
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2015

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.)

110 West Taylor Street, San Jose, CA
(Address of principal executive offices)

95110
(Zip Code)

408-279-7800

(Registrant's telephone number, including area code)

Not Applicable

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one)

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of October 21, 2015, there were 20,381,949 shares of the registrant's Common Stock outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SJW Corp. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(in thousands, except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
OPERATING REVENUE	\$ 82,955	125,430	\$ 217,469	250,382
OPERATING EXPENSE:				
Production Expenses:				
Purchased water	22,085	15,616	47,371	37,288
Power	2,500	3,453	5,200	7,565
Groundwater extraction charges	7,920	17,286	22,053	42,250
Other production expenses	3,033	3,073	9,095	8,936
Total production expenses	35,538	39,428	83,719	96,039
Administrative and general	12,101	10,574	34,861	29,534
Maintenance	3,975	3,975	11,187	10,822
Property taxes and other non-income taxes	2,893	2,872	8,878	8,251
Depreciation and amortization	10,188	9,467	30,549	28,447
Total operating expense	64,695	66,316	169,194	173,093
OPERATING INCOME	18,260	59,114	48,275	77,289
OTHER (EXPENSE) INCOME:				
Interest on long-term debt	(5,200)	(5,050)	(15,838)	(14,145)
Mortgage and other interest expense	(316)	(347)	(948)	(1,076)
Gain on sale of California Water Service Group stock	—	—	—	2,017
Gain on sale of real estate investment	1,886	281	1,886	554
Dividend income	43	42	130	147
Other, net	398	57	921	716
Income before income taxes	15,071	54,097	34,426	65,502
Provision for income taxes	5,537	15,731	12,736	19,384
NET INCOME	9,534	38,366	21,690	46,118
Other comprehensive income (loss), net of tax:				
Unrealized loss on investment	(112)	(271)	(382)	(32)
Reclassification adjustment for gain realized on sale of investments	—	—	—	(1,171)
COMPREHENSIVE INCOME	\$ 9,422	38,095	\$ 21,308	44,915
EARNINGS PER SHARE				
Basic	\$ 0.47	1.90	\$ 1.07	2.28
Diluted	\$ 0.46	1.88	\$ 1.06	2.26
DIVIDENDS PER SHARE	\$ 0.20	0.19	\$ 0.59	0.56
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	20,375,960	20,231,426	20,353,487	20,213,676
Diluted	20,531,855	20,424,140	20,504,701	20,402,605

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SJW Corp. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share and per share data)

	September 30, 2015	December 31, 2014
ASSETS		
Utility plant:		
Land	\$ 17,209	16,838
Depreciable plant and equipment	1,410,176	1,353,772
Construction in progress	42,717	23,208
Intangible assets	22,139	19,333
	<u>1,492,241</u>	<u>1,413,151</u>
Less accumulated depreciation and amortization	478,606	450,137
	<u>1,013,635</u>	<u>963,014</u>
Real estate investments	74,546	73,794
Less accumulated depreciation and amortization	12,763	11,593
	<u>61,783</u>	<u>62,201</u>
CURRENT ASSETS:		
Cash and cash equivalents	6,271	2,399
Accounts receivable:		
Customers, net of allowances for uncollectible accounts	20,255	14,997
Income tax	4,638	8,871
Other	2,682	3,385
Accrued unbilled utility revenue	23,050	18,074
Current regulatory assets, net	15,035	16,853
Other current assets	4,948	3,514
	<u>76,879</u>	<u>68,093</u>
OTHER ASSETS:		
Investment in California Water Service Group	5,732	6,378
Unamortized debt issuance, broker and reacquisition costs	4,845	5,218
Net regulatory assets, less current portion	153,929	158,010
Other	6,572	6,390
	<u>171,078</u>	<u>175,996</u>
	<u>\$ 1,323,375</u>	<u>1,269,304</u>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SJW Corp. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share and per share data)

