to as the "Accrued Obligations").

(iii) The Company and/or SCW shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the excess of (A) over (B), where (A) is equal to the single sum actuarial equivalent of what would be the Executive's accrued benefits under the terms of the Southern California Water Company Pension Plan (or any successor thereto), including any supplemental retirement plan providing additional pension benefits, (hereinafter together referred to as the "Pension Plan") at the time of the Executive's termination of employment, without regard to whether such benefits are "vested" thereunder, if the Executive were credited with an additional two years of continuous service after the termination of Executive's employment with the Company or SCW at the Executive's highest annual rate of compensation covered by such Pension Plan within the three years preceding the date of the termination of the Executive's employment with the Company or SCW and (B) is equal to the single sum actuarial equivalent of the Executive's accrued benefits under the Pension Plan at the time of the Executive's termination of employment. The payment under this paragraph (iii) shall not extinguish any rights the Executive has to benefits under the Pension Plan. For purposes of this paragraph, "actuarial equivalent" shall be determined using the actuarial assumptions used under the Pension Plan for determining the actuarial equivalence of different annuity forms of benefits. In no event shall the additional two years of continuous service referred to above cause the Executive to be deemed to be older than the Executive's actual age for any purpose under this Agreement.

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

(v) The Company and/or SCW shall enable the Executive to purchase, at the end of the Effective Period, the automobile, if any, provided by the Company and/or SCW for the Executive's use at the time of the Executive's termination of employment at the wholesale value of such automobile at such time, as shown in the current addition of the National Auto Research Publication Blue Book. At the Executive's election, the Executive may retain any existing club memberships of the Executive purchased by the Company or SCW upon reimbursement to the Company or SCW, as the case may be, of any membership costs paid by the Company or SCW.

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

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

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

(c) Disability: If the Executive's employment is terminated by reason of the Executive's Disability during the Effective Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a cash lump sum within 30 days of the Executive's termination of employment.

(d) Cause, Other than for Good Reason: If the Executive's employment shall be terminated for Cause during the Effective Period or, if the Executive voluntarily terminates employment during the Effective Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and any benefits payable to Executive under a plan, policy, practice, etc., referred to in Section 7 below. Accrued Obligations shall be paid to the Executive in a cash lump sum within 60 days of the Executive's termination of employment.

7. Non-Exclusivity of Rights

Subject to Section 8, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliates and for which the Executive may qualify, nor, subject to Sections 8 and 19, shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliates. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice, program, contract or agreement with the Company or any of its affiliates at or subsequent to the date of termination of the Executive's employment shall be payable in accordance with such plan, policy, practice, program, contract or agreement except as explicitly modified by this Agreement.

8. Limitation on Benefits

(a) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company, SCW or another entity or person, would constitute "parachute payments" within the meaning of Section 280G of the Code, then such payments or benefits shall be modified to the extent necessary so that no portion of such benefits or payments shall subject the Executive to any excise tax under Section 4999 of the Code.

(b) In the event the amount of any "parachute payments" which would be payable to or for the benefit of the Executive without regard to this Section must be modified to comply with this Section, the Executive shall direct which "parachute payments" are to be waived or modified; provided, however, that no change in timing of the payments shall be made without the consent of the Company or SCW.

(d) Payment of amounts pursuant to this Agreement shall not, unless directed by the Executive, be delayed pending determination of the status of a payment as a "parachute payment" by the Internal Revenue Service, court or similar body of competent jurisdiction. Either the Company, SCW or the Executive may, however, request a determination as to whether the payment or benefit would constitute a parachute payment and, if so requested, such determination shall be made by an independent accounting firm selected by the Company and SCW and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.

(c) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company, SCW or another entity or person, would not be deductible by the Company or SCW due to limitations imposed by Section 162(m) of the Code, then such payments or benefits shall be deferred to the extent necessary until such time as such payments would be deductible under Section 162(m) of the Code. Either the Company, SCW or the Executive may request a determination as to whether any payments would be subject to limitations on deductibility under Section 162(m) of the Code and, if so requested, such determination shall be made by independent legal counsel selected by the Company or SCW and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code. [The Executive shall also be entitled to interest on any payments deferred as a result of the limitations on deductibility under Section 162(m) of the Code at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.]

9. Full Settlement

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

10. Successors

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

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

(c) The Company and SCW will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of their business and/or assets to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company or SCW would be required to perform it if no such succession had taken place. As used in this

Agreement, the "Company" shall mean the Company as defined and any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise, and "SCW" shall mean SCW as defined and any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

11. Arbitration

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

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

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

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

(e) The Company and SCW will be considered the prevailing party in a dispute if the arbitrator determines that neither the Company nor SCW has breached this Agreement. Otherwise, the Executive will be considered the prevailing party. In the event that the Company and SCW are the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (excluding any attorneys' fees incurred by the Company or SCW) including

stenographic reporter, if employed, shall be paid by the Executive. In the event that Executive is the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (including all attorneys' fees incurred by the Executive), including the fees of a stenographic reporter if employed, shall be paid by the Company and SCW.

12. Governing Law

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

13. Captions

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

14. Amendment

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

15. Notices

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

If to the Executive: _____

If to the Company: American States Water Company
630 East Foothill Boulevard
San Dimas, CA 91773
Attn: Secretary

If to SCW: Southern California Water Company
630 East Foothill Boulevard
San Dimas, CA 91773
Attn: Secretary

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

16. Severability

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

17. Withholding Taxes

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

18. No Waiver

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

19. At-Will Employment

The Executive, the Company and SCW acknowledge that, except as may otherwise be provided under any other written agreement between the Executive, the Company and SCW, the employment of the Executive by the Company and SCW

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

20. Counterparts

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

21. Joint and Several Liability

The obligation of the Company and SCW to make payments hereunder shall be joint and several.

22. Allocation of Payments

As between the Company and SCW, any payments to be made by the Company and/ SCW hereunder shall be allocated between the Company and SCW on the same basis as the payment of salary and benefits of the Executive were allocated between the Company and SCW immediately prior to the Change in Control Date.

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

AMERICAN STATES WATER COMPANY

By /s/ McClellan Harris III

Title Vice President - Finance,
Chief Financial Officer,
Treasurer and Corporate Secretary

SOUTHERN CALIFORNIA WATER COMPANY

By /s/ McClellan Harris III

Title Vice President - Finance,
Chief Financial Officer,
Treasurer and Corporate Secretary

EXECUTIVE

/s/ Floyd E. Wicks

EXHIBIT 10.02
CHANGE-IN-CONTROL AGREEMENT

This Change-in-Control Agreement (the "Agreement") is dated as of October 27, 1998, and is entered into by and among McClellan Harris III (the "Executive"), American States Water Company (the "Company") and its wholly owned subsidiary, Southern California Water Company, a California corporation ("SCW").

RECITALS

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

TERMS AND CONDITIONS

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

1. Term of Agreement

If a Change in Control (as defined in Section 3) occurs on or before the expiration date of this Agreement and while the Executive is still an employee of the Company or SCW, then this Agreement will continue in effect for two years from the date of such Change in Control and, if the Executive's employment with the Company or SCW is terminated within such two-year period, this Agreement shall thereafter continue in effect until all of the obligations of the Company and SCW under this Agreement shall have been fulfilled. If no Change in Control occurs on or before December 31, 2000, this Agreement shall expire; provided, however that this Agreement shall be automatically extended for an additional two years to December 31, 2002 if (i) a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or SCW on or before the expiration date, or (ii) the Company and SCW have not delivered to you or you shall have not delivered to the Company and SCW written notice at least 60 days prior to the expiration date that such expiration date shall not be so extended. This Agreement shall continue to be automatically extended for an additional two-year period and each succeeding two-year period if a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or SCW or the Company, SCW or you have failed to give notice by the time and in the manner described in this Section 1.

2. Change in Control Date

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

3. Change in Control

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

(a) the dissolution or liquidation of either the Company or SCW, unless its business is continued by another entity in which holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(b) any sale, lease, exchange or other transfer (in one or a series of transactions) of all or substantially all of the assets of either the Company or SCW, unless its business is continued by another entity in which holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(c) any reorganization or merger of the Company or SCW, unless the holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing or surviving entity's voting securities immediately after the event;

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

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

4. Effective Period

For the purpose of this Agreement, the "Effective Period" is the period commencing on the Change in Control Date and ending on the date this Agreement terminates.

5. Termination of Employment

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

(b) Cause: The Company or SCW may terminate the Executive's employment other than for Cause or Disability during the Effective Period as provided in Section 6(a). The Company or SCW may also terminate the Executive's employment during the Effective Period for Cause. For purposes of this Agreement, "Cause" shall be limited to the following:

(i) the Executive's failure to render services to the Company or SCW where such failure amounts to gross neglect or gross misconduct of the Executive's responsibility and duties,

(ii) the Executive's commission of an act of fraud or dishonesty against the Company or any affiliate of the Company, or

(iii) the Executive's conviction of a felony or other crime involving moral turpitude.

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

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect on the Change in Control Date, or any other action by the Company or SCW which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company or SCW, as the case may be, promptly after receipt of notice thereof given by the Executive;

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

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

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

(v) the Company's or SCW's requiring the Executive to be based at any office or location which increases the distance from the Executive's home to the office location by more than [35] miles from the distance in effect as of the Change in Control Date;

(vi) any failure by the Company or SCW to comply with and satisfy Section 10(c) of this Agreement.

6. Obligations of the Company upon Termination

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

(i) The Company and/or SCW shall pay to the Executive in a cash lump sum within 10 days from the date of the Executive's termination of employment an amount equal to the product of (A) and (B), where (A) is three and (B) is the Executive's annual base salary at the highest of the rate in effect at any time during the three years preceding the date of termination.

