

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period to

Commission file number 1-8966

SJW CORP.

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

77-0066628
(I.R.S. Employer
Identification No.)

374 West Santa Clara Street, San Jose, California
(Address of principal executive offices)

95196
(Zip Code)

Registrant's telephone number, including area code: 408-279-7800

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, Par Value \$3.125	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None (Title of Class)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the registrant -- \$161,621,816 on February 27, 2002.

Shares of common stock outstanding on March 6, 2002 -- 3,045,147.

EXHIBIT INDEX

The Exhibit Index to this Form 10-K is located in Part IV, Item 14 of this document.

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PART I

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws relating to future events and financial performance of SJW Corp. and its subsidiaries. Such forward-looking statements are identified by words including "expect", "estimate", "anticipate" and similar expressions. SJW Corp.'s actual results could differ materially from those discussed in such forward-looking statements. Important factors that could cause or contribute to such differences are included below.

The California Public Utilities Commission's (CPUC) policy and regulations can adversely affect SJW Corp.'s wholly owned subsidiary, San Jose Water Company's operating results through the availability, timeliness and amount of rate relief. The CPUC's willingness to allow San Jose Water Company to recover its capital expenditures, to offset its incremental production and operating costs increase, and to provide financial and operational flexibility to engage in nonregulated operations can also affect San Jose Water Company's operating results.

San Jose Water Company's sales and therefore its operating results could be adversely affected by several events:

Difficulties in obtaining a secured high-quality water supply from the Santa Clara Valley Water District (SCVWD) which receives its allotment from the state and federal water projects could prevent the company from satisfying its customer demand within its service area;

Fluctuation of customer sales due to lifestyle or weather;

Availability of recycled water and its acceptance by customers as a substitute to potable water; and

Economic development and growth in San Jose Water Company's service area.

The expenses of SJW Corp. and its subsidiaries and therefore the operating results of SJW Corp. could be adversely affected by the following:

Fluctuation of high-quality surface water availability from San Jose Water Company's Santa Cruz Mountain Watershed, which produces a less costly water supply, could result in the need to procure more costly water from other sources;

The availability of affordable and efficient energy resources to extract and boost water from the groundwater basin to the distribution system, and to operate equipment and machinery necessary in providing water service to the customers could increase operating expenses;

Stringent environmental and water quality regulations could increase San Jose Water Company's water quality compliance costs and hamper San Jose Water Company's available water supplies;

Consequences from pollution and contamination of San Jose Water Company's wells and source of supply could result in the need to procure more costly water from other sources;

The level of labor and non-labor operating and maintenance expenses as affected by inflationary forces and collective bargaining power could adversely affect the operating and maintenance expenses of SJW Corp.;

Cost and other effects of lawsuits against SJW Corp. or its subsidiaries, whether civil, environmental, or product-related could increase SJW Corp.'s legal, liability and insurance costs.

The City of Cupertino's lease operation could be adversely affected by capital requirements, the ability of San Jose Water Company to raise rates through the Cupertino City Council, and the level of operating and maintenance expenses.

SJW Land Company's expenses and operating results also could be adversely affected by the parking lot activities, the San Jose Compaq Center events, ongoing local, state and federal land use development activities and regulations, future economic conditions, and the development and fluctuations in the sale of the undeveloped properties.

See also the heading "Factors That May Affect Future Results" under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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.

Item 1. Business

(a) General Development of Business

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, San Jose, California 95196, was reorganized under the laws of the State of California in 1931, succeeding a business founded in 1866. San Jose Water Company is a public utility in the business of providing water service to a population of approximately 988,000 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>.

SJW Land Company, a wholly owned subsidiary, was incorporated in 1985. SJW Land Company owns and operates parking facilities adjacent to the company's headquarters and the San Jose Compaq Center. SJW Land Company also owns commercial buildings in San Jose and a 70% limited partnership interest in 444 West Santa Clara Street, L.P.

Crystal Choice Water Service LLC, a 75% owned limited liability subsidiary formed in January 2001, engages in the sale and rental of water conditioning equipment.

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

Regulation and Rates

San Jose Water Company's rates, service and other matters affecting its business are subject to regulation by the California Public Utilities Commission (CPUC).

Ordinarily, there are two types of rate increases, general and offset. General rate case decisions usually authorize an initial rate increase followed by two annual step increases designed to maintain the authorized return on equity over a three-year period. General rate applications are normally filed and processed during the last year covered by the most recent rate case in an attempt to avoid regulatory lag.

The purpose of the offset rate increase is to compensate utilities for increases in specific expenses, such as those for purchased water, pump tax or purchased power.

Pursuant to Section 792.5 of the California Public Utilities Code, a balancing account is to be kept for all expense items for which revenue offsets have been authorized. 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. At December 31, 2001, the balancing account had a net under-collected balance to be collected of \$302,000.

(b) Financial Information about Industry Segments

San Jose Water Company generated 99% of SJW Corp.'s consolidated revenue for the years ended December 31, 2001, 2000, and 1999. There were no significant changes in 2001 in the type of products produced or services rendered by San Jose Water Company, or in its markets or methods of distribution.

SJW Land Company contributed 1% to SJW Corp.'s consolidated revenue in 2001, 2000, and 1999. In 1999, SJW Land Company sold a non-utility property and contributed a higher net income percentage to SJW Corp.'s consolidated income for the year. Crystal Choice Water Service LLC contributed less than 1% of 2001's consolidated revenue.

Dividend income from California Water Service Group generated 7%, 11% and 7% of consolidated net income for the years 2001, 2000, and 1999, respectively.

(c) Narrative Description of Business

General

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.

In October 1997, San Jose Water Company commenced operation of the City of Cupertino municipal water system under terms of a 25-year lease. The system is adjacent to the existing San Jose Water Company service area and has 4,200 service connections. Under terms of the lease, San Jose Water Company paid an up-front \$6.8 million concession fee to the City which will be amortized over the contract term. The company is responsible for all aspects of system operation including capital improvements.

Water Supply

San Jose Water Company's water supply is obtained from wells, surface run-off and diversion and by purchases from the Santa Clara Valley Water District (SCVWD). Under the terms of a master contract with SCVWD expiring in 2051, purchased water provides approximately 40% to 45% of San Jose Water Company's annual production. Surface supplies, which during a year of normal rainfall satisfy about 6% to 8% of San Jose Water Company's current annual needs, provide approximately 1% of its water supply in a dry year and approximately 14% in a wet year. In dry years, the decrease in water from surface run-off and diversion, and the corresponding increase in purchased and pumped water, increases production costs substantially.

Groundwater levels in 2002 remained at an average level reflecting the impact of the last rainfall season. SCVWD's reservoir storage of approximately 83,773 acre-feet (49.45% of capacity) was reported on March 1, 2002.

The pumps and motors at San Jose Water Company's groundwater production facilities are propelled by electric power. Over the last few years, San Jose Water Company has installed standby power generators at eighteen of its strategic water production sites. In addition, the commercial office and operations control centers are equipped with standby generators that allow critical distribution and customer service operations to continue during a power outage. The SCVWD informed San Jose Water Company that its filter plants, which deliver imported water to San Jose Water Company, are also equipped with standby generators. In the event of a power outage, San Jose Water Company believes it will be able to prevent an interruption of service to customers for a limited period through pumping water with its standby generators and through the imported water from SCVWD.

Until 1989, San Jose Water Company had never found it necessary to impose mandatory water rationing. Except in a few isolated cases when service had been interrupted or curtailed because of power or equipment failures, construction shutdowns, or other operating difficulties, San Jose Water Company had not at any prior time in its history interrupted or imposed mandatory curtailment of service to any type or class of customer. During the summer of 1989 through March 1993, rationing was imposed intermittently to all customers at the request of SCVWD.

Franchises

San Jose Water Company holds such franchises or permits in the communities it serves as it judges necessary to operate and maintain its facilities in the public streets.

Seasonal Factors

Water sales are seasonal in nature. The demand for water, especially by residential customers, is generally influenced by weather conditions. The timing of precipitation and climatic conditions can cause seasonal water consumption by residential customers to vary significantly.

Competition and Condemnation

San Jose Water Company is a public utility regulated by the CPUC and operates within a service area approved by the CPUC. The laws of the State of California provide that no other investor-owned public utility may operate in San Jose Water Company's service area without first obtaining from the CPUC a certificate of public convenience and necessity. Past experience shows such a certificate will be issued only after demonstrating San Jose Water Company's service in such area is inadequate.

California law also provides that whenever a public agency constructs facilities to extend utility service to the service area of a privately owned public utility (like San Jose Water Company), such an act constitutes the taking of property and is conditioned upon payment of just compensation to the private utility.

Under the constitution and statutes of the State of California, municipalities, water districts and other public agencies have been authorized to engage in the ownership and operation of water systems. Such agencies are empowered to condemn properties operated by privately owned public utilities upon payment of just compensation and are further authorized to issue bonds (including revenue bonds) for the purpose of acquiring or constructing water systems. To the Company's knowledge, no municipality, water district or other public agency has pending any action to condemn any part of San Jose Water Company's system.

Environmental Matters

San Jose Water Company maintains procedures to produce potable water in accordance with all applicable county, state and federal environmental rules and regulations. Additionally, San Jose Water Company is subject to environmental regulation by various other governmental authorities. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Employees

As of December 31, 2001, San Jose Water Company had 289 employees, of whom 72 were executive, administrative or supervisory personnel, and of whom 217 were members of unions. San Jose Water Company reached a three-year collective bargaining agreement with the Utility Workers of America, representing the majority of employees and the International Union of Operating Engineers, representing certain employees in the engineering department covering the years 2001 through 2003. Both groups are affiliated with the AFL-CIO.

Executive Officers of the Registrant

Name -----	Age -----	Offices and Experience -----
J.W. Weinhardt	71	SJW Corp. -- Chairman of the Board. Chairman of the Corporation and member of its Executive Committee. Prior to becoming Chairman in October 1999, he was the Corporation's Chief Executive Officer. He was also President and Director of the Board since 1985.
W.R. Roth	49	SJW Corp. -- President and Chief Executive Officer of SJW Corp. since October 1999. Prior to that he was President from October 1996 and Chief Financial Officer and Treasurer from January 1990 until October 1996.
R.J. Balocco	52	San Jose Water Company -- Vice President -- Corporate Communications since October 1995. He was Vice President -- Administration from April 1992 until October 1995. Mr. Balocco has been with San Jose Water Company since 1982.
G.J. Belhumeur	56	San Jose Water Company -- Vice President -- Operations since April 1996. Prior to April 1996, he was Operations & Maintenance Manager. Mr. Belhumeur has been with San Jose Water Company since 1970.
D. Drysdale	46	San Jose Water Company -- Vice President -- Information Services since January 1999. Prior to that, he was Director of Information Services from March 1998 to January 1999. Prior to March 1998 he was Data Processing Manager since 1994. Mr. Drysdale joined San Jose Water Company in 1992.
J. Johansson	56	San Jose Water Company -- Vice President -- Human Resources since January 1999. Prior to that, he was Director of Human Resources from March 1998 to January 1999. Prior to March 1998 he was Personnel Manager. Mr. Johansson has been with San Jose Water Company since 1976.
R.J. Pardini	56	San Jose Water Company -- Vice President -- Chief Engineer since April 1996. Prior to April 1996, he was Chief Engineer. Mr. Pardini has been with San Jose Water Company since 1987.
A. Yip	48	SJW Corp. -- Chief Financial Officer and Treasurer since October 1996. San Jose Water Company -- Vice President -- Finance since January 1999, Chief Financial Officer and Treasurer since October 1994. Ms. Yip has been with the San Jose Water Company since 1986.
R.S. Yoo	51	San Jose Water Company -- Vice President -- Water Quality since April 1996. Prior to April 1996, he was Water Quality Manager. He has been with San Jose Water Company since 1985.
R.A. Loehr	55	SJW Corp. and San Jose Water Company -- Secretary since March 1, 1998. Mr. Loehr has been with San Jose Water Company since 1987 and serves as its attorney.
Edith Aiwaz	42	San Jose Water Company -- Controller since July 2001. Prior to that she was the Assistant Controller for Objectivity, Inc., from June 2000 through June 2001. She was an auditor for Lindquist Von Husen and Joyce, CPAs, from November 1998 through May 2000 and a financial systems analyst for Sun Microsystems, Inc., from June 1997 through October 1998.

(d) Financial Information about Foreign and Domestic Operations and Export Sales

Substantially all of SJW Corp.'s revenue and expense are derived from operations located in the County of Santa Clara in the State of California.

Item 2. Properties

The properties of San Jose Water Company consist of a unified system of water production, storage, purification and distribution located in the County of Santa Clara in the State of California. In general, the property is comprised of franchise rights, water rights, necessary rights-of-way, approximately 7,000 acres of land held in fee (which is primarily non-developable watershed), impounding reservoirs with a capacity of approximately 2.256 billion gallons, diversion facilities, wells, distribution storage of approximately 240 million gallons and all water facilities, equipment and other property necessary to supply its customers.

San Jose Water Company maintains all of its properties in good operating condition in accordance with customary proper practice for a water utility. San Jose Water Company's well pumping stations have a production capacity of approximately 264 million gallons per day and the present capacity for taking purchased water is approximately 172 million gallons per day. The gravity water collection system has a physical delivery capacity of approximately 25 million gallons per day. During 2001, a maximum and average of 199 million gallons and 138 million gallons of water per day, respectively, were delivered to the system.

San Jose Water Company holds all its principal properties in fee, subject to current tax and assessment liens, rights-of-way, easements, and certain minor clouds or defects in title which do not materially affect their use.

SJW Land Company owns approximately eight acres of property adjacent to San Jose Water Company's general office facilities, approximately five undeveloped acres of land and commercial properties in the San Jose Metropolitan area. The majority of the land adjacent to San Jose Water Company is used as surface parking facilities and generates approximately 52% of SJW Land Company's revenue. Under a ten-year lease expiring January 1, 2010, San Jose Water Company leased half of the office space from SJW Land Company's 1265 Bascom Avenue building as its engineering headquarters. Approximately 28% of SJW Land Company's revenue is generated from this commercial building. SJW Land Company also owns a 70% limited partnership interest in 444 West Santa Clara, L.P., a real estate limited partnership that owns and operates an office building.

Item 3. Legal Proceedings

None

Item 4. Submission of Matters to a Vote of Security Holders

None

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

(a) Market Information

Exchange

SJW Corp.'s common stock is traded on the American Stock Exchange under the symbol "SJW".

High and Low Sales Prices

The information required by this item as to the high and low sales prices for SJW Corp.'s common stock for each quarter in the 2001 and 2000 fiscal years is contained in the section captioned "Market price range of stock" in the tables set forth in Note 12 of "Notes to Consolidated Financial Statements" in Part II, Item 8.

(b) Holders

There were 793 record holders of SJW Corp.'s common stock on December 31, 2001.

SJW Corp.'s subsidiary, San Jose Water Company issued \$20,000,000 Series F unsecured 30-year senior notes on September 24, 2001. The Series F notes bear interest at 7.2%, are due on September 1, 2031 and were sold to an institutional accredited investor pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended (the "1933 Act"), under Section 4(2) of the 1933 Act.

(c) Dividends

Quarterly dividends have been paid on SJW Corp.'s and its predecessor's common stock for 233 consecutive quarters and the quarterly rate has been increased during each of the last 34 years. The information required by this item as to the cash dividends paid on common stock in 2001 and 2000 is contained in the section captioned "Dividends per share" in the tables set forth in Note 12 of "Notes to Consolidated Financial Statements" in Part II, Item 8. Future dividends will be determined by the Board of Directors after consideration of various financial, economic and business factors.

Item 6. Selected Financial Data

FIVE YEAR STATISTICAL REVIEW

SJW CORP. AND SUBSIDIARIES

	2001	2000	1999	1998	1997
Consolidated Results of Operations (in thousands)					
Operating revenue	\$ 136,083	123,157	117,001	106,010	110,084
Operating expense:					
Operation	84,156	76,622	69,264	57,454	61,382
Maintenance	7,090	6,881	6,638	6,909	7,087
Taxes	11,770	11,496	12,713	13,206	13,454
Depreciation and amortization	13,240	11,847	10,235	9,594	8,847
Total operating expense	116,256	106,846	98,850	87,163	90,770
Operating income	19,827	16,311	18,151	18,847	19,314
Interest expense, other income and deductions	5,810	5,646	2,267	2,829	4,098
Net income	14,017	10,665	15,884	16,018	15,216
Dividends paid	7,834	7,491	7,379	7,419	7,228
Invested in the business	\$ 6,183	3,174	8,505	8,599	7,988
Consolidated Per Share Data					
Net income	\$ 4.60	3.50	5.20	5.05	4.80
Dividends paid	\$ 2.57	2.46	2.40	2.34	2.28
Shareholders' equity at year-end	\$ 49.05	47.40	47.25	45.19	42.13
Consolidated Balance Sheet (in thousands)					
Utility plant	\$ 507,227	462,892	432,262	403,227	371,200
Less accumulated depreciation and amortization	149,721	139,396	129,828	122,809	114,851
Net utility plant	357,506	323,496	302,434	280,418	256,349
Nonutility property	10,309	9,979	10,133	11,360	7,301
Total assets	431,017	391,930	372,427	359,380	323,223
Capitalization:					
Shareholders' equity	149,354	144,325	143,894	143,149	133,553
Long-term debt (includes current maturities)	110,000	90,000	90,000	90,000	75,000
Total capitalization	\$ 259,354	234,325	233,894	233,149	208,553
Other Statistics -- San Jose Water Company					
Customers at year-end	219,000	218,500	217,200	215,300	213,900
Average utility revenue per customer	\$ 612.78	556.99	534.98	489.40	515.20
Investment in utility plant per customer	\$ 2,316	2,118	1,990	1,873	1,735
Miles of main at year-end	2,419	2,419	2,409	2,403	2,389
Water production (million gallons)	52,122	52,021	51,166	48,140	51,884
Maximum daily production (million gallons)	199	217	207	218	214
Population served (estimate)	988,000	985,000	979,000	971,000	965,000

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Description of the Business

SJW Corp. is a holding company with three subsidiaries. San Jose Water Company, a wholly owned subsidiary, is a public utility in the business of providing water service to a population of approximately 988,000 people in an area comprising about 138 square miles in the metropolitan San Jose area. SJW Land Company, a wholly owned subsidiary, owns and operates a 900-space surface parking facility located adjacent to the San Jose Compaq Center, commercial properties and several undeveloped real estate parcels in San Jose, and a 70% limited partnership interest in 444 West Santa Clara Street, L.P. Crystal Choice Water Service LLC, a 75% owned limited liability subsidiary formed in January 2001, engages in the sale and rental of water conditioning equipment. In addition, SJW Corp. owns 1,099,952 shares of California Water Service Group.

The Terminated Merger

On October 28, 1999, SJW Corp. and American Water Works Company, Inc. (American Water) entered into an Agreement and Plan of Merger (Merger Agreement).

Following a CPUC ruling extending their approval schedule, American Water announced that it would terminate the Merger Agreement on April 28, 2001, the date after which either party had the right to terminate the Merger Agreement, and offered to consent to mutual termination of the agreement. On March 1, 2001, SJW Corp.'s Board of Directors decided that it would be in the best interest of the company to terminate the Merger Agreement, and accepted American Water's offer for mutual termination.

Critical Accounting Policies:

SJW Corp. has identified accounting policies below as the policies more 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 our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see Note 1 in "Notes to Consolidated Financial Statements". Our critical accounting policies are as follows:

Recognition of 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. In the last ten years, San Jose Water Company's balancing account showed an average under-collected balance of \$834,000. Since balances are being tracked and have to be approved by the CPUC before they could be affected into rates, SJW Corp. has not been recognizing the balancing account in its consolidated financial statements. Had the balancing account under-collection been recognized in San Jose Water Company's financial statements, San Jose Water Company's earnings would be increased by the amount of balancing account revenue under-collected. At December 31, 2001, the Balancing Account had a net under-collected balance of \$302,000. Please also see "Factors That May Affect Future Results" on the latest regulatory development regarding the balancing accounts.

Accrued unbilled revenue--San Jose Water Company reads its customer meters on a cycle basis and records its revenue based on its meter reading results. Revenues from the meter-reading date to the end of the accounting period are 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. Actual results could differ from those estimates.

Results of Operations

Consolidated Operating Revenue

	2001	2000	1999
	-----	-----	-----
	(in thousands)		
San Jose Water Company	\$134,047	121,339	115,689
SJW Land Company	1,752	1,818	1,312
Crystal Choice	284	--	--
	-----	-----	-----
	\$136,083	123,157	117,001
	=====	=====	=====

Consolidated operating revenue for 2001 increased \$12,926,000 or 10% over 2000 mainly due to rate increases resulting from San Jose Water Company's general rate case application in April 2001 and an offset rate increase for production costs adjustments in July 2001. Rate increases and new customers contributed \$10,899,000 and \$721,000, respectively, to 2001 revenue. A slightly higher overall water consumption in 2001 over 2000 contributed \$1,088,000 to revenue. In 2001, pursuant to a CPUC authorized regulatory adjustment on previously capitalized interest on utility plant under construction, San Jose Water Company refunded \$541,000 of revenue to customers which was accrued in 2000. SJW Land Company's parking revenue decreased slightly and is largely due to the level of events and activities at the San Jose Compaq Center located adjacent to its parking facility.

