

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2003

-----  
Commission file number 1-8966  
-----

SJW Corp.

-----  
(Exact name of registrant as specified in its charter)

California 77-0066628  
-----

(State or other jurisdiction of (I.R.S Employer  
incorporation or organization) Identification No.)

374 West Santa Clara Street, San Jose, CA 95196  
-----

(Address of principal executive offices) (Zip Code)

408-279-7800  
-----

(Registrant's telephone number, including area code)

Not Applicable  
-----

(Former name, former address and former fiscal year changed  
since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act). Yes  No   
-----

APPLICABLE ONLY TO CORPORATE ISSUERS:

Common shares outstanding as of the date of this report are 3,045,147.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

-----  
SJW CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
AND COMPREHENSIVE INCOME  
(UNAUDITED)

(In thousands, except share and per share data)

	THREE MONTHS		SIX MONTHS	
	ENDED JUNE 30		ENDED JUNE 30	
	2003	2002	2003	2002
OPERATING REVENUE	\$37,968	38,696	\$65,759	66,414
OPERATING EXPENSE:				
Operation:				
Purchased water	8,873	10,619	14,920	16,306
Power	1,376	1,848	2,113	3,188
Pump taxes	4,201	5,097	6,269	8,714
Other	7,259	6,265	14,021	12,218
Maintenance	1,903	1,984	3,676	3,975
Property taxes and other				

nonincome taxes	1,222	1,028	2,491	2,178
Depreciation and amortization	3,825	3,496	7,565	7,002
Income taxes	3,053	2,639	4,472	3,741
<hr/>				
Total operating expense	31,712	32,976	55,527	57,322
<hr/>				
OPERATING INCOME	6,256	5,720	10,232	9,092
Gain on sale of nonutility property, net of taxes	-	-	3,030	-
Interest on long-term debt	(2,106)	(2,078)	(4,192)	4,160
Dividends	309	308	619	616
Other, net	(33)	41	19	192
<hr/>				
NET INCOME	\$ 4,426	3,991	\$ 9,708	5,740
<hr/>				
Other comprehensive income (loss):				
Unrealized income (loss) on investment	2,606	(441)	4,916	(605)
Income taxes related to other comprehensive income (loss)	(1,068)	181	(2,015)	248
<hr/>				
Other comprehensive income (loss), net	1,538	(260)	2,901	(357)
<hr/>				
COMPREHENSIVE INCOME	\$ 5,964	3,731	\$12,609	5,383
<hr/>				
Basic and diluted earnings per share	\$ 1.46	1.31	\$ 3.19	1.88
<hr/>				
Basic and diluted comprehensive income per share	\$ 1.96	1.23	\$ 4.14	1.77
<hr/>				
Dividends per share	\$ 0.73	0.69	\$ 1.46	1.38
<hr/>				
Basic and diluted weighted average shares outstanding	3,045,147	3,045,147	3,045,147	3,045,147

See accompanying Notes to Condensed Consolidated Financial Statements.

SJW CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)  
(In thousands)

ASSETS	JUNE 30 2003	DECEMBER 31 2002
<hr/>		
UTILITY PLANT	\$563,228	\$541,919
Less accumulated depreciation and amortization	168,798	161,576
Net utility plant	394,430	380,343
NONUTILITY PROPERTY	27,458	12,083
Less accumulated depreciation	1,799	1,596
Net nonutility property	25,659	10,487
CURRENT ASSETS:		
Cash and equivalents	-	324
Accounts receivable and accrued utility revenue	21,029	16,721
Prepaid expenses and other	1,296	1,654
Total current assets	22,325	18,699
OTHER ASSETS:		
Investment in California Water Service Group	30,931	26,014
Investment in joint venture	1,163	1,144
Unamortized debt issuance and reacquisition costs	3,411	3,493
Goodwill	1,744	1,744
Regulatory assets	6,996	6,013
Other	5,898	5,286

Total other assets	50,143	43,694
	<u>\$492,557</u>	<u>\$453,223</u>
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Common stock	\$ 9,516	\$ 9,516
Additional paid-in capital	12,375	12,357
Retained earnings	133,521	128,242
Accumulated other comprehensive income	6,285	3,384
Shareholders' equity	161,697	153,499
Long-term debt	119,798	110,000
Total capitalization	281,495	263,499
CURRENT LIABILITIES:		
Bank overdraft	69	-
Line of credit	6,300	11,450
Accrued pump taxes and purchased water	6,233	3,144
Purchased power	1,543	1,219
Accounts payable	5,349	381
Accrued interest	3,240	3,244
Accrued taxes	3,124	634
Other current liabilities	3,862	3,528
Total current liabilities	29,720	23,600
DEFERRED INCOME TAXES AND CREDITS	36,370	29,704
ADVANCES FOR AND CONTRIBUTIONS		
IN AID OF CONSTRUCTION	133,765	126,714
OTHER NONCURRENT LIABILITIES	11,207	9,706
	<u>\$492,557</u>	<u>\$453,223</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

SJW CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
(In thousands)

	SIX MONTHS ENDED JUNE 30	
	2003	2002
OPERATING ACTIVITIES:		
Net income	\$ 9,708	\$ 5,740
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,565	7,002
Deferred income taxes and credits	4,561	(83)
Other noncurrent assets and noncurrent liabilities	(1,436)	1,013
Gain on sale of nonutility property, net of taxes	(3,030)	-
Changes in operating assets and liabilities:		
Accounts receivable and accrued utility revenue	(4,308)	(6,765)
Accounts payable, purchased power and other current liabilities	5,538	3,721
Accrued pump taxes and purchased water	3,089	4,859
Accrued taxes	2,490	2,201
Other changes, net	111	(584)
NET CASH PROVIDED BY OPERATING ACTIVITIES	24,288	17,104
INVESTING ACTIVITIES:		
Additions to utility plant	(22,260)	(20,478)
Additions to nonutility property	(15,612)	(256)
Cost to retire utility plant, net of salvage	(260)	(268)
Proceeds from sale of nonutility property	5,370	-
NET CASH USED IN INVESTING ACTIVITIES	(32,762)	(21,002)

FINANCING ACTIVITIES:		
Repayments for line of credit, net of borrowings	(5,150)	(2,850)
Long-term borrowings, net of repayments	9,886	-
Dividends paid	(4,429)	(4,202)
Advances for and contributions in aid of construction	8,594	10,108
Refunds of advances for construction	(751)	(694)
NET CASH PROVIDED BY FINANCING ACTIVITIES	8,150	2,362
NET CHANGE IN CASH AND EQUIVALENTS	(324)	(1,536)
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	324	5,021
CASH AND EQUIVALENTS, END OF PERIOD	\$ -	\$ 3,485
Cash paid during period for:		
Interest	\$ 4,244	\$ 4,190
Income taxes	650	1,300

See accompanying Notes to Condensed Consolidated Financial Statements.

#### SJW CORP. AND SUBSIDIARIES

#### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2003

##### Note 1. General

In the opinion of SJW Corp. (the Company), the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the results for the interim periods.

The Notes to Consolidated Financial Statements in SJW Corp.'s 2002 Annual Report on Form 10-K should be read with the accompanying condensed consolidated financial statements.

Basic earnings per share and comprehensive income per share are calculated using income available to common shareholders and comprehensive income, respectively, divided by the weighted average number of shares outstanding during the period. Diluted earnings per share and comprehensive income per share are based upon the weighted average number of common shares including both outstanding and shares potentially issued in connection with stock options and restricted common shares granted under SJW Corp. Long Term Incentive Plan, and income available to common shareholders and comprehensive income, respectively, adjusted for recognized stock compensation expense. As of June 30, 2003, the basic and diluted weighted average number of common shares is 3,045,147. In the three and six month periods ended June 30, 2003, 9,634 option share equivalents were excluded from the diluted calculation because they were anti-dilutive. There were no common stock equivalents during the three and six month periods ended June 30, 2002.

SJW Corp. and its subsidiaries operate predominantly in one reportable business segment of providing water utility service to its customers.

##### Note 2. Long-Term Incentive Plan and Stock-Based Compensation

On April 29, 2003, SJW Corp. amended its Long-Term Incentive Plan (Incentive Plan) which was originally adopted on April 18, 2002. Under the Incentive Plan, 300,000 common shares have been reserved for issuance. The amendment will allow SJW Corp. to provide key employees, including officers, and non-employee directors, the opportunity to acquire a meaningful equity interest in the Company. In no event may any one participant in the Incentive Plan receive awards under the Incentive Plan in any calendar year covering an aggregate of more than 100,000 common shares. Additionally, awards granted under the Incentive Plan may be conditioned upon the attainment of specified performance goals. The types of awards included in the Incentive Plan are

stock options, dividend units, performance shares, rights to acquire restricted stock and stock bonuses.

The form of stock options agreement under the Incentive Plan allows executives to purchase common shares at a specified price. Options are granted at an exercise price that is not less than the per share market price on the date of grant. The options vest at a 25% rate on their anniversary date over their first four years and are exercisable over a ten-year period. At June 30, 2003, 9,643 options were granted and outstanding under the Incentive Plan at a price of \$84.00, with a remaining life of 9.67 years, and the average fair value of \$16.00, at the date of grant.

SJW Corp. has adopted Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation", utilizing the Black-Scholes option-pricing model to compute the fair value of options at grant date as a basis for determining stock-based compensation for financial reporting purposes. The assumptions utilized include: expected dividend yield - 3.4%, expected volatility - 27%, risk-free interest rate - 2.86%, expected holding period - five years.

As of June 30, 2003, 13,890 shares of restricted stock have been granted to a key employee of the Company and the shares vest over a period of three years. Following SFAS No. 123, the restricted stock was valued at the market price of \$84.00 at the date of grant. The Company will recognize compensation expenses in connection with this award beginning in the third quarter of 2003.

SJW Corp. also has a Dividend Equivalent Rights Agreement which allows holders of options to receive dividend rights each time a dividend is paid on common shares after the option grant date, for a maximum period of four years. Dividend Equivalent Rights for restricted stock allow holders of restricted stock to receive dividend rights, each time a dividend is paid on common shares after the grant date, until the stock is issued to the holder. Accumulated dividends will be used to purchase stock units on behalf of the holders at the beginning of the following year using the average fair market value of common shares on each of the dividend dates in the immediately preceding year. The dividend equivalent units shall be vested in the same manner as the options and restricted stocks.

#### Note 3. Sale of Nonutility Property

-----

On March 11, 2003, SJW Land Company sold San Tomas station, a nonutility property, to Santa Clara Valley Water District (SCVWD) for a contract price of \$5,400,000. SJW Corp. recognized a gain on sale of nonutility property of \$3,030,000, net of tax of \$2,105,000 in connection with the sale. In April 2003, subsequent to the end of the first quarter, SJW Land Company reinvested the property sale proceeds by acquiring two income properties in the states of Connecticut and Florida, at a total purchase price of \$15,400,000. In connection with the purchases, SJW Land Company executed mortgages in the amount of \$9,900,000. The mortgage loans are due in ten years with a fixed interest rate of 5.96%.

#### Note 4. Impact of Recent Accounting Pronouncements

-----

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of SFAS No. 143, "Accounting for Asset Retirement Obligations", which applies to legal obligations that are associated with the retirement of long-lived assets and the associated asset retirement costs. The statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. SJW Corp. adopted SFAS No. 143 in January 2003. The adoption of SFAS No. 143 did not have a material impact on SJW Corp.'s financial condition or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections". Among other provisions, SFAS No. 145 rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt". Accordingly, gains or losses from extinguishment of debt shall not be reported as extraordinary items unless the extinguishment qualifies as an extraordinary

item under the criteria of APB No. 30. Gains or losses from extinguishment of debt that do not meet the criteria of APB No. 30 should be reclassified to income from continuing operations in all prior periods presented. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. SJW Corp. adopted SFAS No. 145 in January 2003. The adoption of SFAS No. 145 did not have an impact on SJW Corp.'s financial condition or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, a plant closing, or other exit or disposal activities. The provisions of this statement are effective for exit and disposal activities that are initiated by a company after December 31, 2002. SJW Corp. adopted SFAS No. 146 in January 2003. The adoption of SFAS No. 146 did not have an impact on SJW Corp.'s financial condition or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". This statement amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", for certain decisions made by FASB as part of the Derivatives Implementation Group process. This statement also amends SFAS No. 133 to incorporate clarifications of the definition of a derivative. SJW Corp. will adopt SFAS No. 149 on July 1, 2003. The adoption of SFAS No. 149 will not impact SJW Corp.'s financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". This statement establishes standards for how an entity that issued a financial instrument, classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. SJW Corp. will adopt SFAS No. 150 on July 1, 2003. The adoption of SFAS No. 150 will not impact SJW Corp.'s financial condition or results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

-----

This report contains forward-looking statements within the meaning of the federal securities laws relating to future events and future results of SJW Corp. and its subsidiaries that are based on current expectations, estimates, forecasts, and projections about the industries in which SJW Corp. operates and the beliefs and assumptions of the management of SJW Corp. Such forward-looking statements are identified by words including "expect", "estimate", "anticipate" and similar expressions. These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Important factors that could cause or contribute to such differences include, but are not limited to, those discussed in this report under the section entitled "Factors that May Affect Future Results" and elsewhere, and in other reports SJW Corp. files with the Securities and Exchange Commission (SEC), specifically the most recent reports on Form 10-K, Form 10-Q and Form 8-K, each as it may be amended from time to time. SJW Corp. undertakes no obligation to update the information contained in this report, including the forward-looking statements to reflect any event or circumstance that may arise after the date of this report.

General:  
-----

SJW Corp. was incorporated in California on February 8, 1985. SJW Corp. is a holding company with three subsidiaries.

San Jose Water Company, a wholly owned subsidiary, with headquarters at 374 West Santa Clara Street in San Jose, California 95196, was originally incorporated under the laws of the State of California in 1866. San Jose Water Company was later reorganized and reincorporated as the San Jose Water Works. San Jose Water Works was reincorporated in 1985 as San Jose Water Company, with SJW Corp. as the parent holding company. San Jose Water Company is a public utility in the business of providing water service to a population of approximately one million people in an area comprising about 138 square miles in the metropolitan San Jose area. San Jose Water Company's web site can be accessed via the Internet at <http://www.sjwater.com>.

The principal business of San Jose Water Company consists of the production, purchase, storage, purification, distribution and retail sale of water. San Jose Water Company provides water service to customers in portions of the cities of Cupertino and San Jose and in the cities of Campbell, Monte Sereno, Saratoga and the Town of Los Gatos, and adjacent unincorporated territory, all in the County of Santa Clara in the State of California. It distributes water to customers in accordance with accepted water utility methods, which include pumping from storage and gravity feed from high elevation reservoirs. San Jose Water Company also provides nonregulated water related services under agreements with municipalities. These nonregulated services include full water system operations, billings and cash remittances.

SJW Land Company, a wholly owned subsidiary, was incorporated in 1985. SJW Land Company owns and operates parking facilities, which are located adjacent to San Jose Water Company's headquarters and the HP Pavilion in San Jose, California. SJW Land Company also owns commercial buildings and other undeveloped land primarily in the San Jose Metropolitan area, and a 70% limited partnership interest in 444 West Santa Clara Street, L.P.

Crystal Choice Water Service LLC, a 71% majority-owned limited liability subsidiary formed in January 2001, engages in the sale and rental of water conditioning and purification equipment.

SJW Corp. also owns 1,099,952 shares of California Water Service Group.

Critical Accounting Policies:  
- - - - -

SJW Corp. has identified accounting policies below as the policies critical to the business operations and the understanding of the results of operations. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and revenues and expenses. SJW Corp. bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The impact and any associated risks related to these policies on the Company's business operations is discussed throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations" where such policies affect the Company's reported and expected financial results. The Company's critical accounting policies are as follows:

Balancing Account

The California Public Utilities Commission (CPUC) establishes a balancing account mechanism within its regulatory regime. A separate balancing account must be maintained for each offset expense item (e.g., purchased water, purchased power and pump tax). The purpose of a balancing account is to track the under-collection or over-collection associated with expense changes and the revenue authorized by the CPUC to offset those expense changes. Since balances are being tracked and have to be approved by the CPUC before they can be incorporated into rates, San Jose Water Company has not recognized the balancing account in its financial statements. Had the balancing account under-collection been recognized in San Jose Water Company's financial statements, San Jose Water Company's retained earnings would be increased by the amount of balancing account under-collection, less applicable taxes. As of June 30, 2003 and December 31, 2002, San Jose Water Company has a balance of \$204,000 and \$262,000, respectively, to be collected from its customers.

Accrued Unbilled Revenue

San Jose Water Company reads the majority of its customer's meters on a bi-monthly basis and records its revenue based on its meter reading results. Revenues from the meter reading date to the end of the accounting period is estimated based on historical usage patterns, production records and the effective tariff rates. The estimate of the unbilled revenue is a management estimate utilizing certain sets of assumptions and conditions which include the number of days between meter reads for each billing cycle, the customers' consumption changes, and San Jose Water Company's experiences in unaccounted-for water. Actual results could differ from those estimates, which would result in operating revenue being adjusted in the period that the revision to the San Jose Water Company's estimates is determined. As of June 30, 2003 and December 31, 2002, accrued utility revenue was \$12,445,000 and \$6,605,000, respectively. The higher accrued utility revenue at June 30, 2003 reflects the seasonality of the water utility business such that customer consumption is at its peak during the summer months.

#### Recognition of Regulatory Assets and Liabilities

Generally accepted accounting principles for water utilities include the recognition of regulatory assets and liabilities as permitted by SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation". In accordance with SFAS No. 71, San Jose Water Company records deferred costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that these costs and credits will be recovered in the ratemaking process in a period different from when the costs and credits were incurred. Accounting for such costs and credits is based on management's judgments that it is probable that these costs are recoverable in the future revenue of the San Jose Water Company through the ratemaking process. The regulatory assets and liabilities recorded by San Jose Water Company primarily relate to the recognition of deferred income taxes for ratemaking versus tax accounting purposes. The disallowance of any asset in future ratemaking purposes, including the deferred regulatory assets, would require San Jose Water Company to immediately recognize the impact of the costs for financial reporting purposes.

#### Income Taxes

SJW Corp. estimates its federal and state income taxes as part of the process of preparing the financial statements. The process involves estimating the actual current tax exposure together with assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the balance sheet. In the event that actual results differ from these estimates, the provision for income taxes could be materially impacted.

#### Pension Accounting

San Jose Water Company offers a defined benefit plan, Supplemental Executive Retirement Plan and certain post-retirement benefits other than pensions to employees retiring with a minimum level of service. Accounting for pensions and other post-retirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increase received by the employees, mortality, turnover, and medical costs.