(ii) The Company and/or SCW shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the sum of (A) the Executive's base salary through the date of termination, plus (B) any compensation previously deferred by the Executive (together with any accrued earnings or interest thereon), plus (C) any accrued vacation pay, in each case to the extent not theretofore paid (the amounts referred to in this paragraph (ii) are hereinafter referred to as the "Accrued Obligations").

(iii) The Company and/or SCW shall also pay to the

Executive in a cash lump sum within 10 days from the date of termination an amount equal to the excess of (A) over (B), where (A) is equal to the single sum actuarial equivalent of what would be the Executive's accrued benefits under the terms of the Southern California Water Company Pension Plan (or any successor thereto), including any supplemental retirement plan providing additional pension benefits, (hereinafter together referred to as the "Pension Plan") at the time of the Executive's termination of employment, without regard to whether such benefits are "vested" thereunder, if the Executive were credited with an additional two years of continuous service after the termination of Executive's employment with the Company or SCW at the Executive's highest annual rate of compensation covered by such Pension Plan within the three years preceding the date of the termination of the Executive's employment with the Company or SCW and (B) is equal to the single sum actuarial equivalent of the Executive's accrued benefits under the Pension Plan at the time of the Executive's

termination of employment. The payment under this paragraph (iii) shall not extinguish any rights the Executive has to benefits under the Pension Plan. For purposes of this paragraph, "actuarial equivalent" shall be determined using the actuarial assumptions used under the Pension Plan for determining the actuarial equivalence of different annuity forms of benefits. In no event shall the additional two years of continuous service referred to above cause the Executive to be deemed to be older than the Executive's actual age for any purpose under this Agreement.

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

(v) The Company and/or SCW shall enable the Executive to purchase, at the end of the Effective Period, the automobile, if any, provided by the Company and/or SCW for the Executive's use at the time of the Executive's termination of employment at the wholesale value of such automobile at such time, as shown in the current addition of the National Auto Research Publication Blue Book. At the Executive's election, the Executive may retain any existing club memberships of the Executive purchased by the Company or SCW upon reimbursement to the Company or SCW, as the case may be, of any membership costs paid by the Company or SCW.

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

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

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

(c) Disability: If the Executive's employment is terminated by reason of the Executive's Disability during the Effective Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a cash lump sum within 30 days of the Executive's termination of employment.

(d) Cause, Other than for Good Reason: If the Executive's employment shall be terminated for Cause during the Effective Period or, if the Executive voluntarily terminates employment during the Effective Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and any benefits payable to Executive under a plan, policy, practice, etc., referred to in Section 7 below. Accrued Obligations shall be paid to the Executive in a cash lump sum within 60 days of the Executive's termination of employment.

7. Non-Exclusivity of Rights

Subject to Section 8, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliates and for which the Executive may qualify, nor, subject to Sections 8 and 19, shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliates. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice, program, contract or agreement with the Company or any of its affiliates at or subsequent to the date of termination of the Executive's employment shall be payable in accordance with such plan, policy, practice, program, contract or agreement except as explicitly modified by this Agreement.

8. Limitation on Benefits

(a) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company, SCW or another entity or person, would constitute "parachute payments" within the meaning of Section 280G of the Code, then such payments or benefits shall be modified to the extent necessary so that no portion of such benefits or payments shall subject the Executive to any excise tax under Section 4999 of the Code.

(b) In the event the amount of any "parachute payments" which would be payable to or for the benefit of the Executive without regard to this Section must be modified to comply with this Section, the Executive shall direct which "parachute payments" are to be waived or modified; provided, however, that no change in timing of the payments shall be made without the consent of the Company or SCW.

(d) Payment of amounts pursuant to this Agreement shall not, unless directed by the Executive, be delayed pending determination of the status of a payment as a "parachute payment" by the Internal Revenue Service, court or similar body of competent jurisdiction. Either the Company, SCW or the Executive may, however, request a determination as to whether the payment or benefit would constitute a parachute payment and, if so requested, such determination shall be made by an independent accounting firm selected by the Company and SCW and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.

(c) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company, SCW or another entity or person, would not be deductible by the Company or SCW due to limitations imposed by Section 162(m) of the Code, then such payments or benefits shall be deferred to the extent necessary until such time as such payments would be deductible under Section 162(m) of the Code. Either the Company, SCW or the Executive may request a determination as to whether any payments would be subject to limitations on deductibility under Section 162(m) of the Code and, if so requested, such determination shall be made by independent legal counsel selected by the Company or SCW and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code. [The Executive shall also be entitled to interest on any payments deferred as a result of the limitations on deductibility under Section 162(m) of the Code at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.]

9. Full Settlement

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

10. Successors

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

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

(c) The Company and SCW will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of their business and/or assets to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company or SCW would be required to perform it if no such succession had taken place. As used in this

Agreement, the "Company" shall mean the Company as defined and any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise, and "SCW" shall mean SCW as defined and any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

11. Arbitration

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

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

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

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

(e) The Company and SCW will be considered the prevailing party in a dispute if the arbitrator determines that neither the Company nor SCW has breached this Agreement. Otherwise, the Executive will be considered the prevailing party. In the event that the Company and SCW are the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (excluding any attorneys' fees incurred by the Company or SCW) including

stenographic reporter, if employed, shall be paid by the Executive. In the event that Executive is the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (including all attorneys' fees incurred by the Executive), including the fees of a stenographic reporter if employed, shall be paid by the Company and SCW.

12. Governing Law

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

13. Captions

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

14. Amendment

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

15. Notices

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

If to the Executive: _____

If to the Company: American States Water Company
630 East Foothill Boulevard
San Dimas, CA 91773
Attn: Secretary

If to SCW: Southern California Water Company
630 East Foothill Boulevard
San Dimas, CA 91773
Attn: Secretary

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

16. Severability

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

17. Withholding Taxes

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

18. No Waiver

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

19. At-Will Employment

The Executive, the Company and SCW acknowledge that, except as may otherwise be provided under any other

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

20. Counterparts

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

21. Joint and Several Liability

The obligation of the Company and SCW to make payments hereunder shall be joint and several.

22. Allocation of Payments

As between the Company and SCW, any payments to be made by the Company and/ SCW hereunder shall be allocated between the Company and SCW on the same basis as the payment of salary and benefits of the Executive were allocated between the Company and SCW immediately prior to the Change in Control Date.

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

AMERICAN STATES WATER COMPANY

By /s/ Floyd E. Wicks

Title President and Chief
Executive Officer

SOUTHERN CALIFORNIA WATER COMPANY

By /s/ Floyd E. Wicks

Title President and Chief
Executive Officer

EXECUTIVE

/s/ McClellan Harris III

EXHIBIT 10.03
CHANGE-IN-CONTROL AGREEMENT

This Change-in-Control Agreement (the "Agreement") is dated as of October 27, 1998, and is entered into by and among Joel A. Dickson (the "Executive"), American States Water Company (the "Company") and its wholly owned subsidiary, Southern California Water Company, a California corporation ("SCW").

RECITALS

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

TERMS AND CONDITIONS

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

1. Term of Agreement

If a Change in Control (as defined in Section 3) occurs on or before the expiration date of this Agreement and while the Executive is still an employee of the Company or SCW, then this Agreement will continue in effect for two years from the date of such Change in Control and, if the Executive's employment with the Company or SCW is terminated within such two-year period, this Agreement shall thereafter continue in effect until all of the obligations of the Company and SCW under this Agreement shall have been fulfilled. If no Change in Control occurs on or before December 31, 2000, this Agreement shall expire; provided, however that this Agreement shall be automatically extended for an additional two years to December 31, 2002 if (i) a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or SCW on or before the expiration date, or (ii) the Company and SCW have not delivered to you or you shall have not delivered to the Company and SCW written notice at least 60 days prior to the expiration date that such expiration date shall not be so extended. This Agreement shall continue to be automatically extended for an additional two-year period and each succeeding two-year period if a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or SCW or the Company, SCW or you have failed to give notice by the time and in the manner described in this Section 1.

2. Change in Control Date

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

3. Change in Control

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

(a) the dissolution or liquidation of either the Company or SCW, unless its business is continued by another entity in which holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(b) any sale, lease, exchange or other transfer (in one or a series of transactions) of all or substantially all of the assets of either the Company or SCW, unless its business is continued by another entity in which holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(c) any reorganization or merger of the Company or SCW, unless the holders of the Company's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing or surviving entity's voting securities immediately after the event;

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

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

4. Effective Period

For the purpose of this Agreement, the "Effective Period" is the period commencing on the Change in Control Date and ending on the date this Agreement terminates.

5. Termination of Employment

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

(b) **Cause:** The Company or SCW may terminate the Executive's employment other than for Cause or Disability during the Effective Period as provided in Section 6(a). The Company or SCW may also terminate the Executive's employment during the Effective Period for Cause. For purposes of this Agreement, "Cause" shall be limited to the following:

(i) the Executive's failure to render services to the Company or SCW where such failure amounts to gross neglect or gross misconduct of the Executive's responsibility and duties,

(ii) the Executive's commission of an act of fraud or dishonesty against the Company or any affiliate of the Company, or

(iii) the Executive's conviction of a felony or other crime involving moral turpitude.

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

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect on the Change in Control Date, or any other action by the Company or SCW which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company or SCW, as the case may be, promptly after receipt of notice thereof given by the Executive;

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

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

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

(v) the Company's or SCW's requiring the Executive to be based at any office or location which increases the distance from the Executive's home to the office location by more than [35] miles from the distance in effect as of the Change in Control Date;

(vi) any failure by the Company or SCW to comply with and satisfy Section 10(c) of this Agreement.

6. Obligations of the Company upon Termination

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

(i) The Company and/or SCW shall pay to the Executive in a cash lump sum within 10 days from the date of the Executive's termination of employment an amount equal to the product of (A) and (B), where (A) is three and (B) is the Executive's annual base salary at the highest of the rate in effect at any time during the three years preceding the date of termination.