Consolidated operating revenue for 2000 increased by \$6,156,000 or 5% over 1999 due to a 3% increase in water consumption, which contributed \$2,638,000 to revenue. Rate increases and new customers contributed \$3,306,000 and \$778,000, respectively, to 2000 revenue. Included in the 2000 revenue was a provision of \$1,072,000 for a refund due to customers. The refund reflected a regulatory adjustment on previously capitalized interest on utility plant under construction, which was disallowed by the CPUC. SJW Land Company's revenue improved due to increased parking lot and office rental activities.

The following table represents revenues by customer groups of San Jose Water Company:

Revenue by Customer Groups

	2001	2000	1999
	-----	-----	-----
	(in thousands)		
Residential & Business	\$122,345	111,032	106,063
Industrial	1,017	1,123	1,081
Public Authorities	7,827	6,861	6,561
Other metered and non-metered	2,858	2,323	1,984
	-----	-----	-----
	\$134,047	121,339	115,689
	=====	=====	=====

Consolidated Operating Expense Before Taxes

	2001	2000	1999
	-----	-----	-----
	(in thousands)		
San Jose Water Company	\$105,767	94,174	86,276
SJW Land Company	742	713	944
Crystal Choice Water Service	778	--	--
SJW Corp.	1,578	4,550	2,756
	-----	-----	-----
	\$108,865	99,437	89,976
	=====	=====	=====

Below is an analysis of the changes in consolidated operating expenses:

Operating Expense(in thousands)	Year ended 2001 vs 2000		Year ended 2000 vs 1999	
	Increase/(decrease)	Increase/(decrease)	Increase/(decrease)	Increase/(decrease)
Production Costs:				
Reduced surface water supply	\$ 2,111	2%	\$ 887	1%
Usage and new customers	1,028	1	671	1
Pump tax and purchased water price increase	3,796	4	3,078	3
Energy price increase	3,456	3	89	--
	-----	---	-----	---
Total production costs	10,391	10	4,725	5
Operation and maintenance	(2,648)	(3)	2,876	3
Depreciation and amortization	1,393	2	1,612	2
General taxes	292	--	248	1
	-----	---	-----	---
	\$ 9,428	9%	\$9,461	11%
	=====	====	=====	====

The increase in production costs was due primarily to reduced surface water supply, the Santa Clara Valley Water District (SCVWD) production cost (pump tax and purchased water) price increases in July 2001, and the energy provider's power cost increases. Power cost has increased 90% in 2001 over 2000 due primarily to the energy provider's power price increases in January and March of 2001. San Jose Water Company received a corresponding rate increase associated with the water production and energy cost increases effective in July 2001. Additional energy costs were also incurred due to the scheduled maintenance of a SCVWD treatment plant which altered the company's distribution mix and optimal pumping pattern. Increases in operation and maintenance expenses for the year ended 2001 were more than offset by the reduction in the merger-related costs incurred in the year ended 2000 and the regulatory adjustment authorized by the CPUC. The merger-related costs were incurred in conjunction with the proposed merger of SJW Corp. with American Water Works Company, Inc. The merger was terminated on March 1, 2001. Depreciation expense increased due to higher investment in utility assets.

Consolidated operating expense in 2000, excluding income taxes, increased \$9,461,000, or 11%, in comparison with 1999 due to higher purchased water and pump tax rates, increased water consumption, and additional administrative compensation accrued in conjunction with the proposed merger. Consolidated operating expense also included a regulatory adjustment of \$621,000 to previously capitalized interest on utility plant under construction, which was disallowed by the CPUC.

In association with SJW Corp.'s proposed merger with American Water Works Company, Inc., certain merger-related expenses in the amount of \$1,614,000 and \$1,588,000 were incurred in 2000 and 1999, respectively, and are included in operation and maintenance expense.

Sources of Supply

	2001	2000	1999
	-----	-----	-----
	(million gallons)		
Purchased water	27,833	27,494	27,195
Ground water	21,368	19,788	18,438
Surface water	2,515	4,381	5,232
Reclaimed water	406	358	301
	-----	-----	-----
	52,122	52,021	51,166
	=====	=====	=====

Water production in 2001 increased 101 million gallons from 2000. Water production in 2000 increased 855 million gallons, or 2%, over 1999. The changes are consistent with the related operating expenses.

Income Tax Expense

The effective consolidated income tax rates for 2001, 2000 and 1999 were 35%, 41% and 41%, respectively. The 2001 effective tax rate was below the rates for the prior years due to tax benefits associated with certain merger-related expenses. Refer to Note 6 of the "Notes to Consolidated Financial Statements" for the reconciliation of income tax expense to the amount computed by applying the federal statutory rate to income before income taxes.

Other Income and Expense

The 2001 dividend income increased \$16,000, or 1.3%, over 2000 due to a \$0.015 per share increase in the California Water Service Group annual dividend.

SJW Corp.'s interest cost on long-term debt in 2001, including capitalized interest, remained consistent with 2000. SJW Corp.'s weighted average cost of long-term debt, including amortization of debt issuance costs, was 7.9% for the year ended December 31, 2001, and 8.0% for the years ended 2000 and 1999.

Other income in 1999 included a gain on sale of nonutility property to an affiliated party of \$3,064,000, net of income tax of \$2,107,000.

Liquidity and Capital Resources

Capital Requirements

San Jose Water Company's budgeted capital expenditures for 2002, exclusive of capital expenditures financed by customer contributions and advances, are as follows:

Budgeted Capital Expenditures

	2002	
	(in thousands)	
Source of supply	\$ 485	2%
Reservoirs and tanks	6,101	24%
Pump stations and equipment	2,236	9%
Distribution system	14,921	58%
Equipment and other	1,922	7%
	-----	---
	\$25,665	100%
	=====	===

The 2002 capital budget is concentrated in main replacements and facility relocation. Approximately \$15,000,000 will be spent to systematically renew San Jose Water Company's aging infrastructure and \$3,500,000 to upgrade the company's water treatment facilities.

San Jose Water Company expects to incur approximately \$130,000,000, exclusive of customer contributions and advances, in capital expenditures over the next five years. The company's actual capital expenditures may vary from its projection due to changes in the expected demand for services, weather patterns, 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.

Most of San Jose Water Company's distribution system has been constructed over the last 40 years. 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. Additionally, in most cases, replacement cost will significantly exceed the original installation cost of the retired asset due to increases in the cost of goods and services.

In 2002, SJW Corp. expects to invest \$550,000 in Crystal Choice Water Service LLC for its 75% share of capital investment. The capital is invested primarily in rental equipment used by the limited liability company in its rental operation.

Off Balance Sheet Arrangement

SJW Corp.'s financial statements include the accounts of SJW Corp. and its wholly owned and majority-owned subsidiaries. SJW Land Company has a 70% limited partnership interest in a real estate investment partnership, 444 West Santa Clara Street, L.P. The limited partnership obtained a mortgage loan in the amount of \$4,500,000 in 2001. The mortgage loan is non-recourse to SJW Land Company.

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.

In September 2001, San Jose Water Company issued \$20,000,000 in a Series F unsecured 30-year senior note.

Over the past five years, SJW Corp. has paid its shareholders, in the form of dividends, an average of 52% of its net income. The remaining earnings have been reinvested. Capital requirements not funded by earnings are expected to be funded through external financing in the form of unsecured senior notes or a commercial bank line of credit. As of December 31, 2001, SJW Corp. and its subsidiaries had \$18,500,000 of unused line of credit and over \$100,000,000 of borrowing capacity under the terms of the senior note agreements.

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.

SJW Corp.'s contractual obligation and combined commitments as of December 31, 2001 are as follows:

	Contractual Obligations (dollars in thousands)			
	Due in			
	Total	Less than 1 year	1-5 years	After 5 years
Long-Term Debt	\$110,000	--	--	110,000
Total Contractual Cash Obligations	\$110,000	--	--	110,000
	=====	===	===	=====

Please see Note 7 of the "Notes to Consolidated Financial Statements" for the contractual commitment with SCVWD.

	Other Commercial Commitments (dollars in thousands)			
	Due in			
	Total Amounts Committed	Less than 1 year	1-3 years	Over 4 years
Lines of Credit	\$30,000	--	30,000	--
Total Commercial Commitments	\$30,000	--	30,000	--
	=====	===	=====	===

Related Party Transaction

SJW Land Company has a 70% limited partnership interest in a real estate limited partnership, 444 West Santa Clara Street, L.P. A real estate development firm, which is partially owned by an individual who also serves as a director of SJW Corp., owns the remaining 30% partnership interest. A commercial building was constructed on the partnership property and is leased to an international real estate firm under a lease expiring on June 1, 2012. The partnership is being accounted for under the equity method of accounting.

Factors That May Affect Future Results

San Jose Water Company's cash flow is largely dependent on the retail sale of potable water to its customers within its service area. Demand for San Jose Water Company's service is steady and consistent

except for periods when restrictions for water use are implemented. During certain periods in 1989-1993, San Jose Water Company implemented measures to restrict customers' water use at the request of its water wholesaler.

Regulated Operations

The results of operations of San Jose Water Company generally depend on the following factors: (1) regulation, (2) surface water supply, and (3) operation and maintenance expense.

Regulation

Principally 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. The company's most recent rate decision, approved in April 2001, authorized it to earn a return on common equity of 9.95% in 2001, 2002 and 2003, which is within the range of recent rates of return authorized by the CPUC for water utilities.

Pursuant to Section 792.5 of the California Public Utilities Code, a balancing account is to be kept for all expense items for which revenue offsets have been authorized. 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.

On November 29, 2001, the CPUC issued Resolution W-4294 (Resolution) implementing significant changes in the long established offset rate increase and balancing account procedures of water utilities, which could have a significant impact on the risk profile of the industry. Specifically, the Resolution provides that (1) the CPUC will open an Order Instituting Rulemaking (OIR) to evaluate existing balancing account and offset rate practices and policies, (2) all water companies with existing balancing accounts shall, effective as of the date of the Resolution, suspend such balancing accounts pending the outcome of the OIR, and (3) water utilities can request future offset rate increases provided they pass a pro-forma summary of earnings test. It is uncertain how the future CPUC regulation will affect San Jose Water Company's ability to continue to collect the Balancing Account under-collection and to receive future offset rate relief.

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 cost will be incurred. Currently, the CPUC has no established procedure for water utilities to recover additional costs incurred due to such unanticipated changes in supply mix.

In November 2001, San Jose Water Company filed an advice letter requesting a step rate increase in the amount of \$3,600,000 which became effective January 1, 2002.

Surface Water Supply

The level of surface water available in each year depends on the amount of rainfall and run-off collected in San Jose Water Company's Santa Cruz Mountains reservoirs. In a normal year, surface supply provides 6-8% of the total water supply of the system. Surface water is a less costly source of water and its availability may significantly impact the results of operations.

Operation and Maintenance Expense

San Jose Water Company reached an agreement with its unionized personnel covering 2001 through 2003. The agreement includes a 4% wage increase for all years and minor benefit modifications.

Environmental Matters

San Jose Water Company's operations are subject to water quality and pollution control regulations issued by the United States Environmental Protection Agency (EPA), the California Department of

Health Services (DHS) and the California Regional Water Quality Control Board. The company is also subject to environmental laws and regulations administered by other state and local regulatory agencies.

Under the federal Safe Drinking Water Act (SDWA), San Jose Water Company is subject to regulation by the EPA of the quality of water it sells and treatment techniques it uses to make the water potable. The EPA promulgates nationally applicable maximum contaminant levels (MCLs) for drinking water. San Jose Water Company is currently in compliance with all of the 87 primary MCLs promulgated to date. However, the EPA and DHS have continuing authority to issue additional regulations under the SDWA. San Jose Water Company has implemented monitoring activities and installed specific water treatment improvements enabling it to comply with all existing MCLs and plan for compliance with future drinking water regulations. On October 31, 2001, the EPA announced its decision to move forward in implementing the new standard for arsenic in drinking water at 10 parts per billion (ppb). The EPA had finalized the new regulations revising the primary standard for arsenic from 50 ppb down to 10 ppb on January 22, 2001, but then delayed the effectiveness of the regulation for further review. San Jose Water Company has monitored its water supply sources for arsenic and is in compliance with the new regulations.

Other state and local environmental regulations apply to San Jose Water Company's operations and facilities. These regulations relate primarily to the handling, storage and disposal of hazardous materials. San Jose Water Company is currently in compliance with state and local regulations governing hazardous materials, point and non-point source discharges, and the warning provisions of the California Safe Drinking Water and Toxic Enforcement Act of 1986.

Future drinking water regulations may require increased monitoring, additional treatment of underground water supplies, fluoridation of all supplies, more stringent performance standards for treatment plants and procedures to reduce levels of disinfection by-products. San Jose Water Company continues to seek to establish mechanisms for recovery of government-mandated environmental compliance costs. However, currently, there are limited regulatory mechanisms and procedures available to the company for the recovery of such costs and there can be no assurance that such costs will be fully recovered.

Nonregulated Operations

The investment in California Water Service Group is expected to produce 2002 pre-tax dividend income and cash flow of approximately \$1,200,000. SJW Land Company's parking revenue is largely dependent upon the level of events and activities at the San Jose Compaq Center, which is located adjacent to its parking facility. SJW Land Company's commercial property and the property developed by the limited partnership, of which SJW Land Company owns a 70% limited interest, are fully leased.

The operating results of the City of Cupertino municipal water system are largely dependent on the level of operation, maintenance and capital costs incurred. In January 2000, San Jose Water Company completed its phase-in of its regular water service rates within the City of Cupertino. Further changes in water service rates will be subject to the approval of the Cupertino City Council.

Impact of Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets".

SFAS No. 141 addresses the accounting for and reporting of business combinations and supersedes APB Opinion No. 16 "Business Combinations", and SFAS No. 38 "Accounting for Preacquisition Contingencies of Purchased Enterprises". SFAS No. 141 requires that all business combinations be accounted for using the purchase method of accounting for acquisitions and eliminates the use of the pooling method. This Statement applies to all business combinations initiated after June 30, 2001. SJW Corp. does not anticipate that the adoption of SFAS No. 141 will have a material effect on its consolidated financial statements.

SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, "Intangible Assets". SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only method. The amortization of goodwill, including goodwill recorded in past business combinations, will cease upon adoption of the statement, which will begin with the SJW Corp.'s fiscal year starting January 1, 2002. As of December 31, 2001 the balance of existing goodwill subject to periodic impairment testing was \$1,744,000. If in a future period, the company determines that goodwill is impaired, the impairment write down could have a material impact on earnings for that period.

In August 2001, FASB issued 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. does not anticipate that the adoption of SFAS No. 143 will have a material effect on SJW Corp.'s financial condition and results of operation.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets". This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The statement is effective for financial statements issued for fiscal years beginning after December 15, 2001. SJW Corp. does not anticipate that the adoption of SFAS No. 144 will have a material impact on SJW Corp.'s financial condition and results of operation.

Item 7A. 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. Refer to Note 5 of the "Notes to Consolidated Financial Statements" for the fair value of financial instruments. SJW Corp. also owns 1,099,952 shares of California Water Service Group and is exposed to the risk of changes in equity prices.

SJW Corp. 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 changes in market rates and prices.

Item 8. Financial Statements and Supplementary Data.

Independent Auditors' Report

The Shareholders and Board of Directors
SJW Corp.

We have audited the accompanying consolidated balance sheets of SJW Corp. and subsidiaries (the Company) as of December 31, 2001 and 2000, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2001. In connection with our audits of the consolidated financial statements, we also have audited the accompanying financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SJW Corp. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

Mountain View, California
January 18, 2002

SJW CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2001	2000
	(in thousands, except share and per share data)	
ASSETS		
UTILITY PLANT	\$ 499,386	455,051
INTANGIBLE ASSETS	7,841	7,841
	507,227	462,892
LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	149,721	139,396
	357,506	323,496
NONUTILITY PROPERTY		
	10,309	9,979
CURRENT ASSETS:		
Cash and equivalents	5,021	783
Accounts receivable:		
Customers	6,614	6,064
Other	484	361
Accrued utility revenue	7,000	6,700
Materials and supplies, at average cost	458	430
Prepaid expenses	850	914
	20,427	15,252
OTHER ASSETS:		
Investment in California Water Service Group	28,324	29,699
Investment in joint venture	1,199	1,237
Unamortized debt issuance and reacquisition costs	3,658	3,719
Goodwill	1,744	1,829
Regulatory assets	5,567	5,256
Other	2,283	1,463
	42,775	43,203
	\$ 431,017	391,930
	=====	=====
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Shareholders' equity:		
Common stock, \$3.125 par value; authorized 6,000,000 shares; issued 3,045,147 shares	\$ 9,516	9,516
Additional paid-in capital	12,357	12,357
Retained earnings	122,415	116,232
Accumulated other comprehensive income	5,066	6,220
	149,354	144,325
Long-term debt	110,000	90,000
	259,354	234,325
CURRENT LIABILITIES:		
Line of credit	11,500	11,200
Accrued pump taxes and purchased water	3,091	4,629
Accounts payable	422	351
Accrued interest	3,136	2,789
Accrued taxes	1,182	266
Accrued employee compensation	-	3,024
Refunds due to customers	531	1,072
Other current liabilities	4,297	3,579
	24,159	26,910
DEFERRED INCOME TAXES	24,611	22,563
UNAMORTIZED INVESTMENT TAX CREDITS	2,095	2,150
ADVANCES FOR CONSTRUCTION	64,057	54,260
CONTRIBUTIONS IN AID OF CONSTRUCTION	50,462	45,962
DEFERRED REVENUE	1,387	1,519
OTHER NONCURRENT LIABILITIES	4,892	4,241
COMMITMENTS	\$ 431,017	391,930
	=====	=====

See accompanying Notes to Consolidated Financial Statements.

SJW CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Years ended December 31,		
	2001	2000	1999
	(in thousands, except share and per share data)		
OPERATING REVENUE	\$ 136,083	123,157	117,001
OPERATING EXPENSE:			
Operation:			
Purchased water	33,500	29,709	27,987
Power	7,814	4,121	3,756
Pump taxes	21,047	18,140	15,502
Other	21,795	24,652	22,019
Maintenance	7,090	6,881	6,638
Property taxes and other nonincome taxes	4,379	4,087	3,839
Depreciation and amortization	13,240	11,847	10,235
Income taxes	7,391	7,409	8,874
	-----	-----	-----
	116,256	106,846	98,850
	-----	-----	-----
OPERATING INCOME	19,827	16,311	18,151
OTHER (EXPENSE) INCOME:			
Interest on long-term debt	(6,737)	(6,434)	(6,552)
Gain on sale of nonutility property, net	--	--	3,064
Dividends	1,226	1,210	1,193
Other	(299)	(422)	28
	-----	-----	-----
NET INCOME	\$ 14,017	10,665	15,884
	=====	=====	=====
OTHER COMPREHENSIVE LOSS:			
Unrealized loss on investment, net of taxes of \$564 in 2001, \$1,493 in 2000, and \$451 in 1999	(811)	(2,150)	(649)
Minimum pension liability adjustment, net of taxes of \$236 in 2001 and \$407 in 2000	(343)	(593)	--
	-----	-----	-----
Other comprehensive loss, net	(1,154)	(2,743)	(649)
	-----	-----	-----
COMPREHENSIVE INCOME	\$ 12,863	7,922	15,235
	=====	=====	=====
BASIC EARNINGS PER SHARE	\$ 4.60	3.50	5.20
	=====	=====	=====
COMPREHENSIVE INCOME PER SHARE	\$ 4.22	2.60	4.99
	=====	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING	3,045,147	3,045,147	3,054,980
	=====	=====	=====

See accompanying Notes to Consolidated Financial Statements.

SJW CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	-----	-----	-----	-----	-----
	(in thousands)				
BALANCES, DECEMBER 31, 1998	\$ 9,899	19,085	104,553	9,612	143,149
Net income	--	--	15,884	--	15,884
Other comprehensive loss --					
Unrealized loss on investment, net					
of tax effect of \$451	--	--	--	(649)	(649)
Comprehensive income					15,235
Purchase and retirement of common					
stock	(383)	(6,728)	--	--	(7,111)
Dividends paid	--	--	(7,379)	--	(7,379)
BALANCES, DECEMBER 31, 1999	9,516	12,357	113,058	8,963	143,894
Net income	--	--	10,665	--	10,665
Other comprehensive loss --					
Unrealized loss on investment, net					
of tax effect of \$1,493	--	--	--	(2,150)	(2,150)
Minimum pension liability					
adjustment, net of tax effect of					
\$407	--	--	--	(593)	(593)
Comprehensive income					7,922
Dividends paid	--	--	(7,491)	--	(7,491)
BALANCES, DECEMBER 31, 2000	9,516	12,357	116,232	6,220	144,325
Net income	--	--	14,017	--	14,017
Other comprehensive loss --					
Unrealized loss on investment, net					
of tax effect of \$564	--	--	--	(811)	(811)
Minimum pension liability					
adjustment, net of tax effect of					
\$236	--	--	--	(343)	(343)
Comprehensive income					12,863
Dividends paid	--	--	(7,834)	--	(7,834)
BALANCES, DECEMBER 31, 2001	\$ 9,516	12,357	122,415	5,066	149,354
	=====	=====	=====	=====	=====

See accompanying Notes to Consolidated Financial Statements.