San Jose Water Company, through its Retirement Plan Administrative Committee managed by the representatives from the unions and management establishes investment guidelines with specification that at least 30% of the investments are in bonds or cash. As of June 30, 2003, the plan assets consist of approximately 30% bonds, 10% cash and 60% equities. Furthermore, equities are to be diversified by industry groups to balance for capital appreciation and income. In addition, all investments are publicly traded. San Jose Water Company uses an expected rate of return on plan assets of 8% in its actuarial computation that is below the company's annualized actual rate of return of 10.5% measured from 1984 through 2002. The distributions of assets are conservative and are less affected by market volatility. Furthermore, foreign assets are not included in the investment profile and thus a risk related to foreign exchange fluctuation is minimized.

The market values of the plan assets are marked to market at the measurement date. The investment trust assets suffered significant unrealized market losses in the last two years. Significant unrealized market losses on pension assets are amortized over 14 years for actuarial expense calculation purposes.

The Company utilizes Moody's 'A' and 'Aa' rated bonds in industrial, utility and financial sectors with outstanding amount of \$1 million or more in determining the discount rate used in calculating the liabilities at the measurement date. For the year ending December 31, 2002, the composite discount rate used was 6.75%.

#### Stock-Based Compensation Plans

SJW Corp. has a stockholder-approved long-term incentive plan that allows granting of nonqualified stock options, performance shares and dividend units. Under the plan, a total of 300,000 common shares are authorized for option awards and grants. The Company has adopted Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation", utilizing the Black-Scholes option-pricing model to compute the fair value of options at grant date as basis for the stock-based compensation for financial reporting purposes. The weighted-average assumptions utilized include: expected dividend yield - 3.4%, expected volatility - 27%, risk-free interest rate - 2.86%, expected holding period - five years.

#### Liquidity and Capital Resources:

San Jose Water Company's budgeted capital expenditures for 2003, exclusive of capital expenditures financed by customer contributions and advances, are \$28,667,000 with capital expenditures concentrated in main replacements. Approximately \$13,000,000 will be spent to replace San Jose Water Company's aging mains in 2003.

The four-phased Infrastructure Study, which was started by San Jose Water Company in 1997 with the purpose of establishing a systematic approach to replace its utility facilities, was completed by July 2002. The Infrastructure Study analyzed the San Jose Water Company's pipes and mains and examined all other utility facilities and will be used as a guide for future capital improvement programs, and serve as the master plan for the San Jose Water Company's replacement program for the next 20 years.

San Jose Water Company's capital expenditures are incurred in connection with normal upgrading and expansion of existing facilities and to comply with environmental regulations. San Jose Water Company expects to incur approximately \$155,000,000, exclusive of customer contributions and advances, in capital expenditures over the next five years. San Jose Water Company's actual capital expenditures may vary from its projections due to changes in the expected demand for services, weather patterns, and actions by governmental agencies and general economic conditions. Total additions to utility plant normally exceed company-financed additions by several million dollars because certain new facilities are constructed using advances from developers and contributions in aid of construction.

A substantial portion of San Jose Water Company's distribution system was constructed during the period from 1945 to 1980. Expenditure levels for renewal and modernization of this part of the system will grow at an increasing rate as these components reach the end of their useful lives. In most cases, replacement cost will significantly exceed the original installation cost of the retired assets due to increases in the costs of goods and services.

As of June 30, 2003, SJW Corp.'s share of capital investment in Crystal Choice Water Service LLC approximated 71%. SJW Corp. did not make any additional investment in Crystal Choice Water Service LLC during the first six months of 2003.

The water utility business is highly seasonal in nature. Customer consumption demand during summer months could significantly exceed that of winter months. Operating revenue, accounts receivable and unbilled revenue increase as customer consumption increases. Historically, San Jose Water Company's write-offs for uncollectible accounts represent less than 1% of its total

revenue. Management believes it can continue to collect its accounts receivable balances at its historical collection rate.

Accounts payable and current liabilities increase during the summer months due to increased water production volume to meet higher customer demand and the timing of the payment of certain expenses. Please refer to "Sources of Capital" for further discussion.

#### Sources of Capital:

- - - - -

San Jose Water Company's ability to finance future construction programs and sustain dividend payments depends on its ability to attract external financing and maintain or increase internally generated funds. The level of future earnings and the related cash flow from operations is dependent, in large part, upon the timing and outcome of regulatory proceedings.

San Jose Water Company has outstanding \$110,000,000 of unsecured senior notes as of June 30, 2003. The senior note agreements of San Jose Water Company generally have terms and conditions that restrict the company from issuing additional funded debt if (1) the funded debt would exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing twelve calendar month period would be less than 175% of interest charges. As of June 30, 2003, San Jose Water Company's funded debt was 46% of total capitalization and the net income for preceding twelve months was 408% of interest charges.

In March 2003, SJW Land Company sold nonutility property and recognized a gain of \$3,030,000, net of tax. Subsequent to the end of the first quarter, SJW Land Company reinvested the proceeds from the sale of nonutility property by acquiring two properties in the states of Connecticut and Florida. In connection with the acquisition, SJW Land Company executed mortgages in the amount of \$9,900,000 in April 2003. The mortgage loans are due in ten years and amortize over twenty-five years with a fixed interest rate of 5.96%.

San Jose Water Company's financing activity is designed to achieve a capital structure consistent with regulatory guidelines of approximately 50% debt and 50% equity.

San Jose Water Company intends to issue \$20,000,000 of Senior Notes Series G (Notes) in the third quarter of 2003. Proceeds from the sale of the Notes will be used to repay short-term borrowings and fund construction expenditures.

In 2002, the Department of Water Resources approved San Jose Water Company's application for an approximately \$2,500,000 Safe Drinking Water State Revolving Fund twenty-year loan at an interest rate of approximately 2.39%. Funds in the above amount will be received for the retrofit of San Jose Water Company's water treatment plant. San Jose Water Company will request the funding in 2003 as soon as all the loan documentation and contract requirements are met.

SJW Corp. and its subsidiaries have unsecured lines of credit available allowing aggregate short-term borrowings of up to \$30,000,000 at rates that approximate the bank's prime or reference rate. At June 30, 2003, SJW Corp. and its subsidiaries had available unused short-term bank lines of credit of \$23,700,000. Cost of borrowing averaged 2.53% for the first six months of 2003. The line of credit expires on July 1, 2005.

#### Results of Operations

- - - - -

##### Overview

- - - - -

SJW Corp.'s consolidated net income for the second quarter ended June 30, 2003 was \$4,426,000, an increase of \$435,000 or 11% from \$3,991,000 in the second quarter of 2002. Six months earnings was \$9,708,000, an increase of \$3,968,000 or 69% from \$5,740,000 for the same period in 2002. The six months earnings included a gain on sale of nonutility property of \$3,030,000, net of tax of \$2,105,000, which contributed to 53% of the increase in net income from the same period in 2002.

Operating Revenue  
- - - - -

Consolidated Operating Revenue

	Three months ended June 30		Six months ended June 30	
	2003	2002	2003	2002
	(in thousands)			
San Jose Water Company	\$37,075	\$38,042	\$64,066	\$65,060
SJW Land Company	542	476	1,088	1,020
Crystal Choice Water Service	351	178	605	334
	\$37,968	\$38,696	\$65,759	\$66,414

Consolidated operating revenue for the three months ended June 30, 2003 decreased by \$728,000 or 2% from the \$38,696,000 for the same period in 2002. The decrease was primarily attributable to a decrease of \$967,000 or 3% in revenue from San Jose Water Company partially offset by a revenue increase from Crystal Choice Water Service. The decrease in revenue from San Jose Water Company was due to an 8% weather-related decrease in customer consumption that was partially offset by a 4% rate increase.

For the six months ended June 30, 2003, the decrease of \$655,000 or 1% in consolidated operating revenue from the same period in 2002, was primarily due to the reasons as explained above.

The change in consolidated operating revenue was due to the following factors:

	Three months ended June 30 2003 vs. 2002		Six months ended June 30 2003 vs. 2002	
	Increase/(decrease)		Increase/(decrease)	
	(in thousands)			
Utility:				
Consumption changes	\$(2,704)	(7%)	\$(3,767)	(5%)
New customers increase	87	-	170	-
Rate increases	1,650	4%	2,603	4%
Parking and rental	66	-	68	-
Crystal Choice Water Service	173	1%	271	-
	\$ (728)	(2%)	\$ (655)	(1%)

Operating Expenses  
- - - - -

	Three months ended June 30 2003 vs. 2002		Six months ended June 30 2003 vs. 2002	
	Increase/(decrease)		Increase/(decrease)	
	(in thousands)			
San Jose Water Company	\$27,878	29,787	\$49,620	52,446
SJW Land Company	209	180	390	354
Crystal Choice Water Service	371	262	685	544
SJW Corp.	201	108	360	237
	\$28,659	30,337	\$51,055	53,581

The change in consolidated operating expenses, excluding income taxes, from the same period in 2002 was due to the following factors:

	Three months ended June 30 2003 vs. 2002		Six months ended June 30 2003 vs. 2002	
	Increase/(decrease)		Increase/(decrease)	
	(in thousands)			
Production costs:				
Increased surface water supply	\$(1,314)	(4%)	\$(2,517)	(5%)
Decrease in usage and new customers	(2,120)	(7%)	(2,907)	(5%)
Pump tax and purchased				

water price increase	352	1%	578	1%
Energy price and usage	(32)	-	(60)	-
Total production costs	(3,114)	(10%)	(4,906)	(9%)
Other operating expense	994	3%	1,803	3%
Maintenance	(81)	-	(299)	(1%)
Property taxes and other nonincome taxes	194	1%	313	1%
Depreciation and amortization	329	1%	563	1%
	-----		-----	
	(1,678)	(5%)	(2,526)	(5%)
	=====		=====	

Total water production costs decreased \$3,114,000 or 18% for the second quarter of 2003. The decrease in water production costs was primarily due to an approximately 8% decrease in customer consumption and the availability of the less costly surface water supply. The cost decreases were partially offset by an increase in Santa Clara Valley Water District (SCVWD) water production rates (pump tax and purchased water) in July 2002. Water production in the second quarter of 2003 was lower than the same period in 2002 due to a weather-related change in customer consumption.

For the six months ended June 30, 2003, the decrease of \$4,906,000 or 17% in total water production costs from the same period in 2002 was due to the reasons as explained above. The decrease in water production costs was primarily attributable to a decrease in weather-related customer consumption.

San Jose Water Company's water supply is obtained from wells, groundwater, watershed run-off and diversion, surface water and by import water purchases from the SCVWD. Surface water supply is the least expensive source of water and the availability of a higher surface water supply reduced water production costs in the second quarter of 2003 by \$1,314,000 and the first six months of 2003 by \$2,517,000.

The change in San Jose Water Company's source of supply mix was as follows:

	Three months ended June 30 2003 vs. 2002		Six months ended June 30 2003 vs. 2002	
	Increase/(decrease)		Increase/(decrease)	
	(in million gallons)			
	-----		-----	
Purchased water	(1,618)	(11%)	(1,458)	(7%)
Ground water	(1,006)	(7%)	(2,583)	(11%)
Surface water	997	7%	1,953	8%
Reclaimed water	(25)	-	(32)	-
	-----		-----	
	(1,652)	(11%)	(2,120)	(10%)
	=====		=====	

The changes in the source of supply mix were consistent with the changes in the water production costs.

Consolidated operating expense in the second quarter of 2003, excluding income taxes and production costs, increased \$1,436,000 or 11% compared to the same period in 2002. The increases included \$116,000 in professional fees, \$275,000 in pension costs primarily as a result of the decline in the market value of retirement trust assets, \$330,000 in salaries and wages in accordance with bargaining unit wage escalation and new hires, and \$356,000 in business and employee insurance costs. Depreciation increased \$329,000 due to higher investment in utility plants.

Total income tax expense for the second quarter of 2003 was \$3,053,000 compared to \$2,639,000 for the same period in 2002. The increase of \$414,000 was due to higher earnings in 2003. The effective income tax rates for the second quarter of 2003 and 2002 approximated 41% and 40%, respectively.

Other income for the six month period ended June 30, 2003 includes an after-tax gain of \$3,030,000 on the sale of a nonutility property. In April 2003, SJW Corp. reinvested the sale proceeds in two income properties in the states of Connecticut and Florida. Please refer to Note 3. "Sale of Nonutility Property" under "Notes to Unaudited Condensed

Consolidated Financial Statements" in Item 1. "Financial Statements".

The decrease in other income and expense of \$202,000 resulted from higher interest expenses due to higher average borrowing.

Since the water business is highly seasonal in nature, a comparison of the revenue and expense of the current quarter with the immediately preceding quarter would not be meaningful. The average usage per metered customer in the second quarter of 2003 decreased by approximately 8% from the second quarter of 2002 due to cool summer in 2003.

Other comprehensive income was \$1,538,000 for the three months ended June 30, 2003 in comparison to the comprehensive loss of \$260,000 for the three months ended June 30, 2002 due to the changes in market value of investment in California Water Service Group.

#### Factors That May Affect Future Results

-----

##### Pension and Insurance

-----

In 2003, pension accruals increased \$1,113,000 on an annual basis primarily due to the decline in valuation of the retirement plan portfolio in 2002. Market conditions, not changes in operating risk or loss experience, were the sole reason for the Company's average liability insurance cost increase of 39% in the second quarter of 2003 after adjustments in self-insured retentions. Pension and insurance expenses are expected to continue to negatively impact the financial condition or results of operations.

##### Nonregulated Operations

-----

In January 2002, SJW Land Company entered into an Agreement for Possession and Use (Agreement) with Valley Transportation Agency (VTA) whereby SJW Land Company has granted VTA an irrevocable right to possession and use of 1.23 acres of the company's parking lot property for the development of a light rail station. VTA has adopted a resolution authorizing a condemnation proceeding to acquire the land and has deposited \$3.7 million in an escrow account as fair market compensation. SJW Land Company waived the right to challenge VTA's possession and use in any subsequent eminent domain proceeding but reserved the right to assert, and has disputed the fair market value placed on the land. According to the terms of the Agreement, if a settlement is not reached within three months of the execution of the Agreement, VTA can file an eminent domain complaint to acquire title to the parking lot property. On April 11, 2003, VTA filed the eminent domain lawsuit. As a part of the proceedings, VTA has transferred funds from the escrow account into court deposit to secure its ongoing right of possession for construction of the light rail station pending final litigation. Compensation for the taking of property will be determined by the court or by way of settlement between SJW Land Company and VTA. This transaction will be booked and is expected to result in an increase to net income, if and when the compensation issue is settled or a final court order is rendered.

##### Water Supply and Energy Resources

-----

San Jose Water Company's water supply is obtained from wells, groundwater, watershed run-off and diversion, surface water and by import water purchases from the SCVWD under the terms of a master contract with SCVWD expiring in 2051. Groundwater level in 2003 was well above the 30-year normal aquifer storage point.

On July 18, 2003, the SCVWD's ten reservoirs were 56% full with 94,647 acre-feet of water in storage. The rainfall in the winter of 2003 was about average.

On July 7, 2003, local surface water in San Jose Water Company's impoundments was at 85% of capacity. Local surface water is a less costly source of water and its availability significantly impacts the results of operations.

Based on information provided by SCVWD in its Water Utility Enterprise Report, San Jose Water Company believes that its various sources of water supply are sufficient to meet customer demand for the remainder of the year.

To the extent that San Jose Water Company has to pump water during peak periods to satisfy customer demand when imported water is not available, higher energy costs will be incurred. Currently, the CPUC has no established procedure for water utilities to recover the additional costs incurred due to such unanticipated changes in water supply mix. There can be no assurance that such costs will be recovered in full or in part.

#### Security Issues

San Jose Water Company has taken steps to increase security at its water utility facilities and continue to implement a comprehensive security upgrade program for production and storage facilities, booster pump stations and company buildings. San Jose Water Company also coordinates security and planning information with eight other large regional water utilities within the San Francisco Bay area, as well as various governmental and law enforcement agencies.

San Jose Water Company conducted a system-wide vulnerability assessment in compliance with federal regulations Public Law 107-188 imposed on all water utilities. The assessment report was filed with the government on March 31, 2003. The vulnerability assessment identified system security enhancements that impact water quality, health, safety and continuity of service totaling approximately \$2,300,000, exclusive of the years 2001 to 2002 expenditures. These improvements shall be incorporated into the capital budgets to be completed by 2005. For the six months ended June 30, 2003 and the twelve months ended December 31, 2002, \$234,000 and \$479,000, respectively, were spent on capital projects to improve and enhance security. Approximately \$366,000 will be spent in the remaining six months in 2003. Once completed, San Jose Water Company believes it will have substantially reduced its vulnerability to terrorists' attack. San Jose Water Company actively participated in the security vulnerability assessment training offered by the American Water Works Association Research Foundation and the Environmental Protection Agency.

San Jose Water Company is currently revising its Emergency Response Plans (ERP) and will issue the plans in advance of the September 30, 2003 deadline set forth by the legislation. The ERPs will include training and implementation of new procedures and communications.

#### Regulatory Affairs

##### Rates and Regulations

Almost all the operating revenue of San Jose Water Company results from the sale of water at rates authorized by the CPUC. The CPUC sets rates that are intended to provide revenue sufficient to recover operating expenses and produce a reasonable return on common equity. San Jose Water Company's most recent rate decision, approved in April 2001, authorized a return on common equity in 2001, 2002 and 2003 of 9.95%. This is within the range of recent rates of return authorized by the CPUC for water utilities. San Jose Water Company received step rate increases in January and March of 2003 totaling about 3% to recover projected operating cost increase for 2003 as well as the increased costs associated with the transfer of the maintenance responsibility for approximately 12,000 fire hydrants from the City of San Jose to San Jose Water Company.

On April 3, 2003, the CPUC issued an Opinion modifying Decision D.00-07-018, which originally established the rules and guidelines for the use of water utility assets in nonregulated activities. Pursuant to the recently issued Opinion, investor owned water utilities are now required to file for the CPUC's authority to enter into any nonregulated activity that utilizes assets or employees reflected in the utilities' regulated revenue requirement. Previously certain activities that were specifically identified in D.00-07-018 were exempt from this pre-

approval requirement. San Jose Water Company will therefore need to obtain such an approval from the CPUC before executing any new nonregulated utility service contracts. At this time it is unclear whether this change to the rules will impact San Jose Water Company's ability to participate in any future nonregulated business activities.

On April 17, 2003, San Jose Water Company filed Advice Letter No. 342 with the CPUC requesting a revenue increase of \$5,300,000 or 4% to recover the increased cost of purchased water and higher pump tax charged to San Jose Water Company by SCVWD. The proposed rates were approved as filed by the CPUC at its June 19, 2003 meeting, with the new rates effective on July 1, 2003.