	September 30, 2015	December 31, 2014
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Shareholders' equity:		
Common stock, \$0.521 par value; authorized 36,000,000 shares; issued and outstanding 20,381,949 shares on September 30, 2015 and 20,286,840 on December 31, 2014	\$ 10,616	10,567
Additional paid-in capital	68,241	66,298
Retained earnings	290,030	280,773
Accumulated other comprehensive income	2,135	2,517
Total shareholders' equity	371,022	360,155
Long-term debt, less current portion	380,951	384,365
	751,973	744,520
CURRENT LIABILITIES:		
Line of credit	21,200	13,200
Current portion of long-term debt	3,563	584
Accrued groundwater extraction charges, purchased water and power	11,290	6,030
Accounts payable	17,523	7,001
Accrued interest	5,747	6,361
Accrued property taxes and other non-income taxes	3,157	1,607
Accrued payroll	4,246	3,755
Other current liabilities	6,319	6,156
	73,045	44,694
DEFERRED INCOME TAXES	189,503	185,506
ADVANCES FOR CONSTRUCTION	77,126	73,303
CONTRIBUTIONS IN AID OF CONSTRUCTION	139,659	138,502
POSTRETIREMENT BENEFIT PLANS	76,713	74,187
REGULATORY LIABILITY	6,413	—
OTHER NONCURRENT LIABILITIES	8,943	8,592
COMMITMENTS AND CONTINGENCIES	—	—
	\$ 1,323,375	1,269,304

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SJW Corp. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Nine months ended September 30,	
	2015	2014
OPERATING ACTIVITIES:		
Net income	\$ 21,690	46,118
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,740	29,635
Deferred income taxes	4,705	18,488
Share-based compensation	1,208	774
Gain on sale of real estate investment	(1,886)	(554)
Gain on sale of California Water Service Group stock	—	(2,017)
Changes in operating assets and liabilities:		
Accounts receivable and accrued unbilled utility revenue	(9,870)	(8,638)
Accounts payable and other current liabilities	1,046	465
Accrued groundwater extraction charges, purchased water and power	5,260	3,860
Tax receivable and accrued taxes	6,311	1,428
Postretirement benefits	2,526	833
Regulatory assets and liability related to balancing and memorandum accounts	12,068	(43,331)
Other changes, net	(2,454)	(1,160)
NET CASH PROVIDED BY OPERATING ACTIVITIES	72,344	45,901
INVESTING ACTIVITIES:		
Additions to utility plant:		
Company-funded	(63,126)	(70,255)
Contributions in aid of construction	(8,400)	(7,311)
Additions to real estate investments	(570)	(9)
Payments for business/asset acquisition and water rights	(991)	(1,584)
Payments to retire utility plant, net of salvage	(3,146)	(874)
Proceeds from sale of real estate investment	1,925	4,572
Proceeds from sale of California Water Service Group stock	—	3,056
NET CASH USED IN INVESTING ACTIVITIES	(74,308)	(72,405)
FINANCING ACTIVITIES:		
Borrowings from line of credit	49,400	51,200
Repayments of line of credit	(41,400)	(65,400)
Long-term borrowings	—	50,000
Repayments of long-term borrowings	(435)	(413)
Dividends paid	(11,910)	(11,373)
Exercise of stock options and similar instruments	895	917
Tax benefits realized from share options exercised	634	306
Receipts of advances and contributions in aid of construction	10,516	6,601
Refunds of advances for construction	(1,864)	(2,034)
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,836	29,804
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,872	3,300
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,399	2,299
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,271	5,599
Cash paid during the period for:		
Interest	\$ 18,218	15,651
Income taxes	3,721	1,930
Supplemental disclosure of non-cash activities:		
Increase (decrease) in accrued payables for construction costs capitalized	9,225	(296)
Utility property installed by developers	499	3,242

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

SJW CORP. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(in thousands, except share and per share data)

Note 1. General

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation of the results for the interim periods.

The unaudited interim financial information has been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and in accordance with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission (the “SEC”). The Notes to Consolidated Financial Statements in SJW Corp.’s 2014 Annual Report on Form 10-K should be read with the accompanying unaudited condensed consolidated financial statements.