SJW CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
	2001	2000	1999
	(in thousands)		
OPERATING ACTIVITIES:			
Net income	\$ 14,017	10,665	15,884
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,240	11,847	10,235
Deferred income taxes and credits	1,993	(1,538)	813
Gain on sale of nonutility property, net	--	--	(3,064)
Changes in operating assets and liabilities:			
Accounts receivable and accrued utility revenue	(973)	(545)	(670)
Accounts payable and other current liabilities	789	680	(2,008)
Accrued employee compensation	(3,024)	2,404	620
Refund due to customers	(541)	1,072	--
Accrued pump taxes and purchased water	(1,538)	1,557	649
Accrued taxes	916	(3,583)	389
Other changes, net	575	1,475	732
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,454	24,034	23,580
INVESTING ACTIVITIES:			
Additions to utility plant	(47,672)	(33,671)	(32,294)
Cost to retire utility plant, net of salvage	(1,302)	(678)	(1,233)
Additions to nonutility property	(330)	(94)	(68)
Proceeds from sale of nonutility property	--	--	5,230
NET CASH USED IN INVESTING ACTIVITIES	(49,304)	(34,443)	(28,365)
FINANCING ACTIVITIES:			
Dividends paid	(7,834)	(7,491)	(7,379)
Repayment of line of credit	(61,075)	(11,500)	(4,500)
Borrowings from line of credit	61,375	19,400	7,800
Advances and contributions in aid of construction	17,246	12,276	9,655
Refunds of advances	(1,624)	(1,617)	(1,622)
Proceeds from issuance of long-term debt	20,000	--	--
Purchase and retirement of common stock	--	--	(7,111)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	28,088	11,068	(3,157)
NET CHANGE IN CASH AND EQUIVALENTS	4,238	659	(7,942)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	783	124	8,066
CASH AND EQUIVALENTS, END OF YEAR	\$ 5,021	783	124
Cash paid during the year for:			
Interest	\$ 7,730	7,413	7,099
Income taxes	\$ 4,188	12,838	8,027

See accompanying Notes to Consolidated Financial Statements.

SJW CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2001, 2000, and 1999
(Dollars in thousands, except share data)

Note. 1 Summary of Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of SJW Corp. and its wholly owned and majority-owned subsidiaries. Intercompany transactions and balances have been eliminated.

SJW Corp.'s principal subsidiary, San Jose Water Company, is a regulated California water utility providing water service to the greater metropolitan San Jose area. San Jose Water Company's accounting policies comply with the applicable uniform system of accounts prescribed by the California Public Utilities Commission (CPUC) and conform to generally accepted accounting principles for rate-regulated public utilities. Approximately 90% of San Jose Water Company's revenue is derived from the sale of water to residential and business customers.

SJW Land Company, a wholly owned subsidiary of SJW Corp., owns and operates a 900-space surface parking facility adjacent to the San Jose Compaq Center, commercial properties in San Jose, a 70% limited partnership interest in 444 West Santa Clara Street, L.P., and several undeveloped real estate parcels in San Jose.

Crystal Choice Water Service LLC, a 75% majority-owned limited liability subsidiary formed in January 2001, engages in the sale and rental of water conditioning equipment in the metropolitan San Jose area.

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Utility Plant

The cost of additions, replacements and betterments to utility plant is capitalized. The amount of interest capitalized in 2001, 2000, and 1999 was \$617, \$532, and \$414, respectively. Construction in progress was \$9,303, \$5,921, and \$3,602, at December 31, 2001, 2000, and 1999, respectively.

Depreciation is computed using the straight-line method over the estimated service lives of the assets, ranging from 5 to 75 years. For the years 2001, 2000 and 1999 the aggregate provisions for depreciation approximated 2.8%, 2.7% and 2.4%, respectively, of the depreciable plant at the beginning of the year. The cost of utility plant retired, including retirement costs (less salvage), is charged to accumulated depreciation and no gain or loss is recognized.

Rate-regulated enterprises are required to charge a regulatory asset to earnings if and when that asset no longer meets the criteria for being recorded as a regulatory asset. In 2000, San Jose Water Company included in its operating expense a regulatory adjustment of \$621 of previously capitalized interest on utility plant under construction which was disallowed by the CPUC. The company continually evaluates the recoverability of utility plant by assessing whether the amortization of the balance over the remaining life can be recovered through the expected and undiscounted future cash flows.

Intangible Assets

Intangible assets consist of \$6,800 concession fees paid to the City of Cupertino for operating the City of Cupertino municipal water system, and other intangibles associated with the operation of San Jose Water Company. All intangible assets are recorded at cost and are amortized using the straight-line method over the legal or estimated economic life of the asset, whichever is shorter, not to exceed 40 years.

SJW CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2001, 2000, and 1999 --(Continued)
(Dollars in thousands, except share data)

The company continually evaluates the recoverability of the intangibles by assessing whether the amortization of the balance over the remaining life can be recovered through the expected and undiscounted future cash flows.

Nonutility Property

Nonutility property is recorded at cost and consists primarily of land, buildings and parking facilities. Depreciation is computed using accelerated depreciation methods over the estimated useful lives of the assets, ranging from 5 to 39 years.

Cash and Equivalents

Cash and equivalents include certain highly liquid investments with remaining maturities of three months or less when purchased. Cash equivalents are stated at cost plus accrued interest, which approximates fair value.

Financial Instruments

The carrying amount of SJW Corp.'s current assets and liabilities that are considered financial instruments approximates their fair value as of dates presented due to the short maturity of these instruments.

Investment in California Water Service Group

SJW Corp.'s investment in California Water Service Group is reported at quoted market price, with the unrealized gain or loss reported as other comprehensive income.

Comprehensive Income

The accumulated balance of other comprehensive income is reported in the equity section of the financial statements and includes the unrealized gain or loss on the California Water Service Group investment, and the net of tax additional minimum pension liability adjustment related to the company sponsored Executive Supplemental Retirement Plan.

Other Assets

Debt reacquisition costs are amortized over the term of the new debt. Debt issuance costs are amortized over the life of each issue. The excess cost over fair market value of net assets acquired is recorded as goodwill and amortized over the periods estimated to be benefited, not exceeding 40 years. Management periodically evaluates the recoverability of goodwill by assessing whether the amortization of the balance over remaining life can be recovered through expected and undiscounted future cash flow to determine if impairment has occurred.

Income Taxes and Regulatory Assets

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the effect of temporary differences between financial and tax reporting. Deferred tax assets and liabilities are measured using enacted tax rates applicable to future years.

To the extent that the tax benefits of the temporary differences have previously been passed through to customers through lower water rates, management anticipates that the payment of the future tax

SJW CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2001, 2000, and 1999 --(Continued)
(Dollars in thousands, except share data)

liabilities resulting from the reversal of the temporary differences will be recoverable through rates. Therefore, a regulatory asset has been recorded for the portion of net deferred tax liabilities which are expected to be recovered through future rates. The temporary differences are primarily related to the differences between federal and state book and tax depreciation on property placed in service before the adoption by the CPUC of full normalization for rate making purposes. Although realization is not assured, management believes it is more likely than not that all of the regulatory asset will be realized.

To the extent permitted by the CPUC, investment tax credits resulting from utility plant additions are deferred and amortized over the estimated useful lives of the related property.

Advances for Construction and Contributions in Aid of Construction

Advances for construction received after 1981 are being refunded ratably over 40 years. Prior customer advances are refunded based on 22% of related revenues. Estimated refunds for 2002 are \$1,625.

Contributions in aid of construction represent funds received from developers that are not refundable under CPUC regulations. Depreciation applicable to utility plant constructed with these contributions is charged to contributions in aid of construction.

Customer advances and contributions in aid of construction received subsequent to 1986 and prior to June 12, 1996 generally must be included in federal taxable income. Taxes paid relating to advances and contributions are recorded as deferred tax assets for financial reporting purposes and are amortized over 40 years for advances, and over the tax depreciable life of the related asset for contributions. Receipts subsequent to June 12, 1996 are generally exempt from federal taxable income.

Advances and contributions received subsequent to 1991 and prior to 1997 are included in state taxable income.

Revenue

Revenue of San Jose Water Company includes amounts billed to customers and unbilled amounts based on estimated usage from the latest meter reading to the end of the year. 2001, 2000 and 1999 operating revenue includes \$2,912, \$2,706, and \$2,392 respectively, from the operation of the City of Cupertino municipal water system. 2000 revenue also included a provision of \$1,072 for a refund due to customers, out of which \$541 was refunded in 2001. The refund reflected a regulatory adjustment on previously capitalized interest on utility plant under construction that was disallowed by the CPUC.

Earnings Per Share

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 year. SJW Corp. has no dilutive securities, and accordingly, diluted earnings per share is not shown.

Business Segment Information

SJW Corp. and its subsidiaries operate predominantly in one reportable business segment of providing water utility service to its customers. Nonutility revenue, assets and net income do not have a material effect on SJW Corp.'s financial condition and results of operations.

Reclassification

Certain prior year amounts have been reclassified to conform with the current year's presentation.

SJW CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2001, 2000, and 1999 --(Continued)

(Dollars in thousands, except share data)

Note 2. Capitalization

At December 31, 2001 and 2000, 176,407 shares of \$25 par value preferred stock were authorized and unissued.

In 1999 SJW Corp. repurchased 122,400 shares of its outstanding common stock at the prevailing market price in the open market at an aggregate cost of \$7,111. All repurchased shares have been canceled and are considered authorized and unissued.

Note 3. Line of Credit

SJW Corp. and its subsidiaries have available an unsecured bank line of credit, allowing aggregate short-term borrowings of up to \$30,000. This line of credit bears interest at variable rates and expires on August 1, 2003. The following table represents borrowings under these bank lines of credits:

	2001	2000	1999
	-----	-----	-----
Maximum short-term borrowing	\$ 26,100	11,200	3,400
Average amount outstanding	12,650	5,847	2,708
Weighted average interest rate	5.3%	7.6%	6.1%
Interest rate at December 31	3.8%	7.4%	7.1%

Note 4. Gain On Sale of Nonutility Property

In December 1999, SJW Land Company sold nonutility property to a company partially owned by a director of SJW Corp., receiving consideration of \$5,250 in cash. The transaction resulted in a gain of \$3,064, net of income tax expense of \$2,107. The transaction was negotiated at arms length supported by independent appraisals.

Note 5. Long-term Debt

Long-term debt as of December 31 was as follows:

Description	Due Date	2001	2000
-----	-----	-----	-----
Senior notes:			
A 8.58%	2022	\$ 20,000	20,000
B 7.37%	2024	30,000	30,000
C 9.45%	2020	10,000	10,000
D 7.15%	2026	15,000	15,000
E 6.81%	2028	15,000	15,000
F 7.20%	2031	20,000	--
		-----	-----
Total long-term debt		\$110,000	90,000
		=====	=====

Senior notes held by institutional investors are unsecured obligations of San Jose Water Company and require interest-only payments until maturity. To minimize issuance costs, all of the company's debt has historically been privately placed. The fair value of long-term debt as of December 31, 2001 and 2000 was approximately \$111,282 and \$92,291, respectively, using a discounted cash flow analysis, based on the current rates for similar financial instruments of the same duration.

SJW CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years ended December 31, 2001, 2000, and 1999 --(Continued)
 (Dollars in thousands, except share data)

Note 6. Income Taxes

The following table reconciles income tax expense to the amount computed by applying the federal statutory rate of 35% to income before income taxes:

	2001	2000	1999
	-----	-----	-----
"Expected" federal income tax	\$7,492	6,326	9,402
Increase (decrease) in taxes attributable to:			
Utility plant basis	94	(69)	(6)
State taxes, net of federal income tax benefit	1,229	1,039	1,544
Dividend received deduction	(300)	(296)	(292)
Merger related expense deduction	(937)	--	--
Other items, net	(187)	409	333
	-----	-----	-----
	\$7,391	7,409	10,981
	=====	=====	=====

The components of income tax expense were:

	2001	2000	1999
	-----	-----	-----
Current:			
Federal	\$3,946	7,070	7,931
State	1,274	2,131	2,417
Deferred:			
Federal	1,795	(1,264)	686
State	376	(528)	(53)
	-----	-----	-----
	\$7,391	7,409	10,981
	=====	=====	=====
Income taxes included in operating expense	\$7,391	7,409	8,874
Income taxes included in gain on sale of nonutility property	--	--	2,107
	-----	-----	-----
	\$7,391	7,409	10,981
	=====	=====	=====

SJW CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years ended December 31, 2001, 2000, and 1999 --(Continued)
 (Dollars in thousands, except share data)

The components of the net deferred tax liability as of December 31 were as follows:

	2001	2000
	-----	-----
Deferred tax assets:		
Advances and contributions	\$14,228	14,429
Unamortized investment tax credit	1,128	1,157
Pensions and postretirement benefits	1,265	993
California franchise tax	708	792
Other	700	2,207
	-----	-----
Total deferred tax assets	18,029	19,578
	-----	-----
Deferred tax liabilities:		
Utility plant	29,701	28,819
Investment	9,358	9,922
Debt reacquisition costs	1,091	1,140
Other	2,490	2,260
	-----	-----
Total deferred tax liabilities	42,640	42,141
	-----	-----
Net deferred tax liabilities	\$24,611	22,563
	=====	=====

Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not SJW Corp. will realize the benefits of these deductible differences.

Note 7. Commitments

San Jose Water Company purchases water from Santa Clara Valley Water District (SCVWD). Delivery schedules for purchased water are based on a contract year beginning July 1, and are negotiated every three years under terms of a master contract with SCVWD expiring in 2051. Based on current prices and estimated deliveries, San Jose Water Company expects to purchase annually a minimum of 90% of the delivery schedule, or 19,800 million gallons (\$24,900) of water, from SCVWD in the contract year ending June 30, 2002.

In 1997, San Jose Water Company entered into a 25-year contract agreement with the City of Cupertino to operate the City's municipal water system. Under the terms of the contract agreement, San Jose Water Company assumed responsibility for all maintenance, operating and capital costs, while receiving all payments for water service. Water service rates are subject to approval by the Cupertino City Council.

Note 8. Joint Venture

In September 1999, SJW Land Company formed 444 West Santa Clara Street, L.P., a limited partnership, with a real estate development firm whereby SJW Land Company contributed real property in exchange for a 70% limited partnership interest. The real estate development firm is partially owned by an individual who also serves as a director of SJW Corp. A commercial building was constructed on the partnership property and is leased to an international real estate firm under a lease expiring on June 1, 2012. The partnership is being accounted for under the equity method of accounting. Included in the Consolidated Statements of Income and Comprehensive Income is SJW Land Company's share of the partnership earnings of \$165 in 2001 and \$96 in 2000.

SJW CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years ended December 31, 2001, 2000, and 1999 --(Continued)
 (Dollars in thousands, except share data)

Note 9. Crystal Choice Water Service LLC

In January 2001, SJW Corp. formed Crystal Choice Water Service LLC, a limited liability company, with Kinetico, Incorporated, a water conditioning equipment manufacturer. Crystal Choice Water Service LLC engages in the sale and rental of water conditioning equipment. SJW Corp. owns 75% of the joint venture and has invested \$850 in the first year of operation. The consolidated financial statements of SJW Corp. at December 31, 2001 include the operating results of Crystal Choice Water Service LLC. Inter-company balances were eliminated. Minority interest loss of \$121 has been included in Other income in the Consolidated Statements of Income and Comprehensive Income at December 31, 2001. Included in Other noncurrent liabilities of SJW Corp.'s Balance Sheet is Minority Interest of \$162 at December 31, 2001.

Note 10. Employee Benefit Plans

Pension Plans

San Jose Water Company sponsors noncontributory defined benefit pension plans. Benefits under the plans are based on an employee's years of service and highest consecutive three years of compensation. Company policy is to contribute the net periodic pension cost to the extent it is tax deductible.

San Jose Water Company has a Executive Supplemental Retirement Plan, which is a defined benefit plan under which the company will pay supplemental pension benefits to key executives in addition to the amounts received under the retirement plan. The annual cost of this plan has been included in the determination of the net periodic benefit cost shown below. The plan, which is unfunded, had a projected benefit obligation of \$5,399, \$9,651 and \$2,120 and as of December 31, 2001, 2000 and 1999, respectively, and net periodic pension cost of \$616, \$1,818 and \$290, for 2001, 2000 and 1999, respectively.

Deferral Plan

San Jose Water Company sponsors a salary deferral plan that allows employees to defer and contribute a portion of their earnings to the plan. Contributions, not to exceed set limits, are matched by the company. Company contributions were \$639, \$607 and \$596, in 2001, 2000 and 1999, respectively.

Other Postretirement Benefits

In addition to providing pension and savings benefits, San Jose Water Company provides health care and life insurance benefits for retired employees. The plan is a flat dollar plan which is unaffected by variations in health care costs.

Net periodic cost for the defined benefit plans and other postretirement benefits was:

	Pension Benefits			Other Benefits		
	2001	2000	1999	2001	2000	1999
Weighted-Average Assumptions as of Dec. 31						
Discount rate	7.25 %	7.75 %	8.00 %	7.25 %	7.75 %	8.00 %
Expected return on plan assets	8.00	8.00	8.00	8.00	8.00	8.00
Rate of compensation increase	4.00	4.00	4.00	n.a.	n.a.	n.a.
Components of Net Periodic Benefit Cost						
Service cost	\$ 926	950	1,105	\$ 40	38	46
Interest cost	2,421	2,591	1,966	118	114	103
Expected return on assets	(2,940)	(2,834)	(2,584)	(33)	(31)	(27)
Amortization of transition obligation	3	3	3	56	56	56
Amortization of prior service cost	258	258	219	16	16	16
Recognized actuarial gain	(346)	244	(188)	(6)	(13)	(3)
Net periodic benefit cost	\$ 322	1,212	521	\$ 191	180	191

SJW CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years ended December 31, 2001, 2000, and 1999 --(Continued)
 (Dollars in thousands, except share data)

The actuarial present value of benefit obligations and the funded status of San Jose Water Company's defined benefit pension and other postretirement plans as of December 31 were as follows:

	Pension Benefits			Other Benefits		
	2001	2000	1999	2001	2000	1999
Change in Benefit Obligation						
Benefit obligation at beginning of year	\$ 36,385	26,749	27,912	\$ 1,569	1,258	1,536
Service cost	926	950	1,105	40	38	46
Interest cost	2,421	2,591	1,966	118	114	103
Amendments	1,275	-	629	-	-	-
Actuarial (gain) loss	(2,019)	7,943	(3,553)	101	258	(335)
Benefits paid	(1,967)	(1,848)	(1,310)	(119)	(99)	(92)
Benefit obligation at end of year	\$ 37,021	36,385	26,749	\$ 1,709	1,569	1,258
Change in Plan Assets						
Fair value of assets at beginning of year	\$ 37,422	36,088	32,880	\$ 483	439	391
Actual return on plan assets	(1,766)	3,016	3,378	18	22	18
Employer contributions	321	166	1,140	-	101	108
Benefits paid	(1,967)	(1,848)	(1,310)	(107)	(79)	(78)
Fair value of assets at end of year	\$ 34,010	37,422	36,088	\$ 394	483	439
Funded Status						
Plan assets less benefit obligation	\$ (3,010)	1,038	9,339	\$ (1,315)	(1,086)	(819)
Unrecognized transition obligation	206	209	212	565	622	679
Unamortized prior service cost	3,387	2,370	2,628	54	70	86
Unrecognized actuarial gain	(1,045)	(4,078)	(11,595)	(94)	(235)	(583)
Prepaid (accrued) benefit cost	\$ (462)	(461)	584	\$ (790)	(629)	(637)

Note 11. Merger Termination

On October 28, 1999, SJW Corp. and American Water Works Company, Inc. (American Water) entered into an Agreement and Plan of Merger (Merger Agreement). On March 1, 2001, SJW Corp.'s Board of Directors decided that it would be in the best interest of the company to terminate the Merger Agreement, and accepted American Water's offer for mutual termination.