On May 23, 2003, San Jose Water Company filed a General Rate Case application with the CPUC to increase rates by \$25,793,000 or 18.2% in 2004, \$5,434,000 or 3.2% in 2005, and \$5,210,000 or 3.0% in 2006. San Jose Water Company is seeking these proposed increases to cover higher costs of providing water service, including higher costs of power, purchased water, pump tax, labor, security, water quality testing and reporting, and to allow for necessary improvements to the water system. San Jose Water Company is also requesting rate recovery of the current balance of \$71,000 in its Water Contamination Memorandum Account, as well as recovery of an under-collection of \$382,000 accrued in its pre-November 29, 2001 Balancing Account. Finally, San Jose Water Company is requesting a rate of return on equity of 11.5% for the years 2004 through 2006. A CPUC decision on the application is expected in late 2003.

On September 30, 2002, Governor Davis signed the interim rate bill (AB 2838), sponsored by the California water utility industry, into law. The bill allows for the implementation of interim water rates in general rate cases when the CPUC fails to establish new rates in accordance with the established rate case schedule. The interim rates would be based on a water company's existing rates increased for the amount of inflation since the last approved rate adjustment. The bill also allows for revenue true-up from the time of the implementation of the interim rates to the time of the CPUC's ultimate decision in the rate case. In principal, this mechanism is designed to eliminate the adverse financial impact on water utilities caused by regulatory delays in general rate cases. The bill went into effect on January 1, 2003.

#### Balancing Account Recovery Procedures

On November 29, 2001, the CPUC issued Resolution W-4294 (Resolution) implementing significant changes in the long-established offset rate increase and balancing account recovery procedures applicable to water utilities. As required by the Resolution, in December 2001 the CPUC opened an Order Instituting Rulemaking (OIR) to evaluate existing balancing account and offset rate practices and policies. On December 17, 2002, the CPUC issued an interim OIR decision authorizing water utilities to recover the balancing account balances accrued prior to November 29, 2001 if the utility is not over-earning as measured on a pro-forma basis. San Jose Water Company has accrued an under-collection of \$382,000 in its balancing account prior to November 29, 2001. For the period from November 29, 2001 to June 30, 2003, San Jose Water Company has accumulated an over-collection of \$178,000. Therefore, the balancing account has a net under-collected balance of \$204,000.

On June 19, 2003 the CPUC issued its final OIR decision (D.03-06-072) in which the CPUC revised the existing procedures for recovery of under collections and over collections in balancing accounts existing on or after November 29, 2001 as follows: (1) If a utility is within its rate case cycle and is not over earning, the utility shall recover its balancing account subject to reasonableness review; and (2) If a utility is either within or outside of its rate case cycle and is over earning, the utility's recovery of expenses from the balancing accounts will be reduced by the amount of the over earning, again subject to reasonableness review. Utilities shall use the recorded rate of return means test to evaluate earnings for all years. The CPUC is currently in the process of scheduling workshops to determine how these new requirements will ultimately be implemented.

As of June 30, 2003 San Jose Water Company has received all its offset rate requests. Any future impact on San Jose Water

Company's ability to recover balancing account balances and receive offset rate increases cannot be determined until San Jose Water Company's next offset rate increase request scheduled for July, 2004.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK  
-----

SJW Corp. is subject to market risks in the normal course of business, including changes in interest rates and equity prices. The exposure to changes in interest rates is a result of financings through the issuance of fixed-rate, long-term debt and short-term funds obtained through the variable rate line of credit. SJW Corp. also owns 1,099,952 shares of California Water Service Group and is exposed to the risk of changes in equity prices.

The Company has no derivative financial instruments, financial instruments with significant off-balance sheet risks, or financial instruments with concentrations of credit risk. There is no material sensitivity to change in market rates and prices.

ITEM 4. CONTROLS AND PROCEDURES  
-----

(a) Evaluation of disclosure controls and procedures.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company believes that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Changes in Internal Controls over Financial Reporting.

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS  
-----

In January 2002, SJW Land Company entered into an Agreement for Possession and Use (Agreement) with Valley Transportation Agency (VTA) whereby SJW Land Company has granted VTA an irrevocable right to possession and use of 1.23 acres of the company's parking lot property for the development of a light rail station. VTA has adopted a resolution authorizing a condemnation proceeding to acquire the land and has deposited \$3.7 million in an escrow account as fair market compensation. SJW Land Company waived the right to challenge VTA's possession and use in any subsequent eminent domain proceeding but reserved the right to assert, and has disputed the fair market value placed on the land. According to the terms of the Agreement, if a settlement is not reached within three months of the execution of the Agreement, VTA can file an eminent domain complaint to acquire title to the parking lot property. On April 11, 2003, VTA filed the eminent domain lawsuit. As a part of the proceedings, VTA has transferred funds from the escrow account into court deposit

to secure its ongoing right of possession for construction of the light rail station pending final litigation. Compensation for the taking of property will be determined by the court or by way of settlement between SJW Land Company and VTA. This transaction will be booked and is expected to result in an increase to net income, if and when the compensation issue is settled or a final court order is rendered.

ITEM 5. OTHER INFORMATION

On July 29, 2003, the Board of Directors of the SJW Corp. declared the regular quarterly dividend of \$.7275 per common share. The dividend will be paid September 1, 2003, to shareholders of record as of the close of business on August 11, 2003.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits required to be filed by Item 601 of Regulation S-K.

See Exhibit Index located immediately following the Certifications of this document which is incorporated herein by reference as required to be filed by Item 601 of Regulation S-K for the quarter ended June 30, 2003.

(b) Reports on Form 8-K

SJW Corp. filed a current report on Form 8-K with the Securities and Exchange Commission on July 31, 2003 which announced the financial results of SJW Corp. for the second quarter of 2003.

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 thereunto duly authorized.

SJW Corp.

Date: August 8, 2003 By /s/ ANGELA YIP  
ANGELA YIP  
Chief Financial Officer &  
Treasurer

EXHIBIT INDEX

Exhibit No.	Description of Document
10.18	San Jose Water Company Executive Supplemental Retirement Plan adopted by San Jose Water Company Board of Directors, as restated to reflect amendments made through May 1, 2003. (1) (2)
10.19	SJW Corp. Executive Severance Plan adopted by SJW Corp. Board of Directors, as restated to reflect amendments made through May 1, 2003. (2)
10.20	SJW Corp. Long-Term Incentive Plan, adopted by SJW Corp. Board of Directors, as amended on March 3, 2003. (1) (2)
10.21	Chief Executive Officer Employment Agreement, as restated on June 27, 2003. (1) (2)
10.22	Standard Form of Stock Option Agreement-subject to changes per Employment Agreement, as adopted by the SJW Corp. Board of Directors on April 29, 2003. (1) (2)

- 10.23 Chief Executive Officer SERP Deferred Restricted Stock Award, as restated on June 27, 2003. (1) (2)
- 10.24 Form of Stock Option Agreement with Dividend Equivalent Agreement as adopted by the Board of Directors on April 29, 2003. (1) (2)
- 31.1 Certification Pursuant to Rule 13a-14(a)/15d-14(a) by President and Chief Executive Officer. (1)
- 31.2 Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chief Financial Officer and Treasurer. (1)
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350 by President and Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)
- 32.2 Certification Pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer and Treasurer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)

(1) Filed currently herewith.

(2) Management contract or compensatory plan or agreement.

## SAN JOSE WATER COMPANY

EXECUTIVE SUPPLEMENTAL  
RETIREMENT PLAN

(As restated to reflect amendments made through May 1, 2003)

TABLE OF CONTENTS  
-----

- I. DEFINITIONS
- II. PARTICIPATION
- III. RETIREMENT BENEFIT
- IV. VESTING
- V. FUNDING NATURE OF THE PLAN
- VI. ADMINISTRATION OF THE PLAN
- VII. AMENDMENTS AND TERMINATION
- VIII. MISCELLANEOUS

THE SAN JOSE WATER COMPANY  
-----EXECUTIVE SUPPLEMENTAL RETIREMENT PLAN  
-----

On July 22, 1992 the Board of Directors of the San Jose Water Company (the "Company") adopted the San Jose Water Company Executive Supplemental Retirement Plan (the "Plan"). The Plan is designed to supplement the retirement income of a designated select group of management and/or highly compensated executives of the Company. The Plan is intended to be a nonqualified, unfunded retirement plan. The purpose of the Plan is to improve the ability of the Company to attract, retain and motivate management individuals. The Plan has been amended on seven occasions since its adoption and is hereby further amended and restated in its entirety. This restatement is effective January 1, 2001, except to the extent expressly provided otherwise herein.

## I. DEFINITIONS

Wherever used herein the following terms have the meanings indicated:

1.1 "Accrued Benefit" means, at any time, the benefit computed in accordance with Section 3.1 (as adjusted, if applicable pursuant to Section 3.11).

1.2 "Actuarially Equivalent" has the meaning set forth in the San Jose Water Company Retirement Plan.

1.3 "Beneficiary" means the person or persons entitled to receive a Participant's retirement benefits as provided in Section 3.6.

1.4 "Benefit Commencement Date" means the date on which a Participant's retirement benefits commence to be payable under this Plan. Such date shall be the later of (i) the date the Participant first satisfies the requirements for an Early Retirement Date or Normal Retirement Date or (ii) the Participant's date of separation from service.

1.5 "Board of Directors" means the Board of Directors of San Jose Water Company.

1.6 "Change in Control" means a Change in Control as defined at the relevant time in the Executive Severance Plan or successor thereto or, if the Executive Severance Plan ceases to exist and is not succeeded by another similar plan, as it was last defined in the Executive Severance Plan.

1.7 "Committee" means the committee established pursuant to Article V hereof, as it shall be constituted from time to time.

1.8 "Company" means San Jose Water Company and any successor to all or a major portion of the assets or business of the San Jose Water Company.

1.9 "Compensation" means, for any calendar month, a Participant's salary for such month plus any annual cash performance bonus paid in such month; provided that if a Participant terminates employment before the Company pays annual bonuses for its 2003 fiscal year, Compensation for each of the calendar months in 2003 shall include one twelfth (1/12) of such Participant's annual bonus for such year if it has been determined at the time of termination or, if not his or her target annual bonus for such year. No other bonus or special compensation will be included except to the extent expressly provided otherwise by the Board of Directors or the Compensation Committee thereof; provided that any retention bonus paid in 2001 to a Participant who was not at the time of payment thereof a director of the Company or its parent shall be treated as an annual cash bonus for purposes of computing such Participant's Compensation for the month of payment of such retention bonus.

1.10 "Credited Service" has the meaning set forth in the San Jose Water Company Retirement Plan.

1.11 "Death Benefit" has the meaning set forth in Section 3.10 of the Plan.

1.12 "Early Retirement Date" means the first day of the month coinciding with or next following the date when a Participant has both attained the age of fifty-five (55) years and completed ten (10) years of Credited Service with the Company.

1.13 "Eligible Employee" means any officer of the Company or Employee selected by the Committee, unless the Committee determines that such officer or Employee does not fall within ERISA's definition of a select group of management or highly compensated employees.

1.14 "Employee" means a person who is employed by the Company.

1.15 "Executive Severance Plan" means SJW Corp. Executive Severance Plan, as amended from time to time.

1.16 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.17 "Final Average Compensation" means, on any date, a Participant's average monthly Compensation for that consecutive thirty-six (36) calendar month period within the last one hundred twenty (120) consecutive calendar months ending on or before such date during which such average Compensation is the highest.

1.18 "Normal Retirement Date" means the first day of the calendar month coinciding with or next following the date when a Participant attains sixty-five (65) years of age.

1.19 "Participant" means an Eligible Employee who has

received written notification from the Company that he has been designated as a Participant of the Plan by the Committee following satisfaction of the eligibility requirements described in Section 2.1.

1.20 "Plan" means the San Jose Water Company Executive Supplemental Retirement Plan as set forth in this document and in any amendments from time to time made hereto.

1.21 "Qualified Joint and Survivor Annuity" has the meaning set forth in the San Jose Water Company Retirement Plan.

1.22 "Retirement Benefit" means the benefit payable under this Plan, calculated in accordance with Article IV.

1.23 "San Jose Water Company Retirement Plan" means the San Jose Water Company Retirement Plan, adopted November 1, 1950, as amended and restated from time to time.

1.24 "Single Life Annuity" has the meaning set forth in the San Jose Water Company Retirement Plan.

1.25 "Ten Year Certain and Life Option" has the meaning set forth in Section 3.5.

1.26 "Year of Service" has the meaning set forth in the San Jose Water Company Retirement Plan.

## II. PARTICIPATION

Each Eligible Employee shall become a Participant on the first day of the month coincident with the day he first becomes an Eligible Employee or such later date as the Committee shall specify.

## III. RETIREMENT BENEFIT

3.1 Normal Retirement Benefit. The retirement benefits under this Plan to which a vested Participant who terminates employment on or after satisfying the requirements for Normal Retirement Date shall be an annual benefit for life commencing on the Participant's Benefit Commencement Date equal to two and two tenths percent (2.2%) of the Final Average Compensation of a Participant multiplied by the Participant's Years of Service (not to exceed twenty (20) years) plus one and one-tenth percent (1.1%) of the Final Average Compensation of a Participant multiplied by the Participant's Years of Service in excess of 20 years (not to exceed an additional ten (10) years) up to a total not to exceed fifty-five percent (55%) of Final Average Compensation; less benefits payable to the Participant from the San Jose Water Company Retirement Plan. The one and one-tenth percent (1.1%) and fifty-five percent (55%) of Final Average Compensation percentages stated above shall be increased to one and six tenths percent (1.6%) and sixty percent (60%) respectively for Participants who are credited with an Hour of Service, as defined in the San Jose Water Company Retirement Plan, on or after November 1, 1999. The amount of the offset for benefits paid from the San Jose Water Company Retirement Plan shall be the Actuarially Equivalent of a single life annuity commencing on the Participant's Normal Retirement Date.

3.2 Early Retirement Benefit. A Participant who terminates employment on or after satisfying the requirements for an Early Retirement Date but before satisfying the requirements for a Normal Retirement Date may elect to receive a retirement benefit commencing on his Benefit Commencement Date. The benefit will be computed in accordance with Section 3.1, but reduced for commencement of benefits before his or her Normal Retirement Date in accordance with the early retirement provisions set forth in the San Jose Water Company Retirement Plan as in effect on the Benefit Commencement Date.

3.3 Terminated Vested Benefit. A vested Participant who terminates employment before satisfying the requirements for an Early Retirement Date or a Normal Retirement Date may elect to receive a retirement benefit commencing on or after his or her Benefit Commencement Date. The benefit will be computed in accordance with Section 3.1, but will be reduced for early commencement of benefits before his or her Normal Retirement Date in accordance with the early commencement reduction provisions of the San Jose Water Company Retirement Plan, as in

effect on the Benefit Commencement Date, applicable to vested employees who terminate before qualifying for early retirement thereunder.

3.4 Alternative Forms of Benefits. A Participant may elect to receive his retirement benefits in the form a Straight Life Annuity or a Ten Year Certain and Life Option. A Participant who is married on his Benefit Commencement Date may also elect to receive his retirement benefit in the form of a Qualified Joint and Survivor Annuity. The benefit election of a Participant who is married on such date is not subject to spousal consent.

3.5 Ten Year Certain and Life Option. A Participant who elects the Ten Year Certain and Life Option shall receive his retirement benefits in the form of a monthly annuity over his lifetime. If the Participant dies before one hundred and twenty (120) monthly payments (hereinafter referred to as the "period certain") have been made the Participant's designated Beneficiary or Beneficiaries shall be entitled to share equally in the Participant's monthly retirement benefit for the remainder of such period certain. A Participant electing to receive his retirement benefits in such form must designate, as described in Section 3.6, one or more Beneficiaries to receive any remaining payments under the Plan after his death. If the Participant and the designated Beneficiary or Beneficiaries die within the period certain, the remaining payments shall be made to the estate of the designated Beneficiary who last received a payment under this Section 3.5.

3.6 Beneficiary Designation. The Beneficiary designation of a Participant who elects to receive his retirement benefit in the form of a Ten Year Certain and Life Option shall be made on a form prepared by, and delivered to, the Committee prior to the expiration of the period certain. The Participant may revoke or change this designation at any time prior to the expiration of the period certain by delivering a subsequent form to the Committee.

3.7 Calculation of Alternative Forms of Benefits. The amount of all benefit forms specified in Section 3.4 shall be determined in accordance with the provisions in the San Jose Water Company Retirement Plan.

### 3.8 Retiree Increases.

(a) 1998 Retiree Benefit Increase. Subject to a ten percent (10%) maximum benefit increase, the monthly pension of each Participant (or Beneficiary in the case of a deceased Participant) shall be increased 0.138889% for each month or partial month which has elapsed from the date of the initial payment of retirement benefits to each Participant (or Beneficiary), up to and including February 28, 1998.

(b) 2002 Retiree Benefit Increase. Subject to a ten percent (10%) maximum benefit increase, the monthly pension of each Participant (or Beneficiary in the case of a deceased Participant) shall be increased 0.212766% for each month or partial month which has elapsed from (i) the later of the date of the initial payment of benefits or March 1, 1998 to (ii) January 31, 2002.

3.9 Qualified Preretirement Survivor Annuity. If a married Participant dies after his Accrued Benefit has vested, but before his Benefit Commencement Date, that Participant's surviving spouse will be entitled to a Qualified Preretirement Survivor Annuity if the surviving spouse had been married to the Participant as of the applicable retirement date or as of the earlier date of death of the Participant.

(a) The Qualified Preretirement Survivor Annuity will become payable on the later of (1) the first day of the month coinciding with or next following the Participant's death, or (2) the first date on which the Participant would have been eligible to receive a Qualified Joint and Survivor Annuity.

(b) The Qualified Preretirement Survivor Annuity will be 50% of the amount the Participant would have received had the Participant terminated employment on the day before the Participant's death without having waived a Qualified Joint and Survivor Annuity. In the case of a vested Participant who dies

on or before the date that he or she would have been eligible to receive a Qualified Joint and Survivor Annuity, the amount of the Qualified Preretirement Survivor Annuity will be computed as though the Participant had survived until he or she was eligible to receive a Qualified Joint and Survivor Annuity, retired at that time with an immediate Qualified Joint and Survivor Annuity, and died the next day.

3.10 Death Benefit. If an unmarried Participant dies after his Accrued Benefit has vested, but before his Benefit Commencement Date, that Participant's Beneficiary shall be entitled to a Death Benefit.

(a) The Death Benefit will become payable on the later of (1) the first day of the month coinciding with or next following the Participant's death, or (2) the first date on which the Participant would have been eligible to receive a retirement benefit.