(ii) The Company and/or SCW shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the sum of (A) the Executive's base salary through the date of termination, plus (B) any compensation previously deferred by the Executive (together with any accrued earnings or interest thereon), plus (C) any accrued vacation pay, in each case to the extent not theretofore paid (the amounts referred to in this paragraph (ii) are hereinafter referred to as the "Accrued Obligations").

(iii) The Company and/or SCW shall also pay to the

Executive in a cash lump sum within 10 days from the date of termination an amount equal to the excess of (A) over (B), where (A) is equal to the single sum actuarial equivalent of what would be the Executive's accrued benefits under the terms of the Southern California Water Company Pension Plan (or any successor thereto), including any supplemental retirement plan providing additional pension benefits, (hereinafter together referred to as the "Pension Plan") at the time of the Executive's termination of employment, without regard to whether such benefits are "vested" thereunder, if the Executive were credited with an additional two years of continuous service after the termination of Executive's employment with the Company or SCW at the Executive's highest annual rate of compensation covered by such Pension Plan within the three years preceding the date of the termination of the Executive's employment with the Company or SCW and (B) is equal to the single sum actuarial equivalent of the Executive's accrued benefits under the Pension Plan at the time of the Executive's termination of employment. The payment under this paragraph (iii) shall not extinguish any rights the Executive has to benefits under the Pension Plan. For purposes of this paragraph, "actuarial equivalent" shall be determined using the actuarial assumptions used under the Pension Plan for determining the actuarial equivalence of different annuity forms of benefits. In no event shall the additional two years of continuous service referred to above cause the Executive to be deemed to be older than the Executive's actual age for any purpose under this Agreement.

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

(v) The Company and/or SCW shall enable the Executive to purchase, at the end of the Effective Period, the automobile, if any, provided by the Company and/or SCW for the Executive's use at the time of the Executive's termination of employment at the wholesale value of such automobile at such time, as shown in the current addition of the National Auto Research Publication Blue Book. At the Executive's election, the Executive may retain any existing club memberships of the Executive purchased by the Company or SCW upon reimbursement to the Company or SCW, as the case may be, of any membership costs paid by the Company or SCW.

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

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

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

(c) Disability: If the Executive's employment is terminated by reason of the Executive's Disability during the Effective Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a cash lump sum within 30 days of the Executive's termination of employment.

(d) Cause, Other than for Good Reason: If the Executive's employment shall be terminated for Cause during the Effective Period or, if the Executive voluntarily terminates employment during the Effective Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and any benefits payable to Executive under a plan, policy, practice, etc., referred to in Section 7 below. Accrued Obligations shall be paid to the Executive in a cash lump sum within 60 days of the Executive's termination of employment.

7. Non-Exclusivity of Rights

Subject to Section 8, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliates and for which the Executive may qualify, nor, subject to Sections 8 and 19, shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliates. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice, program, contract or agreement with the Company or any of its affiliates at or subsequent to the date of termination of the Executive's employment shall be payable in accordance with such plan, policy, practice, program, contract or agreement except as explicitly modified by this Agreement.

8. Limitation on Benefits

(a) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company, SCW or another entity or person, would constitute "parachute payments" within the meaning of Section 280G of the Code, then such payments or benefits shall be modified to the extent necessary so that no portion of such benefits or payments shall subject the Executive to any excise tax under Section 4999 of the Code.

(b) In the event the amount of any "parachute payments"

which would be payable to or for the benefit of the Executive without regard to this Section must be modified to comply with this Section, the Executive shall direct which "parachute payments" are to be waived or modified; provided, however, that no change in timing of the payments shall be made without the consent of the Company or SCW.

(d) Payment of amounts pursuant to this Agreement shall not, unless directed by the Executive, be delayed pending determination of the status of a payment as a "parachute payment" by the Internal Revenue Service, court or similar body of competent jurisdiction. Either the Company, SCW or the Executive may, however, request a determination as to whether the payment or benefit would constitute a parachute payment and, if so requested, such determination shall be made by an independent accounting firm selected by the Company and SCW and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.

(c) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company, SCW or another entity or person, would not be deductible by the Company or SCW due to limitations imposed by Section 162(m) of the Code, then such payments or benefits shall be deferred to the extent necessary until such time as such payments would be deductible under Section 162(m) of the Code. Either the Company, SCW or the Executive may request a determination as to whether any payments would be subject to limitations on deductibility under Section 162(m) of the Code and, if so requested, such determination shall be made by independent legal counsel selected by the Company or SCW and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code. [The Executive shall also be entitled to interest on any payments deferred as a result of the limitations on deductibility under Section 162(m) of the Code at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.]

9. Full Settlement

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

10. Successors

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

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

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

defined and any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise, and "SCW" shall mean SCW as defined and any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

11. Arbitration

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

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

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

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

(e) The Company and SCW will be considered the prevailing party in a dispute if the arbitrator determines that neither the Company nor SCW has breached this Agreement. Otherwise, the Executive will be considered the prevailing party. In the event that the Company and SCW are the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (excluding any attorneys' fees incurred by the Company or SCW) including stenographic reporter, if employed, shall be paid by the

Executive. In the event that Executive is the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (including all attorneys' fees incurred by the Executive), including the fees of a stenographic reporter if employed, shall be paid by the Company and SCW.

12. Governing Law

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

13. Captions

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

14. Amendment

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

15. Notices

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

If to the Executive: _____

If to the Company: American States Water Company
630 East Foothill Boulevard
San Dimas, CA 91773
Attn: Secretary

If to SCW: Southern California Water Company
630 East Foothill Boulevard
San Dimas, CA 91773
Attn: Secretary

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

16. Severability

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

17. Withholding Taxes

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

18. No Waiver

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

19. At-Will Employment

The Executive, the Company and SCW acknowledge that, except as may otherwise be provided under any other written agreement between the Executive, the Company and SCW, the employment of the Executive by the Company and SCW

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

20. Counterparts

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

21. Joint and Several Liability

The obligation of the Company and SCW to make payments hereunder shall be joint and several.

22. Allocation of Payments

As between the Company and SCW, any payments to be made by the Company and/ SCW hereunder shall be allocated between the Company and SCW on the same basis as the payment of salary and benefits of the Executive were allocated between the Company and SCW immediately prior to the Change in Control Date.

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

AMERICAN STATES WATER COMPANY

By /s/ Floyd E. Wicks

Title President and Chief
Executive Officer

SOUTHERN CALIFORNIA WATER COMPANY

By /s/ Floyd E. Wicks

Title President and Chief
Executive Officer

EXECUTIVE

/s/ Joel A. Dickson

EXHIBIT 10.04
CHANGE-IN-CONTROL AGREEMENT

This Change-in-Control Agreement (the "Agreement") is dated as of October 27, 1998, and is entered into by and between Joseph F. Young (the "Executive") and Southern California Water Company, a California corporation (the "Company").

RECITALS

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

TERMS AND CONDITIONS

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

1. Term of Agreement

If a Change in Control (as defined in Section 3) occurs on or before the expiration date of this Agreement and while the Executive is still an employee of the Company, then this Agreement will continue in effect for two years from the date of such Change in Control and, if the Executive's employment with the Company is terminated within such two-year period, this Agreement shall thereafter continue in effect until all of the obligations of the Company under this Agreement shall have been fulfilled. If no Change in Control occurs on or before December 31, 2000, this Agreement shall expire; provided, however that this Agreement shall be automatically extended for an additional two years to December 31, 2002 if (i) a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or American States Water Company, a California corporation ("AWR"), on or before the expiration date, or (ii) the Company has not delivered to you or you shall have not delivered to the Company written notice at least 60 days prior to the expiration date that such expiration date shall not be so extended. This Agreement shall continue to be automatically extended for an additional two-year period and each succeeding two-year period if a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or AWR or the Company or the Executive fails to give the notices by the time and in the manner described in this Section 1.

2. Change in Control Date

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

3. Change in Control

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

(a) the dissolution or liquidation of either the Company or AWR, unless its business is continued by another entity in which holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(b) any sale, lease, exchange or other transfer (in one or a series of transactions) of all or substantially all of the assets of either the Company or AWR, unless its business is continued by another entity in which holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(c) any reorganization or merger of the Company or AWR, unless the holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing or surviving entity's voting securities immediately after the event;

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

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

4. Effective Period

For the purpose of this Agreement, the "Effective Period" is the period commencing on the Change in Control Date and ending on the date this Agreement terminates.

5. Termination of Employment

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

(b) Cause: The Company may terminate the Executive's employment other than for Cause or Disability during the Effective Period as provided in Section 6(a). The Company may also terminate the Executive's employment during the Effective Period for Cause. For purposes of this Agreement, "Cause" shall be limited to the following:

(i) the Executive's failure to render services

to the Company where such failure amounts to gross neglect or gross misconduct of the Executive's responsibility and duties,

(ii) the Executive's commission of an act of fraud or dishonesty against the Company or any affiliate of the Company, or

(iii) the Executive's conviction of a felony or other crime involving moral turpitude.

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

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect on the Change in Control Date, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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

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

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

(v) the Company's requiring the Executive to be based at any office or location which increases the distance from the Executive's home to the office location by more than [35] miles from the distance in effect as of the Change in Control Date;

(vi) any failure by the Company to comply with and satisfy Section 10(c) of this Agreement.

6. Obligations of the Company upon Termination

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

(i) The Company shall pay to the Executive in a cash lump sum within 10 days from the date of the Executive's termination of employment an amount equal to the product of (A) and (B), where (A) is two and (B) is the Executive's annual base salary at the highest of the rate in effect at any time during the three years preceding the date of termination.

(ii) The Company shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the sum of (A) Executive's base salary through the date of termination, plus (B) any compensation previously deferred by the Executive (together with any

accrued earnings or interest thereon), plus (C) any accrued vacation pay, in each case to the extent not theretofore paid (the amounts referred to in this paragraph (ii) are hereinafter referred to as the "Accrued Obligations").