SJW CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years ended December 31, 2001, 2000, and 1999 --(Continued)
 (Dollars in thousands, except share data)

Note 12. Unaudited Quarterly Financial Data
 Summarized quarterly financial data is as follows:

	2001 Quarter ended			
	March	June	September	December
Operating revenue	\$ 24,245	36,364	44,182	31,292
Operating income	2,212	5,715	7,947	3,953
Net income	678	4,170	6,395	2,774
Comprehensive income	1,716	2,255	7,272	1,620
Basic earnings per share .....	.22	1.37	2.10	0.91
Comprehensive income per share	0.56	0.74	2.39	0.53
Market price range of stock:				
High	106.50	87.00	86.50	91.20
Low	71.90	79.00	76.50	79.08
Dividends per share .....	.615	.6525	.6525	.6525

	2000 Quarter ended			
	March	June	September	December
Operating revenue	\$ 23,537	33,064	39,181	27,375
Operating income	2,818	4,256	6,384	2,853
Net income	1,327	2,722	4,960	1,656
Comprehensive income (loss)	(3,540)	3,655	6,582	1,225
Basic earnings per share .....	.44	.89	1.63	1.54
Comprehensive income (loss) per share	(1.16)	1.20	2.16	0.40
Market price range of stock:				
High	119.75	119.38	121.94	119.81
Low	108.00	113.00	117.25	95.00
Dividends per share .....	.615	.615	.615	.615

SJW CORP.

FINANCIAL STATEMENT SCHEDULE

Schedule II

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Years Ended December 31, 2001, 2000 and 1999

Description	2001	2000	1999
Allowance for doubtful accounts			
Balance, beginning of period	\$ 100,000	100,000	100,000
Charged to expense	214,243	180,480	120,145
Accounts written off	(240,096)	(215,570)	(155,022)
Recoveries of accounts written off	25,853	35,090	34,877
Balance, end of period	\$ 100,000	100,000	100,000
Reserve for self insurance			
Balance, beginning of period	\$ 661,247	707,025	707,100
Charged to expense	40,000	80,000	320,000
Payments	(121,549)	(125,778)	(320,075)
Balance, end of period	\$ 579,698	661,247	707,025

Item 9. Changes in and Disagreements With Accountants On Accounting and Financial Disclosure

None

PART III

The Company's Proxy Statement for its April 18, 2002 Annual Meeting of Shareholders, to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 and is incorporated by reference in this Form 10-K pursuant to General Instruction G(3) of Form 10-K, provides the information required under Part III (Items 10, 11, 12 and 13), except for the information with respect to the Company's executive officers which is included in "Item 1.c. Narrative Description of Business --Employees--Executive Officers of the Registrant".

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports On Form 8-K.

(1) Financial Statements

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Consolidated Balance Sheets as of December 31, 2001 and 2000	19
Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2001, 2000, and 1999	20
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2001, 2000, and 1999	21
Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999	22
Notes to Consolidated Financial Statements	23

(2) Financial Statement Schedule

Schedule Number II ----- Valuation and Qualifying Accounts and Reserves, Years ended December 31, 2001, 2000, and 1999	32
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All other schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

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

See Exhibit Index located immediately following paragraph (b) of this Item 14.

The exhibits filed herewith are attached hereto (except as noted) and those indicated on the Exhibit Index which are not filed herewith were previously filed with the Securities and Exchange Commission as indicated.

(b) Report on Form 8-K. There have been no reports filed on Form 8-K during the last quarter of the period covered by this report.

EXHIBIT INDEX

Exhibit No. ---	Description -----
2	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:
2.1	Stock Exchange Agreement dated as of August 20, 1992 (as amended October 21, 1992). Filed as Appendix A to Proxy Statement/Prospectus dated November 11, 1992. S.E.C. File No. 1-8966.
2.2	Registration Rights Agreement entered into as of December 31, 1992 among SJW Corp., Roscoe Moss, Jr. and George E. Moss. Filed as Exhibit 4.1 to Form 8-K January 11, 1993. S.E.C. File No. 1-8966.
2.3	Affiliates Agreement entered into as of December 31, 1992 among SJW Corp., Roscoe Moss, Jr. and George E. Moss. Filed as Exhibit 4.2 to Form 8-K January 11, 1993. S.E.C. File No. 1-8966.
2.4	Affiliates Agreement entered into as December 31, 1992 among SJW Corp., Roscoe Moss Company and Roscoe Moss, Jr. Filed as Exhibit 4.3 to Form 8-K January 11, 1993. S.E.C. File No. 1-8966.
2.5	Agreement and Plan of Merger dated as of October 28, 1999 among American Water Works Company, Inc., SJW Acquisition Corporation and SJW Corp. Filed as an Exhibit to 10Q for the period ending September 30, 1999. S.E.C. File No. 1-8966.
3	Articles of Incorporation and By-Laws:
3.1	Restated Articles of Incorporation and By-Laws of SJW Corp., defining the rights of holders of the equity securities of SJW Corp. (1)
3.2	Amendment to the By-Laws of SJW Corp., dated July 19, 2001. (1)
4	Instruments Defining the Rights of Security Holders, including Indentures: No current issue of the registrant's long-term debt exceeds 10 percent of its total assets. SJW Corp. hereby agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of unregistered senior and subordinated debt of the company.
10	Material Contracts:
10.1	Water Supply Contract dated January 27, 1981 between San Jose Water Works and the Santa Clara Valley Water District, as amended. (1)
10.2	Limited Partnership Agreement of 444 West Santa Clara Street, L. P. executed between SJW Land Company and Toeniskoetter & Breeding, Inc. Development. Filed as an Exhibit to 10Q for the period ending September 30, 1999. S.E.C. File No. 1-8966.
	Executive Compensation Plans and Arrangements:
10.3	Ninth amendment to San Jose Water Company Retirement Plan as amended. Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1996. S.E.C. File No. 1-8966.
10.4	San Jose Water Company Executive Supplemental Retirement Plan adopted by San Jose Water Company Board of Directors. Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1992. S.E.C. File No. 1-8966.
10.5	First Amendment to San Jose Water Company Executive Supplemental Retirement Plan adopted by San Jose Water Company Board of Directors. Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1992. S.E.C. File No. 1-8966.
10.6	Second Amendment to San Jose Water Company Executive Supplemental Retirement Plan adopted by San Jose Water Company Board of Directors. Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1998. S.E.C. File No. 1-8966.

Exhibit No. ---	Description -----
10.7	Third Amendment to San Jose Water Company Executive Supplemental Retirement Plan adopted by San Jose Water Company Board of Directors. Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1998. S.E.C. File No. 1-8966.
10.8	Fourth Amendment to San Jose Water Company Executive Supplemental Retirement Plan adopted by San Jose Water Company Board of Directors. Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1998. S.E.C. File No. 1-8966.
10.9	Fifth Amendment to San Jose Water Company Executive Supplemental Retirement Plan adopted by San Jose Water Company Board of Directors. Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1998. S.E.C. File No. 1-8966.
10.10	SJW Corp. Executive Severance Plan adopted by SJW Corp. Board of Directors. Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1998. S.E.C. File No. 1-8966.
10.11	Sixth Amendment to San Jose Water Company's Executive Supplemental Retirement Plan. Filed as an Exhibit to 10Q for the period ending September 30, 1999. S.E.C. File No. 1-8966.
10.12	Amendment to SJW Corp.'s Executive Severance Plan. Filed as an Exhibit to 10Q for the period ending September 30, 1999. S.E.C. File No. 1-8966.
10.13	SJW Corp.'s Transaction Incentive and Retention Program for Key Employees. Filed as an Exhibit to 10Q for the period ending September 30, 1999. S.E.C. File No. 1-8966.
10.14	Resolution for Directors' Retirement Plan adopted by SJW Corp. Board of Directors as amended on September 22, 1999. Filed as an Exhibit to 10Q for the period ending September 30, 1999. S.E.C. File No. 1-8966.
10.15	Resolution for Directors' Retirement Plan adopted by San Jose Water Company's Board of Directors as amended on September 22, 1999. Filed as an Exhibit to 10Q for the period ending September 30, 1999. S.E.C. File No. 1-8966.
10.16	Resolution for Directors' Retirement Plan adopted by SJW Land Company Board of Directors on September 22, 1999. Filed as an Exhibit to 10Q for the period ending September 30, 1999. S.E.C. File No. 1-8966.
21	Subsidiaries of the Registrant. Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1992. S.E.C. File No. 1-8966.
99	Additional Exhibits: None.

(1) Filed concurrently herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 15, 2002

By: /s/ J.W. WEINHARDT

J.W. Weinhardt,
Chairman, Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 15, 2002

By: /s/ J.W. WEINHARDT

J.W. Weinhardt,
Chairman, Board of Directors

Date: March 15, 2002

By: /s/ W. RICHARD ROTH

W. Richard Roth,
President, Chief Executive Officer
and Member, Board of Directors

Date: March 15, 2002

By: /s/ ANGELA YIP

Angela Yip,
Chief Financial Officer

Date: March 15, 2002

By: /s/ EDITH AIWAZ

Edith Aiwaz
Chief Accounting Officer

Date: March 15, 2002

By: /s/ MARK L. CALI

Mark L. Cali,
Member, Board of Directors

Date: March 15, 2002

By: /s/ J. PHILIP DINAPOLI

J. Philip Dinapoli,
Member, Board of Directors

Date: March 15, 2002

By: /s/ DREW GIBSON

Drew Gibson,
Member, Board of Directors

Date: March 15, 2002

By: /s/ RONALD R. JAMES

Ronald R. James,
Member, Board of Directors

Date: March 15, 2002

By: /s/ GEORGE E. MOSS

George E. Moss,
Member, Board of Directors

Date: March 15, 2002

By: /s/ ROSCOE MOSS, JR.

Roscoe Moss, Jr.,
Member, Board of Directors

Date: March 15, 2002

By: /s/ CHARLES J. TOENISKOETTER

Charles J. Toeniskoetter,
Member, Board of Directors

In accordance with the Securities and Exchange Commission's requirements, SJW Corp. will furnish copies of any exhibit upon payment of a 30 cents per page fee.

To order any exhibit(s), please advise the Secretary, SJW Corp., 374 West Santa Clara Street, San Jose, CA 95196, as to the exhibit(s) desired.

On receipt of your request, the Secretary will provide to you the cost of the specific exhibit(s). The Secretary will forward the requested exhibits upon receipt of the required fee.

STATE OF CALIFORNIA
OFFICE OF THE SECRETARY OF STATE
CORPORATION DIVISION

I, MARCH FONG EU, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this SEP 3, 1991

THE GREAT SEAL OF THE STATE OF CALIFORNIA

[GRAPHIC OMITTED]

/s/ March Fong Eu

Secretary of State

RESTATED
ARTICLES OF INCORPORATION
OF
SJW CORP.

J. W. Weinhardt and Barbara Y. Nilsen certify that:

1. They are the duly elected and acting President and Secretary, respectively, of SJW Corp., a California corporation.
2. The Articles of Incorporation of this corporation are amended and restated to read as follows:

ARTICLE I

Section 1.1. The name of said corporation is SJW CORP.

ARTICLE II

Section 2.1. The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business, or the practice of a profession permitted to be incorporated by the California Corporations Code.

ARTICLE III

Section 3.1. The corporation is authorized to issue more than one class of shares, namely, two classes consisting of one class of preferred shares and one class of common shares. The total number of shares which the corporation is authorized to issue is 6,176,407, and the aggregate par value of all of said shares that are to have a par value, namely, all 6,176,407 of said shares is \$23,160,175. Of said 6,176,407 shares 176,407 shall be and are preferred shares of the par value of \$25 per share and 6,000,000 shall be and are common shares of the par value of \$3.125 per share. Of said 176,407 preferred shares, 2,645 shall be and are "Cumulative Preferred Stock, Series A" (hereinafter called "Series A preferred shares"), 196 shall be and are "Cumulative Preferred Stock, Series B" (hereinafter called "Series B preferred shares"), 200 shall be an are

"Cumulative Preferred Stock, Series C" (hereinafter called "Series C preferred shares"), 200 shall be and are "Cumulative Preferred Stock, Series D" (hereinafter called "Series D preferred shares"), 166 shall be and are "Cumulative Preferred Stock, Series E" (hereinafter called "Series E preferred shares"), 4,000 shall be and are "Cumulative Preferred Stock, Series G" (hereinafter called "Series G preferred shares"), 9,000 shall be and are "Cumulative Preferred Stock, Series H" (hereinafter called Series H preferred shares"), and 160,000 shall be and are preferred shares of Series I, Series J, Series K, Series L, Series M and Series N, the number of shares constituting each of such series to be determined by the Board of Directors of the corporation pursuant to the authorization contained in these Articles. (Series F has been intentionally omitted.) All of said 6,000,000 common shares shall be of one and the same series, namely, common shares of the par value of \$3.125 per share. No shares of any class are to be without par value.

ARTICLE IV

Section 4.1. The said shares which the corporation is authorized to issue are to be classified as preferred shares of thirteen series and common shares of one series as provided in Article III above; the nature and extent of the rights, preferences, privileges and restrictions granted to or imposed upon the holders of the respective classes or series of shares shall be as follows:

(a) Except as to dividend rates, conversion rights, if any, sinking fund provisions, if any, redemption prices and liquidation preferences, which may vary as between different series of preferred shares as hereinafter provided, all preferred shares of this corporation shall be of equal rank and shall have the same rights, preferences, privileges and restrictions; and all preferred shares outstanding at any time shall have parity in all dividend and liquidation distributions payable upon preferred shares, provided that such parity shall be pro rata according to the respective dividend rates and liquidation preferences applicable to the respective series of preferred shares as hereinafter provided or hereafter fixed by the Board of Directors pursuant to authorization herein contained.

(b) The holders of all preferred shares shall be entitled to receive, and the corporation shall be bound to pay thereon, as and when declared by the Board of Directors out of the surplus or net profits of the corporation, dividends, at the rate or rates per share per annum of, but not exceeding, the rate or rates applicable to the respective series thereof as hereinafter provided or hereafter fixed by the Board of Directors pursuant to authorization herein contained, cumulative from date of issuance and payable in cash quarterly on the first days of March, June, September and December in each year. If the corporation shall fail to pay such dividends quarterly upon all of the issued and outstanding preferred shares, the deficiency in dividends (without interest) shall be fully paid or dividends in such amount declared and set apart for payment, before any distribution, by way of dividends or otherwise, upon the common shares. Notwithstanding anything above provided, the Board of Directors may pay said preferred dividends out of any funds of the corporation legally available therefore, but preferred stockholders shall not be entitled thereto, except as above provided.

(c) After all cumulative dividends are declared and paid or set apart on all preferred shares which may be then outstanding, the Board of Directors may declare and pay dividends upon the common shares out of any funds of the corporation at the time legally available for the declaration and payment of such dividends.

(d) All or any of the preferred shares at any time outstanding may be redeemed at the option of the Board of Directors on any dividend payment date upon at least thirty days' prior notice by mail, in such form as the Board of Directors may determine, to the holders thereof of record at the addresses of such holders appearing on the books of the corporation at the time (or if in any case no such address appears, then at San Jose, California), specifying the date and place fixed for such redemption, at and for the redemption price or prices applicable to the respective series thereof as hereinafter provided or hereafter fixed by the Board of Directors pursuant to authorization herein contained.

(e) If less than all of any one series of preferred shares then outstanding are to be called for redemption, the shares so to be redeemed shall be selected by lot in such

impartial manner as the Board of Directors may determine. On or after the date fixed for the redemption thereof, each holder of any preferred shares called for redemption shall surrender for cancellation his certificate or certificates for such shares to the corporation at the place designated in such notice and shall thereupon be entitled to receive payment of the redemption price. In case less than all of the shares represented by any such surrendered certificate are redeemed, a new certificate shall be issued representing the unredeemed shares. If such notice of redemption shall have been given as aforesaid, and if on or before the redemption date the aggregate redemption price of the preferred shares to be redeemed shall have been set aside so as to be and continue available for the redemption of such shares, then, notwithstanding that the certificates representing any preferred shares so called for redemption shall not have been surrendered for cancellation, the dividends on such shares shall cease to accrue after the redemption date fixed in such notice, and all rights with respect to the shares so called for redemption shall forthwith after such redemption date cease and determine, except only the right of the holders to receive the redemption price without interest, and such shares shall not be transferable on the books of the corporation. At any time after giving notice of redemption, as aforesaid, of all or any part of the preferred shares, the corporation may deposit with any bank or trust company in the City and County of San Francisco, State of California (hereinafter referred to as the "Depository"), as a trust fund for the benefit of the holders of the preferred shares called for redemption, an amount in cash sufficient to pay the aggregate redemption price of such shares. If such deposit shall have been made, then after such redemption date such shares shall not be deemed to be outstanding for any purpose, and the rights of the holders thereof shall be limited to the right to receive payment of the redemption price (without interest) from such fund upon endorsement, if required, and surrender of the certificates therefore. In case the holder of any preferred shares called for redemption shall not, within six years after the deposit of a trust fund as aforesaid, claim the amount deposited as above for the redemption of his shares, the Depository shall, upon demand, pay over to the corporation such amount so deposited and the Depository shall thereupon be relieved from all further responsibility to the holder thereof. In lieu of following the foregoing procedure for deposit of redemption funds with a bank or trust company, the

corporation may, and if required by law, shall, follow any other procedure for such deposit provided by law at the time of such deposit. Subject to the provisions hereof, the Board of Directors shall have authority to prescribe from time to time the manner in which preferred shares shall be redeemed. All preferred shares redeemed as hereinbefore provided shall be forthwith cancelled and shall not be reissued, and no shares shall be issued in lieu thereof or in exchange therefore.

(f) Upon any voluntary or involuntary dissolution or liquidation of the corporation, as the case may be, the holders of the preferred shares then outstanding shall be entitled to receive from capital or earnings, or both, amounts equal to the respective liquidation preferences of such shares in such case as hereinafter provided or hereafter fixed by the Board of Directors pursuant to authorization herein contained, all before any payment shall be made to the holders of the common shares. After such payments to the holders of all preferred shares, the aggregate amount of any funds and assets of the corporation then remaining shall be distributed among the holders of the common shares.

(g) Neither a consolidation nor a merger of the corporation with or into any other corporation or corporations, nor the sale of all or substantially all of the assets of the corporation shall be deemed to be a dissolution or liquidation of the corporation within the meaning of any of the provisions of these Articles.

(h) In the event of any consolidation or merger of the corporation with or into any other corporation or corporations, any preferred shareholder of the corporation who shall not have approved such a merger or consolidation by vote at the meeting at which the same was approved, or otherwise, shall have all rights of such dissenting stockholder as provided in Section 369 of the Civil Code of the State of California, as amended in 1933, and as in effect on February 20, 1941, in addition to any rights of such shareholder under applicable California law.

(i) All shares of the corporation whether preferred or common, shall be and are hereby declared to be forever non-assessable, and the Board of Directors shall have no power to levy assessments upon said shares or any of them.

(j) No one or more holders of the shares of capital stock of the corporation shall be entitled to purchase or otherwise participate in any new or additional issue of stock by the corporation, and every shareholder hereby and by the acceptance of the certificate or certificates for his stock irrevocably for himself, his heirs, executors, administrators, successors and assigns, waives all right to purchase or otherwise participate in such new or additional issue, or any part thereof.

(k) Except as otherwise provided by law or by specific provision hereinafter- in these Articles contained, the holders of preferred shares of each series shall be entitled to vote at all elections and to vote or consent on all questions at the rate of eight votes for each share of preferred stock, regardless of series, held by each such holder and the holders of common shares shall be entitled to vote at all elections and to vote or consent on all questions at the rate of one vote for each share of common stock held by each such holder, and on any question as to which it is at the time provided by law that action may be taken on approval by vote or consent of a specified percentage of the outstanding shares or of any class or series thereof, the vote or consent of stockholders holding such specified percentage shall also be required; provided, however, that notwithstanding anything to the contrary contained in this Article IV (specifically including paragraphs (a) and (o) of this Section 4.1), except as otherwise provided by law and by the provisions of paragraphs (1) and (m) of this Section 4.1, the holders of preferred stock of Series I, Series J, Series K, Series L, Series M and Series N shall only have such voting rights, if any, as are fixed by the Board of Directors of the corporation in a resolution adopted before the issuance thereof, and the Board of Directors of the corporation is hereby authorized to fix and alter from time to time the respective voting rights (other than the rights provided in paragraphs (1) and (m) of Section 4.1), if any, of any wholly unissued series of preferred shares, subject, however, to the limit and restriction that such shares shall not have more than one vote per share.