(b) A Death Benefit will be equal to the monthly retirement benefit the Participant would have received had the Participant terminated employment on the day before the Participant's death and elected to receive the optional form of benefit described in Section 3.5 of the Plan. In the case of a vested Participant who dies on or before the date that such Participant would have been eligible to receive a retirement benefit, the amount of the Death Benefit will be computed as though the Participant had survived until he or she was eligible to receive a retirement benefit, retired at that time and elected to receive the optional form of benefit described in Section 3.5 of the Plan, and died the next day.

3.11 Adjustments to Benefits. The benefit calculated under this Article III with respect to each Participant referenced in Exhibit A shall be adjusted as set forth in Exhibit A with respect to such Participant.

#### IV. VESTING

4.1 Normal Vesting. A Participant shall vest in a percentage of his Accrued Benefit derived from Employer Contributions, upon completion of Years of Service as follows:

Years of Service	Vested Percentage
Less than 10	None
10 or More	100%

4.2 Change in Control. Notwithstanding Section 4.1, a Participant's Accrued Benefit shall become 100% vested if such Participant becomes entitled to a severance benefit under the SJW Corp Executive Severance Plan (the "Severance Plan") by reason of a qualifying termination thereunder.

#### V. FUNDING NATURE OF THE PLAN

The funds used for payment of benefits under this Plan and of the expenses incurred in the administration thereof shall, until such actual payment, continue to be a part of the general funds of the Company and no person other than the Company shall, by virtue of this Plan, have any interest in any such funds. Nothing contained herein shall be deemed to create a trust of any kind or create any fiduciary relationship. To the extent that any person acquires a right to receive payments from the Company under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company. The forgoing notwithstanding, in the event of a Change in Control, the Company shall arrange for the funding, immediately before the effective date of the Change in Control, of Accrued Benefits under the Plan under a trust which satisfies the requirements of Revenue Procedure 92-64 and/or such other statutory or regulatory requirements as are necessary to assure that Participants are not subject to Federal income taxation on either their accrued benefits or amounts contributed to such trust before their receipt of such benefits or assets.

#### VI. ADMINISTRATION OF THE PLAN

6.1 The Plan shall be administered by a Committee ("Committee"), the membership of which will be selected from time to time by the President and Chief Executive Officer of the

Company. The Committee shall have the exclusive authority and responsibility for all matters in connection with the operation and administration of the Plan. The Committee's powers and duties shall include, but shall not be limited to, the following: (a) responsibility for the compilation and maintenance of all records necessary in connection with the Plan; (b) authorizing the payment of all benefits and expense of the Plan as they become payable under the Plan; (c) reduce or otherwise adjust amounts payable under the Plan if payments are made in error; and (d) authority to engage such legal accounting and other professional services as it may deem proper. Decisions by the Committee shall be final and binding upon all parties.

6.2 The Committee, from time to time, may allocate to one or more of its members or to any other person or persons or organizations any of its rights, powers, and duties with respect to the operation and administration of the Plan. Any such allocation shall be reviewed from time to time by the Committee and shall be terminable upon such notice as the Committee, in its sole discretion, deems reasonable and prudent under the circumstances.

6.3 The members of the Committee shall serve without compensation, but all benefits payable under the Plan and all expenses properly incurred in the administration of the Plan, including all expenses properly incurred by the Committee in exercising its duties under the Plan, shall be borne by the Company.

#### VII. AMENDMENTS AND TERMINATION

7.1 The Board of Directors reserves the power at any time to terminate this Plan and to otherwise amend any portion of the Plan other than this Article VII; provided, however, that no such action after May 1, 2003 shall (i) reduce any Accrued Benefit (or any benefit hereunder based thereon) as of the date of such action or (ii) adversely affect a Participant's right to continue to vest in such Accrued Benefit in accordance with the terms of the Plan in effect immediately prior to such action.

7.2 Notice of termination or amendment of the Plan, pursuant to Section 7.1, shall be given in writing to each Participant and beneficiary of a deceased Participant.

#### VIII. MISCELLANEOUS

8.1 The headings and subheadings of this instrument are inserted for convenience of reference only and are not to be considered in the construction of this Plan. Wherever appropriate, words used in the singular may include the plural, plural may be read as the singular and the masculine may include the feminine.

8.2 The instrument creating the Plan shall be construed, administered, and governed in all respects in accordance with the laws of the State of California to the extent not preempted by ERISA. If any provision of this Plan shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions shall continue to be fully effective.

8.3 Participation in this Plan shall not give to any employee the right to be retained in the employ of the Company nor any right or interest in this Plan other than is herein specifically provided.

8.4 Any payment to a Participant or beneficiary or the legal representative of either, in accordance with the terms of this Plan shall to the extent thereof be in full satisfaction of all claims such person may have against the Company hereunder, which may require such payee, as a condition to such payment, to execute a receipt and release therefor in such form as shall be determined by the Company.

8.5 This Plan is intended to qualify for exemption from Parts II, III, and IV of ERISA, as amended, as an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees under Sections 201(2), 301(a)(3) and 401(a)(1) of such Act, and shall be so interpreted.

8.6 Benefits under this Plan shall not be alienated,

hypothecated or otherwise encumbered, and to the maximum extent permitted by law such benefits shall not in any way be subject to claim of creditors or liable to attachment, execution or other process of law.

8.7 If an individual entitled to receive retirement benefits is determined by the Committee or is adjudged to be legally incapable of giving valid receipt and discharge for such benefits, they shall be paid to the duly appointed and acting guardian, if any, and if no such guardian is appointed and acting, to such person as the Committee may designate. Such payment shall, to the extent made, be deemed a complete discharge for such payments under this Plan.

8.8 If the Committee is unable to make the determinations required under this Plan in sufficient time for payments to be made when due, the Committee shall make the payments upon the completion of such determinations with interest at a reasonable rate from the due date and may, at its option, make provisional payments, subject to adjustment, pending such determination.

8.9 For purposes of this Plan, actuarial equivalents shall be determined on the basis of mortality tables and interest factors most recently employed for the purpose of the San Jose Water Company Retirement Plan.

IN WITNESS WHEREOF, San Jose Water Company has caused its authorized officers to execute this instrument in its name and on its behalf.

SAN JOSE WATER COMPANY

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

EXHIBIT A  
TO THE  
EXECUTIVE SUPPLEMENTAL RETIREMENT PLAN

(a) In computing John Weinhardt's benefit under Section 3.1 of the Plan, he shall receive an additional eight and one quarter tenths of one percent (.825%) of Final Average Compensation for each year of service as President and Chief Executive Officer of the Company. In addition, Mr. Weinhardt shall be entitled to a supplemental benefit of payment of \$225,000, which shall be fully vested upon his retirement and payable in equal monthly installments over the thirty-six (36) month period beginning August 1, 2002 and ending July 31, 2005.

(b) If Barbara Y. Nilsen retires on March 1, 1998, then the benefit to which she is entitled under Section 3.1 of the Plan shall be increased by \$40,000 in the first year, \$30,000 in the second year, and \$20,000 in the third year of retirement.

(c) In computing Frederick Meyer's benefit under Section 3.1 of the Plan, he shall receive an additional two and one-half (2 1/2) Years of Service credit and shall be deemed to be 2 1/2 years of age older at the time he retires.

(d) In computing the benefits under Article III for any Participant who becomes entitled to a severance benefit under the Executive Severance Plan by reason of a qualifying termination of employment after a Change in Control, such Participant shall be credited with an additional number of Years of Service and years of age equal to the number of years of cash severance benefits to which such Participant is entitled under the Severance Plan (or if the severance benefit is paid in a lump sum, the number of years of salary or compensation on which such lump sum severance payment is based). In no event, however, shall any benefit be payable hereunder earlier than it otherwise would have been paid by reason of the crediting of such additional Years of Service and age.

(e) If W. Richard Roth terminates employment before his Normal Retirement Date, the benefit to which he is entitled under Section 3.2 or 3.3 of the Plan shall be the full annual amount computed in accordance with Section 3.1 of the Plan,

without any reduction for early commencement of benefits. In addition, in computing Mr. Roth's Final Average Compensation for purposes of computing his benefit under Article 3, his actual annual bonus for each year on and after 2003 shall be deemed to be the greater of such actual bonus or his target bonus for such year. If Mr. Roth becomes entitled to a severance benefit under the Executive Severance Plan by reason of a qualifying termination of employment after a Change in Control, he shall be credited with such additional service and years of age, if any, as is necessary, after application of paragraph (e) above, to qualify him for benefits that would be payable had he terminated employment after qualifying for an Early Retirement Date, provided that no benefit shall be payable before his actual 55th birthday.

SJW CORP.  
EXECUTIVE SEVERANCE PLAN

The SJW Corp. Executive Severance Plan (the "Plan"), originally adopted as of January 28, 1999 by SJW Corp. ("Company") for the benefit of the Officers (as defined below) of Company and/or its Affiliates and Associates (as defined below) and previously amended as of September 21, 1999, is hereby further amended and restated effective May 1, 2003.

W I T N E S S E T H:

WHEREAS, the Officers are currently employed by Company and/or its Affiliates or Associates (collectively referred to as the "Employer"); and

WHEREAS, the Employer wishes to retain the services of the Officers and to encourage the Officers to remain with the Employer; and

WHEREAS, Company desires to establish this Plan to provide security for the Officers in connection with the Officers' employment with Employer in the event of a Change in Control (as defined below) affecting Employer;

NOW, THEREFORE, Employer hereby establishes the Plan as set forth below.

1. DEFINITIONS. For purposes of this Plan:

(a) "Affiliate" or "Associate" shall have the meaning set forth in Rule 12b-2 under the Securities Exchange Act of 1934.

(b) "Beneficiary" shall mean the person or persons whom the Officer shall designate in writing (on the form attached hereto as Exhibit B) to receive the benefits provided hereunder in the event of his or her death. Such designation shall be valid only if it is made on said form, and the Employer receives said form prior to the Officer's death.

(c) "Change in Control" shall be deemed to take place on the occurrence of any of the following events:

(1) The acquisition, directly or indirectly by any person or related group of persons (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), but other than the Company or a person that directly or indirectly controls, is controlled by, or is under, control with the Company or an employee benefit plan maintained by any such entity, of beneficial ownership (as defined in Rule 13d-3 of the Exchange Act) of securities of the Company that results in such person or related group of persons beneficially owning securities representing 30% or more of the combined voting power of the Company's then-outstanding securities;

(2) A merger, recapitalization, consolidation or other transaction to which the Company is a party or the sale, transfer or other disposition of all or substantially all of the Company's assets unless securities representing at least 50% of the combined voting power of the then-outstanding securities of the surviving entity or the entity acquiring the Company's assets, as the case may be, or a parent thereof are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company's outstanding voting securities immediately before the transaction;

(3) A merger, recapitalization, consolidation or other transaction to which the Company is a party or the sale, transfer or other disposition of all or substantially all of the Company's assets if, in either case, the directors of the Company immediately prior to consummation of the transaction do not, upon consummation of the transaction, constitute at least a majority of the board of directors of the surviving entity or the entity acquiring the Company's assets, as the case may be, or a parent thereof (for this purpose, any change in director composition that is anticipated or pursuant to an understanding or agreement in connection with a transaction will be deemed to have occurred at the time of the transaction); or

(4) A change in the composition of the Board over a period of thirty-six (36) consecutive months or less such that a majority of the Board members ceases by reason of one or more contested elections for Board membership, to be comprised of individuals who either (a) have been Board members since the beginning of such period or (b) have been elected or nominated for election as Board members during such period by at least a majority of the Board members who were described in clause (a) or who were previously so elected or approved and who were still in office at the time the Board approved such election or nomination;

provided that no Change in Control shall occur if the result of the transaction is to give more ownership or control of the Company to any person or related group of persons who hold securities representing more than thirty percent (30%) of the combined voting power of the Company's outstanding securities as of May 1, 2003.

(d) "Officer" shall mean any officer of Employer who has been elected as such by the Board of Directors of said Employer and was serving as such upon a Change in Control, unless expressly excluded from coverage under this Plan by the Board of Directors at the time of such election. The persons who are Officers as of May 1, 2003 are set forth on Exhibit A.

(e) "Good Cause" shall be deemed to exist with respect to an Officer if, and only if:

(1) The Officer engages in acts or omissions that result in substantial harm to the business or property of Employer and that constitute dishonesty, intentional breach of fiduciary obligation or intentional wrongdoing; or

(2) The Officer is convicted of a criminal violation involving fraud or dishonesty.

(f) "Good Reason" shall exist with respect to an Officer if and only if, without the Officer's express written consent:

(1) there is a significant change in the nature or the scope of the Officer's authority or in his or her overall working environment;

(2) the Officer is assigned duties materially inconsistent with his or her present duties, responsibilities and status;

(3) there is a reduction in the sum of Officer's rate of base salary and target bonus; or

(4) Employer changes by fifty-five (55) miles or more the principal location in which the Officer is required to perform services;

provided that, in the case of each such reason, that the Company has not cured such condition within 30 days of written notice by the Officer to the Company that such condition exists and constitutes Good Reason.

(g) "Salary" shall mean the Officer's annual base salary rate at the greater of (1) the date of the Change in Control, or (2) the date the Officer's employment with the Employer terminates.

## 2. BENEFITS UPON TERMINATION OF EMPLOYMENT

(a) If (i) in immediate anticipation of or at any time after execution of a definitive agreement to effect a Change in Control or within twenty-four (24) months after the effective date of a Change in Control an Officer's Employer terminates the employment of the Officer for any reason other than Good Cause, or (ii) at any time within twenty-four (24) months after the effective date of a Change in Control the Officer voluntarily terminates his or her employment with Employer for Good Reason, subject to the Benefit Limit set forth in Section 14(b), Employer shall provide Officer with the following benefits (the "Change in Control Benefit"):

(1) Cash payments equal to that number of years'

Salary and target bonus (at the level in effect in the year of termination or, if higher, immediately before the Change in Control) specified in Exhibit A for such Officer, payable (less any customary taxes and withholdings) in equal annual installments beginning on the first of the month following the month in which the Officer's employment terminates.

(2) If an Officer elects to continue health benefit coverage under the Company's health benefit coverage plans pursuant to COBRA, Employer will provide such COBRA coverage, without charge, to such officer and eligible dependents until the earlier of (x) the last annual installment payable under the above Section 2(a)(1), or (y) the first date on which Officer is covered under another employer's health benefit program without exclusion for any pre-existing medical condition.

(3) The Company will make provisions in its Supplemental Executive Retirement Plan (SERP) so that each Officer will, upon such termination, be credited for purposes of computing such Officer's benefits under the SERP with an additional number of Years of Service and years of age equal to the number of years of Salary to which such Participant is entitled after such termination pursuant to paragraph 1 above. In no event, however, shall any benefit be payable under the SERP earlier than it otherwise would have been paid by reason of the crediting of such additional Years of Service and age.

(4) All outstanding stock options held by each Officer will immediately vest and become exercisable in full. All other stock awards will also immediately vest and become payable in full, except that Dividend Equivalent Rights, although vested, will be payable at the same time they otherwise would have been payable.

(b) The Officer shall be entitled to only one Change in Control Benefit under this Plan. The Change in Control Benefit will be made only if Officer executes the Release Agreement (attached hereto as Exhibit C) and will begin following the expiration of the seven (7) day revocation period under said Release. No payments will be made under the Plan to Officer if Officer revokes the Release. In the event that the Officer dies before receiving the full Change in Control Benefit, his or her Beneficiary shall be paid the remaining payments as they become due.

(c) If the employment of an Officer with Employer is terminated by Employer or Officer, other than under circumstances set forth in Section 2(a), the Employer shall have no further obligation with respect to the Officer under this Plan.

(d) A termination of employment in connection with a Change in Control will not qualify an Officer for benefits hereunder if the Officer is offered continuing employment with a successor or controlling entity involved in the Change in Control, provided that (i) such successor or controlling entity has assumed the Corporation's obligations hereunder with respect to such Officer and (ii) the terms of such continuing employment would not constitute Good Reason if offered by the Company.

### 3. NO SOLICITATION OF REPRESENTATIVES AND OFFICERS

No Officer shall, directly or indirectly, in his or her individual capacity or otherwise, induce, cause, persuade, or attempt to induce, cause or, persuade, any representative, agent or employee of Company or any of its Affiliates and Associates to terminate such person's employment relationship with Company or any of its Affiliates and Associates, or to violate the terms of any agreement between said representative, agent or employee and Company or any of its Affiliates or Associates.

### 4. CONFIDENTIALITY

Preservation of a continuing business relationship between Company or its Affiliates and Associates and their respective customers, representatives, and employees is of critical importance to the continued business success of Company, its Affiliates and Associates and it is the active policy of Company and its Affiliates and Associates to guard as confidential certain information not available to the public relating to the business affairs of Company and its Affiliates and Associates. In view of the foregoing, no Officer shall, without the prior

written consent of Company, disclose to any person or entity any such confidential information that was obtained by the Officer in the course of his or her employment by Employer. This section shall not be applicable if and to the extent the Officer is required to testify in a legislative, judicial or regulatory proceeding pursuant to an order of Congress, any state or local legislature, a judge or an administrative law judge or is otherwise required by law to disclose such information.

#### 5. FORFEITURE

If an Officer shall at any time violate any obligation under Section 3 or 4 in a manner that results in material damage to Company or its Affiliates or Associates, or its business, he or she shall immediately forfeit his or her right to any benefits under this Plan, and Employer shall thereafter have no further obligation hereunder to the Officer or his or her Beneficiary or any other person.

#### 6. OFFICER ASSIGNMENT

Neither the Officer nor his or her Beneficiary shall have any power or right to transfer, assign, anticipate, hypothecate, mortgage, commute, modify, or otherwise encumber in advance any of the benefits payable hereunder, nor shall any of said benefits be subject to seizure for the payment of any debts, judgments, alimony, or separate maintenance owed by the Officer or his or her Beneficiary, or be transferable by operation of law in the event of bankruptcy, insolvency, or otherwise.

#### 7. BENEFITS UNFUNDED

The Plan is intended to be unfunded for purposes of Employee Retirement Income Security Act of 1974 and the Internal Revenue Code. The Employer's obligation under this Plan shall be that of an unfunded and unsecured promise by the Employer to pay money in the future. All distributions under this Plan shall be paid from the general assets of the Employer. The right of the Officer or any Beneficiary to receive a distribution under this Plan shall be an unsecured claim against the general assets of the Employer, and neither the Officer nor any Beneficiary shall have any rights in or against any assets of the Employer or Company and its Affiliates and Associates.

#### 8. APPLICABLE LAW

The Plan and all matters arising under it shall be governed by the laws of the State of California except to the extent preempted by federal law.