(iii) The Company shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the excess of (A) over (B), where (A) is equal to the single sum actuarial equivalent of what would be the Executive's accrued benefits under the terms of the Southern California Water Company Pension Plan (or any successor thereto), including any supplemental retirement plan providing additional pension benefits, (hereinafter together referred to as the "Pension Plan") at time of the Executive's termination of employment, without regard to whether such benefits are "vested" thereunder, if the Executive were credited with an additional two years of continuous service after the termination of Executive's employment with the Company at the Executive's highest annual rate of compensation covered by such Pension Plan within the three years preceding the date of the termination of the Executive's employment with the Company and (B) is equal to the single sum actuarial equivalent of the Executive's accrued benefits under the Pension Plan at the time of the Executive's termination of employment. The payment under this paragraph (iii) shall not extinguish any rights the Executive has to benefits under the Pension Plan. For purposes of this paragraph, "actuarial equivalent" shall be determined using the actuarial assumptions used under the Pension Plan for determining the actuarial equivalence of different annuity forms of benefits. In no event shall the additional two years of continuous service referred to above cause the Executive to be deemed to be older than the Executive's actual age for any purpose under this Agreement.

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

(v) The Company shall enable the Executive to purchase, at the end of the Effective Period, the automobile, if any, provided by the Company for the Executive's use at the

time of the Executive's termination of employment at the wholesale value of such automobile at such time, as shown in the current addition of the National Auto Research Publication Blue Book. At the Executive's election, the Executive may retain any existing club memberships of the Executive purchased by the Company upon reimbursement to the Company of any membership costs paid by the Company.

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

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

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

(c) Disability: If the Executive's employment is terminated by reason of the Executive's Disability during the Effective Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a cash lump sum within 30 days of the Executive's termination of employment.

(d) Cause, Other than for Good Reason: If the Executive's employment shall be terminated for Cause during the Effective Period or, if the Executive voluntarily terminates employment during the Effective Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and any benefits payable to Executive under a plan, policy, practice, etc., referred to in Section 7 below. Accrued Obligations shall be paid to the Executive in a cash lump sum within 60 days of the Executive's termination of employment.

7. Non-Exclusivity of Rights

Subject to Section 8, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliates and for which the Executive may qualify, nor, subject to Sections 8 and 19, shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliates. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice, program, contract or agreement with the Company or any of its affiliates at or subsequent to the date of termination of the Executive's employment shall be payable in accordance with such plan, policy, practice, program, contract or agreement except as explicitly modified by this Agreement.

8. Limitation on Benefits

(a) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company or another entity or

person, would constitute "parachute payments" within the meaning of Section 280G of the Code, then such payments or benefits shall be modified to the extent necessary so that no portion of such benefits or payments shall subject the Executive to any excise tax under Section 4999 of the Code.

(b) In the event the amount of any "parachute payments" which would be payable to or for the benefit of the Executive without regard to this Section must be modified to comply with this Section, the Executive shall direct which "parachute payments" are to be waived or modified; provided, however, that no change in timing of the payments shall be made without the consent of the Company.

(c) Payment of amounts pursuant to this Agreement shall not, unless directed by the Executive, be delayed pending determination of the status of a payment as a "parachute payment" by the Internal Revenue Service, court or similar body of competent jurisdiction. Either the Company or the Executive may, however, request a determination as to whether the payment or benefit would constitute a parachute payment and, if so requested, such determination shall be made by an independent accounting firm selected by the Company and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.

(d) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company or another entity or person, would not be deductible by the Company due to limitations imposed by Section 162(m) of the Code, then such payments or benefits shall be deferred to the extent necessary until such time as such payments would be deductible under Section 162(m) of the Code. Either the Company or the Executive may request a determination as to whether any payments would be subject to limitations on deductibility under Section 162(m) of the Code and, if so requested, such determination shall be made by independent legal counsel selected by the Company and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code. [The Executive shall also be entitled to interest on any payments deferred as a result of the limitations on deductibility under Section 162(m) of the Code at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.]

9. Full Settlement

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

10. Successors

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

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

(c) The Company will require any successor (whether

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

11. Arbitration

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

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

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

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

(e) The Company will be considered the prevailing party in a dispute if the arbitrator determines that the Company has not breached this Agreement. Otherwise, the Executive will be considered the prevailing party. In the event that the Company is the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (excluding any attorneys' fees incurred by the Company)

including stenographic reporter, if employed, shall be paid by the Executive. In the event that Executive is the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (including all attorneys' fees incurred by the Executive), including the fees of a stenographic reporter if employed, shall be paid by the Company.

12. Governing Law

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

13. Captions

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

14. Amendment

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

15. Notices

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

If to the Executive: _____

If to the Company: Southern California Water Company
630 East Foothill Boulevard
San Dimas, CA 91773
Attn: Secretary

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

16. Severability

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

17. Withholding Taxes

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

18. No Waiver

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

19. At-Will Employment

The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company prior to the Change in Control Date is "at will" and, prior to the Change in Control Date, the Executive's employment may be terminated by either the Executive or the Company at any time, in which case the Executive shall have no further

rights under this Agreement. From and after the Change in Control Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

20. Counterparts

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

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

SOUTHERN CALIFORNIA WATER COMPANY

By /s/ Floyd E. Wicks

Title President and Chief
Executive Officer

EXECUTIVE

/s/ Joseph F. Young

EXHIBIT 10.05
CHANGE-IN-CONTROL AGREEMENT

This Change-in-Control Agreement (the "Agreement") is dated as of October 27, 1998, and is entered into by and between Donald K. Sadoris (the "Executive") and Southern California Water Company, a California corporation (the "Company").

RECITALS

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

TERMS AND CONDITIONS

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

1. Term of Agreement

If a Change in Control (as defined in Section 3) occurs on or before the expiration date of this Agreement and while the Executive is still an employee of the Company, then this Agreement will continue in effect for two years from the date of such Change in Control and, if the Executive's employment with the Company is terminated within such two-year period, this Agreement shall thereafter continue in effect until all of the obligations of the Company under this Agreement shall have been fulfilled. If no Change in Control occurs on or before December 31, 2000, this Agreement shall expire; provided, however that this Agreement shall be automatically extended for an additional two years to December 31, 2002 if (i) a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or American States Water Company, a California corporation ("AWR"), on or before the expiration date, or (ii) the Company has not delivered to you or you shall have not delivered to the Company written notice at least 60 days prior to the expiration date that such expiration date shall not be so extended. This Agreement shall continue to be automatically extended for an additional two-year period and each succeeding two-year period if a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or AWR or the Company or the Executive fails to give the notices by the time and in the manner described in this Section 1.

2. Change in Control Date

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

3. Change in Control

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

(a) the dissolution or liquidation of either the Company or AWR, unless its business is continued by another entity in which holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(b) any sale, lease, exchange or other transfer (in one or a series of transactions) of all or substantially all of the assets of either the Company or AWR, unless its business is continued by another entity in which holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(c) any reorganization or merger of the Company or AWR, unless the holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing or surviving entity's voting securities immediately after the event;

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

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

4. Effective Period

For the purpose of this Agreement, the "Effective Period" is the period commencing on the Change in Control Date and ending on the date this Agreement terminates.

5. Termination of Employment

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

(b) Cause: The Company may terminate the Executive's employment other than for Cause or Disability during the Effective Period as provided in Section 6(a). The Company may also terminate the Executive's employment during the Effective Period for Cause. For purposes of this Agreement, "Cause" shall be limited to the following:

(i) the Executive's failure to render services to the Company where such failure amounts to gross neglect or gross misconduct of the Executive's responsibility and duties,

(ii) the Executive's commission of an act of fraud or dishonesty against the Company or any affiliate of the Company, or

(iii) the Executive's conviction of a felony or other crime involving moral turpitude.

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

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect on the Change in Control Date, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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

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

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

(v) the Company's requiring the Executive to be based at any office or location which increases the distance from the Executive's home to the office location by more than [35] miles from the distance in effect as of the Change in Control Date;

(vi) any failure by the Company to comply with and satisfy Section 10(c) of this Agreement.

6. Obligations of the Company upon Termination

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

(i) The Company shall pay to the Executive in a cash lump sum within 10 days from the date of the Executive's termination of employment an amount equal to the product of (A) and (B), where (A) is two and (B) is the Executive's annual base salary at the highest of the rate in effect at any time during the three years preceding the date of termination.

(ii) The Company shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the sum of (A) Executive's base salary through the date of termination, plus (B) any compensation

previously deferred by the Executive (together with any accrued earnings or interest thereon), plus (C) any accrued vacation pay, in each case to the extent not theretofore paid (the amounts referred to in this paragraph (ii) are hereinafter referred to as the "Accrued Obligations").

(iii) The Company shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the excess of (A) over (B), where (A) is equal to the single sum actuarial equivalent of what would be the Executive's accrued benefits under the terms of the Southern California Water Company Pension Plan (or any successor thereto), including any supplemental retirement plan providing additional pension benefits, (hereinafter together referred to as the "Pension Plan") at time of the Executive's termination of employment, without regard to whether such benefits are "vested" thereunder, if the Executive were credited with an additional two years of continuous service after the termination of Executive's employment with the Company at the Executive's highest annual rate of compensation covered by such Pension Plan within the three years preceding the date of the termination of the Executive's employment with the Company and (B) is equal to the single sum actuarial equivalent of the Executive's accrued benefits under the Pension Plan at the time of the Executive's termination of employment. The payment under this paragraph (iii) shall not extinguish any rights the Executive has to benefits under the Pension Plan. For purposes of this paragraph, "actuarial equivalent" shall be determined using the actuarial assumptions used under the Pension Plan for determining the actuarial equivalence of different annuity forms of benefits. In no event shall the additional two years of continuous service referred to above cause the Executive to be deemed to be older than the Executive's actual age for any purpose under this Agreement.