In January 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-05 - “Service Concession Arrangements” which became effective for SJW Corp. during the first quarter of 2015. ASU 2014-05 specifies that an operating entity should not account for a service concession arrangement as a lease in accordance with FASB ASC Topic 840 - “Leases.” An operating entity should refer to other accounting guidance topics as applicable to account for various aspects of service concession arrangements. ASU 2014-05 also specifies that infrastructure constructed by an operator in a service concession arrangement should not be recognized as property, plant, and equipment of the operator. ASU 2014-05 required application of the update on a modified retrospective basis to service concession arrangements that existed at January 1, 2015. San Jose Water Company operates the City of Cupertino’s municipal water system under a service concession arrangement. Upon adoption of the standard, SJW Corp. reclassified \$1,859 of Depreciable Plant and Equipment for infrastructure related to the Cupertino service concession arrangement to intangible assets and related accumulated depreciation of \$377 to accumulated amortization. In addition, SJW Corp. recognized a cumulative effect adjustment of \$436, net of tax, to the opening balance of retained earnings.

Water sales are seasonal in nature and influenced by weather conditions. The timing of precipitation and climatic conditions can cause seasonal water consumption by customers to vary significantly. Due to the seasonal nature of the water business, the operating results for interim periods are not indicative of the operating results for a 12-month period. Revenue is generally higher in the warm, dry summer months when water usage and sales are greater, and lower in the winter months when cooler temperatures and increased rainfall curtail water usage and sales.

In response to the ongoing drought in California, on March 17, 2015, the State Water Resources Control Board (“State Water Board”) adopted an expanded emergency conservation regulation that became effective on March 27, 2015. The regulation prohibits certain outdoor water uses for all Californians and also places water usage restrictions on businesses in the restaurant and hospitality sectors. On March 25, 2015, the Santa Clara Valley Water District (“SCVWD”) increased their conservation target from 20% to 30% through the end of 2015. On April 1, 2015, Governor Edmund G. Brown Jr. issued an executive order imposing restrictions to achieve a statewide 25% reduction in potable urban water usage through February 28, 2016 based on 2013 usage. On April 9, 2015, the California Public Utilities Commission (“CPUC”) issued a resolution ordering its regulated water utilities to comply with the State Water Board’s emergency conservation regulation, conduct additional customer outreach and implement restrictions on outdoor water use. Effective June 15, 2015, San Jose Water Company was authorized by the CPUC to activate Stage 3 of Tariff Rule 14.1 which is a water shortage contingency plan with mandatory water usage reductions and drought surcharges. Tariff Rule 14.1 focuses primarily on restrictions of outdoor water use which accounts for 50% of a typical customer’s water usage. The drought surcharges are not recorded in revenue. Rather, they are recorded in a regulatory liability account which has been authorized by the CPUC to track lost revenues from conservation. As of September 30, 2015, San Jose Water Company had accumulated a balance of approximately \$6,413 in the drought surcharge account. This amount will be used to offset future rate increases that would otherwise be necessary to recover lost revenue due to drought conservation efforts as described below. San Jose Water Company is continually working to remain in compliance with the various drought rules and regulations and is also working with local governments as well as the SCVWD to communicate consistent messages to the public about use restrictions and related matters because of the ongoing drought.

Effective March 31, 2014, San Jose Water Company received approval from the CPUC to institute a Mandatory Conservation Revenue Adjustment Memorandum Account (“MCRAMA”) to track any revenue shortfall and a Mandatory Conservation Memorandum Account (“MCMA”) to track operational and administrative costs associated with implementation of SCVWD’s 2014 and 2015 conservation goals of 20% and 30%, respectively. San Jose Water Company will record the lost revenue captured in the MCRAMA and MCMA regulatory accounts once the revenue recognition requirements of FASB ASC Topic 980 - “Regulated Operations,” subtopic 605-25 are met. For further discussion, please see Note 8 and Note 9.