#### 9. NO EMPLOYMENT CONTRACT

This Plan shall not be deemed to constitute a contract of employment between an Officer and his or her Employer, nor shall any provision hereof restrict the right of the Employer to discharge the Officer, or restrict the right of the Officer to terminate his or her employment.

#### 10. SEVERABILITY

In the event any provision of this Plan is held illegal or invalid, the remaining provisions of this Plan shall not be affected thereby.

#### 11. SUCCESSORS

The Plan shall be binding upon and inure to the benefit of Company and its Affiliates and Associates, the Officers and their respective heirs, representatives and successors. As a condition to any Change in Control, the new controlling organization or any other person described in Section 1(c) must agree to assume and to discharge the obligations of the Employer under this Plan. Upon the occurrence of such event, the term "Employer" as used in the Plan shall be deemed to refer to such new controlling organization or other person.

#### 12. CLAIMS PROCEDURE

The Plan shall be administered by a Committee ("Committee") the membership of which will be selected from time to time by the Executive Compensation Committee of the Company. The Committee

shall have the power, in its discretion, to interpret and make all determinations as to rights to benefits under this Plan, its interpretation or determinations thereof in good faith to be final and conclusive on the Officer and his or her Beneficiary and shall be subject to review only to the extent a court concludes that such interpretation or determinations are arbitrary and capricious. The Committee from time to time, may allocate to one or more of its members or to any other person or persons or organizations any of its power with respect to the interpretation and determinations as to rights to benefits under the Plan.

If a claim for benefits under the Plan is denied in whole or in part, the claimant will be notified by the Employer or its delegatee within 90 days of the date the claim is delivered to the Employer, or 180 days if the claimant is told that additional time is needed. The notification will be written in understandable language and will state (i) specific reasons for denial of the claim, (ii) specific references to Plan provisions on which the denial is based, (iii) a description (if appropriate) of any additional material or information necessary for the claimant to perfect the claim and why such material or information is necessary, and (iv) an explanation of the procedure for reviewing the denied claim. A claim that is not acted upon within 90 days (or 180 days in the case of an extension) may be deemed by the claimant to have been denied.

Within 60 days after a claim has been denied, or deemed denied, the claimant or his or her authorized representative may make a request for a review by submitting to the Employer a written statement (a) requesting a review of the denial of the claim; (b) setting forth all of the grounds upon which the request for review is based and any facts in support thereof; and (c) setting forth any issues or comments which the claimant deems relevant to the claim. The claimant may review pertinent documents relating to the denial.

The Employer or its delegatee shall make a decision on review within 60 days after the receipt of the claimant's request for review or receipt of all additional materials reasonably requested by the Administrator from the claimant, unless an extension of time for processing a review is required, in which case the claimant will be notified and a decision will be made within 120 days of receipt of the request for review. The decision will be in writing, and in understandable language. It will give specific references to the Plan provisions on which the decision is based. The decision of the Employer or its delegatee on review shall be final and conclusive upon all persons except to the extent it is found by a court to be arbitrary or capricious.

### 13. AMENDMENT AND TERMINATION

Company shall have the right to amend this Plan from time to time and may terminate this Plan at any time; provided that (i) within twenty-four (24) months following a Change in Control no amendment may be made that diminishes any Officer's right in the event of a termination of employment following such Change in Control, and (ii) no amendment or termination may adversely affect an Officer's rights to benefits that he or she would have received with respect to a Change in Control (as defined herein immediately before such amendment or termination) that occurs (or with respect to which a definitive agreement is executed) within twenty-four (24) months after the date of such amendment or termination. This Section 13 may not be amended in any manner that would adversely affect any Officer's rights hereunder without his or her consent.

### 14. TAXES; BENEFIT LIMIT

(a) It is intended that this Plan shall be a non-qualified deferred compensation plan and that any right to payments hereunder shall not be treated as taxable income to the Officer or any Beneficiary prior to distribution thereof. Any payments made under this Plan shall be made net of any customary withholding taxes.

(b) If an Officer qualifies for a Change in Control Benefit hereunder, he shall receive an additional cash payment (the "Tax Gross-Up") sufficient to reimburse him on an after-tax basis for an excise tax imposed on such Officer with respect to

such Change in Control Benefit and any other compensation pursuant to Section 4999 or the Internal Revenue Code or a successor provision or similar tax ("Excise Tax"), so that such Officer does not incur any out-of-pocket cost with respect to such Excise Tax. The amount of any such Tax Gross-Up will be determined pursuant to the following formula and will be subject to the Company's collection of all applicable federal, state and local income and employment with withholding taxes and any Excise Tax:

$X = Y / (1 - (A+B C))$ , where

X is the total dollar amount of the Tax Gross-Up payable to the Officer.

Y is the total Excise Tax imposed on the Officer.

A is the Excise Tax rate in effect at the time.

B is the highest combined marginal federal income and applicable state income tax rate in effect for the Officer, after taking into account the deductibility of state income taxes against federal income taxes to the extent allowable, for the calendar year in which the Tax Gross-Up is paid.

C is the applicable Hospital Insurance (Medicare) Tax Rate in effect for the Officer for the calendar year in which the Tax Gross-Up is paid.

Within ninety (90) days after each determination is made by the Internal Revenue Service or the Officer's tax advisor that one or more of the Change in Control Benefits paid to the Officer constitute excess parachute payments under Code Section 280G for which the Officer is liable for an Excise Tax, the Officer shall identify the nature of those parachute payments to the Company and submit to the Company the calculation of the Excise Tax attributable to that payment and the Tax Gross-Up to which the Officer is entitled with respect to such tax liability. The Company will pay such Tax Gross-Up to the Officer (net of all applicable withholding taxes, including any taxes required to be withheld under Code Section 4999) within ten (10) business days after the Officer's submission of the calculation of such Excise Tax and the resulting Tax Gross-Up, provided such calculations represent a reasonable interpretation of the applicable law and regulations.

In the event that the Officer's actual Excise Tax liability is determined by a Final Determination to be greater than the Excise Tax liability taken into account for purposes of the Tax Gross-Up paid to the Officer pursuant to this Section 14(d), then within ninety (90) days following the Final Determination, the Officer shall submit to the Company a new Excise Tax calculation based upon the Final such calculation. The Company shall pay the Officer the additional Tax Gross-Up attributable to such excess Excise Tax liability.

In the event that the Officer's actual Excise Tax liability is determined by a Final Determination to be less than the Excise Tax liability taken into account for purposes of the Tax Gross-Up paid to the Officer pursuant to this Section 14(d), then the Officer shall refund to the Company, promptly upon receipt, any federal or state tax refund attributable to the Excise Tax overpayment.

For purposes of this Section 114(d), a "Final Determination" means an audit adjustment by the Internal Revenue Service that is either (i) agreed to by both the Officer (or his estate) and the Company (such agreement by the Company to be not unreasonably withheld) or (ii) sustained by a court of competent jurisdiction in a decision with which the Officer and the Company concur (such concurrence by the Company to be not unreasonably withheld) or with respect to which the period within which an appeal may be filed has lapsed without a notice of appeal being filed."

IN WITNESS WHEREOF, Company has caused this instrument to be executed in its name by its duly authorized officers, all as of this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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

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

EXHIBIT A

OFFICERS

Officer -----	Years of Salary Continuation -----
G.J. Belheumeur, Vice President, San Jose Water Company	Three (3) years
A. Yip, Vice President, San Jose Water Company	Three (3) years
R.J. Balocco, Vice President, San Jose Water Company	Three (3) years
R.J. Pardini, Vice President, San Jose Water Company	Three (3) years
R.S. Yoo, Vice President, San Jose Water Company	Three (3) years
D.R. Drysdale, Vice President, San Jose Water Company	Three (3) years
R.A. Loehr, Secretary, San Jose Water Company	Three (3) years
J.C. Johansson, Vice President, San Jose Water Company	Three (3) years
W. Richard Roth, President, SJW Corp.	Three (3) years

EXHIBIT B

DESIGNATION OF BENEFICIARIES

I, \_\_\_\_\_, hereby designate the following person(s) as my Beneficiary(ies) under the SJW Corp.. Executive Severance Plan (the "Plan") to receive any amounts that might be payable as of the date of my death:

Name: \_\_\_\_\_ Percentage: \_\_\_\_\_%

Address: \_\_\_\_\_

Name: \_\_\_\_\_ Percentage: \_\_\_\_\_%

Address: \_\_\_\_\_

This designation supersedes all prior Beneficiary designations I have made under the Plan.

DATED: \_\_\_\_\_, 20\_\_\_\_

EXHIBIT C

RELEASE AGREEMENT

This Release Agreement ("Release") was given to me, \_\_\_\_\_ ("Officer"), this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by \_\_\_\_\_ (the "Employer"). At such time as this Release becomes effective and enforceable (i.e., the revocation period discussed below has expired), and assuming Officer is otherwise eligible for payments under the terms of the SJW Corp. Executive Severance Plan (the "Plan"), Employer agrees to pay Officer pursuant to the terms of the Plan an amount equal to \$\_\_\_\_\_ payable in three (3) equal annual installments (minus customary payroll taxes and withholdings).

In consideration of the receipt of the promise to pay such amount, Officer hereby agrees, for himself or herself, his or her heirs, executors, administrators, successors and assigns (hereinafter referred to as the "Releasers"), to fully release and discharge the Employer and its officers, directors, employees, agents, insurers, underwriters, subsidiaries, parents, affiliates, associates, successors and assigns (hereinafter referred to as the "Releasees") from any and all actions, causes of action, claims, obligations, costs, losses, liabilities, damages and demands under any federal, state or local law or laws, or common law, whether or not known, suspected or claimed, which the Releasers have, or hereafter may have, against the Releasees arising out of or in any way related to Officer's employment or termination of employment with the Employer.

It is understood and agreed that this Release extends to all such claims and/or potential claims, and that Officer, on behalf of the Releasers, hereby expressly waives all rights with respect to all such claims under California Civil Code Section 1542, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

It is further understood and agreed that this Release includes claims and rights Officer might have under the Age Discrimination in Employment Act ("ADEA"). The Officer's waiver of rights under the ADEA does not extend to claims or rights that might arise after the date this Release is executed. The monies to be paid to the Officer in this Release are in addition to any sums to which he or she would be entitled without signing this Release. For a period of seven (7) days following execution of this Release, Officer may revoke the terms of this Release by a written document received by the Employer on or before the end of the seven (7) day period. The Release will not be final until said revocation period has expired. No payments will be made under the Plan if the Officer revokes this Release.

Officer executes this Release without reliance on any representation by any Releasee. Officer acknowledges that he or she has read and does understand the provisions of the Release set forth in the preceding paragraph, that he or she has had an opportunity to consult with an attorney prior to executing this Release, that he or she was given twenty-one (21) days in which to consider entering into this Release, that he or she affixes his or her signature hereto voluntarily and without coercion, and that no promise or inducement has been made other than those set out in this Release. This document does not constitute, and shall not be admissible as evidence of, an admission by any Releasee as to any fact or matter.

In case any part of this Release is later deemed to be invalid, illegal or otherwise unenforceable, Officer agrees that the legality and enforceability of the remaining provisions of this Release will not be affected in any way.

Dated: \_\_\_\_\_, \_\_\_\_\_  
\_\_\_\_\_  
("Officer")

SJW CORP.  
LONG-TERM INCENTIVE PLAN

Adopted by the Board of Directors: March 6, 2002  
Approved by the Shareholders: April 18, 2002  
Amended: March 3, 2003  
Termination Date: April 17, 2012

## I. PURPOSE

The objectives of the Long-Term Incentive Plan (the "Plan") are to promote the success of SJW Corp. (the "Company") and its Affiliates by:

- (a) linking incentive opportunities to the performance of the Company and its Affiliates in meeting shareholder and customer goals;
- (b) supporting the planning and goal setting process; and
- (c) offering compensation opportunities that will assist the Company and its Affiliates in recruiting and retaining top executives and directors from both within and outside of the water utility industries.

## II. DEFINITIONS

(a) "Affiliate" means:

(i) a member of a controlled group of corporations of which the Company is a member or;

(ii) any corporation, or unincorporated trade or business in which the Company has an ownership interest of more than 25% of the equity value of the entity and which the Board has designated as an Affiliate for purposes of the Plan.

For purposes hereof, a "controlled group of corporations" shall mean a controlled group of corporations as defined in Section 1563(a) of the Code determined without regard to Section 1563(a)(4) and (e)(3)(C) of the Code.

(b) "Award" means the grant of an Incentive Stock Option, Nonstatutory Stock Option, Dividend Unit, Performance Share, right to acquire Restricted Stock, stock bonus or Stock Appreciation Right pursuant to the Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Chief Executive Officer" means the chief executive officer of the Company.

(e) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(f) "Committee" means a committee appointed by the Board to administer the Plan as provided in Section III(a).

(g) "Common Stock" means the common stock of the Company.

(h) "Company" means SJW Corp., a California corporation, its successors and assigns.

(i) "Disability" means the permanent and total disability of an individual as determined pursuant to Section 22(e)(3) of the Code

(j) "Dividend Unit" means a right to receive, in accordance with the provisions of the Plan, a payment equal to the dividends that are paid on a share of Common Stock for a stated period of time.

(k) "Employee" means any individual who is employed by the Company or an Affiliate.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(m) "Fair Market Value" means the value of the Common Stock

on the American Stock Exchange as of the close of the trading day.

(n) "Fiscal Year" means the calendar year.

(o) "Incentive Stock Option" means any Option granted pursuant to the provisions of the Plan that is intended to be and is specifically designated as an "incentive stock option" within the meaning of Section 422 of the Code.

(p) "Non-Employee Board Member" means any member of the Board who is not also an Employee of the Company or an Affiliate.

(q) "Nonstatutory Stock Option" means any Option granted pursuant to the provisions of the Plan that is not intended to qualify as an "incentive stock option" under Section 422 of the Code.

(r) "Option" means an Incentive Stock Option or Nonstatutory Stock Option granted pursuant to Section VI(d) of the Plan. "Option Agreement" means the agreement between the Company and the Optionee that contains the terms and conditions pertaining to an Option.

(s) "Optionee" means an Employee or Non-Employee Board Member who has received a grant of an Option pursuant to the provisions of the Plan.

(t) "Participant" means an Employee, or Non-Employee Board Member, selected by the Committee to participate in the Plan.

(u) "Performance Share" means a share of Common Stock awarded to a Participant pursuant to the provisions of Section VI(f) of the Plan.

(v) "Plan" means this Long-Term Incentive Plan.

(w) "Plan Year" means the calendar year.

(x) "Restricted Stock" means shares of Common Stock granted pursuant to VI(g) of the Plan. "Restricted Stock Award" means an Award granted pursuant to the provisions of Section VI(g) of the Plan. "Restricted Stock Agreement" means the agreement between the Company and the recipient of Restricted Stock that contains the terms, conditions and restrictions pertaining to such Restricted Stock.

(y) "Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(z) "San Jose Water Company" means the San Jose Water Company, a California corporation and a wholly-owned subsidiary of the Company.

(aa) "Service" means the provision of services to the Company or any Affiliate by a person as an Employee or to the Company as a Non-Employee Board Member.

(bb) "Stock Appreciation Right" means a stock appreciation right granted to a Participant pursuant to the provisions of Section VI(i) of the Plan.

(cc) "Ten Percent Shareholder" means a person who owns, or is deemed to own pursuant to Section 424(d) of the Code, stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

### III. ADMINISTRATION

(a) The Plan shall be administered by the Committee, subject to such requirements for review and approval by the Board, as the Board may establish. In all areas not specifically reserved by the Board for its review and approval, decisions of the Committee concerning the Plan shall be binding on the Company and all Participants. At the discretion of the Board, the Committee may consist of not less than a sufficient number of "non-employee directors" so as to, qualify the Committee to administer the Plan as contemplated by Rule 16b-3. The Board may, from time to time, remove members from, or add members to,

the Committee. The Board shall fill vacancies on the Committee, however caused. The Board shall appoint one of the members of the Committee as Chairman. The term "non-employee director" shall be interpreted pursuant to Rule 16b-3. The Compensation Committee of the Board shall serve as the Committee. The Board may at any time replace the Compensation Committee with another Committee. In the event that the Compensation Committee shall cease to satisfy the requirements of Rule 16b-3, the Board may, in its discretion, appoint another Committee that shall satisfy such requirements. The Board may appoint a subcommittee of the Board consisting of each Committee member who is an "outside director" for purposes of Section 162(m) of the Code to administer Awards under the Plan for the Chief Executive Officer and the four (4) most highly compensated officers of the Company (other than the Chief Executive Officer). If fewer than two (2) Committee members qualify as "outside directors," the Board may appoint one (1) or more other members to such subcommittee who do qualify as "outside directors" so that it consists of at least two (2) members who qualify as "outside directors" for purposes of Section 162(m) of the Code.

(b) The Committee shall have the power and authority to adopt, amend, and rescind administrative guidelines, rules and regulations pertaining to the Plan, to set the terms and conditions of Awards and to interpret and rule on any questions pertaining to any provision of the Plan.

#### IV. ELIGIBILITY AND LIMITATIONS ON AWARDS TO INDIVIDUALS

(a) Officers of the Company and its Affiliates, other key Employees and Non-Employee Board Members shall be eligible for Awards granted under the terms of the Plan. The fact that an individual receives one Award under the Plan does not confer on such individual the right to receive additional Awards under the Plan. Neither the Plan nor any Award granted pursuant to the Plan shall be deemed to confer upon any Participant any right to continue as an Employee or Non-Employee Board Member. The Company and its Affiliates reserve the right to terminate the employment of any Employee at any time and for any reason or for no reason, subject to the terms of a written employment agreement executed by both parties thereto.

(b) No Participant shall receive Awards covering an aggregate of more than one hundred thousand (100,000) shares of Common Stock in any calendar year; however, such limit will not include rights to acquire Restricted Stock, Performance Shares or stock bonuses which are not intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

#### V. INCENTIVE AWARDS

(a) The Committee shall designate those key Employees and Non-Employee Board Members who shall become Participants and shall designate the award level for each Plan Participant.

(b) The Committee shall designate the manner in which each Participant's Award shall be allocated among Options, Dividend Units, Performance Shares, rights to acquire Restricted Stock, stock bonuses and Stock Appreciation Rights and the specific terms of the Participant's Award not specified under the Plan.

(c) The Committee may condition the grant of Awards under the Plan upon the attainment of specified performance goals such as earnings per share, total shareholder return or return on capital employed, and may grant Awards in consideration of foregoing other Awards or items of compensation.