(l) If and whenever dividends accrued and unpaid on the outstanding preferred shares, or any series thereof, equal or exceed an amount equivalent to eight full quarterly dividends on all shares of any series of preferred shares at the time outstanding, then until all dividends in

default on such preferred shares shall have been paid, or declared and set aside, the holders of the outstanding preferred shares voting separately as one class, shall be entitled to elect the smallest number of directors necessary to constitute a majority of the full Board of Directors, and the holders of the outstanding common shares, voting separately as a class, shall be entitled to elect the remaining members of the Board of Directors. If and when all dividends theretofore in default on the preferred shares shall be paid, or declared and set aside (and such dividends shall be declared and paid out of any funds legally available therefore, as soon as reasonably practicable), the holders of preferred shares shall thereupon be divested of such special right to elect certain members of the Board of Directors; provided, however, that in any such case all of the provisions of this paragraph as to the vesting of such special right shall remain in effect and shall again apply in case of any further default in payment of eight full quarterly dividends as aforesaid. Whenever under the provisions of this paragraph a change in the voting powers of the holders of the preferred shares and common shares shall have occurred, a meeting of the holders of such shares shall be held upon notice promptly given, as provided in the By-Laws of the corporation for a special meeting of stockholders, by the President or the Secretary of the corporation. If within fifteen days after the accrual or termination of such special right of the holders of the preferred shares or common shares, with respect to the election of directors, the President and the Secretary of the corporation shall each fail to call such meeting (to be held on a date not more than thirty days after the mailing of the notice therefore), then such meeting shall be held upon notice as provided in the By-Laws for a special meeting of shareholders given by the holders of not less than one thousand preferred shares or common shares after filing with the corporation a notice of their intention so to do. At all meetings of stockholders held for the purpose of electing directors during such times as the holders of preferred shares shall have the right to elect directors pursuant to the foregoing provisions of this paragraph, the presence in person or by proxy of a majority of all the outstanding preferred shares shall be required to constitute a quorum of such class for the election of such directors, and the presence in person or by proxy of the holders of a majority of all the outstanding common shares shall be required to constitute a quorum of such

class for the election of directors; provided, however, that the absence of a quorum of the holders of either such class shall not prevent the election at any such meeting, or an adjournment thereof, of directors by the other such class if the necessary quorum of the holders of shares of such class is present in person or by proxy at such meeting; and provided further, that in the absence of a quorum of the holders of shares of either such class, a majority of those holders of the shares of such class who are present in person or by proxy shall have the power to adjourn the meeting for the election of the directors to be elected by such class from time to time without notice, other than announcement at the meeting, until the requisite amount of holders of such class shall be present in person or by proxy, but such adjournment shall not be made to a date beyond the date for the mailing of notice of the next annual meeting of stockholders or special meeting in lieu thereof. Forthwith upon the election of a majority of the Board of Directors of the corporation by the holders of preferred shares pursuant to the foregoing provisions of this paragraph, the terms of office of all persons who were directors of the corporation immediately prior to such election shall terminate, whether or not holders of common shares entitled to vote shall then have elected the remaining members of the Board of Directors, and if the holders of common shares entitled to vote shall not have elected the remaining members of the Board of Directors, then the directors so elected by the holders of preferred shares shall constitute the Board of Directors pending such election of the remaining directors by such holders of common shares. Upon the reversion pursuant to the foregoing provisions of this paragraph of the voting powers to their status prior to default, then upon the election of new directors by the holders of all shares of the corporation, the term of office of the directors elected by vote of the holders preferred shares and common shares by classes shall forthwith terminate.

(m) If, upon prior notice in writing thereof, which shall be given to the holders of all then outstanding preferred shares in the same manner as notice of a special meeting of stockholders is required to be given to stockholders by the By-Laws of the corporation, the holders of one-third or more of said then outstanding preferred shares shall, in writing filed with the corporation at its office designated in the notice within thirty days after the date of such

notice, object thereto, the corporation shall not do any one or more of the following acts:

- (1) Issue any shares of preferred stock or of any stock ranking on a parity with, or having any preference over, the preferred shares as to assets or dividends, unless the par value of the common shares to be outstanding immediately after such issue (plus, if the corporation so elects, its surplus as shown by its books, provided that distribution on, or purchase of, the common shares out of such surplus, or any part thereof to be included for this purpose, is prohibited while such additional shares are outstanding) shall be at least equal to the par value of its preferred shares of all series and of any other stock ranking on a parity with, or having any preference over, the preferred shares as to assets or dividends, to be outstanding immediately after such issue; or
- (2) Issue any preferred shares or any shares of any other stock ranking on a parity with, or having any preference over, the preferred shares as to assets or dividends unless the net earnings of the corporation (calculated on a consolidated basis), available for dividends as determined in accordance with the system of accounts prescribed by the Public Utilities Commission of the State of California with respect to the corporation (assuming for purposes of the net earnings calculation that the corporation were to be subject to the system of accounts, if any, prescribed by the Public Utilities Commission of the State of California), or, in the absence of any such system, in accordance with generally accepted principles of accounting, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the issuance of such additional stock, are at least two times the annual dividend requirements on all preferred shares and on all other shares of stock ranking on a parity with, or having any preference over, the preferred shares as to assets or dividends, to be outstanding immediately after the proposed issue of such additional shares; provided, however, that in case the corporation or any subsidiary shall have

acquired any water works property within or after the period for which the calculation of net earnings is made, the corporation in computing its net earnings (calculated on a consolidated basis) shall be entitled, at its option, to include, to the extent that the same may not have been otherwise included, the net earnings of such property for the whole of such period, which net earnings shall be ascertained and computed as if such property had been owned by the corporation or its subsidiary during all of such period; or

- (3) Create or authorize any class or series of shares (in addition to the 176,407 preferred shares authorized by Article III) which shall be entitled to any preference over, or to parity with, the said 176,407 preferred shares, or any thereof; or
- (4) Make any change in any of the provisions relative to the preferred shares or any series thereof which would change the express terms or provisions of such shares in any manner prejudicial to the holders thereof, except that if any such change is prejudicial to the holders of one or more but not all of such series, then the prior notice in writing above required need only be given to the holders of the shares then outstanding of the series so affected and the objection in writing, filed as above provided, of the holders of one-third or more of said total number of shares then outstanding of said series so affected shall be required to prevent such act by the corporation, and except that the fixing of any dividend rates, conversion rights, if any, redemption prices and liquidation preferences and the fixing of sinking fund provisions, if any, of preferred shares of Series I, Series J, Series K, Series L, Series M and Series N by the Board of Directors of the corporation shall not be deemed to be a change within the meaning of this subparagraph (4); or
- (5) Issue any unsecured notes, debentures or other evidences of unsecured indebtedness or assume any such unsecured notes, debentures or evidences of unsecured indebtedness in any case if immediately

after such issue or assumption the total principal amount of all unsecured notes, debentures and other evidences of unsecured indebtedness issued or assumed by the corporation and then outstanding (including the unsecured notes, debentures and other evidences of unsecured indebtedness then to be issued or to be assumed, but excluding any of the same theretofore issued pursuant to the provisions of this paragraph (1) without objection by the holders of one-third or more of the then outstanding preferred shares as above provided) would exceed the greater of the following amounts: \$700,000 or an amount equal to 10% of the aggregate of (i) the total principal amount of all bonds or other securities representing the secured indebtedness issued or assumed by the corporation and any of its subsidiaries and then to be outstanding and (ii) the capital and surplus of the corporation (as determined on a consolidated basis) as then to be stated on the books of account of the corporation.

- (6) If the corporation has outstanding at any time shares without par value, then references in this paragraph (1) to par value shall refer, in the case of such shares without par value, to that part of the consideration received for such shares which is established as capital. Nothing in this paragraph (1) contained shall require notice to the holders of preferred shares, or shall prevent an act by the corporation against objection of the holders of preferred shares, in the case of any act otherwise authorized by law, if such act is of the type specified above in subparagraph (1) or subparagraph (2) or subparagraph (3) and the said act is for the purpose of, and the proceeds derived therefrom are used for, the redemption of all then outstanding preferred shares. Nothing in this paragraph (1) contained shall require notice to the holders of preferred shares, or shall prevent an act by the corporation against objection of the holders of preferred shares, in the case of any act otherwise authorized by law, if such act is of the type specified above in subparagraph (5) and the said act is for the purpose of, and

the proceeds derived therefrom are used for, the redemption or refunding of any then outstanding bonds of the corporation or any of its subsidiaries or other securities representing the secured indebtedness issued or assumed by the corporation or any of its subsidiaries or the redemption or refunding of any then outstanding unsecured indebtedness of the corporation or any of its subsidiaries. All requirements in this paragraph (1) contained shall be in addition to any and all requirements of law applicable to any of the corporate acts above mentioned, and all applicable requirements of law shall also be complied with. Notwithstanding anything above provided in this paragraph (1), if before performance of any act of the corporation specified in this paragraph (1) the law shall require the affirmative vote or written consent in favor of such act of the holders of two-thirds of the preferred shares then outstanding and if such vote or written consent plus the vote or written consent of one more preferred share shall be obtained pursuant to such requirement of law, it shall be conclusively presumed that the holders of one-third or more of the preferred shares then outstanding would not object to such act and accordingly no notice to, nor opportunity to object by, the holders of preferred shares shall be required under this paragraph (1) before the performance of such corporate act.

(n) Except when some mandatory provisions of law shall be controlling and except as otherwise expressly provided in this Article IV, whenever preferred shares of two or more series are outstanding, no particular series shall be entitled to vote or object as a separate series on any matter and all preferred shares shall be deemed to constitute but one class for any purpose for which a vote or consent of the shareholders of the corporation by classes may now or hereafter be required.

(o) The 160,000 preferred shares of Series I, Series J, Series K, Series L, Series M and Series N, created by Article III of these Articles shall have such respective dividend rates, conversion rights, if any, sinking fund provisions, if any, redemption prices and liquidation preferences as the Board of Directors of the corporation

shall fix or alter from time to time before the issuance thereof and each of said series shall consist of such number of shares as said Board of Directors shall fix or alter from time to time before the issuance thereof; and the Board of Directors of the corporation is hereby authorized to fix or alter from time to time the said respective dividend rates, conversion rights, if any, sinking fund provisions, if any, redemption prices and liquidation preferences of any wholly unissued series of preferred shares or of all or any of the shares constituting such unissued series and to fix or alter from time to time the number of shares constituting any such unissued series. Except insofar as these Articles shall otherwise provide in respect of Series A preferred shares, Series B preferred shares, Series C preferred shares, Series D preferred shares, Series E preferred shares, Series G preferred shares, Series H preferred shares and shall otherwise provide in respect of any other series of preferred shares, all Series A preferred shares, Series B preferred shares, Series C preferred shares, Series D preferred shares, Series E preferred shares, Series G preferred shares, Series H preferred shares and all preferred shares of Series I, Series J, Series K, Series L, Series M and Series N shall have and be subject to the same rights, preferences, privileges and restrictions as hereinabove in this Article IV provided with reference to all preferred shares.

(p) The common shares of the corporation shall be subject and subordinate to any rights, preferences, privileges and restrictions which are granted to any preferred shares by this Article IV or which may hereafter be granted to any series of preferred shares by the Board of Directors pursuant to the authority conferred upon said Board of Directors by this Article IV; but subject to the foregoing, the common shares shall be entitled to all rights expressly granted to them in this Article IV and all other rights of shares of the corporation.

ARTICLE V

Section 5.1. The 2,645 Series A preferred shares created by Article III of these Articles shall be entitled to a preferred cumulative dividend of 4.75% per annum of the par value thereof, payable as otherwise in Article IV of these Articles provided, and shall have a redemption price which shall

be the sum of (a) the par value thereof, (b) a premium of 5% of such par value, and (c) the amount of the accrued and unpaid dividends accumulated thereon to and including the date fixed for such redemption (whether or not earned or declared).

Section 5.2. The 196 Series B preferred shares created by Article III of these Articles shall be entitled to a preferred cumulative dividend of 4.75% per annum of the par value thereof, payable as otherwise in Article IV of these Articles provided, and shall have a redemption price which shall be the sum of (a) \$26.25 per share, and (b) the amount of the accrued and unpaid dividends accumulated thereon to and including the date fixed for such redemption (whether or not earned or declared).

Section 5.3. The 200 Series C preferred shares created by Article III of these Articles shall be entitled to a preferred cumulative dividend of 4.7% per annum of the par value thereof, payable as otherwise in Article IV of these Articles provided, and shall have a redemption price which shall be the sum of (a) \$26.25 per share, and (b) the amount of the accrued and unpaid dividends accumulated thereon to and including the date fixed for such redemption (whether or not earned or declared).

Section 5.4. The 200 Series D preferred shares created by Article III of these Articles shall be entitled to a preferred cumulative dividend of 4.7% per annum of the par value thereof, payable as otherwise in Article IV of these Articles provided, and shall have a redemption price which shall be the sum of (a) \$26.25 per share, and (b) the amount of the accrued and unpaid dividends accumulated thereon to and including the date fixed for such redemption (whether or not earned or declared).

Section 5.5. The 166 Series E preferred shares created by Article III of these Articles shall be entitled to a preferred cumulative dividend of 5.5% per annum of the par value thereof, payable as otherwise in Article IV of these Articles provided, and shall have a redemption price which shall be the sum of (a) 26.25 per share, and (b) the amount of the accrued and unpaid dividends accumulated thereon to and including the date fixed for such redemption (whether or not earned or declared).

Section 5.6. (a) The 4,000 Series G preferred shares created by Article III of these Articles shall be entitled to a preferred cumulative dividend of 4.625% per annum of the par value thereof, payable as otherwise in Article IV of these Articles provided, and shall have a redemption price which shall be the sum of (1) \$25 per share, and (2) the amount of

the accrued and unpaid dividends accumulated thereon to and including the date fixed for such redemption (whether or not earned or declared).

(b) There shall be set aside a sinking fund to be applied to the purchase or redemption of the Series G preferred shares and the amount of such sinking fund, the application thereof and the other terms and provisions relative to said sinking fund shall be and the same hereby are fixed and declared to be as follows:

- (1) So long as any of the Series G preferred shares shall be outstanding and after all cumulative dividends are declared and paid or set apart on all preferred shares of the corporation which may be then outstanding, the corporation, as a sinking fund for the purchase or redemption of Series G preferred shares (hereinafter called the "Series G Sinking Fund"), shall set aside in cash out of any moneys legally available therefor, on the first day of September in each year (hereinafter called the "Series G Sinking Fund Payment Date") commencing with the first day of September 1985, the sum of \$20,000. If on any Series G Sinking Fund Payment Date the funds of the corporation legally available therefore shall be insufficient to discharge such Series G Sinking Fund requirement in full, funds to the extent legally available for such purpose shall be set aside for the Series G Sinking Fund; provided, however, that if the funds legally available therefor shall be insufficient to discharge in full the sinking fund requirements for all series of preferred shares for which sinking funds have been provided pursuant to the authorization contained in these Articles, then all such preferred shares shall have parity in all sinking fund payments for the benefit of such preferred shares, provided such parity shall be pro rata according to the respective total amounts of the sinking funds applicable to the respective series and provided, further, that current payments and arrearages in payments shall also have parity in all funds legally available for sinking fund purposes. Such Series G Sinking Fund requirements shall be cumulative, so that if for any year or years such requirements shall not

be fully discharged as they accrue, funds legally available therefor, after such payment or setting apart for dividends, for each fiscal year thereafter shall be applied thereto until such requirements are fully discharged.

- (2) The corporation at its option shall be entitled to use as a credit against its Series G Sinking Fund requirement for any year, an amount equal to the par value of Series G preferred shares which the corporation shall have theretofore acquired by purchase or redemption otherwise than through the operation of the Series G Sinking Fund and for which credit shall not theretofore have been taken against any Series G Sinking Fund requirement.
- (3) On or before the dividend payment date next following each such Series G Sinking Fund Payment Date, the cash in the Series G Sinking Fund shall be used to acquire 800 Series G preferred shares theretofore issued, by purchase at a price or prices not exceeding the par value thereof, or by redemption, at the par value thereof, in the manner provided in paragraphs (d) and (e) of Section 4.1 of these Articles, in each case plus accrued and unpaid dividends accumulated on said shares to and including the date of such purchase or redemption be paid from the (whether or not earned or declared), which shall be the general funds of the corporation and not from Series G Sinking Fund, or by both such purchase and redemption. In the event that the obligation of the corporation to acquire Series G preferred shares in accordance with the preceding sentence is satisfied without the use of all the cash then in the Series G Sinking Fund, such remaining cash shall continue to remain in the Series G Sinking Fund and the corporation shall use the same as a part of the next Series G Sinking Fund requirement and the corporation's obligation to set aside cash for the Series G Sinking Fund on the next Series G Sinking Fund Payment Date shall be reduced to the extent of the amount of such remaining cash. Upon retirement of all Series G preferred shares, any cash remaining in the Series G Sinking Fund in excess of that required

to complete the payment for any shares purchased or agreed to be purchased or to redeem shares called for redemption through the operation of the Series G Sinking Fund, shall become a part of the general funds of the corporation.

Section 5.7. (a) The 9,000 Series H preferred shares created by Article III of these Articles shall be entitled to a preferred cumulative dividend of 10.5% per annum of the par value thereof, payable as otherwise in Article IV of these Articles provided.

(b) Subject to the provisions of paragraphs (l) and (m) of Section 4.1 of these Articles, Series H preferred shares shall have no voting rights whatsoever except as otherwise provided by law.

(c) Except as hereinafter specifically provided, the redemption prices of the Series H preferred shares shall be and the same hereby are fixed and declared to be the respective redemption prices shown in the following table under the heading "Regular Redemption Price," together in each case with the amount of the accrued and unpaid dividends accumulated on said shares to and including the date fixed for redemption (whether or not earned or declared); provided, however, that (1) in case of the redemption of the Series H preferred shares out of cash held in the sinking fund hereinafter provided for, then the redemption price of the Series H preferred shares shall be and the same hereby is fixed and declared to be the par value thereof, together with the amount of the accrued and unpaid dividends accumulated on said shares to and including the date fixed for redemption (whether or not earned or declared) and (2) in case of the redemption of the Series H preferred shares through the application of the proceeds of condemnation, or of sale to a municipality or other public body having the power of eminent domain and indicating its imminent intention to exercise such power, of any complete water works system or any substantial part of a water works system owned by this corporation, then the redemption prices of the Series H preferred shares shall be and the same hereby are fixed and declared to be the respective redemption prices shown in the following table under the heading "Special Redemption Price," together in each case with the amount of the accrued and unpaid dividends accumulated on said shares to and including the

date fixed for redemption (whether or not earned or declared):

During the twelve Months Beginning November 1	Regular Redemption Price	Special Redemption Price
*	\$26.57500	\$24.787500
1985	26.44375	25.721875
1986	26.31250	25.656250
1987	26.18125	25.590625
1988	26.05000	25.525000
1989	25.91875	25.459375
1990	25.78750	25.393750
1991	25.65625	25.328125
1992	25.52500	25.262500
1993	25.39375	25.196875
1994	25.26250	25.131250
1995	25.13125	25.065625
1996 and all subsequent years	25.00	25.00

* Prior to October 31, 1985.

The Series H preferred shares shall not be redeemable prior to November 1, 1985, as a part of any refunding or anticipated refunding operation by the application, directly or indirectly, of funds derived from the sale of any preferred shares having an effective dividend rate of less than 10.5% of the gross proceeds of the sale.

(d) There shall be set aside a sinking fund to be applied to the purchase or redemption of the Series H preferred shares and the amount of such sinking fund, the application thereof and the other terms and provisions relative to said sinking fund shall be and the same hereby are fixed and declared to be as follows:

- (1) So long as any of the Series H preferred shares shall be outstanding and after all cumulative dividends are declared and paid or set apart on all preferred shares of the corporation which may be then outstanding, the corporation, as a sinking fund for the purchase or redemption of

Series H preferred shares (hereinafter called the "Series H Sinking Fund"), shall set aside in cash out of any moneys legally available therefore, on the first day of November in each year (hereinafter called the "Series H Sinking Fund Payment Date") commencing with the first day of November 1985, the sum of \$75,000. If on any Series H Sinking Fund Payment Date the funds of the corporation legally available therefore shall be insufficient to discharge such Series H Sinking Fund requirement in full, funds to the extent legally available for such purpose shall be set aside for the Series H Sinking Fund; provided, however, that if the funds legally available therefore shall be insufficient to discharge in full the sinking fund requirements for all series of preferred shares for which sinking funds have been provided pursuant to the authorization contained in these Articles, then all such preferred shares shall have parity in all sinking fund payments for the benefit of such preferred shares, provided such parity shall be pro rata according to the respective total amounts of the sinking funds applicable to the respective series and provided, further, that current payments and arrearages in payments shall also have parity in all funds legally available for sinking fund purposes. Such Series H Sinking Fund requirements shall be cumulative, so that if for any year or years such requirements shall not be fully discharged as they accrue, funds legally available therefore, after such payment or setting apart for dividends, for each fiscal year thereafter shall be applied thereto until such requirements are fully discharged.

- (2) The corporation at its option shall be entitled to use as a credit against its Series H Sinking Fund requirement for any year, an amount equal to the par value of Series H preferred shares which the corporation shall have theretofore acquired by purchase or redemption otherwise than through the operation of the Series H Sinking Fund and for which credit shall not theretofore have been taken against any Series H Sinking Fund requirement.

- (3) On or before the dividend payment date next following each Series H Sinking Fund Payment Date, the cash in the Series H Sinking Fund shall be used to acquire 3,000 Series H preferred shares theretofore issued, by purchase at a price or prices not exceeding the par value thereof, or by redemption, at the par value thereof, in the manner provided in paragraphs (d) and (e) of Section 4.1 of these Articles, in each case plus accrued and unpaid dividends accumulated on said shares to and including the date of such purchase or redemption (whether or not earned or declared), which shall be paid from the general funds of the corporation and not from the Series H Sinking Fund, or by both such purchases and redemption. In the event that the obligation of the corporation to acquire Series H preferred shares in accordance with the preceding sentence is satisfied without the use of all the cash then in the Series H Sinking Fund, such remaining cash shall continue to remain in the Series H Sinking Fund and the corporation shall use the same as a part of the next Series H Sinking Fund requirement and the corporation's obligation to set aside cash for the Series H Sinking Fund on the next Series H Sinking Fund Payment Date shall be reduced to the extent of the amount of such remaining cash. Upon retirement of all Series H preferred shares, any cash remaining in the Series H Sinking Fund in excess of that required to complete the payment for any shares purchased or agreed to be purchased, or to redeem shares called for redemption through the operation of the Series H Sinking Fund, shall become a part of the general funds of the corporation.