SJW CORP. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
SEPTEMBER 30, 2015
(in thousands, except share and per share data)

Basic earnings per share is calculated using income available to common shareholders, divided by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated using income available to common shareholders divided by the weighted average number of shares of common stock including both shares outstanding and shares potentially issuable in connection with deferred restricted common stock awards under SJW Corp.'s Long-Term Incentive Plan (as amended, the "Incentive Plan") and shares potentially issuable under the 2014 Employee Stock Purchase Plan ("ESPP"). For the three months ended September 30, 2015 and 2014, 380 and 180 anti-dilutive restricted common stock units were excluded from the dilutive earnings per share calculation, respectively. For the nine months ended September 30, 2015 and 2014, 1,819 and 1,309 anti-dilutive restricted common stock units were excluded from the dilutive earnings per share calculation, respectively.

A portion of depreciation expense is allocated to administrative and general expense. For the three months ended September 30, 2015 and 2014, the amounts allocated to administrative and general expense were \$400 and \$396, respectively. For the nine months ended September 30, 2015 and 2014, the amounts allocated to administrative and general expense were \$1,191 and \$1,188, respectively.

Note 2. Equity Plans

SJW Corp. accounts for share-based compensation based on the grant date fair value of the awards issued to employees in accordance with FASB ASC Topic 718 - "Compensation - Stock Compensation," which requires the measurement and recognition of compensation expense based on the estimated fair value for all share-based payment awards.

The Incentive Plan allows SJW Corp. to provide employees, non-employee board members or the board of directors of any parent or subsidiary, consultants, and other independent advisors who provide services to the company or any parent or subsidiary the opportunity to acquire an equity interest in SJW Corp. The types of awards included in the Incentive Plan are restricted stock awards, restricted stock units, performance shares, or other share-based awards. As of September 30, 2015, the remaining shares available for issuance under the Incentive Plan were 1,037,068, and 245,976 shares were issuable upon the exercise of outstanding restricted stock units and deferred restricted stock units. In addition, shares are issued to employees under the company's ESPP. SJW Corp. also had a Dividend Reinvestment and Stock Purchase Plan ("DRSPP") which allowed eligible participants to buy shares and reinvest cash dividends in SJW Corp. common stock. The DRSPP was terminated effective as of April 14, 2014.

Stock compensation costs charged to income are recognized on a straight-line basis over the requisite service period. A summary of compensation costs charged to income, proceeds from the exercise of stock options and similar instruments, and the tax benefit realized from stock options and similar instruments exercised, that were recorded to additional paid-in capital and common stock, by award type, are presented below for the three and nine months ended September 30, 2015 and 2014.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Adjustments to additional paid-in capital and common stock for:				
Compensation costs charged to income:				
ESPP	\$ 82	76	\$ 158	148
Restricted stock and deferred restricted stock	365	247	1,050	626
Total compensation costs charged to income	<u>\$ 447</u>	<u>323</u>	<u>\$ 1,208</u>	<u>774</u>
Excess tax benefits realized from share options exercised and stock issuance:				
Stock options	\$ —	—	\$ —	59
Restricted stock and deferred restricted stock	—	(3)	634	247
Total excess tax benefits realized from share options exercised and stock issuance	<u>\$ —</u>	<u>(3)</u>	<u>\$ 634</u>	<u>306</u>
Proceeds from the exercise of stock options and similar instruments:				
Stock options	\$ —	—	\$ —	44
DRSPP	—	—	—	34
ESPP	462	433	895	839
Total proceeds from the exercise of stock options and similar instruments	<u>\$ 462</u>	<u>433</u>	<u>\$ 895</u>	<u>917</u>

SJW CORP. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
SEPTEMBER 30, 2015
(in thousands, except share and per share data)

Stock, Restricted Stock and Deferred Restricted Stock

On January 2, 2015, restricted stock units covering an aggregate of 12,271 shares of common stock of SJW Corp. were granted to certain officers of SJW Corp. and its subsidiaries. The units vest in three equal successive installments upon completion of each year of service with no dividend equivalent rights. Share-based compensation expense of \$29.83 per unit which is based on the award grant date fair value is being recognized over the service period beginning in 2015.