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

(v) The Company shall enable the Executive to purchase, at the end of the Effective Period, the automobile, if any,

provided by the Company for the Executive's use at the time of the Executive's termination of employment at the wholesale value of such automobile at such time, as shown in the current addition of the National Auto Research Publication Blue Book. At the Executive's election, the Executive may retain any existing club memberships of the Executive purchased by the Company upon reimbursement to the Company of any membership costs paid by the Company.

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

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

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

(c) Disability: If the Executive's employment is terminated by reason of the Executive's Disability during the Effective Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a cash lump sum within 30 days of the Executive's termination of employment.

(d) Cause, Other than for Good Reason: If the Executive's employment shall be terminated for Cause during the Effective Period or, if the Executive voluntarily terminates employment during the Effective Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and any benefits payable to Executive under a plan, policy, practice, etc., referred to in Section 7 below. Accrued Obligations shall be paid to the Executive in a cash lump sum within 60 days of the Executive's termination of employment.

7. Non-Exclusivity of Rights

Subject to Section 8, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliates and for which the Executive may qualify, nor, subject to Sections 8 and 19, shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliates. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice, program, contract or agreement with the Company or any of its affiliates at or subsequent to the date of termination of the Executive's employment shall be payable in accordance with such plan, policy, practice, program, contract or agreement except as explicitly modified by this Agreement.

8. Limitation on Benefits

(a) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement

or otherwise, whether by the Company or another entity or person, would constitute "parachute payments" within the meaning of Section 280G of the Code, then such payments or benefits shall be modified to the extent necessary so that no portion of such benefits or payments shall subject the Executive to any excise tax under Section 4999 of the Code.

(b) In the event the amount of any "parachute payments" which would be payable to or for the benefit of the Executive without regard to this Section must be modified to comply with this Section, the Executive shall direct which "parachute payments" are to be waived or modified; provided, however, that no change in timing of the payments shall be made without the consent of the Company.

(c) Payment of amounts pursuant to this Agreement shall not, unless directed by the Executive, be delayed pending determination of the status of a payment as a "parachute payment" by the Internal Revenue Service, court or similar body of competent jurisdiction. Either the Company or the Executive may, however, request a determination as to whether the payment or benefit would constitute a parachute payment and, if so requested, such determination shall be made by an independent accounting firm selected by the Company and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.

(d) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company or another entity or person, would not be deductible by the Company due to limitations imposed by Section 162(m) of the Code, then such payments or benefits shall be deferred to the extent necessary until such time as such payments would be deductible under Section 162(m) of the Code. Either the Company or the Executive may request a determination as to whether any payments would be subject to limitations on deductibility under Section 162(m) of the Code and, if so requested, such determination shall be made by independent legal counsel selected by the Company and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code. [The Executive shall also be entitled to interest on any payments deferred as a result of the limitations on deductibility under Section 162(m) of the Code at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.]

9. Full Settlement

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

10. Successors

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

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

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

11. Arbitration

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

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

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

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

(e) The Company will be considered the prevailing party in a dispute if the arbitrator determines that the Company has not breached this Agreement. Otherwise, the Executive will be considered the prevailing party. In the event that the Company is the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing

(excluding any attorneys' fees incurred by the Company) including stenographic reporter, if employed, shall be paid by the Executive. In the event that Executive is the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (including all attorneys' fees incurred by the Executive), including the fees of a stenographic reporter if employed, shall be paid by the Company.

12. Governing Law

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

13. Captions

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

14. Amendment

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

15. Notices

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

If to the Executive: _____

If to the Company: Southern California Water Company
630 East Foothill Boulevard
San Dimas, CA 91773
Attn: Secretary

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

16. Severability

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

17. Withholding Taxes

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

18. No Waiver

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

19. At-Will Employment

The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company prior to the Change in Control Date is "at will" and, prior to the Change in Control Date, the Executive's employment may be terminated by either the Executive or the Company at any

time, in which case the Executive shall have no further rights under this Agreement. From and after the Change in Control Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

20. Counterparts

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

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

SOUTHERN CALIFORNIA WATER COMPANY

By /s/ Floyd E. Wicks

Title President and Chief
Executive Officer

EXECUTIVE

/s/ Donald K. Sadoris

EXHIBIT 10.06
CHANGE-IN-CONTROL AGREEMENT

This Change-in-Control Agreement (the "Agreement") is dated as of October 27, 1998, and is entered into by and between Randell J. Vogel (the "Executive") and Southern California Water Company, a California corporation (the "Company").

RECITALS

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

TERMS AND CONDITIONS

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

1. Term of Agreement

If a Change in Control (as defined in Section 3) occurs on or before the expiration date of this Agreement and while the Executive is still an employee of the Company, then this Agreement will continue in effect for two years from the date of such Change in Control and, if the Executive's employment with the Company is terminated within such two-year period, this Agreement shall thereafter continue in effect until all of the obligations of the Company under this Agreement shall have been fulfilled. If no Change in Control occurs on or before December 31, 2000, this Agreement shall expire; provided, however that this Agreement shall be automatically extended for an additional two years to December 31, 2002 if (i) a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or American States Water Company, a California corporation ("AWR"), on or before the expiration date, or (ii) the Company has not delivered to you or you shall have not delivered to the Company written notice at least 60 days prior to the expiration date that such expiration date shall not be so extended. This Agreement shall continue to be automatically extended for an additional two-year period and each succeeding two-year period if a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or AWR or the Company or the Executive fails to give the notices by the time and in the manner described in this Section 1.

2. Change in Control Date

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

3. Change in Control

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

(a) the dissolution or liquidation of either the Company or AWR, unless its business is continued by another entity in which holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(b) any sale, lease, exchange or other transfer (in one or a series of transactions) of all or substantially all of the assets of either the Company or AWR, unless its business is continued by another entity in which holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(c) any reorganization or merger of the Company or AWR, unless the holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing or surviving entity's voting securities immediately after the event;

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

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

4. Effective Period

For the purpose of this Agreement, the "Effective Period" is the period commencing on the Change in Control Date and ending on the date this Agreement terminates.

5. Termination of Employment

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

(b) Cause: The Company may terminate the Executive's employment other than for Cause or Disability during the Effective Period as provided in Section 6(a). The Company may also terminate the Executive's employment during the Effective Period for Cause. For purposes of this Agreement, "Cause" shall be limited to the following:

(i) the Executive's failure to render services

to the Company where such failure amounts to gross neglect or gross misconduct of the Executive's responsibility and duties,

(ii) the Executive's commission of an act of fraud or dishonesty against the Company or any affiliate of the Company, or

(iii) the Executive's conviction of a felony or other crime involving moral turpitude.

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

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect on the Change in Control Date, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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

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

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

(v) the Company's requiring the Executive to be based at any office or location which increases the distance from the Executive's home to the office location by more than [35] miles from the distance in effect as of the Change in Control Date;

(vi) any failure by the Company to comply with and satisfy Section 10(c) of this Agreement.

6. Obligations of the Company upon Termination

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

(i) The Company shall pay to the Executive in a cash lump sum within 10 days from the date of the Executive's termination of employment an amount equal to the product of (A) and (B), where (A) is two and (B) is the Executive's annual base salary at the highest of the rate in effect at any time during the three years preceding the date of termination.

(ii) The Company shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the sum of (A) Executive's base salary through the date of termination, plus (B) any compensation previously deferred by the Executive (together with any

accrued earnings or interest thereon), plus (C) any accrued vacation pay, in each case to the extent not theretofore paid (the amounts referred to in this paragraph (ii) are hereinafter referred to as the "Accrued Obligations").

(iii) The Company shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the excess of (A) over (B), where (A) is equal to the single sum actuarial equivalent of what would be the Executive's accrued benefits under the terms of the Southern California Water Company Pension Plan (or any successor thereto), including any supplemental retirement plan providing additional pension benefits, (hereinafter together referred to as the "Pension Plan") at time of the Executive's termination of employment, without regard to whether such benefits are "vested" thereunder, if the Executive were credited with an additional two years of continuous service after the termination of Executive's employment with the Company at the Executive's highest annual rate of compensation covered by such Pension Plan within the three years preceding the date of the termination of the Executive's employment with the Company and (B) is equal to the single sum actuarial equivalent of the Executive's accrued benefits under the Pension Plan at the time of the Executive's termination of employment. The payment under this paragraph (iii) shall not extinguish any rights the Executive has to benefits under the Pension Plan. For purposes of this paragraph, "actuarial equivalent" shall be determined using the actuarial assumptions used under the Pension Plan for determining the actuarial equivalence of different annuity forms of benefits. In no event shall the additional two years of continuous service referred to above cause the Executive to be deemed to be older than the Executive's actual age for any purpose under this Agreement.

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

(v) The Company shall enable the Executive to purchase, at the end of the Effective Period, the automobile, if any, provided by the Company for the Executive's use at the

time of the Executive's termination of employment at the wholesale value of such automobile at such time, as shown in the current addition of the National Auto Research Publication Blue Book. At the Executive's election, the Executive may retain any existing club memberships of the Executive purchased by the Company upon reimbursement to the Company of any membership costs paid by the Company.

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

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

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

(c) Disability: If the Executive's employment is terminated by reason of the Executive's Disability during the Effective Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a cash lump sum within 30 days of the Executive's termination of employment.

(d) Cause, Other than for Good Reason: If the Executive's employment shall be terminated for Cause during the Effective Period or, if the Executive voluntarily terminates employment during the Effective Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and any benefits payable to Executive under a plan, policy, practice, etc., referred to in Section 7 below. Accrued Obligations shall be paid to the Executive in a cash lump sum within 60 days of the Executive's termination of employment.

7. Non-Exclusivity of Rights

Subject to Section 8, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliates and for which the Executive may qualify, nor, subject to Sections 8 and 19, shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliates. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice, program, contract or agreement with the Company or any of its affiliates at or subsequent to the date of termination of the Executive's employment shall be payable in accordance with such plan, policy, practice, program, contract or agreement except as explicitly modified by this Agreement.