Section 5.8. The Series A preferred shares, Series B preferred shares, Series C preferred shares, Series D preferred shares, Series E preferred shares, Series G preferred shares and Series H preferred shares (a) shall have no conversion rights whatsoever, and (b) shall have liquidation preferences as follows: (i) upon any voluntary dissolution or liquidation of the corporation the holders of Series A preferred shares, Series B preferred shares, Series C preferred shares, Series D preferred shares, Series E preferred shares, Series G preferred shares and Series H preferred shares shall be entitled to receive from capital or earnings, or both, an amount equivalent

to the applicable redemption price for such shares provided in this Article V at the date of payment, and (ii) upon any involuntary dissolution or liquidation of the corporation the holders of Series A preferred shares, Series B preferred shares, Series C preferred shares, Series D preferred shares, Series E preferred shares, Series G preferred shares and Series H preferred shares shall be entitled to receive from capital or earnings, or both, an amount equal to the par value of their shares and all dividends accrued thereon to the date of payment (whether or not earned or declared).

Section 5.9. Except as in this Article V provided, all "Series A preferred shares, Series B preferred shares, Series C preferred shares, Series D preferred shares, Series E preferred shares, Series G preferred shares and Series H preferred shares shall have and be subject to all of the rights, preferences, privileges and restrictions hereinbefore in Article IV of these Articles set forth with reference to all preferred shares."

ARTICLE VI

Section 6.1. The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

Section 6.2. The corporation shall indemnify any person who is or was a party or is threatened to be made a party to any proceeding (as defined in Section 317 of the Corporations Code) by reason of the fact that such person is or was an agent (as defined in Section 317 of the Corporations Code) of the corporation, to the fullest extent permitted by Section 317 of the Corporations Code. The corporation is authorized to provide indemnification of agents for breach of duty to the corporation and its stockholders through bylaw provisions or through agreements with the agents, or both, in excess of the indemnification otherwise permitted by Section 317 of the Corporations Code, subject to the limits on such excess indemnification set forth in Section 204 of the Corporations Code."

Section 6.3. The foregoing amendment and restatement of Articles of Incorporation has been duly approved and adopted by the Board of Directors in accordance with Section 510(b) and 910(b) of the California Corporations Code. Section 510(b) is applicable because: (a) subsequent to the corporation's incorporation, the corporation issued on July 16, 1985 the

following numbers and series of preferred shares and has issued no other preferred shares:

Series	Total Shares Issued
A	27,355
B	2,467
C	1,183
D	530
E	646
G	23,200
H	76,000

(b) in connection with the operation of the corporation's Series G and H sinking funds, the corporation repurchased the following numbers of its preferred shares on the following dates:

Series	Date	Shares Purchased	Shares Remaining Outstanding
G	9/85	800	22,400
	9/86	800	21,600
	9/87	800	20,800
	9/88	800	20,000
	9/89	800	19,200
H	11/85	3,000	73,000
	11/86	3,000	70,000
	11/87	3,000	67,000

(c) all of the remaining outstanding preferred shares of the corporation were subsequently redeemed on the following dates:

Series	Shares Date	Purchased	Shares Remaining Outstanding
A	6/90	27,355	-0
B	6/90	2,467	-0
C	6/90	1,183	-0
D	6/90	530	-0
E	6/90	646	-0
G	6/90	19,200	-0
H	6/88	67,000	-0

and (d) pursuant to the corporation's Articles of Incorporation, as amended, none of such preferred shares which were redeemed may be reissued by the corporation.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this Certificate are true and correct of our own knowledge.

Executed on _____, 19__ in California.

J. W. Weinhardt, President

Barbara Y. Nilsen, Secretary

By-Laws
Of
SJW Corp.
(a California corporation)

Adopted April 16, 1985
as amended January 24, 1989

BY-LAWS
of
SJW CORP.
(a California corporation)

ARTICLE I

OFFICES

Section 1.1 Principal Office. The principal office for the transaction of the business of the corporation shall be located at 374 West Santa Clara Street, San Jose, California 95113. The Board of Directors is hereby granted full power and authority to change said principal office to another location within or without the State of California.

Section 1.2 Other Offices. One or more branch or other subordinate offices may at any time be fixed and located by the Board of Directors at such place or places within or without the State of California as it deems appropriate.

ARTICLE II

DIRECTORS

Section 2.1 Exercise of Corporate Powers. Except as otherwise provided by the Articles of Incorporation, as amended, of the corporation (the "Articles") or by the laws of the State of California now or hereafter in force, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors. The Board may delegate the management of the day-to-day operation of the business of the corporation as permitted by law provided that the business and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

Section 2.2 Number (a) The number of the corporation's directors shall not be less than seven nor more than nine, the exact number of which shall be fixed by a By-Law duly adopted by the shareholders or by the Board of Directors.

(b) The number of directors set forth in clause (a) of this Section 2.2 shall constitute the authorized number of the corporation's directors until changed by an amendment of the Articles or of the By-Laws duly adopted by the shareholders.

(c) The exact number of directors of the corporation is fixed, within the limits set forth in clause (a) of this Section 2.2, at eight.

Section 2.3 Need Not Be Shareholders. The directors of the corporation need not be shareholders of the corporation.

Section 2.4 Compensation. Directors shall receive such compensation for their services as directors and such reimbursement for their expenses of attendance at meetings as may be determined from time to time by resolution of the Board. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

Section 2.5 Election and Term of Office. Except as otherwise provided in paragraph (1) of Section 5.1 of Article V of the Articles, directors shall be elected at each annual meeting of shareholders to hold office until the next annual meeting, provided, that if for any reason, said annual meeting or an adjournment thereof is not held or the directors are not elected thereat, then the directors may be elected at any special meeting of the shareholders called and held for that purpose. Except as otherwise provided in paragraph (1) of Section 5.1 of Article V of the Articles, the term of office of the directors shall begin immediately after their election and shall continue until the expiration of the term for which elected and until their respective successors have been elected and qualified.

Section 2.6 Vacancies. A vacancy or vacancies in the Board of Directors shall exist when any authorized position of director is not then filled by a duly elected director, whether caused by death, resignation, removal, change in the authorized number of directors (by the Board or the shareholders) or otherwise. The Board of Directors may declare vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony. Except for a vacancy created by the removal of a director, vacancies on the Board may be filled by a majority of the directors then in office, whether or not less than a quorum, or by a sole remaining director. A vacancy created by the removal of a director may be filled only by the approval of the shareholders. The shareholders may elect a director at any time to fill any vacancy not filled by the directors, but any such election by written consent requires the consent of the holders of shares entitled to cast a majority of

the votes entitled to be cast by the outstanding voting shares. Any director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary or the Board of Directors of the corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 2.7 Removal. (a) Any and all of the directors may be removed without cause if such removal is approved by the affirmative vote of a majority of the votes entitled to be cast by the outstanding voting shares at an election of directors, subject to the following:

(1) No director may be removed (unless the entire Board is removed) when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of the director's most recent election were then being elected; and

(2) When by the provisions of the Articles, the holders of the shares of any class or series, voting as a class or series, are entitled to elect one or more directors, any director so elected may be removed only by the applicable vote of the holders of the shares of that class or series.

(b) Any reduction of the authorized number of directors does not remove any director prior to the expiration of such director's term of office.

Section 2.8 Emeritus Directors. The Board of Directors may designate any former director or directors of the corporation as an Emeritus Director for such term as the Board of Directors shall deem appropriate. Persons so designated shall not thereby become officers, directors or employees and shall have only such responsibilities and privileges as the Board of Directors may from time to time specifically determine.

ARTICLE III

OFFICERS

Section 3.1 Election and Qualifications. The officers of this corporation shall consist of a President, one or more Vice Presidents, a Secretary, and a Chief Financial Officer and Treasurer who shall be chosen by the Board of Directors and such other officers, including a Chairman of the Board, as the Board of Directors shall deem expedient, who shall be chosen in such manner and hold their offices for such terms as the Board of Directors may prescribe. Any two or more of such offices may be held by the same person. Any Vice President may exercise any of the powers of the President as directed by the Board of Directors and shall perform such other duties as are imposed upon such officer by the By-Laws or the Board of Directors. The Chairman of the Board of Directors, if there be one, shall be chosen from the directors but the other officers of the corporation may or may not be directors.

Section 3.2 Term of Office and Compensation. The term of office and salary of each of said officers and the manner and time of the payment of such salaries shall be fixed and determined by the Board of Directors and may be altered by said Board from time to time at its pleasure, subject to the rights, if any, of said officers under any contract of employment.

Section 3.3 Removal and Vacancies. Any officer of the corporation may be removed at the pleasure of the Board of Directors at any meeting or by vote of shareholders entitled to exercise a majority of the voting power of the corporation at any meeting or at the pleasure of any officer who may be granted such power by a resolution of the Board of Directors. Any officer may resign at any time upon written notice to the corporation without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party. If any vacancy occurs in any office of the corporation, the Board of Directors may elect a successor to fill such vacancy for the remainder of the unexpired term and until a successor is duly chosen and qualified.

ARTICLE IV

CHAIRMAN OF THE BOARD

Section 4.1 Powers and Duties. If there be one, the Chairman of the Board of Directors, subject to the Board of Directors, shall be the chief executive officer of the corporation. He shall preside at meetings of the shareholders and of the Board of Directors, shall act as chief executive officer of the corporation, and shall do and perform such other things as may from time to time be assigned to him by the Board of Directors. He shall have the power and authority to affix the signature of the corporation to all deeds, conveyances, mortgages, leases, obligations, bonds, contracts, certificates and other papers and instruments in writing which have been authorized or directed by the Board of Directors or which, in his judgment, should be executed on behalf of the corporation.

ARTICLE V

PRESIDENT

Section 5.1 Powers and Duties. The President shall do and perform such duties as may from time to time be assigned to him by the Board of Directors. He shall have the power and authority to affix the signature of the corporation to all deeds, conveyances, mortgages, leases, obligations, bonds, contracts, certificates and other papers and instruments in writing which have been authorized or directed by the Board of Directors or which, in his judgement, should be executed on behalf of the corporation, and to sign certificates for shares of stock of the corporation. In the event of the absence or disability of the Chairman of the Board of Directors, the President shall exercise the powers and perform the duties of the Chairman of the Board of Directors. If there be no Chairman of the Board of Directors, the powers and duties of the President shall include those assigned to the Chairman of the Board of Directors by Article IV, as well as those assigned to the President by this Article.

Section 5.2 President pro tem. If neither the Chairman of the Board, the President, nor any Vice President is present at any meeting of the Board of Directors, a President pro Lem may be chosen to preside and act at such meeting. If neither the President nor any Vice President is present at any meeting of

the shareholders, a President pro Lem may be chosen to preside at such meeting.

ARTICLE VI

VICE PRESIDENT

Section 6.1 Powers and Duties. In case of the absence, disability or death of the President, the Vice President, or one of the Vice Presidents, shall exercise all the powers and perform all the duties of the President. If there is more than one Vice President, the order in which the Vice Presidents shall succeed to the powers and duties of the President shall be as fixed by the Board of Directors. The Vice President or Vice Presidents shall have such other powers and perform such other duties as may be granted or prescribed by the Board of Directors.

ARTICLE VII

SECRETARY

Section 7.1 Powers and Duties. The powers and duties of the Secretary are:

(a) To keep a book of minutes at the principal office of the corporation, or such other place as the Board of Directors may order, of all meetings of its directors and shareholders with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of shares present or represented at shareholders' meetings and the proceedings thereof.

(b) To keep the seal of the corporation and to affix the same to all instruments which may require

(c) To keep or cause to be kept at the principal office of the corporation, or at the office of the transfer agent or agents, a share register, or duplicate share registers, showing the names of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for shares, and the number and date of cancellation of every certificate surrendered for cancellation.

(d) To keep a supply of certificates for shares of the corporation, to fill in all certificates issued, and to make a proper record of each such issuance; provided, that so long as the corporation shall have one or more duly appointed and acting transfer agents of the shares, or any class or series of shares, of the corporation, such duties with respect to such shares shall be performed by such transfer agent or transfer agents.

(e) To transfer upon the share books of the corporation any and all shares of the corporation; provided, that so long as the corporation shall have one or more duly appointed and acting transfer agents of the shares, or any class or series of shares, of the corporation, such duties with respect to such shares shall be performed by such transfer agent or transfer agents, and the method of transfer of each certificate shall be subject to the reasonable regulations of the transfer agent to which the certificate is presented for transfer, and also, if the corporation then has one or more duly appointed and acting registrars, to the reasonable regulations of the registrar to which the new certificate is presented for registration; and provided, further, that no certificate for shares of stock shall be issued or delivered or, if issued or delivered, shall have any validity whatsoever until and unless it has been signed or authenticated in the manner provided in Section 12.4 hereof.

(f) To make service and publication of all notices that may be necessary or proper, and without command or direction from anyone. In case of the absence, disability, refusal or neglect of the Secretary to make service or publication of any notices, then such notices may be served and/or published by the President or a Vice President, or by any person thereunto authorized by either of them or by the Board of Directors or by the holders of a majority of the outstanding shares of the corporation.

(g) Generally to do and perform all such duties as pertain to the office of Secretary and as may be required by the Board of Directors.

ARTICLE VIII

CHIEF FINANCIAL OFFICER AND TREASURER

Section 8.1 Powers and Duties. The powers and duties of the Chief Financial Officer and Treasurer are:

(a) To supervise and control the keeping and maintaining of adequate and correct accounts of the corporation's properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall at all reasonable times be open to inspection by any director.

(b) To have the custody of all funds, securities, evidence of indebtedness and other valuable documents of the corporation and, at the discretion of the Chief Financial Officer and Treasurer to cause any or all thereof to be deposited for the account of the corporation with such depository as may be designated from time to time by the Board of Directors.

(c) To receive or cause to be received, and to give or cause to be given, receipts and acquittances for moneys paid in for the account of the corporation.

(d) To pay out of the corporation funds on hand all just debts of the corporation of whatever nature upon maturity of the same and to disburse, or cause to be disbursed, all funds of the corporation as may be directed by the Board of Directors, taking proper vouchers for such disbursements.

(e) To render to the Chairman of the Board, to the President and to the Board of Directors, whenever they may require, accounts of all transactions and of the financial condition of the corporation.

(f) Generally to do and perform all such duties as pertain to the office of Chief Financial Officer and Treasurer and as may be required by the Board of Directors.

ARTICLE IX

COMMITTEES OF THE BOARD

Section 9.1 Appointment and Procedure. The Board of Directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, including an Audit Committee, each consisting of two or more directors, to serve at the pleasure of the Board. The Board may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee.

Section 9.2 Powers. Any committee appointed by the Board of Directors, to the extent provided in the resolution of the Board or in these By-Laws, shall have all the authority of the Board except with respect to:

- (a) the approval of any action which requires the approval or vote of the shareholders;
- (b) the filling of vacancies on the Board or on any committee;
- (c) the fixing of compensation of the directors for serving on the Board or on any committee;
- (d) the amendment or repeal of By-Laws or the adoption of new By-Laws;
- (e) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;
- (f) a distribution to the shareholders of the corporation, except at a rate or in a periodic amount or within a price range determined by the Board;
- (g) the appointment of other committees of the Board or the members thereof.

Section 9.3 Executive Committee. In the event that the Board of Directors appoints an Executive Committee, such Executive Committee shall include the Chairman of the Board, if any, as one of its members. In all cases in which specific directions to the contrary shall not have been given by the

Board of Directors, such Executive Committee shall have and may exercise, during the intervals between the meetings of the Board of Directors, all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation (except as provided in Section 9.2 hereof) in such manner as the Executive Committee may deem in the best interests of the corporation.

ARTICLE X

MEETINGS OF SHAREHOLDERS

Section 10.1 Place of Meetings. Meetings (whether regular, special or adjourned) of the shareholders of the corporation shall be held at the principal office for the transaction of business as specified in accordance with Section 1.1 hereof, or any place within or without the State which may be designated by written consent of all the shareholders entitled to vote thereat, or which may be designated by the Board of Directors.

Section 10.2 Time of Annual Meetings. The annual meeting of the shareholders shall be held at the hour of 10:00 o'clock in the forenoon on the third Tuesday in April in each year, if not a legal holiday, and if a legal holiday, then on the next succeeding business day not a legal holiday, or such other time or date as may be set by the Board of Directors.

Section 10.3 Special Meetings. Special meetings of the shareholders may be called by the Board of Directors, the Chairman of the Board, the President or the holders of shares entitled to cast not less than 10% of the vote at the meeting.

Section 10.4 Notice of Meetings. (a) Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given not less than 10 nor more than 60 days before the day of the meeting to each shareholder entitled to vote thereat. Such notice shall state the place, date and hour of the meeting and (1) in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (2) in the case of the annual meeting, those matters which the Board, at the time of the mailing of the notice, intends to present for action by the shareholders, but subject to the provisions of subdivision (b) any proper matter may be presented at the meeting for such action. The notice of any meeting at which directors are to be elected shall include the names of

nominees intended at the time of the notice to be presented by management for election.

(b) Any shareholder approval at a meeting, other than unanimous approval by those entitled to vote, on any of the matters listed below shall be valid only if the general nature of the proposal so approved was stated in the notice of meeting or in any written waiver of notice:

(1) a proposal to approve a contract or other transaction between the corporation and one or more of its directors, or between the corporation and any corporation, firm or association in which one or more directors has a material financial interest;

(2) a proposal to amend the Articles;

(3) a proposal regarding a reorganization, merger or consolidation involving the corporation;

(4) a proposal to wind up and dissolve the corporation;

(5) a proposal to adopt a plan of distribution of the share, obligations or securities of any other corporation, domestic or foreign, or assets other than money which is not in accordance with the liquidation rights of any preferred shares as specified in the Articles.

Section 10.5 Delivery of Notice. Notice of a shareholders' meeting or any report shall be given either personally or by mail or other means of written communication, addressed to the shareholder at the address of such shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice; or if no such address appears or is given, at the place where the principal executive office of the corporation is located or by publication at least once in a newspaper of general circulation in the county in which the principal executive office is located. The notice or report shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication. An affidavit of mailing of any notice or report in accordance with the provisions of this section, executed by the secretary or any transfer agent, shall be prima facie evidence of the giving of the notice or report.

If any notice or report addressed to the shareholders at the address of such shareholder appearing on the books of the corporation is returned to the corporation by United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice or report to the shareholder at such address, all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available for the shareholder upon written demand of the shareholder at the principal executive office of the corporation for a period of one year from the date of the giving of the notice to all other shareholders.

Section 10.6 Adjourned Meetings. When a shareholders' meeting is adjourned to another time or place, unless the By-Laws otherwise require and except as provided in this section, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting, if the adjournment is for more than 45 days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 10.7 Attendance at Shareholders' Meeting. Attendance of a person at a meeting of shareholders shall constitute a waiver of notice of such meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by the California General Corporation Law to be included in the notice but not so included in the notice if such objection is expressly made at the meeting.

Section 10.8 Quorum. (a) The presence in person or by proxy at any meeting of persons entitled to cast a majority of the votes entitled to be cast by the outstanding voting shares shall constitute a quorum for the transaction of business. If a quorum is present, the affirmative vote of a majority of the votes entitled to be cast by the shares represented at the meeting and entitled to vote on any matter shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by law or the Articles or these By-Laws and except as provided in subdivision (b).

(b) The shareholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by an affirmative vote equal to at least a majority of the votes required to constitute a quorum.

(c) In the absence of a quorum, any meeting of shareholders may be adjourned from time to time by the vote of a majority of the votes entitled to be cast by the shares represented either in person or by proxy, but no other business may be transacted, except as provided in subdivision(b).

Section 10.9 Actions Without Meeting. (a) Any action which may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted; provided that, subject to the provisions of Section 2.6, directors may not be elected by written consent except by unanimous written consent of all shares entitled to vote for the election of directors.

(b) Unless the consents of all shareholders entitled to vote have been solicited in writing,

(1) notice of any shareholder approval on matters described in subparagraphs (1), (3) or (5) of subdivision (b) of Section 10.4 or respecting indemnification of agents of the corporation without a meeting by less than unanimous written consent shall be given at least ten (10) days before the consummation of the action authorized by such approval, and

(2) prompt notice shall be given of the taking of any other corporate action approved by shareholders without a meeting by less than unanimous written consent, to those shareholders entitled to vote who have not consented in writing; the provisions of Section 10.5 shall apply to such notice.