On January 27, 2015, certain officers of SJW Corp. were granted performance-based restricted stock units covering an aggregate target number of SJW Corp.'s shares of common stock equal to 3,252 that will vest based on the actual attainment of specified performance goals measured for the 2015 calendar year and continued service through December 31, 2015. The number of shares issuable under the awards, ranging between 0% to 150% of the target number of shares, is based on the level of actual attainment of specified performance goals. The units do not include dividend equivalent rights. The awards have no market conditions and the share-based compensation expense of \$34.36 per unit which is based on the award grant date fair value is being recognized assuming the performance goals will be attained.

On January 27, 2015, a key employee of SJW Corp. was granted performance-based restricted stock units covering a number of SJW Corp.'s shares of common stock equal to 6,639 that will vest based on the actual attainment of a specified performance goal measured over the 2015 calendar year and continued service through December 31, 2015. The units do not include dividend equivalent rights. The award has no market conditions and the share-based compensation expense of \$34.36 per unit which is based on the award grant date fair value is being recognized assuming the performance goals will be attained.

On April 29, 2015, restricted stock units covering an aggregate of 9,352 shares of common stock of SJW Corp. were granted to the non-employee board members of SJW Corp. The units vest upon continuous board service through the day immediately preceding the date of the next annual shareholder meeting with no dividend equivalent rights. Share-based compensation expense of \$29.17 per unit which is based on the award grant date fair value is being recognized over the service period beginning in 2015.

On April 29, 2015, restricted stock units covering an aggregate of 501 shares of common stock of SJW Corp. were granted to an officer of SJW Corp. The units vest in three equal successive installments upon completion of each year of service with no dividend equivalent rights. Share-based compensation expense of \$27.64 per unit which is based on the award grant date fair value is being recognized over the service period beginning in 2015.

On April 29, 2015, an officer of SJW Corp. was granted performance-based restricted stock units covering a target number of SJW Corp.'s shares of common stock equal to 501 that will vest based on the actual attainment of specified performance goals measured for the 2015 calendar year and continued service through December 31, 2015. The number of shares issuable under the award, ranging between 0% to 150% of the target number of shares, is based on the level of actual attainment of specified performance goals. The units do not include dividend equivalent rights. The award has no market conditions and the share-based compensation expense of \$29.37 per unit which is based on the award grant date fair value is being recognized assuming the performance goal will be attained.

As of September 30, 2015, the total unrecognized compensation costs related to restricted and deferred restricted stock plans was \$1,563. This cost is expected to be recognized over a remaining weighted average period of 1.07 years.

Employee Stock Purchase Plan

The ESPP allows eligible employees to purchase shares of SJW Corp.'s common stock at 85% of the fair value of shares on the purchase date. Under the ESPP, employees can designate up to a maximum of 10% of their base compensation for the purchase of shares of common stock, subject to certain restrictions. A total of 400,000 shares of common stock have been reserved for issuance under the ESPP.

After considering estimated employee terminations or withdrawals from the plan before the purchase date, SJW Corp.'s recorded expenses were \$38 and \$120 for the three and nine months ended September 30, 2015, respectively, and \$37 and \$112 for the three and nine months ended September 30, 2014, respectively, related to the ESPP.

The total unrecognized compensation costs related to the semi-annual offering period that ends January 29, 2016 for the ESPP is approximately \$50. This cost is expected to be recognized during the fourth quarter of 2015 and first quarter of 2016.

SJW CORP. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
SEPTEMBER 30, 2015
(in thousands, except share and per share data)

Dividend Reinvestment and Stock Purchase Plan

The DRSP offered shareholders the ability to reinvest cash dividends in SJW Corp. common stock and also purchase additional shares of SJW Corp. common stock. For the three and nine months ended September 30, 2014, 0 and 1,151 shares, respectively, were issued under the DRSP. SJW Corp. terminated the DRSP effective as of April 14, 2014.