8. Limitation on Benefits

(a) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company or another entity or

person, would constitute "parachute payments" within the meaning of Section 280G of the Code, then such payments or benefits shall be modified to the extent necessary so that no portion of such benefits or payments shall subject the Executive to any excise tax under Section 4999 of the Code.

(b) In the event the amount of any "parachute payments" which would be payable to or for the benefit of the Executive without regard to this Section must be modified to comply with this Section, the Executive shall direct which "parachute payments" are to be waived or modified; provided, however, that no change in timing of the payments shall be made without the consent of the Company.

(c) Payment of amounts pursuant to this Agreement shall not, unless directed by the Executive, be delayed pending determination of the status of a payment as a "parachute payment" by the Internal Revenue Service, court or similar body of competent jurisdiction. Either the Company or the Executive may, however, request a determination as to whether the payment or benefit would constitute a parachute payment and, if so requested, such determination shall be made by an independent accounting firm selected by the Company and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.

(d) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company or another entity or person, would not be deductible by the Company due to limitations imposed by Section 162(m) of the Code, then such payments or benefits shall be deferred to the extent necessary until such time as such payments would be deductible under Section 162(m) of the Code. Either the Company or the Executive may request a determination as to whether any payments would be subject to limitations on deductibility under Section 162(m) of the Code and, if so requested, such determination shall be made by independent legal counsel selected by the Company and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code. [The Executive shall also be entitled to interest on any payments deferred as a result of the limitations on deductibility under Section 162(m) of the Code at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.]

9. Full Settlement

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

10. Successors

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

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

(c) The Company will require any successor (whether

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

11. Arbitration

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

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

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

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

(e) The Company will be considered the prevailing party in a dispute if the arbitrator determines that the Company has not breached this Agreement. Otherwise, the Executive will be considered the prevailing party. In the event that the Company is the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (excluding any attorneys' fees incurred by the Company)

including stenographic reporter, if employed, shall be paid by the Executive. In the event that Executive is the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (including all attorneys' fees incurred by the Executive), including the fees of a stenographic reporter if employed, shall be paid by the Company.

12. Governing Law

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

13. Captions

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

14. Amendment

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

15. Notices

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

If to the Executive: _____

If to the Company: Southern California Water Company
630 East Foothill Boulevard
San Dimas, CA 91773
Attn: Secretary

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

16. Severability

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

17. Withholding Taxes

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

18. No Waiver

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

19. At-Will Employment

The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company prior to the Change in Control Date is "at will" and, prior to the Change in Control Date, the Executive's employment may be terminated by either the Executive or the Company at any time, in which case the Executive shall have no further

rights under this Agreement. From and after the Change in Control Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

20. Counterparts

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

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

SOUTHERN CALIFORNIA WATER COMPANY

By /s/ Floyd E. Wicks

Title President and Chief
Executive Officer

EXECUTIVE

/s/ Randell J. Vogel

EXHIBIT 10.07
CHANGE-IN-CONTROL AGREEMENT

This Change-in-Control Agreement (the "Agreement") is dated as of October 27, 1998, and is entered into by and between James B. Gallagher (the "Executive") and Southern California Water Company, a California corporation (the "Company").

RECITALS

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

TERMS AND CONDITIONS

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

1. Term of Agreement

If a Change in Control (as defined in Section 3) occurs on or before the expiration date of this Agreement and while the Executive is still an employee of the Company, then this Agreement will continue in effect for two years from the date of such Change in Control and, if the Executive's employment with the Company is terminated within such two-year period, this Agreement shall thereafter continue in effect until all of the obligations of the Company under this Agreement shall have been fulfilled. If no Change in Control occurs on or before December 31, 2000, this Agreement shall expire; provided, however that this Agreement shall be automatically extended for an additional two years to December 31, 2002 if (i) a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or American States Water Company, a California corporation ("AWR"), on or before the expiration date, or (ii) the Company has not delivered to you or you shall have not delivered to the Company written notice at least 60 days prior to the expiration date that such expiration date shall not be so extended. This Agreement shall continue to be automatically extended for an additional two-year period and each succeeding two-year period if a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or AWR or the Company or the Executive fails to give the notices by the time and in the manner described in this Section 1.

2. Change in Control Date

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

3. Change in Control

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

(a) the dissolution or liquidation of either the Company or AWR, unless its business is continued by another entity in which holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(b) any sale, lease, exchange or other transfer (in one or a series of transactions) of all or substantially all of the assets of either the Company or AWR, unless its business is continued by another entity in which holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(c) any reorganization or merger of the Company or AWR, unless the holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing or surviving entity's voting securities immediately after the event;

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

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

4. Effective Period

For the purpose of this Agreement, the "Effective Period" is the period commencing on the Change in Control Date and ending on the date this Agreement terminates.

5. Termination of Employment

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

(b) Cause: The Company may terminate the Executive's employment other than for Cause or Disability during the Effective Period as provided in Section 6(a). The Company may also terminate the Executive's employment during the Effective Period for Cause. For purposes of this Agreement, "Cause" shall be limited to the following:

(i) the Executive's failure to render services to the Company where such failure amounts to gross neglect or gross misconduct of the Executive's responsibility and duties,

(ii) the Executive's commission of an act of fraud or dishonesty against the Company or any affiliate of the Company, or

(iii) the Executive's conviction of a felony or other crime involving moral turpitude.

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

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect on the Change in Control Date, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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

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

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

(v) the Company's requiring the Executive to be based at any office or location which increases the distance from the Executive's home to the office location by more than [35] miles from the distance in effect as of the Change in Control Date;

(vi) any failure by the Company to comply with and satisfy Section 10(c) of this Agreement.

6. Obligations of the Company upon Termination

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

(i) The Company shall pay to the Executive in a cash lump sum within 10 days from the date of the Executive's termination of employment an amount equal to the product of (A) and (B), where (A) is two and (B) is the Executive's annual base salary at the highest of the rate in effect at any time during the three years preceding the date of termination.

(ii) The Company shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the sum of (A) Executive's base salary

through the date of termination, plus (B) any compensation previously deferred by the Executive (together with any accrued earnings or interest thereon), plus (C) any accrued vacation pay, in each case to the extent not theretofore paid (the amounts referred to in this paragraph (ii) are hereinafter referred to as the "Accrued Obligations").

(iii) The Company shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the excess of (A) over (B), where (A) is equal to the single sum actuarial equivalent of what would be the Executive's accrued benefits under the terms of the Southern California Water Company Pension Plan (or any successor thereto), including any supplemental retirement plan providing additional pension benefits, (hereinafter together referred to as the "Pension Plan") at time of the Executive's termination of employment, without regard to whether such benefits are "vested" thereunder, if the Executive were credited with an additional two years of continuous service after the termination of Executive's employment with the Company at the Executive's highest annual rate of compensation covered by such Pension Plan within the three years preceding the date of the termination of the Executive's employment with the Company and (B) is equal to the single sum actuarial equivalent of the Executive's accrued benefits under the Pension Plan at the time of the Executive's termination of employment. The payment under this paragraph (iii) shall not extinguish any rights the Executive has to benefits under the Pension Plan. For purposes of this paragraph, "actuarial equivalent" shall be determined using the actuarial assumptions used under the Pension Plan for determining the actuarial equivalence of different annuity forms of benefits. In no event shall the additional two years of continuous service referred to above cause the Executive to be deemed to be older than the Executive's actual age for any purpose under this Agreement.

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

(v) The Company shall enable the Executive to purchase,

at the end of the Effective Period, the automobile, if any, provided by the Company for the Executive's use at the time of the Executive's termination of employment at the wholesale value of such automobile at such time, as shown in the current addition of the National Auto Research Publication Blue Book. At the Executive's election, the Executive may retain any existing club memberships of the Executive purchased by the Company upon reimbursement to the Company of any membership costs paid by the Company.

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

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

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

(c) Disability: If the Executive's employment is terminated by reason of the Executive's Disability during the Effective Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a cash lump sum within 30 days of the Executive's termination of employment.

(d) Cause, Other than for Good Reason: If the Executive's employment shall be terminated for Cause during the Effective Period or, if the Executive voluntarily terminates employment during the Effective Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and any benefits payable to Executive under a plan, policy, practice, etc., referred to in Section 7 below. Accrued Obligations shall be paid to the Executive in a cash lump sum within 60 days of the Executive's termination of employment.

7. Non-Exclusivity of Rights

Subject to Section 8, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliates and for which the Executive may qualify, nor, subject to Sections 8 and 19, shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliates. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice, program, contract or agreement with the Company or any of its affiliates at or subsequent to the date of termination of the Executive's employment shall be payable in accordance with such plan, policy, practice, program, contract or agreement except as explicitly modified by this Agreement.

8. Limitation on Benefits

(a) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the

Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company or another entity or person, would constitute "parachute payments" within the meaning of Section 280G of the Code, then such payments or benefits shall be modified to the extent necessary so that no portion of such benefits or payments shall subject the Executive to any excise tax under Section 4999 of the Code.

(b) In the event the amount of any "parachute payments" which would be payable to or for the benefit of the Executive without regard to this Section must be modified to comply with this Section, the Executive shall direct which "parachute payments" are to be waived or modified; provided, however, that no change in timing of the payments shall be made without the consent of the Company.

(c) Payment of amounts pursuant to this Agreement shall not, unless directed by the Executive, be delayed pending determination of the status of a payment as a "parachute payment" by the Internal Revenue Service, court or similar body of competent jurisdiction. Either the Company or the Executive may, however, request a determination as to whether the payment or benefit would constitute a parachute payment and, if so requested, such determination shall be made by an independent accounting firm selected by the Company and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.