Section 10.10 Revocation of Consent. Any shareholder giving a written consent, or the shareholder's proxyholders, or a transferee of the shares or a personal representative of the shareholder or their respective proxyholders, may revoke the consent by a writing received by the corporation prior to the time that written consents of the number of shares required to authorize the proposed action have been filed with the secretary of the corporation, but may not do so thereafter. Such revocation is effective upon its receipt by the secretary of the corporation.

Section 10.11 Voting Rights. Except as provided in Section 10.13 or in the Articles or in the Certificate of Determination of Preferences of any series of preferred shares or in any statute relating to the election of directors or to other particular matters, each holder of preferred shares entitled to be voted shall be entitled to eight votes for each preferred share and each holder of common shares entitled to be voted shall be entitled to one vote for each common share with respect to each matter submitted to a vote of shareholders. A fraction of a share shall not be entitled to any voting rights whatsoever. Any holder of shares entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, other than elections to office, but, if the shareholder fails to specify the number of shares such shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares such shareholder is entitled to vote.

Section 10.12 Determination of Holders of Record. (a) In order that the corporation may determine the shareholders entitled to notice of any meeting or to vote or entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days prior to the date of such meeting nor more than 60 days prior to any other action.

(b) In the absence of any record date set by the Board of Directors pursuant to subdivision (a) above, then:

(1) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the

business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(2) The record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written consent is given.

(3) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto, or the 60th day prior to the date of such other action, whichever is later.

(c) A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting, but the Board shall fix a new record date if the meeting is adjourned for more than 45 days from the date set for the original meeting.

(d) Shareholders on the record date are entitled to notice and to vote or to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the Articles or these By-Laws or by agreement or applicable law.

Section 10.13 Elections for Directors. (a) Every shareholder complying with subdivision (b) and entitled to vote at any election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are entitled, or distribute the shareholder's votes on the same principle among as many candidates as the shareholder thinks fit.

(b) No shareholder shall be entitled to cumulate votes (i.e., cast for any one or more candidates a number of votes greater than the number of votes to which the shareholder's shares are entitled pursuant to Section 10.11) unless such candidate or candidates' names have been

placed in nomination prior to the voting and the shareholder has given written notice to the chairman of the meeting at the meeting prior to the voting of the shareholder's intention to cumulate the shareholder's votes. If any one shareholder has given such notice, all shareholders may cumulate their votes for candidates in nomination.

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

(d) Elections for directors need not be by ballot unless a shareholder demands election by ballot at the meeting and before the voting begins or unless the By-Laws so require.

Section 10.14 Proxies. (a) Every person entitled to vote shares may authorize another person or persons to act by proxy with respect to such shares. Any proxy purporting to be executed in accordance with the provisions of the General Corporation Law of the State of California shall be presumptively valid.

(b) No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy continues in full force and effect until revoked by the person executing it prior to the vote pursuant thereto, except as otherwise provided in this section. Such revocation may be effected by a writing delivered to the corporation stating that the proxy is revoked or by a subsequent proxy executed by, or by attendance at the meeting and voting in person by, the person executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmark dates on the envelopes in which they are mailed.

(c) A proxy is not revoked by the death or incapacity of the maker unless, before the vote is counted, written notice of such death or incapacity is received by the corporation.

Section 10.15 Inspectors of Election. (a) In advance of any meeting of shareholders the Board may appoint inspectors of election to act at the meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons

so appointed fail to appear or refuse to act, the chairman of any meeting of shareholders may, and on the request of any shareholder or a shareholder's proxy shall, appoint inspectors of election (or persons to replace those who so fail or refuse) at the meeting. The number of inspectors shall be either one or three. If appointed at a meeting on the request of one or more shareholders or proxies, the holders of shares entitled to cast a majority of the votes entitled to be cast by the shares represented in person or by proxy shall determine whether one or three inspectors are to be appointed.

(b) The inspectors of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies, receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine when the polls shall close, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders.

(c) The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

Section 10.16 Voting Powers on Default in Dividends. Reference is hereby made to paragraph (1) of Section 5.1 of Article V of the Articles for provisions concerning changes in voting powers of preferred shares and common shares of the corporation and procedure for election of directors in case of certain defaults in payment of dividends on preferred shares.

ARTICLE XI

MEETINGS OF DIRECTORS

Section 11.1 Place of Meetings. Unless otherwise specified in the notice thereof, meetings (whether regular, special or adjourned) of the Board of Directors of this corporation shall be held at the principal office of the

corporation for the transaction of business, as specified in accordance with Section 1.1 hereof, which is hereby designated as an office for such purpose in accordance with the laws of the State of California, or at any other place within or without the State which has been designated from time to time by resolution of the Board or by written consent of all members of the Board.

Section 11.2 Regular meetings. Regular meetings of the Board of Directors, of which no notice need be given except as required by the laws of the State of California, shall be held after the adjournment of each annual meeting of the shareholders (which meeting shall be designated the Regular Annual Meeting) and at the hour of 11:00 o'clock in the forenoon on the fourth Tuesday in January and on the third Tuesday in April, July and October, if not a legal holiday, and if a legal holiday, then on the next succeeding business day not a legal holiday.

Section 11.3 Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board or the President or by any Vice President or the Secretary or by any two or more of the directors.

Section 11.4 Notice of Meetings. Except in the case of regular meetings, notice of which has been dispensed with, the meetings of the Board of Directors shall be held upon four (4) days' notice by mail or forty-eight (48) hours' notice delivered personally or by telephone, telegraph or other electronic or wireless means. If the address of a director is not shown on the records and is not readily ascertainable, notice shall be addressed to him at the city or place in which the meetings of the directors are regularly held. Except as set forth in Section 11.6, notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place be fixed at the meeting adjourned.

Section 11.5 Quorum. A majority of the authorized number of directors constitutes a quorum of the Board for the transaction of business. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors except as otherwise provided by law. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 11.6 Adjourned Meetings. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 11.7 Waiver of Notice and Consent. (a) Notice of a meeting need not be given to any director who signs a waiver of notice, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director.

(b) The transactions of any meeting of the Board, however called and noticed or wherever held, are as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 11.8 Action Without a Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such directors.

Section 11.9 Conference Telephone Meetings. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting pursuant to this section constitutes presence in person at such meeting.

Section 11.10 Meetings of Committees. The provisions of this Article apply also to committees of the Board and action by such committees.

ARTICLE XII

SUNDRY PROVISIONS

Section 12.1 Instruments in Writing. All checks, drafts, demands for money and notes of the corporation, and all written contracts of the corporation, shall be signed by such officer or officers, agent or agents, as the Board of Directors may from time to time by resolution designate. No officer, agent, or employee of the corporation shall have power to bind the corporation by contract or otherwise unless authorized to do so by these By-Laws or by the Board of Directors.

Section 12.2 Fiscal Year. The fiscal year of this corporation shall be the calendar year.

Section 12.3 Shares Held by the Corporation. Shares in other corporations standing in the name of this corporation may be voted or represented and all rights incident thereto may be exercised on behalf of this corporation by the President or by any other officer of this corporation authorized so to do by resolution of the Board of Directors.

Section 12.4 Certificates of Stock. There shall be issued to each holder of fully paid shares of the capital stock of the corporation a certificate or certificates for such shares. Every holder of shares in the corporation shall be entitled to have a certificate signed in the name of the corporation by the Chairman or Vice Chairman of the Board or the President or a Vice President and by the Chief Financial Officer and Treasurer or the Secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

Section 12.5 Lost Certificates. The Board of Directors may by resolution provide that in the event any certificates for shares of the capital stock of the corporation shall be alleged to have been lost or destroyed, no new certificate or certificates shall be issued in lieu thereof until an indemnity bond in such form and in such amount as shall be approved by the

President or a Vice President of the corporation shall have been furnished. The Board of Directors may adopt such other provisions and restrictions with reference to lost certificates as it shall in its discretion deem appropriate.

Section 12.6 Certification and Inspection of By-Laws. The corporation shall keep at its principal executive office in this state, or if its principal executive office is not in this state at its principal business office in this state, the original or a copy of these By-Laws as amended to date, which shall be open to inspection by the shareholders at all reasonable times during office hours. If the principal executive office of the corporation is outside this state and the corporation has no principal business office in this state, it shall upon the written request of any shareholder furnish to such shareholder a copy of the By-Laws as amended to date.

Section 12.7 Notices. Any reference in these By-Laws to the time a notice is given or sent means, unless otherwise expressly provided, the time a written notice by mail is deposited in the United States mails, postage prepaid; or the time any other written notice is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient; or the time any oral notices communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

Section 12.8 Reports to Shareholders. The Board of Directors shall cause an annual report to be sent to the shareholders not later than 120 days after the close of the fiscal year or within such shorter time period as may be required by applicable law, and such annual report shall contain such information and be accompanied by such other documents as may be required by applicable law.

Section 12.9 No Closing of Stock Transfer Books. The Board of Directors shall set a record date to determine shareholders eligible to receive dividends, rights, distributions and the like, and to vote at meetings of shareholders, and the transfer books shall not be closed in connection therewith.

Section 12.10 Indemnification of Directors, Officers and Employees. (a) For the purpose of this section, "agent" means

any person who is or was a director, officer, employee or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or was a director, officer, employee or agent of a foreign or domestic corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation; "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and "expenses" includes without limitation attorneys' fees and any expenses of establishing a right to indemnification under subdivision (d) or paragraph (3) of subdivision (e).

(b) Subject to the specific determination required by subdivision (e), the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the corporation) by reason of the fact that such person is or was an agent of the corporation, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the corporation or that the person had reasonable cause to believe that the person's conduct was unlawful.

(c) Subject to the specific determination required by subdivision (e), the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was an agent of the corporation, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use

under similar circumstances. No indemnification shall be made under this subdivision (c):

(1) In respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation in the performance of such person's duty to the corporation, unless and only to the extent that the court in which such action was brought shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonable entitled to indemnity for the expenses which such court shall determine; or

(2) Of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

(3) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval.

(d) To the extent that an agent of the corporation has been successful on the merits in defense of any proceeding referred to in subdivision (b) or (c) or in defense of any claim, issue or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

(e) Except as provided in subdivision (d), any indemnification under this section shall be made by the corporation only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in subdivision (b) or (c), by:

(1) A majority vote of a quorum consisting of directors who are not parties to such proceeding; or

(2) Approval of the shareholders, with the shares owned by the person to be indemnified not being entitled to vote thereon; or

(3) The court in which such proceeding is or was pending upon application made by the corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or

not such application by the agent, attorney or other person is opposed by the corporation.

(f) Expenses incurred in defending any proceeding may be advanced by the corporation prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this section.

(g) No provision made by the corporation to indemnify its or its subsidiary's directors or officers for the defense of any proceeding, whether contained in a resolution of shareholders or directors, an agreement or otherwise, shall be valid unless consistent with this section. Nothing contained in this section shall affect any right to indemnification to which persons other than such directors and officers may be entitled by contract or otherwise.

(h) No indemnification or advance shall be made under this section, except as provided in subdivision (d) or paragraph (3) of subdivision (e), in any circumstance where it appears:

(1) That it would be inconsistent with a provision of the Articles, By-Laws, a resolution of the shareholders or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(2) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

(i) The corporation shall have power to purchase and maintain insurance on behalf of any agent of the corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not the corporation would have the power to indemnify the agent against such liability under the provisions of this section.

(j) This section does not apply to any proceeding against any trustee, investment manager or other

fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the corporation as defined in subdivision (a). Nothing contained in this section shall limit any right to indemnification to which such a trustee, investment manager or other fiduciary may be entitled by contract or otherwise, which shall be enforceable to the extent permitted by applicable law other than this section.

(k) Nothing in this section shall restrict the power of the corporation to indemnify its agents under any provision of the California General Corporation Law, as amended from time to time, or under any other provision of law from time to time applicable to the corporation, nor shall anything in this section authorize the corporation to indemnify its agents in situations prohibited by the California General Corporation Law or other applicable law.

ARTICLE XIII

CONSTRUCTION OF BY-LAWS WITH REFERENCE TO PROVISIONS OF LAW

Section 13.1 Definitions. Unless defined otherwise in these By-Laws or unless the context otherwise requires, terms used herein shall have the same meaning, if any, ascribed thereto in the California General Corporation Law, as amended from time to time.

Section 13.2 By-Law Provisions Additional and Supplemental to Provisions of Law. All restrictions, limitations, requirements and other provisions of these By-Laws shall be construed, insofar as possible, as supplemental and additional to all provisions of law applicable to the subject matter thereof and shall be fully complied with in addition to the said provisions of law unless such compliance shall be illegal.

Section 13.3 By-Law Provisions Contrary to or Inconsistent with Provisions of Law. Any article, section, subsection, subdivision, sentence, clause or phrase of these By-Laws which upon being construed in the manner provided in Section 13.2 hereof, shall be contrary to or inconsistent with any applicable provision of law, shall not apply so long as said provisions of law shall remain in effect, but such result shall not affect the validity or applicability of any other portions of these

By-Laws, it being hereby declared that these By-Laws would have been adopted and each article, section, subsection, subdivision, sentence, clause or phrase thereof, irrespective of the fact that any one or more articles, sections, subsections, subdivisions, sentences, clauses or phrases is or are illegal.

ARTICLE XIV

ADOPTION, AMENDMENT OR REPEAL OF BY-LAWS

Section 14.1 By Shareholders. By-Laws may be adopted, amended or repealed by the affirmative vote of a majority of the votes entitled to be cast by the outstanding voting shares of the corporation.

Section 14.2 By the Board of Directors. Subject to the right of shareholders to adopt, amend or repeal By-Laws, By-Laws other than a By-Law or amendment thereof changing the authorized number of directors may be adopted, amended or repealed by the Board of Directors. A By-Law adopted by the shareholders may restrict or eliminate the power of the Board of Directors to adopt, amend or repeal any or all By-Laws.

CERTIFICATE OF SECRETARY

KNOW ALL MEN BY THESE PRESENTS:

I _____, Secretary of SJW Corp., a California corporation, hereby certify that the foregoing is a full, true and correct copy of the By-Laws of said corporation, and that the same were in effect on _____, and are in effect at the date of this certificate.

IN WITNESS WHEREOF, I have hereunto set my name and seal of said SJW Corp. this ____ day of _____, 19_____.

- -----
Secretary of SJW Corp.

JANUARY 24, 1989 AMENDMENT

BY-LAWS OF
SJW CORP

At the regular meeting of the Board of Directors of SJW Corp held on January 24, 1989, Section 12.10 of the By-Laws was deleted in its entirety.

By-Laws

OF

SJW Corp.

(a California Corporation)

Adopted April 16, 1985

AS AMENDED

January 24, 1989 and October 20, 1994.

JANUARY 24, 1989 AMENDMENT

TO

BY-LAWS OF

SJW CORP.

At the regular meeting of the Board of Directors of SJW Corp. on January 24, 1989, Section 12.10 of the By-Laws was deleted in its entirety.

OCTOBER 20, 1994 AMENDMENT

TO

BY-LAWS OF

SJW CORP.

At the regular meeting of the Board of Directors of SJW Corp. held on October 20, 1994, Section 2.2 (c) of the By-Laws was in its entirety to read as follows:

(c) The exact number of directors of the Corporation is fixed, within the limits set forth in clause (a) of this Section 2.2, at nine.

JULY 19, 2001 AMENDMENT
TO THE BY-LAWS OF
SJW CORP.

"Whereas, the shareholders of the Corporation at the annual meeting of shareholders held July 19, 2001 adopted by majority vote of those present in person and those present by proxy that the number of the Corporation's directors shall not be less than nine nor more than eleven, and that the exact number of directors of the Corporation be and is fixed at ten,

IT IS RESOLVED that existing sections 2.2(a) and 2.2(c) of the By-Laws of the Corporation are deleted in their entirety and replaced as follows:

"2.2(a) the number of the Corporation's directors shall not be less than nine nor more than eleven, the exact number of which shall be fixed by a By-Law duly adopted by the shareholders or by the Board of Directors;"

"2.2(c) the exact number of directors of the Corporation is fixed, within the limits set forth in clause (a) of this Section 2.2, at ten."

IT IS FURTHER RESOLVED that the foregoing amendments be recorded in the minutes of the Corporation and physically attached to and incorporated within all official copies of the By-Laws of the Corporation." ///

CONTRACT BETWEEN SANTA CLARA VALLEY WATER DISTRICT AND
SAN JOSE WATER WORKS
FOR A SUPPLY OF TREATED WATER

THIS CONTRACT is made and entered into on January 27, 1981, between the SANTA CLARA VALLEY WATER DISTRICT, hereinafter referred to as "District", and SAN JOSE WATER WORKS, hereinafter referred to as "Contractor" and supersedes previous water service contracts between District and Contractor.

RECITALS:

A. District has executed contracts with the State of California Department of Water Resources and the United States Bureau of Reclamation, whereby District is and will be entitled to receive imported water and District intends to continue construction of a system within the boundaries of District to distribute water so received.

B. Included within said system are facilities to treat and filter such water; and Contractor is desirous of obtaining a supply of treated water from District.

AGREEMENT: For and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

ARTICLE A. INTRODUCTORY PROVISIONS

1. Definitions - When used in this contract, the following terms shall have the meanings hereinafter set forth:

a) "Fiscal Year" shall mean each 12-month period during the term hereof commencing July 1 of one year and terminating June 30 of the next succeeding year, both dates inclusive.

b) "Each Contractor", or "Other Contractor", shall mean any entity, public or private, contracting with District for a supply of treated water.

c) The "Act" shall mean the Santa Clara Valley Water District Act, as amended.

d) "Board" shall mean the Board of Directors of the Santa Clara Valley Water District.

2. Term of Contract

a) This contract shall become effective on the date first above written and shall remain in effect for a period of 70 years or until all loans and all bonds, the proceeds of sale of which have been used for the construction of water treatment and distribution facilities have been retired, whichever period shall be longer, provided, however, that in no event shall the term of this contract be deemed to extend beyond the period authorized by law.

b) The term of this contract may be extended for an additional term of years upon such terms and conditions as may be set forth in a written agreement of the parties hereto executed at least eighteen (18) months prior to expiration of the terms specified in the preceding Subsection 2a. If no such agreement shall be so executed, this contract shall terminate as specified in said Subsection 2a unless at least one year prior to said termination date Contractor shall notify District in writing that Contractor desires to extend the term hereof; in such event, said term shall

be extended for an additional period of five years upon the covenants, agreements and conditions herein contained.

3. Successors and Assigns - Subject to the provisions of the succeeding Section 4 hereof, this contract and all the terms, covenants, agreements and conditions herein contained shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

4. Assignment - No assignment or transfer by Contractor of this contract or any part hereof, or of any rights hereunder or interest herein of Contractor, shall be valid unless approved by District, which approval District agrees shall not be unreasonably withheld. The foregoing provisions of this Section 4 to the contrary notwithstanding, no consent shall be required on an assignment to a Public Agency with the power of eminent domain; provided, such Public Agency expressly assumes the obligations of this contract and provided, further, that if said Public Agency assumes only a portion of the obligations of this contract, Contractor shall remain obligated for the remainder, or in the event Contractor shall sell, transfer, or convey any part or parts or its water system to any entity, public or private, Contractor may assign to the purchaser thereof a portion of Contractor's rights, privileges and obligations hereunder and, in the event of any such assignment Contractor shall be relieved of such portion of such obligations of Contractor so assigned if, following such sale, transfer or conveyance, District shall commence to furnish treated water to such entity, or District under a contract with such entity existing prior to such sale, transfer or conveyance increases the amount of treated water delivered to such entity in order to meet in part the increased water requirements of such entity resulting from such sale, transfer or conveyance.

5. Adjustment of Schedule Purchases upon Other Water Service to Projected Service Area - Where Contractor has prepared and submitted a proposed water delivery schedule to District for an ensuing three-year period in accordance with Article B hereof in reasonable anticipation of and reliance upon projected water service by Contractor to its existing or future customers who receive or would receive service within a service area which shall be defined and may be amended from time to time by Contractor and attached

hereto, as Exhibit A, and the schedule has been approved and made binding upon Contractor in accordance with Article B hereof, and where, in lieu of Contractor, any agency, public or private shall thereafter provide treated water service to any such customers and the existence of such circumstance and the necessity of Contractor to reduce its delivery schedule being shown to District and acknowledged by District to be facts (such acknowledgment to be in no case unreasonably withheld), then Contractor's said delivery schedule shall at its option be amended promptly in such manner as to reduce Contractor's scheduled water purchases from District hereunder by an amount fairly commensurate with such reduction of Contractor's anticipated or projected water service.