Note 3. Real Estate Investments

The major components of real estate investments as of September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015	December 31, 2014
Land	\$ 17,297	17,297
Buildings and improvements	56,920	56,168
Intangibles	329	329
Subtotal	74,546	73,794
Less: accumulated depreciation and amortization	12,763	11,593
Total	\$ 61,783	62,201

Depreciation and amortization is computed using the straight-line method over the estimated life of the respective assets, ranging from 5 to 39 years.

On August 14, 2015, San Jose Water Company sold five nonutility properties located in San Jose, California for \$2,015. SJW Corp. recognized a pre-tax gain on the sale of real estate investments of \$1,886, after selling expenses of \$91.

On August 1, 2014, San Jose Water Company sold a nonutility property located in San Jose, California for \$300. SJW Corp. recognized a pre-tax gain on the sale of real estate investment of \$281, after selling expenses of \$10.

On June 30, 2014, SJW Land Company sold its retail building located in El Paso, Texas for \$4,450. SJW Corp. recognized a pre-tax gain on the sale of real estate investment of \$273, after selling expenses of \$169.

Note 4. Defined Benefit Plan

San Jose Water Company sponsors a noncontributory defined benefit pension plan for its eligible employees. Employees hired before March 31, 2008 are entitled to receive retirement benefits using a formula based on the employee's three highest years of compensation (whether or not consecutive). For employees hired on or after March 31, 2008, benefits are determined using a cash balance formula based on compensation credits and interest credits for each employee. Officers hired before March 31, 2008 are eligible to receive additional retirement benefits under the Executive Supplemental Retirement Plan, and officers hired on or after March 31, 2008 are eligible to receive additional retirement benefits under the Cash Balance Executive Supplemental Retirement Plan. Both plans are non-qualified plans in which only officers and other designated members of management may participate. San Jose Water Company also provides health care and life insurance benefits for retired employees under the San Jose Water Company Social Welfare Plan. The components of net periodic benefit costs for San Jose Water Company's pension plan, its Executive Supplemental Retirement Plan, Cash Balance Executive Supplemental Retirement Plan and Social Welfare Plan for the three and nine months ended September 30, 2015 and 2014 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Service cost	\$ 1,363	1,056	\$ 4,089	3,167
Interest cost	1,711	1,651	5,134	4,954
Other cost	1,192	627	3,575	1,883
Expected return on assets	(1,817)	(1,670)	(5,450)	(5,011)
	\$ 2,449	1,664	\$ 7,348	4,993

SJW CORP. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
SEPTEMBER 30, 2015
(in thousands, except share and per share data)

The following tables summarize the fair values of plan assets by major categories as of September 30, 2015 and December 31, 2014:

<u>Asset Category</u>	<u>Benchmark</u>	<u>Total</u>	Fair Value Measurements at September 30, 2015		
			<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents		\$ 5,781	\$ 5,781	\$ —	\$ —
Actively Managed (a):					
All Cap Equity	Russell 3000 Value	3,848	3,828	20	—
U.S. Large Cap Equity	Russell 1000, Russell 1000 Growth, Russell 1000 Value	33,681	33,681	—	—
U.S. Mid Cap Equity	Russell Mid Cap, Russell Mid Cap Growth, Russell Mid Cap Value	5,702	5,702	—	—
U.S. Small Cap Equity	Russell 2000, Russell 2000 Growth, Russell 2000 Value	4,958	4,958	—	—
Non-U.S. Large Cap Equity	MSCI EAFE	4,573	4,573	—	—
REIT	NAREIT - Equity REIT'S	4,968	—	4,968	—
Fixed Income (b)	(b)	38,269	—	38,269	—
Total		\$ 101,780	\$ 58,523	\$ 43,257	\$ —

The Plan has a current target allocation of 55% invested in a diversified array of equity securities to provide long-term capital appreciation and 45% invested in a diversified array of fixed income securities to provide preservation of capital plus generation of income.