(d) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company or another entity or person, would not be deductible by the Company due to limitations imposed by Section 162(m) of the Code, then such payments or benefits shall be deferred to the extent necessary until such time as such payments would be deductible under Section 162(m) of the Code. Either the Company or the Executive may request a determination as to whether any payments would be subject to limitations on deductibility under Section 162(m) of the Code and, if so requested, such determination shall be made by independent legal counsel selected by the Company and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code. [The Executive shall also be entitled to interest on any payments deferred as a result of the limitations on deductibility under Section 162(m) of the Code at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.]

9. Full Settlement

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

10. Successors

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

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

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

11. Arbitration

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

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

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

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

(e) The Company will be considered the prevailing party in a dispute if the arbitrator determines that the Company has not breached this Agreement. Otherwise, the Executive will be considered the prevailing party. In the event that the Company is the prevailing party, the fee of the

arbitrator and all necessary expenses of the hearing (excluding any attorneys' fees incurred by the Company) including stenographic reporter, if employed, shall be paid by the Executive. In the event that Executive is the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (including all attorneys' fees incurred by the Executive), including the fees of a stenographic reporter if employed, shall be paid by the Company.

12. Governing Law

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

13. Captions

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

14. Amendment

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

15. Notices

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

If to the Executive: _____

If to the Company: Southern California Water Company
630 East Foothill Boulevard
San Dimas, CA 91773
Attn: Secretary

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

16. Severability

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

17. Withholding Taxes

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

18. No Waiver

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

19. At-Will Employment

The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company prior to the Change in Control Date is "at will" and, prior to the Change in Control Date, the Executive's employment may be

terminated by either the Executive or the Company at any time, in which case the Executive shall have no further rights under this Agreement. From and after the Change in Control Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

20. Counterparts

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

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

SOUTHERN CALIFORNIA WATER COMPANY

By /s/ Floyd E. Wicks

Title President and Chief
Executive Officer

EXECUTIVE

/s/ James B. Gallagher

EXHIBIT 10.08
CHANGE-IN-CONTROL AGREEMENT

This Change-in-Control Agreement (the "Agreement") is dated as of October 27, 1998, and is entered into by and between Denise L. Kruger (the "Executive") and Southern California Water Company, a California corporation (the "Company").

RECITALS

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

TERMS AND CONDITIONS

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

1. Term of Agreement

If a Change in Control (as defined in Section 3) occurs on or before the expiration date of this Agreement and while the Executive is still an employee of the Company, then this Agreement will continue in effect for two years from the date of such Change in Control and, if the Executive's employment with the Company is terminated within such two-year period, this Agreement shall thereafter continue in effect until all of the obligations of the Company under this Agreement shall have been fulfilled. If no Change in Control occurs on or before December 31, 2000, this Agreement shall expire; provided, however that this Agreement shall be automatically extended for an additional two years to December 31, 2002 if (i) a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or American States Water Company, a California corporation ("AWR"), on or before the expiration date, or (ii) the Company has not delivered to you or you shall have not delivered to the Company written notice at least 60 days prior to the expiration date that such expiration date shall not be so extended. This Agreement shall continue to be automatically extended for an additional two-year period and each succeeding two-year period if a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or AWR or the Company or the Executive fails to give the notices by the time and in the manner described in this Section 1.

2. Change in Control Date

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

3. Change in Control

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

(a) the dissolution or liquidation of either the Company or AWR, unless its business is continued by another entity in which holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(b) any sale, lease, exchange or other transfer (in one or a series of transactions) of all or substantially all of the assets of either the Company or AWR, unless its business is continued by another entity in which holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(c) any reorganization or merger of the Company or AWR, unless the holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing or surviving entity's voting securities immediately after the event;

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

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

4. Effective Period

For the purpose of this Agreement, the "Effective Period" is the period commencing on the Change in Control Date and ending on the date this Agreement terminates.

5. Termination of Employment

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

(b) Cause: The Company may terminate the Executive's employment other than for Cause or Disability during the Effective Period as provided in Section 6(a). The Company may also terminate the Executive's employment during the Effective Period for Cause. For purposes of this Agreement, "Cause" shall be limited to the following:

(i) the Executive's failure to render services

to the Company where such failure amounts to gross neglect or gross misconduct of the Executive's responsibility and duties,

(ii) the Executive's commission of an act of fraud or dishonesty against the Company or any affiliate of the Company, or

(iii) the Executive's conviction of a felony or other crime involving moral turpitude.

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

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect on the Change in Control Date, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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

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

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

(v) the Company's requiring the Executive to be based at any office or location which increases the distance from the Executive's home to the office location by more than [35] miles from the distance in effect as of the Change in Control Date;

(vi) any failure by the Company to comply with and satisfy Section 10(c) of this Agreement.

6. Obligations of the Company upon Termination

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

(i) The Company shall pay to the Executive in a cash lump sum within 10 days from the date of the Executive's termination of employment an amount equal to the product of (A) and (B), where (A) is two and (B) is the Executive's annual base salary at the highest of the rate in effect at any time during the three years preceding the date of termination.

(ii) The Company shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the sum of (A) Executive's base salary through the date of termination, plus (B) any compensation previously deferred by the Executive (together with any

accrued earnings or interest thereon), plus (C) any accrued vacation pay, in each case to the extent not theretofore paid (the amounts referred to in this paragraph (ii) are hereinafter referred to as the "Accrued Obligations").

(iii) The Company shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the excess of (A) over (B), where (A) is equal to the single sum actuarial equivalent of what would be the Executive's accrued benefits under the terms of the Southern California Water Company Pension Plan (or any successor thereto), including any supplemental retirement plan providing additional pension benefits, (hereinafter together referred to as the "Pension Plan") at time of the Executive's termination of employment, without regard to whether such benefits are "vested" thereunder, if the Executive were credited with an additional two years of continuous service after the termination of Executive's employment with the Company at the Executive's highest annual rate of compensation covered by such Pension Plan within the three years preceding the date of the termination of the Executive's employment with the Company and (B) is equal to the single sum actuarial equivalent of the Executive's accrued benefits under the Pension Plan at the time of the Executive's termination of employment. The payment under this paragraph (iii) shall not extinguish any rights the Executive has to benefits under the Pension Plan. For purposes of this paragraph, "actuarial equivalent" shall be determined using the actuarial assumptions used under the Pension Plan for determining the actuarial equivalence of different annuity forms of benefits. In no event shall the additional two years of continuous service referred to above cause the Executive to be deemed to be older than the Executive's actual age for any purpose under this Agreement.

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

(v) The Company shall enable the Executive to purchase, at the end of the Effective Period, the automobile, if any, provided by the Company for the Executive's use at the

time of the Executive's termination of employment at the wholesale value of such automobile at such time, as shown in the current addition of the National Auto Research Publication Blue Book. At the Executive's election, the Executive may retain any existing club memberships of the Executive purchased by the Company upon reimbursement to the Company of any membership costs paid by the Company.

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

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

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

(c) Disability: If the Executive's employment is terminated by reason of the Executive's Disability during the Effective Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a cash lump sum within 30 days of the Executive's termination of employment.

(d) Cause, Other than for Good Reason: If the Executive's employment shall be terminated for Cause during the Effective Period or, if the Executive voluntarily terminates employment during the Effective Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and any benefits payable to Executive under a plan, policy, practice, etc., referred to in Section 7 below. Accrued Obligations shall be paid to the Executive in a cash lump sum within 60 days of the Executive's termination of employment.

7. Non-Exclusivity of Rights

Subject to Section 8, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliates and for which the Executive may qualify, nor, subject to Sections 8 and 19, shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliates. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice, program, contract or agreement with the Company or any of its affiliates at or subsequent to the date of termination of the Executive's employment shall be payable in accordance with such plan, policy, practice, program, contract or agreement except as explicitly modified by this Agreement.

8. Limitation on Benefits

(a) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company or another entity or

person, would constitute "parachute payments" within the meaning of Section 280G of the Code, then such payments or benefits shall be modified to the extent necessary so that no portion of such benefits or payments shall subject the Executive to any excise tax under Section 4999 of the Code.

(b) In the event the amount of any "parachute payments" which would be payable to or for the benefit of the Executive without regard to this Section must be modified to comply with this Section, the Executive shall direct which "parachute payments" are to be waived or modified; provided, however, that no change in timing of the payments shall be made without the consent of the Company.

(c) Payment of amounts pursuant to this Agreement shall not, unless directed by the Executive, be delayed pending determination of the status of a payment as a "parachute payment" by the Internal Revenue Service, court or similar body of competent jurisdiction. Either the Company or the Executive may, however, request a determination as to whether the payment or benefit would constitute a parachute payment and, if so requested, such determination shall be made by an independent accounting firm selected by the Company and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.

(d) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company or another entity or person, would not be deductible by the Company due to limitations imposed by Section 162(m) of the Code, then such payments or benefits shall be deferred to the extent necessary until such time as such payments would be deductible under Section 162(m) of the Code. Either the Company or the Executive may request a determination as to whether any payments would be subject to limitations on deductibility under Section 162(m) of the Code and, if so requested, such determination shall be made by independent legal counsel selected by the Company and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code. [The Executive shall also be entitled to interest on any payments deferred as a result of the limitations on deductibility under Section 162(m) of the Code at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.]

9. Full Settlement

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

10. Successors

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

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

(c) The Company will require any successor (whether

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

11. Arbitration

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

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

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

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

(e) The Company will be considered the prevailing party in a dispute if the arbitrator determines that the Company has not breached this Agreement. Otherwise, the Executive will be considered the prevailing party. In the event that the Company is the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (excluding any attorneys' fees incurred by the Company)

including stenographic reporter, if employed, shall be paid by the Executive. In the event that Executive is the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (including all attorneys' fees incurred by the Executive), including the fees of a stenographic reporter if employed, shall be paid by the Company.