ARTICLE B. WATER SERVICE PROVISIONS

1. Water Delivery Schedules

a) On October 15, 1980, and every three years thereafter, Contractor shall submit in writing a proposed delivery schedule for the ensuing three-year period beginning July 1 of the following year. The proposed delivery schedule shall be submitted on a form provided by the District and shall indicate the amounts of treated water desired by Contractor during each year of the ensuing three-year period. Except as provided in Subsection c of this section, Contractor agrees that in submitting a proposed water delivery schedule it will not request an amount of water for each year which shall be less in total than 95 percent of the amount for the fiscal year containing the maximum amount in the then current three-year schedule unless Contractor shall have assigned or agreed to assign a portion of its rights, privileges, and obligations hereunder pursuant to the provisions of Article A, Section 4, hereof and i) District has consented to such assignment, or ii) Contractor otherwise shall have been relieved of a portion of its obligations hereunder pursuant to the provisions of said Article A, Section 4; that following occurrence of either event specified in the preceding clauses i) and ii), the foregoing provisions of this Subsection a) shall apply only to the unassigned portion of the Contractor's rights and obligations hereunder.

b) Upon receipt of such delivery schedule, District shall review same, and after consultation with Contractor and Other Contractors receiving treated water from District, shall approve such schedule or make such reductions therein as are consistent with District's ability to deliver water to Contractor and Other Contractors; provided, however, that subject to availability of funds, financing policies, construction schedules, and operating schedules, District will make every reasonable effort to approve each proposed delivery schedule submitted by Contractor and Other Contractors. Except as provided in Subsection c of this section, District agrees that it will approve a delivery schedule for said ensuing schedule period which will not be less in total amount for each fiscal year of said schedule period than 95 percent of the maximum fiscal year set forth in the then current schedule period. Notwithstanding the provisions of Subsections a and b of this section, either Contractor or District may request that the minimum amount of water for each fiscal year in the ensuing three-year schedule period be reduced to a lesser minimum amount than prescribed in Subsections a and b. Upon written agreement by both Contractor and District, based on a showing of extraordinary circumstances, the delivery schedule may be approved at such lesser amount.

d) The approved delivery schedule shall be transmitted to Contractor prior to December 31 of the year in which the proposed delivery schedule is submitted. The approved delivery schedule for fiscal years 1976-77 through 1980-81 is set forth in Exhibit B, attached hereto and by this reference made a part hereof.

e) For operating and planning purposes, Contractor shall, on forms provided by District, annually supply District with Contractor's anticipated monthly delivery schedules for the ensuing year and such information reasonably needed by District to determine projected annual deliveries for the next ensuing five years. Contractor's anticipated monthly delivery schedules shall not constitute a commitment by Contractor to receive the amounts of water set forth therein but shall establish the monthly schedule

amounts of treated water to be delivered to Contractor for certain purposes under Article C hereof.

2. Amounts of Water - Rates of Flow

a) District agrees to deliver to Contractor during each fiscal year or fractional fiscal year of this Contract, as the case may be, the amounts of treated water set forth on the approved delivery schedule for each year or fractional fiscal year, as the case may be.

b) District agrees to deliver to Contractor on demand in any month during the term of this contract at least 15 percent of the total amount of treated water which District has theretofore agreed to deliver to Contractor during the applicable fiscal year as shown on the approved delivery schedule.

c) District further agrees to provide facilities capable of delivering and will deliver the amounts of water prescribed by Subsections a and b of this section on demand of Contractor at rates of flow up to an instantaneous maximum flow rate equivalent to 205 percent of the then current annual volume shown on the approved delivery schedule expressed as an equivalent uniform flow rate over the full year for an aggregate of 72 hours in any month and for such additional hours in any month as District has the capability to deliver at said rate, provided that District, at such times during the remainder of such month when District does not have the capability to deliver at said rate, may reduce such rate to an instantaneous maximum flow rate not to exceed 180 percent of said annual volume expressed as an equivalent uniform flow rate over the full year.

d) Notwithstanding the foregoing, during the period July 1, 1979 to June 30, 1990, District may limit the maximum flow rate for each Contractor to 180 percent of the then current annual volume of that Contractor shown on the approved water delivery schedule expressed as an equivalent uniform rate over the full year. District will give Contractor reasonable prior notice of any such proposed limit of maximum flow rate.

3. Delivery Structures

a) Water delivered to Contractor pursuant to this contract shall be provided from District facilities through delivery structures to be located at such locations as may be mutually agreed upon. Such delivery structures shall be designed and constructed or caused to be constructed by District. Design and bid costs shall be subject to favorable review and approval by the Contractor prior to award of construction contract for the delivery structure. District shall pay for the cost of the land, automated controls and reporting systems, nozzle turnout and shutoff valve portion of each of said structures, and Contractor shall pay the total cost of acquiring and installing the measuring devices, the vault or housing and the flow regulating devices, if any, of each of said structures as said devices and facilities are shown on Exhibit C attached hereto and by this reference made a part hereof. Upon thirty (30) days' written notice by District, Contractor shall deposit with District prior to such acquisition and installation an amount of money estimated by District to be sufficient to cover such cost to be borne by Contractor. In the event such estimate proves to be low, Contractor shall pay to District upon written demand therefor the difference between District's estimate and the actual cost to be borne by Contractor. In the event such estimate proves to be high, District shall refund to Contractor promptly the difference between the actual cost to be borne by Contractor and the amount of said deposit.

b) Title to all delivery structures and to all appurtenances up to and including the control valve shall be in District and Contractor shall have no obligations or responsibilities with respect thereto and shall be under no obligation to operate, maintain, repair, replace or relocate the same.

4. Measurement of Water Delivered - District shall measure all water delivered to Contractor and shall keep and maintain accurate and complete records thereof. For such purpose, District shall install, operate and maintain at all delivery structures such measuring devices and equipment as are satisfactory and acceptable to both parties.

5. Curtailment of Delivery During Maintenance Periods - District will make all reasonable effort to provide continuous service to Contractor but may temporarily discontinue or reduce the delivery of water to Contractor for the purpose of necessary investigation, inspection, maintenance, repair or replacement of any of the facilities necessary for the delivery of treated water to Contractor. District shall notify Contractor as far in advance as possible of any discontinuance or reduction and the estimated duration of such discontinuance or reduction. Recognizing that Contractor will rely on District for uninterrupted deliveries of water particularly during the high water consumption months each year, District agrees to use its best efforts throughout the term of this contract to make any such discontinuance or reduction in the delivery of water only during the period of November through March in any fiscal year. In the event of any discontinuance of or reduction in delivery of water, Contractor may elect to receive the amount of water which otherwise would have been delivered to it during such period under the approved water delivery schedule for that fiscal year at other times during such year, consistent with District's delivery ability considering the then current delivery schedules of all other Contractors.

6. Suspension of Service Upon Default - In the event of any default by Contractor in the payment of any money required to be paid to District hereunder, District may, upon not less than three months' written notice to Contractor, suspend deliveries of water under this contract for so long as such default shall continue, provided, however, that during such period Contractor shall remain obligated to make all payments required under this contract and provided, further, that such delinquent amount shall accrue interest at the rate of one-half of one percent per month commencing on the due date of such delinquent amount and continuing until both the principal amount of such charges and the interest thereon are paid in full. Such suspension of delivery taken pursuant to this Section 6 shall not deprive District of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract. In the event of any disagreement between Contractor and District as to the amount of any bill rendered to Contractor by District, water service shall not be discontinued if the disputed amount thereof is placed on deposit with District. Such deposit shall not preclude review and adjustment of any water bill as set forth in Article C, Section 8, hereof.

7. Water Quality - District agrees that all water to be delivered by it to Contractor pursuant to the terms of this contract will be pure, palatable, wholesome, potable and healthful and that all such water will be of such quality that the same may be used for domestic purposes at the points of delivery thereof to Contractor without further treatment. District understands that Contractor is a public utility furnishing water to its customers for domestic purposes and that water to be delivered by it to Contractor hereunder will be delivered by Contractor to said customers. District agrees that its system shall be constructed and operated during the term hereof in accordance with a permit or permits, including temporary permits, to be issued by the State Department of Health Services, copies of which will be furnished to Contractor upon receipt by District. District agrees that the treated water to be delivered to Contractor pursuant to this contract shall conform to the quality requirements set forth in the then current primary and secondary standards for domestic water quality and monitoring regulations adopted by the California State Department of Health. Should the need arise, District and Contractor will cooperate fully in adjusting their respective processes to the extent reasonably practicable, and provided such adjustments do not affect other Contractors, to aid the Contractor in conforming to such law within the Contractor's distribution system.

ARTICLE C. PAYMENT PROVISIONS

1. The payments to be made by Contractor and Each Contractor for delivery of treated water shall be a price per acre-foot based upon the pricing policy adopted by the Board, dated January 18, 1971, as from time to time amended, which is set forth in Exhibit D, attached hereto and by this reference made a part hereof, and shall be the total of the basic water charges and treated water surcharge as determined by the District Board for each period for which a rate schedule is effective.

2. In determining the above charges, the basic water charge shall be equal to District's groundwater charge for water other than agricultural water (said words "agricultural water" being defined in the Act) in Zone W-2, which shall be determined annually by the Board in accordance with the legal provisions and requirements of the Act; provided, however, that during each rate period the District will consider all anticipated costs for each

such rate period and will endeavor to establish during the first year of such rate period a groundwater charge that is intended to remain constant for the full rate period.

3. District shall charge for the delivery of treated water in accordance with the rate schedule for water service as such rate schedule is established by the Board. The Board of Directors shall review said rate schedule every three years to determine whether the schedule is in accordance with the most recent and anticipated costs and revenues of District. Accordingly, the Board shall, on or about the second Tuesday in March 1981, but not later than April 15, 1981, establish a rate schedule for the rate period commencing July 1, 1981 through June 30, 1984, and shall follow said procedure for each ensuing three-year period. Each such rate schedule shall be prospective in operation, but shall provide for the recovery of expenditures to be recovered by the basic water charge and the treated water surcharge during the period said rates are in effect and any shortages of revenue for said expenditures that may have been experienced during the preceding rate periods. It is agreed that the rates to be so established shall not be unreasonable or arbitrary, shall be based upon reasonable estimates of costs and water deliveries and shall be the same for Contractor and Other Contractors and all other persons, public or private, purchasing treated water from District, regardless of the point of delivery of such water by District; District agrees to use its best efforts throughout the term of this contract to collect from Other Contractors, and such other persons in accordance with such rate schedules, the appropriate sums of money without deduction or offset according to the respective amounts of treated water delivered by the District.

4. Contractor shall pay District the rate or rates set forth on the rate schedules during the period said rate schedules are effective for all water delivered to the Contractor; provided, however, that Contractor shall pay District at least a minimum charge each year applicable to water scheduled to be delivered in such year, which minimum charge shall be based upon an amount of treated water equal to 90 percent of the total amount of treated water to be delivered to Contractor during that fiscal year as shown on the approved delivery schedule; provided, however, that if Contractor during any other year of the current rate schedule period has purchased water in excess of 90 percent

of the water scheduled to be delivered to Contractor during such other year, such delivery in excess of 90 percent for such other year may be used as a credit against years in such rate schedule period in which Contractor received less than 90 percent of the treated water as shown on the approved delivery schedule, and if Contractor has paid, pursuant to such annual minimum charge, for water not delivered to it, Contractor shall have the right to receive such undelivered water without additional payment during the remainder of the then current rate schedule period at times when District has the delivery capability provided further, however, that:

a) If in any day of any year during the term hereof, District, for any reason, including reduced deliveries pursuant to the provisions of Article D hereof, shall be unable to deliver treated water to Contractor in an amount equal to 1/30 of the then current monthly scheduled amount as set forth in Article B, Section 1(e) as expressed as a uniform daily volume, the then minimum charge for that year shall be based upon an amount of water as calculated above in Section 4 reduced by an amount equal to the reduction required by District for each day a reduced delivery is required.

b) If in any day of any year during the term hereof District shall offer to deliver to Contractor water which shall fail to meet the quality requirements set forth in Article B, Section 7, hereof, then Contractor shall have the right to refuse to accept or reduce deliveries of water from District until such time as such water shall meet said quality requirements. In such event Contractor shall immediately notify District, and confirm in writing within 5 days of the beginning of any such period. In any such year the then minimum charge shall be reduced by an amount equal to the volume of water reduced by the Contractor up to an amount equal to 1/30 of the then current monthly scheduled amount as set forth in Article B, Section 1(e), as expressed as a uniform daily volume for each day that water service is so refused or reduced by the Contractor. If Contractor at any time, or from time to time during the term hereof, should have the right to refuse to accept water from District by reason of the foregoing provisions of this Subsection 4b, but should nevertheless fail to

exercise such right, such failure shall in no event be deemed to waive or limit exercise of such right by Contractor. Except as set forth by the foregoing provisions of this Section 4, Contractor shall not be obligated to pay for any water not accepted by it. Nothing contained in this Section 4 shall in any way be deemed to limit Contractor's obligation to pay for all water accepted by it from District in accordance with the appropriate rate set forth from time to time in District's then applicable rate schedule.

c) If in any year during the term hereof, the Board of Directors of District shall by Resolution place in effect a water reduction program in excess of 10 percent of normal usage, the monthly scheduled amounts or portions thereof, as set forth in Article B, Section 1e, for that portion of the year when such water reduction program is in effect shall be reduced by the same percentage as required by the water reduction program less 10 percent. The Contractor shall be notified in writing of such water reduction program.

5. Surplus - If District shall determine, in accordance with sound accounting practice, that the aggregate of the revenues received by it in any fiscal year, or any rate period, during the term hereof a) from the sale of treated water to Contractor and Other Contractors, b) from the sale of raw water, and c) through collection of the groundwater charges referred to in Article E hereof, has exceeded District's costs and expenses during such year, or rate period, District shall retain such excess and reserve the same for purchases of raw water, construction, maintenance or operation of existing or additional facilities for the importation, conservation, treatment or wholesale distribution of water, reduce its scheduled price of treated water or, subject to the provisions of the Act, reduce said groundwater charges. It is understood that the object in computing rates under this contract is to cover the costs related to the importation, conservation, treatment or wholesale distribution of water.

6. Non-Contract Water - The term "non-contract water" refers to treated water found by District to be available for delivery to the treated water contractors in addition to the scheduled amounts. Non-contract water may be available only at such times and such prices as determined

by the District. District will notify Contractor in writing thereof. Deliveries of non-contract water to Contractor will only be made after Contractor has purchased 100 percent of the monthly scheduled amount as set forth in Article B, Section 1(e). Further, at the end of each fiscal year an adjustment in billing will be made and Contractor will be required to have paid for 100 percent of the approved delivery scheduled amount, less any other adjustments before the purchase of non-contract water is allowed. During any period in which non-contract water is not available and Contractor takes water in excess of its scheduled amount, such water will not be reclassified and will be charged for at the full contract price. Water taken in excess of scheduled amounts during periods when non-contract water is not available may be credited as a part of Contractor's minimum annual charge.

7. Billings - Billings shall be made monthly as follows: On or about the first of each month District will send to Contractor a bill calculated in accordance with the provisions of Article C hereof for all treated water accepted by Contractor from District during the preceding month. The final bill for each fiscal year shall include any sums due for the minimum charge required by Article C, Section 4, hereof. District shall make every effort to make required meter readings on the last day of each calendar month, but District shall be entitled to make such readings three days prior to the close of any calendar month or within five days after the beginning of any calendar month.

8. Time and Method of Payment - Payments shall be made by Contractor to District within twenty 20 days after billing by District. In the event that Contractor in good faith contests the accuracy of any bill submitted to it pursuant to this contract, it shall give District notice thereof at least five (5) days prior to the day upon which payment of the stated amount is due. To the extent that District finds Contractor's contentions regarding the statement to be correct, it shall revise the statement accordingly and Contractor shall make payment of the amounts on or before the due date. To the extent that District does not find Contractor's contentions to be correct or where time is not available for a review of such contentions prior to the due date, Contractor shall pay the billed amount on or before the due date and may make the contested part of such

payment under protest and seek to recover the amount in question from District.

ARTICLE D. AVAILABILITY OF WATER

1. In any year in which there may occur a water shortage by reason of drought or other temporary cause in the supply of water available for delivery to all users, District shall, before reducing other deliveries of water, reduce, or if necessary cease, to the extent permitted by the operation of District's facilities consistent with its obligations to receive water pursuant to the State and/or Federal Contract, all deliveries of untreated water for recharge of groundwaters.

2. If, despite such reduction or cessation of such deliveries of untreated water for groundwater recharge pursuant to the provisions of the preceding Section 1, a further reduction in deliveries shall become necessary if the treated water requirements set forth on the approved delivery schedule of Contractor and Other Contractors are to be met, District shall, before reducing deliveries to Contractor and Other Contractors, reduce the total amount of agricultural water (as defined in the Act) released to others for surface delivery during such fiscal year by an amount equal to the following: namely, the average of the releases of such surface-delivered agricultural water during the preceding three fiscal years multiplied by the percentage by which District's total receipt of water from State and Federal sources for agricultural use (as such use is defined in the State and Federal Contracts) is reduced in such year pursuant to provisions of said contracts.

3. If any reduction in deliveries of treated water shall become necessary following reductions in untreated water pursuant to the provisions of the preceding Sections 1 and 2, District shall reduce deliveries of treated water to Contractor and Other Contractors in an amount which bears the same proportion to the total amount of such reduction that the amount included in such treated water user's approved delivery schedule bears to the total of the amount included in the approved delivery schedule of Contractor and Other Contractors for that fiscal year, all as determined by District; provided that District may apportion on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year. District agrees to notify

Contractor in writing promptly in the event any such reduction in deliveries to Contractor and Other Contractors shall be decided upon and concurrently of the amount of such reduction and of any changes in Contractor's approved delivery schedule.

4. District shall not be liable for failure to deliver water to Contractor hereunder in the amounts hereinabove provided if such failure shall be caused by drought or any other reason beyond the reasonable control of District.

5. District shall give Contractor written notice as far in advance as possible of any reduction in deliveries of treated water which may be necessary because of a shortage in water supply.

ARTICLE E. GROUNDWATER CHARGE

District agrees that in establishing or modifying the boundaries of any zone pursuant to the provisions of the Act, it will not act in an unreasonable, arbitrary, capricious or discriminatory manner. District further agrees that it will use its best efforts throughout the term of this contract to collect, without deduction or offset, from all persons operating groundwater-producing facilities (as said words are defined in Section 26.1 of the Act) the groundwater charges at the rates per acre-foot of water then applicable in the zone of the District in which each such facility is located.

ARTICLE F. REMEDIES

By reason of the specialized nature of the water service to be rendered, and for the further reason that the extent of any damage caused to either party by the other by reason of any breach of this contract may be extremely difficult to determine, it is agreed by the parties hereto that an action for damages is an inadequate remedy for any breach, and that specific performance, without precluding any other remedy available in equity or at law, will be necessary to furnish either party hereto with an adequate remedy for the breach hereof.

ARTICLE G. GENERAL PROVISIONS

1. Amendments - This Contract may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law. District agrees that in the event of legally

enforceable action by a cognizant governmental body, either a) producing a prospective change in the volume of use of water by Contractor's customers, as by the imposition of an order suspending new services, or b) requiring reuse of wastewater or forbidding or limiting the discharge of wastewater into San Francisco Bay, District will make such amendments to Exhibit B of this contract as the circumstances may reasonably and equitably require.

2. Challenge of Laws - Nothing herein contained shall be construed as stopping or otherwise preventing Contractor or District from contesting by litigation or other lawful means the validity, constitutionality, construction, or application of any law of this State, any ordinance of District, or any rule, regulation or practice of District or Contractor.

3. Waiver of Rights - Any waiver at any time by either party hereto of its rights with respect to a default or any other matter arising in connection with this contract shall not be deemed to be a waiver with respect to any other default or matter. None of the covenants or agreements herein contained can be waived except by the written consent of the waiving party.

4. Notices - All notices or other writings in this contract provided to be given or made or sent, or which may be given or made or sent, by either party hereto to the other, shall be deemed to have been fully given or made or sent when made in writing and deposited in the United States mail, registered, or certified, postage prepaid, and addressed as follows:

To District: Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, California 95118

To Contractor: San Jose Water Works
374 West Santa Clara St.
San Jose, CA 95196

The address to which any notice or other writing may be given or made or sent to either party may be changed upon written notice given by such party as above provided.

5. Separability - If any one or more of the covenants or agreements set forth in this contract on the part of

District or Contractor, or either of them, to be performed should be contrary to any provision of law or contrary to the policy of law to such extent as to be unenforceable in any court of competent jurisdiction, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements and shall in nowise affect the validity of this contract.

6. Paragraph Headings - Paragraph headings in this contract are for convenience only and are not to be construed as a part of this contract or in any way limiting or amplifying the provisions hereof.

7. Other Contracts - District agrees that each contract for the supply of treated water hereafter entered into by District with any Other Contractor shall contain provisions substantially similar to those herein set forth and shall not contain any provisions of a material nature more favorable to the Other Contractor than the provisions herein applicable to the Contractor.

IN WITNESS WHEREOF, District has caused this contract to be executed by the Chairman of its Board of Directors and caused its Official Seal to be hereunto affixed and Contractor has caused these presents to be executed on July 21, 1980 by its duly authorized officer.

ATTEST: SUSAN A. EKSTRAND
SANTA CLARA VALLEY WATER DISTRICT

- - - - -
Clerk Pro Tem of the Board of Directors

Approved as to form:

- - - - -
General Counsel, Santa Clara
Valley Water District

ATTEST:
SAN JOSE WATER WORKS

By _____

Its President

"Contractor"

Approved as to form:

Attorney for Contractor