#### VI. TYPES OF AWARDS

(a) The following types of Awards may be granted under the terms of the Plan: Options (including Incentive Stock Options and Nonstatutory Stock Options), Performance Shares, Dividend Units, rights to acquire Restricted Stock, stock bonuses and Stock Appreciation Rights. The Committee, in its sole discretion, shall determine the types of Awards that shall be granted to each Participant under the Plan.

(b) Options, Dividend Units, Performance Shares, rights to acquire Restricted Stock, stock bonuses and Stock Appreciation Rights granted to a Participant shall be communicated to the Participant at the time of grant. The actual number of

Performance Shares earned shall be communicated to the Participant as soon as practicable after the end of a performance period.

(c) Subject to the provisions of the Plan, the Committee shall determine the key Employees and Non-Employee Board Members to whom, and the time or times at which, Awards shall be granted or awarded; the number of shares subject to each Award; the applicable vesting schedule for each Award; Dividend Units or Performance Shares to be subject to each Award; the duration of each Award; the time or times within which Options or Stock Appreciation Rights may be exercised; the performance targets required to earn Performance Shares; the duration of the Dividend Units; and the other terms and conditions of Awards, pursuant to the terms of the Plan. The provisions and conditions of Awards need not be the same with respect to each Participant or with respect to each Award.

(d) Options. The Committee may grant Incentive Stock Options or Nonstatutory Stock Options to a Participant; provided that Incentive Stock Options may be granted only to Employees. The terms of Options granted pursuant to the Plan shall be set forth in an Option Agreement. Options granted pursuant to the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the express provisions of the Plan or with applicable law, as the Committee in its sole discretion shall deem desirable.

(i) The price per share of an Incentive Stock Option or of a Nonstatutory Stock Option shall not be less than the Fair Market Value of the Common Stock on the date of the grant. The price per share of an Incentive Stock Option granted to a Ten Percent Shareholder shall not be less than one hundred ten percent (110%) of the Fair Market Value of the Common Stock on the date of grant.

(ii) Options may be exercised with cash, stock, or a combination of cash and stock, provided that if shares acquired pursuant to the exercise of an Option are used, such shares shall be held by the Participant for a period of at least six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes) before their tender to exercise additional Option shares. In accordance with the rules and procedures established by the Committee for this purpose, the Option may also be exercised through a "cashless exercise" procedure approved by the Committee, that affords Participants the opportunity to sell immediately some or all of the shares underlying the exercised portion of the Option in order to generate sufficient cash to pay the Option exercise price and/or to satisfy withholding tax obligations related to the Option exercise.

(iii) No Option shall be for a term of more than ten (10) years from the date of the grant. No Incentive Stock Option granted to a Ten Percent shareholder shall be for a term of more than five (5) years from the date of grant.

(iv) No Option shall be transferable other than by will or by the laws of descent and distribution and during the lifetime of the Optionee, an Option shall be exercisable only by the Optionee and shall not be assignable or transferable. Notwithstanding the foregoing, the Optionee may designate one or more persons as the beneficiary or beneficiaries of his or her outstanding Option, and that Option shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding such Option. Such beneficiary or beneficiaries shall take the transferred Option subject to all the terms and conditions of the applicable Option Agreement evidencing each such transferred option, including (without limitation) the limited time period during which the option may be exercised following the Optionee's death.

(e) Dividend Units. The Committee may grant Dividend Units to a Participant in the Plan. Dividend Units may be granted alone or in tandem with specified Awards for a duration to be specified by the Committee at the time of grant.

(i) A Dividend Unit is the right to receive payments equal to the aggregate dividends payable on a share of Common

Stock during the term of the Dividend Unit.

(ii) Dividend Units may be paid immediately or may be deferred and may be payable either in cash or in the form of shares of Common Stock, as specified by the Committee.

(iii) If Dividend Units are to be paid in the form of Common Stock, the number of shares into which cash dividend amounts are converted shall be based on the Fair Market Value of one share of Common Stock on the date of conversion, a prior date or an average of the Fair Market Value over some period of time, as the Committee shall specify.

(f) Performance Shares. The Committee may grant Performance Shares to Participants in the Plan.

(i) At the time of the grant, the Committee shall determine:

(A) the performance period;

(B) the performance criteria which the Committee may use are: operating profits (including EBITDA), net profits, earnings per share, profit returns and margins, revenues, shareholder return and/or value (including economic value added or shareholder value added), stock price and working capital. Performance criteria may be measured solely on a corporate, subsidiary or business unit basis, or a combination thereof. Further, performance criteria may reflect absolute entity performance or a relative comparison of entity performance to the performance of a peer group of entities or other external measure of the selected performance criteria. Profit, earnings and revenues used for any performance criteria measurements shall exclude: gains or losses on operating asset sales or dispositions; asset write-downs; litigation or claim judgments or settlements; accruals for historic environmental obligations; effect of changes in tax law or rate on deferred tax liabilities; accruals for reorganization and restructuring programs; uninsured catastrophic property losses; the cumulative effect of changes in accounting principles; and any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial performance appearing in the Company's Annual Report on Form 10-K or annual report to shareholders for the applicable year.

(ii) At the end of the performance period, the Committee shall determine the level of performance versus the goal, and the portion of the Performance Shares, if any, which shall be payable to the Participants.

(iii) Shares earned shall be paid as soon as practicable following the end of the performance period.

(iv) Awards may be paid in cash or Common Stock, or any combination of or Common Stock in the sole discretion of the Committee.

(g) Rights to Acquire Restricted Stock. Each Restricted Stock Agreement shall be in the form and shall contain such terms and conditions as the Committee shall deem appropriate. Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Agreements need not be identical. Each Restricted Stock Agreement shall include (through incorporation by reference in the Restricted Stock Agreement of the provisions of the Plan or otherwise) the substance of each of the following provisions. Subject to the provisions of the Plan, the Committee shall have complete authority in its sole discretion to determine the persons to whom, and the time or times at which, grants of Restricted Stock shall be made, the number of shares of Restricted Stock to be awarded, the price (if any) to be paid by the recipient of the Restricted Stock, the time or times within which such Awards may be subject to forfeiture, and all other terms and conditions of the Awards. The Committee may condition the grant of a Restricted Stock Award upon the performance of Service, specified performance goals (such as earnings per share, total shareholder return or return on capital employed) or other such factors as the Committee may determine, in its sole discretion.

(i) The purchase price (if any) of Restricted Stock Awards shall be not less than the amount required to be received

by the Company in order to assure compliance with applicable state laws.

(ii) The purchase price (if any) of Restricted Stock shall be paid either in cash at the time of purchase or in any form of legal consideration including Services, that may be acceptable to the Committee.

(iii) Shares of Restricted Stock awarded under a Restricted Stock Agreement may, but need not, be subject to a vesting schedule to be determined by the Committee. Unless the Committee determines otherwise, no shares of Restricted Stock subject to a vesting schedule (or subject to performance goals) shall be issued under the Plan until such shares are vested and/or such performance goals have been met.

(iv) In the event a Participant's Service with the Company or an Affiliate terminates, the Company may repurchase or otherwise reacquire any or all of the shares of Restricted Stock held by the Participant which have not vested as of the date of termination under the terms of the Restricted Stock Agreement.

(v) Rights to acquire shares of Restricted Stock and Restricted Stock issued thereunder shall be transferable by the Participant only upon such terms and conditions as set forth in the Restricted Stock Agreement, as the Committee shall determine in its discretion, so long as Common Stock awarded under the Restricted Stock Agreement remains subject to the terms of the Restricted Stock Agreement.

(h) Stock Bonus Awards. Each stock bonus agreement shall be in such form and shall contain such terms and be subject to such conditions as the Committee shall deem appropriate. The terms and conditions of stock bonus agreements may change from time to time, and the terms and conditions of separate stock bonus agreements need not be identical, but each stock bonus agreement shall include (through incorporation hereof by reference in the agreement or otherwise) the substance of each of the following provisions. The Committee may condition the grant of a stock bonus upon the performance of specified performance goals (such as earnings per share, total shareholder return or return on capital employed) or other such factors as the Committee may determine, in its sole discretion.

(i) Consideration. A stock bonus may be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit.

(ii) Vesting. Shares of Common Stock awarded under the stock bonus agreement may, but need not, be subject to a vesting schedule to be determined by the Committee. No shares awarded under a stock bonus which are subject to a vesting schedule (or subject to performance goals) shall be issued under the Plan until such shares are vested and/or such performance goals have been met.

(iii) Termination of Service. In the event a Participant's Service with the Company or an Affiliate terminates, the Company may reacquire any or all of the shares of Common Stock granted to the Participant pursuant to the stock bonus agreement which have not yet vested as of the date of the termination of Service under the terms of the stock bonus agreement.

(iv) Transferability. Rights to acquire shares of Common Stock under the stock bonus agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the stock bonus agreement, as the Board shall determine in its discretion, as long as Common Stock awarded under the stock bonus agreement remains subject to the terms of the stock bonus agreement.

(i) Stock Appreciation Rights. Stock Appreciation Rights may be granted alone or in tandem with other specified Awards. The terms of Stock Appreciation Rights granted pursuant to the Plan shall be set forth in a Stock Appreciation Rights Agreement or in an agreement governing a specified Award, if such Stock Appreciation Rights are granted in tandem with another Award. Stock Appreciation Rights granted pursuant to the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the

express provisions of the Plan, or applicable law, as the Committee in its sole discretion shall deem desirable.

(i) A Stock Appreciation Right entitles the Participant to receive a payment in cash or shares of Common Stock equal to the appreciation, if any, of one share of Common Stock of the Company between the grant date of such Stock Appreciation Right and the date of exercise of the Stock Appreciation Right. For these purposes, appreciation is defined as the difference between (a) the Fair Market Value of a share of Common Stock of the Company on the date of exercise of the Stock Appreciation Right and (b) the exercise price per Stock Appreciation Right (or accompanying Award).

(ii) A Stock Appreciation Right shall become exercisable during such times and subject to such conditions as shall be determined by the Committee, in its sole discretion; provided, however, that a Stock Appreciation Right shall expire no later than ten (10) years from the date of grant and must be exercised, if at all, on or before such date.

#### VII. SHARES RESERVED

(a) The total number of shares of Common Stock that may be issued or transferred under the Plan pursuant to Awards may not exceed three hundred thousand (300,000) shares (subject to adjustment as described in Section IX below).

(b) If any Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full or without the issuance of the full number of shares subject to the Award, the shares of Common Stock not issued under such Award shall revert to and again become available for issuance under the Plan; provided, however, that shares underlying a Stock Appreciation Right that is paid in cash shall not be available for subsequent issuance under the Plan.

(c) Common Stock may be issued from authorized but unissued shares or out of shares held in the Company's treasury, or both.

#### VIII. MISCELLANEOUS

(a) Incentive Stock Option \$100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Optionee in any calendar year (under all plans of the Company and its parent and subsidiary corporations as defined in Section 424 of the Code) exceeds one hundred thousand dollars (\$100,000), the Options or any portion thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

(b) Withholding.

(i) To the extent required by applicable federal, state, local or foreign law, the recipient of any payment or distribution under the Plan shall make arrangements satisfactory to the Company for the satisfaction of my tax withholding obligations that may arise by reason of such payment or distribution. The Company shall not be required to make such payment or distribution until such obligations are satisfied. The Company shall have the right to withhold from any compensation paid to the Participant.

(ii) The Committee, in its sole discretion, may permit or require a Participant to satisfy all or part of the Participant's tax withholding obligations incident to an Award by having the Company withhold a portion of the shares that would be otherwise issued to the Participant. Such shares shall be valued at their Fair Market Value on the date when taxes otherwise would be withheld in cash. The payment of withholding taxes by surrendering shares to the Company, if permitted by the Committee, shall be subject to such restrictions as the Committee may impose, including any restrictions required by the rules of the Securities and Exchange Commission.

#### IX. ADJUSTMENTS UPON CHANGES IN STOCK

(a) In the event of a stock split, stock dividend, or other

subdivision or combination of the Common Stock, the number of shares of Common Stock authorized under the Plan and the share limitations on Awards to individuals shall be adjusted proportionately. Similarly, in any event aforementioned, there will be a proportionate adjustment in the number and exercise price of shares of Common Stock subject to unexercised Options, Performance Shares, Dividend Units, rights to acquire Restricted Stock, stock bonuses and Stock Appreciation Rights.

(b) The Committee may determine and set forth in each Award, either at the time of grant or by amendment thereafter, the effect, if any, that any change in beneficial ownership of stock, sale of stock or assets, merger, combination, spin-off, reorganization or other corporate transaction, or liquidation of the Company will have upon the term, exercisability and/or vesting of outstanding Awards. The effect may include acceleration in whole or in part of vesting and/or exercisability of Awards upon the occurrence of such an event or upon certain terminations of Service within a specified period following such an event. The grant of Awards under this Plan will in no way affect the right of the issuer of Common Stock to adjust, reclassify, reorganize, or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

#### X. AMENDMENT OF THE PLAN AND AWARDS

(a) The Board may, at any time, and from time to time, amend the Plan. However, no amendment shall be effective unless approved by the shareholders of the Company to the extent shareholder approval is necessary to satisfy the requirements of Section 422 of the Code. The Board may, in its sole discretion, submit any other amendments to the Plan for shareholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(b) Rights under any Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless the Participant holding such Award consents in writing to such amendment.

(c) The Committee may amend outstanding Awards, in its sole discretion; provided that except as permitted under Section IX(a), (i) no outstanding Award may be amended to lower the exercise price or may be canceled for the purpose of reissuing such Award to a Participant at a lower exercise price without the approval of the Company's shareholders and (ii) no such amendment shall impair the rights of the holder thereof unless he or she consents in writing to such amendment.

#### XI. TERMINATION OR SUSPENSION OF THE PLAN

The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the tenth (10th) anniversary of the date the Plan is adopted by the Board or approved by the shareholders of the Company, whichever is earlier. No Awards may be granted under the Plan when the Plan is suspended or after the Plan is terminated.

#### XII. EFFECTIVE DATE OF PLAN

The Plan became effective on March 6, 2002 and was approved by the shareholders on April 18, 2002.

#### XIII. CHOICE OF LAW

The law of the State of California shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

(SJW Corp. Letterhead)

W. Richard Roth  
c/o SJW Corp.  
374 West Santa Clara Street  
San Jose, CA 95113

Dear Rich:

It gives me great pleasure to present you with this agreement concerning your continued employment with SJW Corp. ("SJW") and its two wholly owned subsidiaries, San Jose Water Company and SJW Land Company (the three entities collectively referred to as the "Company"). This new agreement will have an effective date retroactive to January 1, 2003.

**Positions and Duties.** You will continue in the positions of President and Chief Executive Officer of SJW and San Jose Water Company and President of SJW Land Company and will report directly to Board of Directors of SJW (the "Board"). Your duties and responsibilities will be those assigned from time to time by the Board and will be commensurate with your positions. You will be expected to perform all such assigned duties and responsibilities, to devote substantially all of your time, attention and effort to the business and affairs of the Company, and to use your reasonable best efforts to promote the best interests of the Company. You will be expected principally to work out of the Company's San Jose office, subject to travel associated with your duties. During your employment with the Company, you must not render any services for any other person, firm or entity that represents a conflict of interest with the business of the Company. The Company agrees to continue to nominate you as a member of Board at each stockholders meeting at which Board members are to be elected for so long as you continue as Chief Executive Officer. You shall serve in such capacity at no additional compensation, including any future or prior right to participate in the Company's Director's Pension Plan.

**Term.** The initial term of this agreement shall be three years beginning January 1, 2003 and ending on the second business day of January, 2006. At the end of the second year of such term, and at the end of each successive year thereafter, the term shall automatically be extended for an additional year unless the Company gives prior written notice of non-renewal no later than November 30, 2004 and November 30th of each successive year thereafter; provided, however, that the term of this agreement shall in no event extend beyond November 16, 2017.

**At-Will Employment.** Although this agreement has a term as set forth above, your employment with the Company may be terminated by you or by the Company at any time during or after the term of the agreement, for any reason, with or without notice, subject to the payment of any benefits which may be owed you hereunder based on the circumstances of such termination. The at-will nature of your employment relationship with the Company, as described immediately above, may only be changed in an express written approval by a disinterested majority of the Board.

**Salary and Bonus.** Your base salary will be at an initial annual rate of \$400,000 per year, to be paid according to the Company's standard payroll practices. Your base salary will be reviewed periodically as set forth below, and your base salary as in effect from time to time during the term of this agreement will be referred to as "Base Salary."

You will also be entitled to an annual bonus ("Annual Bonus") for each fiscal year of the Company based on achievement of reasonable Company and individual performance goals established for each such fiscal year by the Executive Compensation Committee of the Board after consultation with you. Your targeted Annual Bonus is twenty-five percent (25%) of your Base Salary, but your actual Annual Bonus for any fiscal year within the term of this agreement may range from 0 to 150% of your target, based on the Executive Compensation Committee's determination of the level of achievement of the applicable performance goals for the year. Your target Annual Bonus will be reviewed periodically as set forth below. Your actual Annual Bonus for each fiscal year will be paid as soon as practicable

after the end of that fiscal year, recognizing a reasonable time to calculate performance for the measurement period.

Payment of your Base Salary and Annual Bonus will be subject to all applicable withholdings and deductions, and you will only receive the amount remaining after such withholdings and deductions have been made.

**Annual Review.** The Executive Compensation Committee of the Board will review annually your performance. Your performance will be evaluated based upon mutually approved written criteria to be developed jointly by the Executive Compensation Committee and you. In connection with that review, the Executive Compensation Committee shall also review and consider appropriate adjustments to your Base Salary, target Annual Bonus, long-term incentives and other compensation in order to further the objective of maintaining your total compensation at a competitive level and may, as part of that process, retain the services of a professional compensation consultant. However, neither your Base Salary nor the sum of your Base Salary and target Annual Bonus will decrease from any previous level in effect under this agreement, except for a reduction of not more than fifteen percent (15%), as part of, and consistent with, any across-the-board reduction in the salaries or target annual bonuses of senior officers of the Company to which you and the Executive Compensation Committee have mutually agreed, and which occurs prior to a change in control of the Company.

Unless you expressly agree otherwise, you will be eligible to participate in the Company's current long-term incentive programs (including the Company's stock option plan) and any other cash or equity incentive programs hereafter established for senior officers of the Company (subject to such modifications to such programs as the Executive Compensation Committee shall determine to be necessary and appropriate to preserve the income tax deductibility of the compensation paid under those programs) at participation levels determined each fiscal year in connection with your annual performance review.