12. Governing Law

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

13. Captions

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

14. Amendment

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

15. Notices

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

If to the Executive: _____

If to the Company: Southern California Water Company
630 East Foothill Boulevard
San Dimas, CA 91773
Attn: Secretary

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

16. Severability

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

17. Withholding Taxes

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

18. No Waiver

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

19. At-Will Employment

The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company prior to the Change in Control Date is "at will" and, prior to the Change in Control Date, the Executive's employment may be terminated by either the Executive or the Company at any time, in which case the Executive shall have no further

rights under this Agreement. From and after the Change in Control Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

20. Counterparts

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

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

SOUTHERN CALIFORNIA WATER COMPANY

By /s/ Floyd E. Wicks

Title President and Chief
Executive Officer

EXECUTIVE

/s/ Denise L. Kruger

EXHIBIT 10.09
CHANGE-IN-CONTROL AGREEMENT

This Change-in-Control Agreement (the "Agreement") is dated as of October 27, 1998, and is entered into by and between Susan L. Conway (the "Executive") and Southern California Water Company, a California corporation (the "Company").

RECITALS

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

TERMS AND CONDITIONS

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

1. Term of Agreement

If a Change in Control (as defined in Section 3) occurs on or before the expiration date of this Agreement and while the Executive is still an employee of the Company, then this Agreement will continue in effect for two years from the date of such Change in Control and, if the Executive's employment with the Company is terminated within such two-year period, this Agreement shall thereafter continue in effect until all of the obligations of the Company under this Agreement shall have been fulfilled. If no Change in Control occurs on or before December 31, 2000, this Agreement shall expire; provided, however that this Agreement shall be automatically extended for an additional two years to December 31, 2002 if (i) a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or American States Water Company, a California corporation ("AWR"), on or before the expiration date, or (ii) the Company has not delivered to you or you shall have not delivered to the Company written notice at least 60 days prior to the expiration date that such expiration date shall not be so extended. This Agreement shall continue to be automatically extended for an additional two-year period and each succeeding two-year period if a plan or agreement for a Change in Control has been approved by the Board of Directors of the Company or AWR or the Company or the Executive fails to give the notices by the time and in the manner described in this Section 1.

2. Change in Control Date

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

3. Change in Control

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

(a) the dissolution or liquidation of either the

Company or AWR, unless its business is continued by another entity in which holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(b) any sale, lease, exchange or other transfer (in one or a series of transactions) of all or substantially all of the assets of either the Company or AWR, unless its business is continued by another entity in which holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing entity's voting securities immediately after the event;

(c) any reorganization or merger of the Company or AWR, unless the holders of AWR's voting securities immediately before the event own, either directly or indirectly, more than 50% of the continuing or surviving entity's voting securities immediately after the event;

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

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

4. Effective Period

For the purpose of this Agreement, the "Effective Period" is the period commencing on the Change in Control Date and ending on the date this Agreement terminates.

5. Termination of Employment

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

(b) Cause: The Company may terminate the Executive's employment other than for Cause or Disability during the Effective Period as provided in Section 6(a). The Company may also terminate the Executive's employment during the Effective Period for Cause. For purposes of this Agreement, "Cause" shall be limited to the following:

(i) the Executive's failure to render services to the Company where such failure amounts to gross neglect or gross misconduct of the Executive's responsibility and duties,

(ii) the Executive's commission of an act of fraud or dishonesty against the Company or any affiliate of the Company, or

(iii) the Executive's conviction of a felony or other crime involving moral turpitude.

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

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect on the Change in Control Date, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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

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

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

(v) the Company's requiring the Executive to be based at any office or location which increases the distance from the Executive's home to the office location by more than [35] miles from the distance in effect as of the Change in Control Date;

(vi) any failure by the Company to comply with and satisfy Section 10(c) of this Agreement.

6. Obligations of the Company upon Termination

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

(i) The Company shall pay to the Executive in a cash lump sum within 10 days from the date of the Executive's termination of employment an amount equal to the product of (A) and (B), where (A) is two and (B) is the Executive's annual base salary at the highest of the rate in effect at any time during the three years preceding the date of termination.

(ii) The Company shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the sum of (A) Executive's base salary

through the date of termination, plus (B) any compensation previously deferred by the Executive (together with any accrued earnings or interest thereon), plus (C) any accrued vacation pay, in each case to the extent not theretofore paid (the amounts referred to in this paragraph (ii) are hereinafter referred to as the "Accrued Obligations").

(iii) The Company shall also pay to the Executive in a cash lump sum within 10 days from the date of termination an amount equal to the excess of (A) over (B), where (A) is equal to the single sum actuarial equivalent of what would be the Executive's accrued benefits under the terms of the Southern California Water Company Pension Plan (or any successor thereto), including any supplemental retirement plan providing additional pension benefits, (hereinafter together referred to as the "Pension Plan") at time of the Executive's termination of employment, without regard to whether such benefits are "vested" thereunder, if the Executive were credited with an additional two years of continuous service after the termination of Executive's employment with the Company at the Executive's highest annual rate of compensation covered by such Pension Plan within the three years preceding the date of the termination of the Executive's employment with the Company and (B) is equal to the single sum actuarial equivalent of the Executive's accrued benefits under the Pension Plan at the time of the Executive's termination of employment. The payment under this paragraph (iii) shall not extinguish any rights the Executive has to benefits under the Pension Plan. For purposes of this paragraph, "actuarial equivalent" shall be determined using the actuarial assumptions used under the Pension Plan for determining the actuarial equivalence of different annuity forms of benefits. In no event shall the additional two years of continuous service referred to above cause the Executive to be deemed to be older than the Executive's actual age for any purpose under this Agreement.

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

(v) The Company shall enable the Executive to purchase,

at the end of the Effective Period, the automobile, if any, provided by the Company for the Executive's use at the time of the Executive's termination of employment at the wholesale value of such automobile at such time, as shown in the current addition of the National Auto Research Publication Blue Book. At the Executive's election, the Executive may retain any existing club memberships of the Executive purchased by the Company upon reimbursement to the Company of any membership costs paid by the Company.

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

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

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

(c) Disability: If the Executive's employment is terminated by reason of the Executive's Disability during the Effective Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a cash lump sum within 30 days of the Executive's termination of employment.

(d) Cause, Other than for Good Reason: If the Executive's employment shall be terminated for Cause during the Effective Period or, if the Executive voluntarily terminates employment during the Effective Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and any benefits payable to Executive under a plan, policy, practice, etc., referred to in Section 7 below. Accrued Obligations shall be paid to the Executive in a cash lump sum within 60 days of the Executive's termination of employment.

7. Non-Exclusivity of Rights

Subject to Section 8, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliates and for which the Executive may qualify, nor, subject to Sections 8 and 19, shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliates. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice, program, contract or agreement with the Company or any of its affiliates at or subsequent to the date of termination of the Executive's employment shall be payable in accordance with such plan, policy, practice, program, contract or agreement except as explicitly modified by this Agreement.

8. Limitation on Benefits

(a) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the

Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company or another entity or person, would constitute "parachute payments" within the meaning of Section 280G of the Code, then such payments or benefits shall be modified to the extent necessary so that no portion of such benefits or payments shall subject the Executive to any excise tax under Section 4999 of the Code.

(b) In the event the amount of any "parachute payments" which would be payable to or for the benefit of the Executive without regard to this Section must be modified to comply with this Section, the Executive shall direct which "parachute payments" are to be waived or modified; provided, however, that no change in timing of the payments shall be made without the consent of the Company.

(c) Payment of amounts pursuant to this Agreement shall not, unless directed by the Executive, be delayed pending determination of the status of a payment as a "parachute payment" by the Internal Revenue Service, court or similar body of competent jurisdiction. Either the Company or the Executive may, however, request a determination as to whether the payment or benefit would constitute a parachute payment and, if so requested, such determination shall be made by an independent accounting firm selected by the Company and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.

(d) Notwithstanding anything in this Agreement to the contrary, if any payments or benefits to be made to or for the Executive's benefit, whether pursuant to this Agreement or otherwise, whether by the Company or another entity or person, would not be deductible by the Company due to limitations imposed by Section 162(m) of the Code, then such payments or benefits shall be deferred to the extent necessary until such time as such payments would be deductible under Section 162(m) of the Code. Either the Company or the Executive may request a determination as to whether any payments would be subject to limitations on deductibility under Section 162(m) of the Code and, if so requested, such determination shall be made by independent legal counsel selected by the Company and approved by the Executive. Payment may be delayed pending any such determination, provided that the Executive shall be entitled to interest on any delayed payment at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code. [The Executive shall also be entitled to interest on any payments deferred as a result of the limitations on deductibility under Section 162(m) of the Code at the applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.]

9. Full Settlement

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

10. Successors

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

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

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

11. Arbitration

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

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

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

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

(e) The Company will be considered the prevailing party in a dispute if the arbitrator determines that the Company has not breached this Agreement. Otherwise, the Executive will be considered the prevailing party. In the event that the Company is the prevailing party, the fee of the

arbitrator and all necessary expenses of the hearing (excluding any attorneys' fees incurred by the Company) including stenographic reporter, if employed, shall be paid by the Executive. In the event that Executive is the prevailing party, the fee of the arbitrator and all necessary expenses of the hearing (including all attorneys' fees incurred by the Executive), including the fees of a stenographic reporter if employed, shall be paid by the Company.

12. Governing Law

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

13. Captions

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

14. Amendment

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

15. Notices

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

If to the Executive: _____

If to the Company: Southern California Water Company
630 East Foothill Boulevard
San Dimas, CA 91773
Attn: Secretary

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

16. Severability

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

17. Withholding Taxes

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

18. No Waiver

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

19. At-Will Employment

The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company prior to the Change in Control Date is "at will" and, prior to the Change in Control Date, the Executive's employment may be

terminated by either the Executive or the Company at any time, in which case the Executive shall have no further rights under this Agreement. From and after the Change in Control Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

20. Counterparts

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

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

SOUTHERN CALIFORNIA WATER COMPANY

By /s/ Floyd E. Wicks

Title President and Chief Executive Officer

EXECUTIVE

/s/ Susan L. Conway