- (a) Actively managed portfolio of securities with the goal to exceed the stated benchmark performance.
- (b) Actively managed portfolio of fixed income securities with the goal to exceed the Barclays 1-5 Year Government/Credit, Barclays Intermediate Government/Credit, and Merrill Lynch Preferred Stock Fixed Rate.

<u>Asset Category</u>	<u>Benchmark</u>	<u>Total</u>	Fair Value Measurements at December 31, 2014		
			<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents		\$ 6,811	\$ 6,811	\$ —	\$ —
Actively Managed (a):					
All Cap Equity	Russell 3000 Vaue	4,266	4,237	29	—
U.S. Large Cap Equity	Russell 1000, Russell 1000 Growth, Russell 1000 Value	35,489	35,489	—	—
U.S. Mid Cap Equity	Russell Mid Cap, Russell Mid Cap Growth, Russell Mid Cap Value	6,069	6,069	—	—
U.S. Small Cap Equity	Russell 2000, Russell 2000 Growth, Russell 2000 Value	4,982	4,982	—	—
Non-U.S. Large Cap Equity	MSCI EAFE	4,758	4,758	—	—
REIT	NAREIT - Equity REIT'S	5,069	—	5,069	—
Fixed Income (b)	(b)	36,435	—	36,435	—
Total		\$ 103,879	\$ 62,346	\$ 41,533	\$ —

The Plan has a current target allocation of 55% invested in a diversified array of equity securities to provide long-term capital appreciation and 45% invested in a diversified array of fixed income securities to provide preservation of capital plus generation of income.

- (a) Actively managed portfolio of securities with the goal to exceed the stated benchmark performance.
- (b) Actively managed portfolio of fixed income securities with the goal to exceed the Barclays 1-5 Year Government/Credit, Barclays Intermediate Government/Credit, and Merrill Lynch Preferred Stock Fixed Rate.

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In 2015, San Jose Water Company expects to make required and discretionary cash contributions of up to \$9,238 to the pension plans and Social Welfare Plan. For the three and nine months ended September 30, 2015, \$2,398 and \$4,328, respectively, has been contributed to the pension plans and Social Welfare Plan.

Note 5. Segment and Non-Tariffed Business Reporting

SJW Corp. is a holding company with five subsidiaries: (i) San Jose Water Company, a water utility which operates both regulated and non-tariffed businesses, (ii) SJW Land Company and its consolidated variable interest entity, 444 West Santa Clara Street, L.P., which operate commercial building rentals, (iii) SJWTX, Inc. which is doing business as Canyon Lake Water Service Company (“CLWSC”), a regulated water utility located in Canyon Lake, Texas, and its consolidated non-tariffed variable interest entity, Acequia Water Supply Corporation, (iv) Texas Water Alliance Limited, a non-tariffed water utility operation which is undertaking activities that are necessary to develop a water supply project in Texas, and (v) SJW Group, Inc., a Delaware corporation formed in March 2015 for the sole purpose of effectuating a change in the state of incorporation of SJW Corp. from California to Delaware. Any future reincorporation is subject to CPUC approval.

In accordance with FASB ASC Topic 280 – “Segment Reporting,” SJW Corp. has determined that it has two reportable business segments. The first segment is that of providing water utility and utility-related services to its customers through SJW Corp.’s subsidiaries, San Jose Water Company, Canyon Lake Water Service Company, and Texas Water Alliance Limited, together referred to as “Water Utility Services.” The second segment is property management and investment activity conducted by SJW Land Company, referred to as “Real Estate Services.”

SJW Corp.’s reportable segments have been determined based on information used by the chief operating decision maker. SJW Corp.’s chief operating decision maker is its senior staff which includes the Chairman, President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Administrative Officer, and Senior Vice President of Regulatory Affairs. The senior staff reviews financial information presented on a consolidated basis that is accompanied by disaggregated information about operating revenue, net income and total assets, by subsidiaries.

The tables below set forth information relating to SJW Corp.’s reportable segments and distribution of regulated and non-tariffed business activities within the reportable segments. Certain allocated assets, revenue and expenses have been included in the reportable segment amounts. Other business activity of SJW Corp. not included in the reportable segments is included in the “All Other” category.