**Initial Stock Options and DERs.** On April 29, 2003 the Company granted you an option to purchase Seven Thousand Six Hundred and Four (7,604) shares of the Company's common stock (the "Initial Option") under and subject to the terms of the Company's Long-Term Incentive Plan (the "Long-Term Incentive Plan"). The Initial Option is a non-statutory stock option, which shall have a term of ten (10) years, subject to earlier termination as set forth below, and includes the standard terms and provisions of the Company's standard form of option agreement under the Long-Term Incentive Plan. The exercise price of the Initial Option is \$84.00 per share, equal to the fair market value per share of the Company's common stock (the "Common Stock") on the grant date, as determined under the Long-Term Incentive Plan.

The Initial Option shall vest and become exercisable with respect to twenty-five percent (25%) of the shares subject thereto on the first anniversary of the grant date and with respect to an additional twenty-five percent (25%) of such shares on each of the next three (3) anniversaries of such date, so long as you remain in the Company's employ. The Initial Option shall become immediately exercisable in full: (i) in the event of your termination by reason of death or disability or (ii) immediately prior to the effective date of a Change in Control (as such term is defined in the Company's Executive Severance Plan) provided you remain in the Company's employ through such date. If you terminate by reason of retirement (i.e., after age fifty-five (55) and ten (10) years of service) you shall continue to vest in your Initial Option during the four (4) year period commencing on the date of termination as if you remain employed through such period. In the case of termination by reason of death, disability or retirement your Initial Option shall, to the extent vested, remain exercisable until the earlier of (i) the expiration of the four (4) year period measured from your termination date or (ii) the remainder of the initial ten (10) year term. Otherwise, the Initial Option shall cease to further vest and become exercisable for any additional shares on or after your termination of employment and shall expire ninety (90) days after your termination date (or immediately upon your termination if for Good Cause).

You shall also be credited with dividend equivalent rights

or "DERs," awarded under the Dividend Unit feature of the Company's Long-Term Incentive Plan, with respect to the number of shares subject to the Initial Option until the earlier of the quarterly dividend record date sixteen (16) quarters after the grant date, or the date that the Initial Option is exercised for such shares. DERs will entitle you to an additional number of units representing shares of Common Stock determined as follows: An Option Deferred Stock Account has been established for you. Each time a dividend is paid on the Company's outstanding Common Stock, you will be credited with a dollar amount equal to the dividend paid per share multiplied by the number of shares still subject to the Initial Option (plus the number of units credited, as of the record date for the dividend, to your Option Deferred Stock Account pursuant to the annual crediting mechanism set forth in the next sentence). As of the first business day in January each year, your Option Deferred Stock Account will be credited with that number of shares determined by dividing (i) the cash dividend equivalent amounts so credited to you in the immediately preceding year by (ii) the average of the fair market value per share of the Common Stock on each of the dates in the immediately preceding year on which dividends were paid. The units credited your Option Deferred Stock Account will vest in the same manner as the option shares to which they are attributable and shall be paid to you in shares of Common Stock on the earlier of the quarterly dividend record date sixteen (16) quarters after the grant date or your termination of employment. Any cash amounts not yet converted to stock units shall be distributed in cash.

You shall be eligible for such annual stock option and DER awards, or other forms of equity or equity-like compensation, after fiscal 2003 as the Executive Compensation Committee may determine each year. The Committee shall consider your personal performance, competitive practice for comparable positions outside the Company, grants to other senior officers of the Company, availability of shares in the Long-Term Incentive Plan, and other relevant factors.

SERP. You shall continue to participate in the Company's Executive Supplemental Retirement Plan ("SERP"). In consideration, in part, of your agreement to the amendment of the SERP on April 29, 2003 to eliminate the minimum benefit equal to 55% of your Final Average Compensation, you were granted on April 29, 2003 the right to receive a number of shares of Common Stock, awarded under the Restricted Stock feature of the Company's Long-Term Incentive Plan, determined as follows: a SERP Deferred Stock Account was established for you and credited on April, 29, 2003 with thirteen thousand eight hundred ninety (13,890) units. Each time a dividend is paid on the Company's outstanding Common Stock, you will be credited with a dollar amount equal to the dividend paid per share multiplied by the number of units credited, as of the record date for the dividend, to your SERP Deferred Stock Account (including any additional units resulting from the annual crediting mechanism set forth in the next sentence). As of the first business day in January each year, your SERP Deferred Stock Account will be credited with that number of additional units determined by dividing (i) the cash dividend equivalent amounts so credited to you in the previous year by (ii) the average of the fair market value per share of the Common Stock on each of the dates in the immediately preceding year on which dividends were paid.

The units credited to your SERP Deferred Stock Account shall vest in thirty-six (36) monthly installments on the first day of each month measured from January 1, 2003, provided you continue in the Company's employ on each such date. Units credited to your SERP Deferred Stock Account as a result of the dividend rights described above shall vest at the same time and in the same manner as the units with respect to which the dividend rights were credited. The units credited to your SERP Deferred Stock Account shall become fully vested on an accelerated basis if your employment is terminated by reason of death or Disability, involuntarily terminated for any reason other than Good Cause or if your employment is voluntarily terminated for Good Reason.

The units credited to your SERP Deferred Stock Account, to the extent vested, shall be payable in shares of Company Common Stock upon the later of your termination of employment or attainment of age 55, either in a single lump sum or in up to ten (10) annual installments, as you may elect no later than one (1)

year prior to the triggering event (termination or attainment of age 55). However, if your employment is terminated under circumstances entitling you to severance benefits under the Executive Severance Plan then the units credited to your SERP Deferred Stock Account will be immediately paid to you in full. Any cash amounts credited to your SERP Deferred Stock Account not yet converted to stock units shall be distributed in cash. The issuance of shares of Company Common Stock under the SERP Deferred Stock Account is subject to satisfaction of all tax withholding obligations with respect to such shares. In order to satisfy all such tax withholding obligations, the number of shares of Common Stock which you would otherwise be entitled to receive will be reduced by that number of shares which, as of the date of distribution, has an aggregate Fair Market Value (as defined in the Long-Term Incentive Plan) equal to the total amount of tax withholding obligations applicable to the shares issuable on that date.

**Expense Reimbursement.** The Company will reimburse you for the reasonable expenses incurred in connection with the performance of your duties, consistent with Company policy and practice.

**Perquisites and Other Benefits.** Except as otherwise precluded by applicable law or regulations, you will continue to be entitled to the level of perquisites in effect for you as of the effective date of this agreement, including a Company-provided luxury motor vehicle (with replacement at every three or four-year interval), vehicle maintenance, first class business travel, Company-paid club memberships, financial support for your participation in community activities (and authority to bind the Company at a level to be agreed upon from time to time), training and continuing education, single assignment of an Executive Assistant and reimbursement of home office expenses attributable to the services required of you pursuant to this agreement.

**Severance Benefits.** You shall continue to be eligible for benefits under the Company's Executive Severance Plan (which provides benefits in the event of a qualifying termination in connection with a Change in Control, as defined therein). In addition, if your employment is involuntarily terminated for any reason other than death, disability or Good Cause or your employment is voluntarily terminated for Good Reason and you are not entitled to benefits under the Executive Severance Plan, you will be entitled to the following contractual severance benefits pursuant to this agreement:

- Cash severance equal to three (3) times the sum of (i) your annual rate of Base Salary in effect at the time of your termination (or such higher rate as was in effect at any time during the previous twelve months after the effective date of this Agreement) and (ii) your target Annual Bonus for the year of your termination (or if, higher, the average of your actual annual bonuses for the previous three years after fiscal 2002), payable in a single lump sum on the first of the month following the month in which your employment terminates.

- A prorated annual bonus for the year of termination, based on your target bonus.

- If you elect to continue health benefit coverage under the Company's health benefit coverage plans pursuant to COBRA, the Company will provide such COBRA coverage, without charge, to you and your eligible dependents until the earlier of (x) thirty-six (36) months from the date your employment terminates, or (y) the first date on which you are covered under another employer's health benefit program without exclusion for any pre-existing medical condition.

- Accelerated vesting of the units credited to your SERP Deferred Stock Account as described under the heading "SERP."

Your receipt of such contractual severance benefits shall be conditioned upon your execution and delivery to the Company of a general release in substantially the form of general release required under the Executive Severance Plan (and the lapse of any statutory right to revoke such release).

For purposes of this agreement:

- "Good Cause" shall be deemed to exist if, and only if (i)

you engage in acts or omissions that result in substantial harm to the business or property of the Company or its affiliates and that constitute dishonesty, intentional breach of fiduciary obligation or intentional wrongdoing, or (ii) you are convicted of a criminal violation involving fraud or dishonesty.

- "Good Reason" shall exist if and only if, without your express written consent (i) there is a Significant Change in the nature or the scope of your authority or overall working environment; (ii) you are assigned duties materially inconsistent with your present duties, responsibilities and status; (iii) there is a reduction in your rate of Base Salary or target Annual Bonus other than a reduction in an amount not in excess of fifteen percent (15%) of either your Base Salary or the sum of your Base Salary and target Annual Bonus pursuant to a uniform reduction in the base salary or target bonus payable to all senior executives of the Company to which you and the Executive Compensation Committee have mutually agreed and occurs prior to change in control of the Company; (iv) the Company changes by fifty-five (55) miles or more the principal location at which you are required to perform your services hereunder or (v) there is a material breach by the Company of any of its obligations hereunder which remains uncured for more than thirty (30) days following your written notice to the Board in which you specifically identify the material breach which has occurred.

- "Significant Change" for purposes of this agreement shall include removing you from any of your current positions set forth above.

In the event of your death during the term of this agreement, your employment will terminate under this agreement. The Company shall make payments of any salary and/or bonus that is earned but unpaid as of the date of death to your legal representative.

Non-Solicitation. During the term of your employment and for one (1) year thereafter, you agreed that you will not (i) encourage any employee, consultant, or person who was employed by the Company on the date of termination of your employment (or at any time during the six (6) month period prior to termination of your employment) to leave the company for any reason, nor will you solicit their services; or (ii) assist any other person or entity in such encouragement or solicitation. This provision is not intended to restrict you from performing the duties of your employment in the best interest of the Company.

Confidential and Proprietary Information. You agree to comply with the Company's standard policies regarding disclosure of confidential and proprietary information, both during and subsequent to the term of this agreement.

The terms and conditions set forth in this offer letter (together with all documents reference herein) as accepted by you will be the entire agreement between you and the Company with regard to your employment. This offer letter supercedes any other agreements, understandings or representations, whether written or oral, with regard to the subject matter set forth in this letter, including but not limited to the letter agreement between you and the Company dated April 29, 2003. This agreement shall be governed by the laws of the State of California, without regard to choice of law rules.

Please contact me if you wish to discuss any of the details of this offer. I am enclosing an extra copy of this letter for your records and would appreciate your returning the original to me with your signature.

Sincerely,

SJW Corp.

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

Title: \_\_\_\_\_

I HAVE READ THIS OFFER LETTER CAREFULLY, AND I UNDERSTAND AND ACCEPT ITS TERMS. I SIGN THIS AGREEMENT VOLUNTARILY AND

FREELY:

/s/ W. RICHARD ROTH

Date: June \_\_\_\_\_, 2003

---

Signature

EXHIBIT A  
SJW CORP.  
STOCK OPTION AGREEMENT

RECITALS

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees and non-employee members of the Board (or the board of directors of any Parent or Subsidiary).

B. Optionee is to render valuable services to the Corporation, and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's grant of an option to Optionee.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix.

NOW, THEREFORE, it is hereby agreed as follows:

1. Grant of Option. The Corporation hereby grants to Optionee, as of the Grant Date, an option to purchase up to the number of Option Shares specified in the Grant Notice at the Exercise Price. The Option Shares shall be purchasable from time to time during the option term specified in Paragraph 2, as set forth herein.

2. Option Term. This option shall have a maximum term of ten (10) years measured from the Grant Date and shall accordingly expire at the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 5 or 6.

3. Limited Transferability. This option shall be neither transferable nor assignable by Optionee other than by will or the laws of descent and distribution following Optionee's death and may be exercised, during Optionee's lifetime, only by Optionee. However, Optionee may designate one or more persons as the beneficiary or beneficiaries of this option, and this option shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding this option. Such beneficiary or beneficiaries shall take the transferred option subject to all the terms and conditions of this Agreement, including (without limitation) the limited time period during which this option may, pursuant to Paragraph 5, be exercised following Optionee's death.

4. Dates of Exercise. This option shall become exercisable for the Option Shares in one or more installments as specified in the Grant Notice. As the option becomes exercisable for such installments, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until the Expiration Date or sooner termination of the option term under Paragraph 5 or 6.

5. Cessation of Service. The option term specified in Paragraph 2 shall terminate (and this option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(a) Should Optionee cease to remain in Service for any reason (other than death, Disability, Normal Retirement or Good Cause) while this option is outstanding, then Optionee shall have a period of ninety (90) days (commencing with the date of such cessation of Service) during which to exercise this option, but in no event shall this option be exercisable at any time after the Expiration Date.

(b) Should Optionee die while this option is outstanding, then the personal representative of Optionee's estate or the person or persons to whom the option is transferred pursuant to Optionee's will or the laws of descent and distribution following Optionee's death shall have the right to exercise this option. However, if Optionee dies while holding this option and has an effective beneficiary designation in effect for this option at the time of his or her death, then the designated beneficiary or beneficiaries shall have the exclusive right to exercise this option following Optionee's death. Any such right to exercise this option shall lapse, and this option shall cease to be outstanding, upon the earlier of

(i) the expiration of the four (4)-year period measured from the date of Optionee's death or (ii) the Expiration Date.

(c) Should Optionee cease Service by reason of Disability or Normal Retirement while this option is outstanding, then Optionee shall have a period of four (4) years (commencing with the date of such cessation of Service) during which to exercise this option. In no event shall this option be exercisable at any time after the Expiration Date.

(d) During the limited period of post-Service exercisability, this option may not be exercised in the aggregate for more than the number of Option Shares (if any) in which Optionee is, at the time of Optionee's cessation of Service, vested pursuant to the Vesting Schedule specified in the Grant Notice, provided that (i) this shall be subject to the special vesting acceleration provisions of Paragraph 6, (ii) if termination occurs by reason of Normal Retirement, then during the limited period of post-service exercisability as set forth in Paragraph (c) above, the option will continue to vest as if the Optionee continued in Service during such period, and (iii) if termination occurs by reason of Death or Disability, then option will vest automatically upon such termination. Upon the expiration of such limited exercise period, this option shall terminate and cease to be outstanding for any exercisable Option Shares for which the option has not been exercised.

(e) Should Optionee's Service be terminated for Good Cause or should Optionee otherwise engage in any misconduct which could result in a termination for Good Cause while this option is outstanding, then this option shall terminate immediately and cease to remain outstanding.

#### 6. Special Acceleration of Option.

(a) This option, to the extent outstanding at the time of a Change in Control, but not otherwise fully exercisable, shall automatically accelerate so that this option shall, immediately prior to the effective date of such Change in Control, become exercisable for all of the Option Shares at the time subject to this option and may be exercised for any or all of those Option Shares as fully vested shares of Common Stock. However, this option shall not become exercisable on such an accelerated basis, if and to the extent this option is to be assumed by the successor corporation (or parent thereof) or substituted with equivalent options, except pursuant to paragraph (b), below.

(b) In the event of a Qualifying Termination following a Change in Control pursuant to which this option is to be assumed by the successor corporation (or parent thereof) and substituted with equivalent options, the Option, to the extent outstanding at the time of such Qualifying Termination but not otherwise fully exercisable, shall automatically accelerate so that the Option shall become immediately exercisable for all the Option Shares at the time subject to the Option and may be exercised for any or all of those Option Shares as fully vested shares.

(c) Immediately following the Change in Control, this option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in effect pursuant to the terms of the Change in Control transaction.

(d) If this option is assumed in connection with a Change in Control or otherwise continued in effect, then this option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control, and appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption of this option, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in

Control.

(e) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

7. Adjustment in Option Shares. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made to (i) the total number and/or class of securities subject to this option, and (ii) the Exercise Price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

8. Shareholder Rights. The holder of this option shall not have any shareholder rights with respect to the Option Shares until such person shall have exercised the option and become a holder of record of the purchased shares.

9. Manner of Exercising Option.

(a) In order to exercise this option with respect to all or any part of the Option Shares for which this option is at the time exercisable, Optionee (or any other person or persons exercising the option) must take the following actions:

(i) Execute and deliver to the Corporation a Notice of Exercise for the Option Shares for which the option is exercised.

(ii) Pay the aggregate Exercise Price for the purchased shares in one or more of the following forms:

(A) cash or check made payable to the Corporation;

(B) shares of Common Stock held by Optionee (or any other person or persons exercising the option), provided that if shares acquired pursuant to the exercise of an option are used, such shares shall be held by the Optionee for a period of at least six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes) before their tender to exercise additional Option Shares; or

(C) through a special sale and remittance procedure, if and to the extent approved by the Plan Administrator, pursuant to which Optionee (or any other person or persons exercising the option) shall concurrently provide irrevocable instructions (i) to a brokerage firm (reasonably satisfactory to the Corporation for purposes of administering such procedure) to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased shares plus all applicable income and employment taxes required to be withheld by the Corporation by reason of such exercise, and (ii) to the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm on such settlement date in order to complete the sale.

Except to the extent the sale and remittance procedure is utilized in connection with the option exercise, payment of the Exercise Price must accompany the Notice of Exercise delivered to the Corporation in connection with the option exercise.

(iii) Furnish to the Corporation appropriate documentation that the person or persons exercising the option (if other than Optionee) have the right to exercise this option.

(iv) Make appropriate arrangements with the Corporation (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all applicable income and employment tax withholding requirements applicable to the option exercise.

(b) As soon as practical after the Exercise Date,

the Corporation shall issue to or on behalf of Optionee (or any other person or persons exercising this option) a certificate for the purchased Option Shares, with the appropriate legends affixed thereto.

(c) In no event may this option be exercised for any fractional shares.

#### 10. Compliance with Laws and Regulations.

(a) The exercise of this option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Corporation and Optionee with all applicable requirements of law relating thereto and with all applicable regulations of any Stock Exchange on which the Common Stock may be listed for trading at the time of such exercise and issuance.

(b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance and sale of any Common Stock pursuant to this option shall relieve the Corporation of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Corporation, however, shall use its best efforts to obtain all such approvals.

11. Successors and Assigns. Except to the extent otherwise provided in Paragraphs 3 and 6, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and Optionee, Optionee's assigns, the legal representatives, heirs and legatees of Optionee's estate and any beneficiaries of this option designated by Optionee.

12. Notices. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated below Optionee's signature line on the Grant Notice. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

13. Construction. This Agreement and the option evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. All decisions of the Plan Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in this option.

14. Governing Law. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

15. Excess Shares. If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock which may without shareholder approval be issued under the Plan, then this option shall be void with respect to those excess shares, unless shareholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan.

16. Additional Terms Applicable to an Incentive Option. In the event this option is designated an Incentive Option in the Grant Notice, the following terms and conditions shall also apply to the grant:

(a) This option shall cease to qualify for favorable tax treatment as an Incentive Option if (and to the extent) this option is exercised for one or more Option Shares: (A) more than three (3) months after the date Optionee ceases to be an Employee for any reason other than death or Disability or (B) more than twelve (12) months after the date Optionee ceases to be an Employee by reason of Disability. The Optionee shall not be deemed to cease to be an Employee during a period of military leave, sick leave or other personal leave approved by the Corporation; provided, however, that for a leave which exceeds

ninety (90) days, the Optionee shall be deemed, for purposes of determining the period within which this option may be exercised as an Incentive Option (if designated as such in the Grant Notice), to cease to be an Employee on the ninety-first (91st) day of such leave, unless the right of that Optionee to return to Service as an Employee following such leave is guaranteed by law or statute.

(b) No installment under this option shall qualify for favorable tax treatment as an Incentive Option if (and to the extent) the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which such installment first becomes exercisable hereunder would, when added to the aggregate value (determined as of the respective date or dates of grant) of the Common Stock or other securities for which this option or any other Incentive Options granted to Optionee prior to the Grant Date (whether under the Plan or any other option plan of the Corporation or any Parent or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars (\$100,000) in the aggregate. Should such One Hundred Thousand Dollar (\$100,000) limitation be exceeded in any calendar year, this option shall nevertheless become exercisable for the excess shares in such calendar year as a Non-Statutory Option.

(c) Should the exercisability of this option be accelerated upon a Change in Control, then this option shall qualify for favorable tax treatment as an Incentive Option only to the extent the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which this option first becomes exercisable in the calendar year in which the Change in Control transaction occurs does not, when added to the aggregate value (determined as of the respective date or dates of grant) of the Common Stock or other securities for which this option or one or more other Incentive Options granted to Optionee prior to the Grant Date (whether under the Plan or any other option plan of the Corporation or any Parent or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars (\$100,000) in the aggregate. Should the applicable One Hundred Thousand Dollar (\$100,000) limitation be exceeded in the calendar year of such Change in Control, the option may nevertheless be exercised for the excess shares in such calendar year as a Non-Statutory Option.

(d) Should Optionee hold, in addition to this option, one or more other options to purchase Common Stock which become exercisable for the first time in the same calendar year as this option, then the foregoing limitations on the exercisability of such options as Incentive Options shall be applied on the basis of the order in which such options are granted.

EXHIBIT I

NOTICE OF EXERCISE

I hereby notify SJW Corp. (the "Corporation") that I elect to purchase \_\_\_\_\_ shares of the Corporation's Common Stock (the "Purchased Shares") at the option exercise price of \$\_\_\_\_\_ per share (the "Exercise Price") pursuant to that certain option (the "Option") granted to me under the Corporation's Long-Term Incentive Plan on \_\_\_\_\_,

Concurrently with the delivery of this Exercise Notice to the Corporation, I shall hereby pay to the Corporation the Exercise Price for the Purchased Shares in accordance with the provisions of my agreement with the Corporation (or other documents) evidencing the Option and shall deliver whatever additional documents may be required by such agreement as a condition for exercise. Alternatively, I may utilize the special broker-dealer sale and remittance procedure specified in my agreement to effect payment of the Exercise Price.

\_\_\_\_\_,  
Date

\_\_\_\_\_  
Optionee

Address: \_\_\_\_\_

\_\_\_\_\_

Print name in exact manner  
it is to appear on the  
stock certificate:

\_\_\_\_\_

Address to which certificate  
is to be sent, if different from  
address above:

\_\_\_\_\_

\_\_\_\_\_

Social Security Number: \_\_\_\_\_

#### APPENDIX

The following definitions shall be in effect under the Agreement:

A. Agreement shall mean this Stock Option Agreement.

B. Board shall mean the Corporation's Board of Directors.

C. Change in Control shall be deemed to take place on the occurrence of any of the following events:

(i) The acquisition, directly or indirectly by any person or related group of persons (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), but other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under, control with the Corporation or an employee benefit plan maintained by any such entity, of beneficial ownership (as defined in Rule 13d-3 of the Exchange Act) of securities of the Corporation that results in such person or related group of persons beneficially owning securities representing 30% or more of the combined voting power of the Corporation's then-outstanding securities;

(ii) A merger, recapitalization, consolidation, or other similar transaction to which the Corporation is a party, unless securities representing at least 50% of the combined voting power of the then-outstanding securities of the surviving entity or a parent thereof are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately before the transaction;

(iii) A sale, transfer or disposition of all or substantially all of the Corporation's assets, unless securities representing at least 50% of the combined voting power of the then-outstanding securities of the entity acquiring the Corporation's assets or parent thereof are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately before the transaction,

(iv) A merger, recapitalization, consolidation, or other transaction to which the Corporation is a party or the sale, transfer, or other disposition of all or substantially all of the Corporation's assets if, in either case, the directors of the Corporation immediately prior to consummation of the transaction do not, upon consummation of the transaction, constitute at least a majority of the board of directors of the surviving entity or the entity acquiring the Corporation's assets, as the case may be, or a parent thereof (for this purpose, any change in director composition that is anticipated or pursuant to an understanding or agreement in connection with a transaction will be deemed to have occurred at the time of the transaction); or

(v) A change in the composition of the Board over a period of thirty-six (36) consecutive months or less such that a majority of the Board members ceases by reason of one or more

contested elections for Board membership, to be comprised of individuals who either (a) have been Board members since the beginning of such period or (b) have been elected or nominated for election as Board members during such period by at least a majority of the Board members who were described in clause (a) or who were previously so elected or approved and who were still in office at the time the Board approved such election or nomination;

provided that no Change in Control shall occur if the result of the transaction is to give more ownership or control of the Corporation to any person or related group of persons who hold securities representing more than thirty percent (30%) of the combined voting power of the Corporation's outstanding securities as of March 3, 2003.

D. Code shall mean the Internal Revenue Code of 1986, as amended.

E. Common Stock shall mean shares of the Corporation's common stock.

F. Corporation shall mean SJW Corp., a California corporation, and any successor corporation to all or substantially all of the assets or voting stock of SJW Corp. which shall by appropriate action adopt the Plan.

G. Disability shall mean the permanent and total disability of an individual as determined pursuant to Section 22(e)(3) of the Code.

H. Employee shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

I. Exercise Date shall mean the date on which the option shall have been exercised in accordance with Paragraph 9 of the Agreement.

J. Exercise Price shall mean the exercise price per Option Share as specified in the Grant Notice.

K. Expiration Date shall mean the date on which the option expires as specified in the Grant Notice.

L. Fair Market Value means the value of the Common Stock on the American Stock Exchange as of the close of the trading day.

M. Good Cause shall mean:

(i) the commission of any act or omissions that result in substantial harm to the business or property of the Corporation (or any Parent or Subsidiary) and that constitute dishonesty, intentional breach of fiduciary obligation or intentional wrongdoing, or

(ii) the Optionee's conviction of a criminal violation involving fraud or dishonesty.

The foregoing definition shall not in any way preclude or restrict the right of the Corporation (or any Parent or Subsidiary) to discharge or dismiss Optionee or any other person in the Service of the Corporation (or any Parent or Subsidiary) for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of the Plan or this Agreement, to constitute grounds for termination for Good Cause.

N. Good Reason shall exist with respect to an Optionee, if and only if, without the Optionee's express written consent:

(i) there is a significant change in the nature or the scope of the Optionee's authority or in his or her overall working environment;

(ii) the Optionee is assigned duties materially inconsistent with his or her present duties, responsibilities and status;

(iii) there is a reduction in the sum of Optionee's rate

of base salary and target bonus; or the Corporation changes by fifty-five (55) miles or more the principal location in which the Optionee is required to perform services;

provided that, in the case of each such reason, that the Corporation has not cured such condition within 30 days of written notice by the Optionee to the Corporation that such condition exists and constitutes Good Reason.

O. Grant Date shall mean the date of grant of the option as specified in the Grant Notice.

P. Grant Notice shall mean the Notice of Grant of Stock Option accompanying the Agreement, pursuant to which Optionee has been informed of the basic terms of the option evidenced hereby.

Q. Incentive Option shall mean an option which satisfies the requirements of Code Section 422.

R. Non-Statutory Option shall mean an option not intended to satisfy the requirements of Code Section 422.

S. Normal Retirement shall mean an Optionee's termination of Service with the Corporation or an Affiliate under circumstances which make such Optionee eligible for an immediate pension benefit to be paid by the Corporation, or an Affiliate, or, in the case of an Optionee who is a Non-Employee Board Member, any termination of Service unless such termination is due to misconduct, as determined by the Plan Administrator in its sole discretion.

T. Notice of Exercise shall mean the notice of exercise in the form attached hereto as Exhibit I.

U. Option Shares shall mean the number of shares of Common Stock subject to the option as specified in the Grant Notice.

V. Optionee shall mean the person to whom the option is granted as specified in the Grant Notice.

W. Parent shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

X. Plan shall mean the Corporation's Long-Term Incentive Plan.

Y. Plan Administrator shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

Z. Qualifying Termination shall mean: (i) a termination of Optionee's Service in immediate anticipation of, or at any time after execution of a definitive agreement to effect a Change of Control or within twenty-four (24) months after the effective date of a Change in Control effected by the Optionee's employer for any reason other than Good Cause or (ii) a termination of Optionee's Service at any time within twenty-four (24) months after the effective date of a Change in Control effected voluntarily on the part of the Optionee for Good Reason.

AA. Service shall mean the Optionee's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, or as a non-employee member of the board of directors. Except to the extent otherwise required by law, no Service credit shall be given for vesting purposes hereunder for any period the Optionee is on a leave of absence.

BB. Stock Exchange shall mean the American Stock Exchange, the New York Stock Exchange or the Nasdaq National Market.

CC. Subsidiary shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the

determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

## SJW CORP.

## SERP DEFERRED RESTRICTED STOCK AWARD

## I. PURPOSE

The objective of the Deferred Restricted Stock Award (the "Award") is to promote the long-term success of the SJW Corp. (the "Corporation") by linking incentive opportunities for W. Richard Roth ("Participant") to the performance of the Corporation.

## II. ELECTION

Participant must elect, by written notice to the Corporation no later than one year prior to the later of Participant's termination of employment or Participant's attainment of age 55, the form of distribution of his award, through completion of the Deferral Election Form.

## III. AWARD OF DEFERRED RESTRICTED STOCK

A. Grant Amount. Participant hereby receives a grant of the right to receive Thirteen Thousand Eight Hundred and Ninety (13,890) shares of restricted stock (the "Initial Deferred Restricted Stock Award ") under the Corporation's Long-Term Incentive Plan (the "Plan").

B. Deferred Restricted Stock Account. A "Deferred Restricted Stock Account" will be established for the Participant and all grants of Deferred Restricted Stock made to the Participant shall be credited to such account. The right to receive shares credited to such account shall be an unfunded and unsecured right of a general creditor.

## IV. DIVIDEND RIGHTS

Each time a dividend is paid on Common Stock after the Initial Deferred Restricted Stock Award is made to Participant, the Participant will be credited with a dollar amount equal to the dividend paid per share multiplied by the number of shares previously credited to Participant's Deferred Restricted Stock Account and not distributed as of the record date for the dividend. As of the first business day in January of each year, the Deferred Restricted Stock Account will be credited with a number of shares equal to (i) the cash dividend equivalent amounts credited to Participant for the immediately preceding year divided by (ii) the average of the fair market value of the Common Stock on each of the dates in the immediately preceding year on which dividends were paid.

## V. VESTING AND PAYMENT OF SHARES

A. The shares of Common Stock credited to the Deferred Restricted Stock Account shall vest in thirty six (36) monthly installments on the first day of each month measured from January 1, 2003, provided the Participant continues in the Corporation's employ through each such date. Such shares of Common Stock shall vest on an accelerated basis in the event the Participant's employment is terminated by reason of death or Disability, involuntarily terminated for any reason other than "Good Cause" or voluntarily terminated for "Good Reason". The terms "Good Cause" and "Good Reason" shall have the meaning assigned to such terms in the letter agreement dated June \_\_\_\_, 2003 between Participant and the Corporation concerning Participant's continued employment with the Corporation.

B. Shares of Common Stock credited to Participant's Deferred Restricted Stock Account as a result of dividend rights under Section IV, above shall vest in the same manner as the shares with respect to which the dividend rights were credited.

C. The Deferred Restricted Stock Account, to the extent vested, shall be distributed upon the later of: (i) within thirty (30) days following Participant's termination of employment or (ii) upon Participant's attainment of age 55 in the form of shares of Common Stock. Payments shall be made in the form of a single lump sum or in up to ten (10) annual installments, as the Participant may elect in his Deferral

D. In the event that Participant's employment is terminated under circumstances entitling Participant to severance benefits under the Executive Severance Plan, then the Deferred Restricted Stock Account will be immediately paid out in full and any cash amounts not yet converted to shares of Common Stock shall be distributed in cash.

VI. WITHHOLDING

The issuance of shares of Company Common Stock under the Deferred Stock Account is subject to satisfaction of all tax withholding obligations with respect to such shares. In order to satisfy all such tax withholding obligations, the number of shares of Common Stock which Participant would otherwise be entitled to receive will be reduced by that number of shares which, as of the date of distribution, has an aggregate Fair Market Value (as defined in the Plan) equal to the total amount of tax withholding obligations applicable to the shares issuable on that date.

VII. DEFINED TERMS

All capitalized terms in this Agreement shall have the meaning assigned to them in the Plan and this document.

VIII. MISCELLANEOUS

This Award is made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan, this agreement, the Executive Severance Plan, as applicable to Section VI., and the Deferral Election Form. The terms of this Award as set forth herein supercede the terms of the Award as set forth in the SERP Deferred Restricted Stock Award agreement dated April 29, 2003.

SJW CORP.

By \_\_\_\_\_

Title \_\_\_\_\_

AGREED AND ACCEPTED:

\_\_\_\_\_  
W. Richard Roth

Date: \_\_\_\_\_

NOTICE OF GRANT OF STOCK OPTION

Notice is hereby given of the following option grant (the "Option") to purchase shares of the Common Stock of SJW Corp. (the "Corporation"):

Optionee: \_\_\_\_\_

Grant Date: \_\_\_\_\_

Vesting Commencement Date: \_\_\_\_\_

Exercise Price: \$\_\_\_\_\_ per share

Number of Option Shares: \_\_\_\_\_ shares

Expiration Date: \_\_\_\_\_

Type of Option:  Incentive Stock Option  
 Non-Statutory Stock Option

Exercise Schedule: The Option shall become exercisable for twenty-five percent (25%) of the Option Shares upon Optionee's completion of one (1) year of Service measured from the Vesting Commencement Date and shall become exercisable for the balance of the Option Shares in a series of three (3) successive equal annual installments upon Optionee's completion of each additional year of Service over the three (3) year period measured from the first anniversary of the Vesting Commencement Date, subject to the terms of the Stock Option Agreement attached hereto as Exhibit A (the "Agreement").

Other Benefits: The Option shall include dividend equivalent rights ("DERs") with respect to the Option Shares until the earlier of April 29, 2007 or the date that the Option is exercised. The terms of the DERs are as set forth in the Dividend Equivalent Rights Agreement attached hereto as Exhibit B.

Optionee understands and agrees that the Option and corresponding DERs are granted subject to and in accordance with the terms of the SJW Corp. Long-Term Incentive Plan (the "Plan"). Optionee further agrees to be bound by the terms of the Plan and the terms of the Agreement. Optionee hereby acknowledges the receipt of a copy of the official prospectus for the Plan, dated April 15, 2003, in the form attached hereto as Exhibit C. A copy of the Plan is available upon request made to the Corporate Secretary at the Corporation's principal offices.

Employment at Will: Nothing in this Notice, in the Agreement, Dividend Equivalent Rights Agreement or in the Plan shall confer upon Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee's Service at any time for any reason, with or without cause.

Definitions: All capitalized terms in this Notice shall have the meaning assigned to them in this Notice, in the Agreement, in the Dividend Equivalent Rights Agreement, or in the Plan.

DATED: \_\_\_\_\_

SJW CORP.

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

Title: \_\_\_\_\_

\_\_\_\_\_, OPTIONEE

Address:

EXHIBIT B

SJW CORP.

STOCK OPTION

DIVIDEND EQUIVALENT RIGHTS AGREEMENT  
-----

RECITALS

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees and non-employee members of the Board (or the board of directors of any Parent or Subsidiary).

B. Participant has been granted an Option under the Plan, the Notice of Grant to which this Dividend Equivalent Rights Agreement is attached as Exhibit B.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the Plan and the Notice of Grant and agreement governing the underlying Option ("Option Agreement"). NOW, THEREFORE, it is hereby agreed as follows:

1. An Option Deferred Stock Account will be established for you with respect to the Option.

2. Each time a dividend is paid on Common Stock after the Grant Date, you will be credited with a dollar amount equal to the dividend paid per share multiplied by the number of shares still subject to the Option (plus the number of shares previously credited to your Option Deferred Stock Account) as of the record date for the dividend; provided that no further amounts will be credited after the earlier of the fourth anniversary of the Grant Date or the exercise of the Option.

3. As of the first business day in January of each year, your Option Deferred Stock Account will be credited with a number of shares equal to (i) the cash dividend equivalent amounts credited to you pursuant to paragraph 2 above in the immediately preceding year divided by (ii) the average of the Fair Market Value of the Common Stock on each of the dates in the immediately preceding year on which dividends were credited.

4. The shares of Common Stock credited to your Option Deferred Stock Account will vest in the same manner as the Option Shares to which they are attributable and, to the extent vested, shall be paid to you on the earlier of the fourth anniversary of the Grant Date of the Option or earlier exercise of the Option. No shares of Common Stock credited to your Option Deferred Stock Account shall be payable to the extent that they do not vest.

5. This Agreement and the Dividend Equivalent Rights evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan and the Option Agreement.

## CERTIFICATION

I, W. Richard Roth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SJW Corp. (the "registrant"):

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: August 8, 2003

/s/ W. RICHARD ROTH

-----  
W. RICHARD ROTH  
President and Chief Executive  
Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SJW Corp. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Richard Roth, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Angela Yip

- - - - -

ANGELA YIP  
Chief Financial Officer and Treasurer  
August 8, 2003

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SJW Corp. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Richard Roth, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ W. Richard Roth

- - - - -

W. RICHARD ROTH  
President and Chief Executive Officer  
August 8, 2003

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SJW Corp. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Richard Roth, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Angela Yip

- - - - -

Angela Yip  
Chief Financial Officer and Treasurer  
August 8, 2003