	For Three Months Ended September 30, 2015						
	Water Utility Services		Real Estate Services	All Other*	SJW Corp.		
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	Total
Operating revenue	\$ 79,437	1,766	1,752	—	79,437	3,518	82,955
Operating expense	61,714	1,642	1,050	289	61,714	2,981	64,695
Operating income (loss)	17,723	124	702	(289)	17,723	537	18,260
Net income (loss)	9,698	(29)	236	(371)	9,698	(164)	9,534
Depreciation and amortization	9,684	112	392	—	9,684	504	10,188
Senior note, mortgage and other interest expense	4,707	—	255	554	4,707	809	5,516
Income tax expense (benefit) in net income	5,742	54	97	(356)	5,742	(205)	5,537
Assets	\$ 1,233,450	18,094	66,727	5,104	1,233,450	89,925	1,323,375

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For Three Months Ended September 30, 2014

	Water Utility Services		Real Estate Services	All Other*	SJW Corp.		Total
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	
Operating revenue	\$ 121,921	1,739	1,770	—	121,921	3,509	125,430
Operating expense	63,518	1,508	1,041	249	63,518	2,798	66,316
Operating income (loss)	58,403	231	729	(249)	58,403	711	59,114
Net income (loss)	37,907	68	795	(404)	37,907	459	38,366
Depreciation and amortization	8,984	89	394	—	8,984	483	9,467
Senior note, mortgage and other interest expense	4,573	—	262	562	4,573	824	5,397
Income tax expense (benefit) in net income	16,394	73	(441)	(295)	16,394	(663)	15,731
Assets	\$ 1,121,925	17,606	66,457	4,116	1,121,925	88,179	1,210,104

For Nine Months Ended September 30, 2015

	Water Utility Services		Real Estate Services	All Other*	SJW Corp.		Total
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	
Operating revenue	\$ 207,335	4,801	5,333	—	207,335	10,134	217,469
Operating expense	161,191	3,947	3,077	979	161,191	8,003	169,194
Operating income (loss)	46,144	854	2,256	(979)	46,144	2,131	48,275
Net income (loss)	21,955	244	768	(1,277)	21,955	(265)	21,690
Depreciation and amortization	29,056	323	1,170	—	29,056	1,493	30,549
Senior note, mortgage and other interest expense	14,351	—	765	1,670	14,351	2,435	16,786
Income tax expense (benefit) in net income	13,017	329	405	(1,015)	13,017	(281)	12,736
Assets	\$ 1,233,450	18,094	66,727	5,104	1,233,450	89,925	1,323,375

For Nine Months Ended September 30, 2014

	Water Utility Services		Real Estate Services	All Other*	SJW Corp.		Total
	Regulated	Non-tariffed	Non-tariffed	Non-tariffed	Regulated	Non-tariffed	
Operating revenue	\$ 240,514	4,520	5,348	—	240,514	9,868	250,382
Operating expense	165,623	3,596	3,118	756	165,623	7,470	173,093
Operating income (loss)	74,891	924	2,230	(756)	74,891	2,398	77,289
Net income (loss)	44,401	351	1,379	(13)	44,401	1,717	46,118
Depreciation and amortization	26,950	269	1,228	—	26,950	1,497	28,447
Senior note, mortgage and other interest expense	12,793	—	761	1,667	12,793	2,428	15,221
Income tax expense (benefit) in net income	19,154	314	(15)	(69)	19,154	230	19,384
Assets	\$ 1,121,925	17,606	66,457	4,116	1,121,925	88,179	1,210,104

* For the three and nine months ended September 30, 2015, the “All Other” category includes the accounts of SJW Corp. on a stand-alone basis and SJW Group, Inc. For the three and nine months ended September 30, 2015, SJW Group, Inc. had no revenue or expenses recorded and as of September 30, 2015 held no assets. For the three and nine months ended September 30, 2014, the “All Other” category includes the accounts of SJW Corp. on a stand-alone basis.

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Note 6. Long-Term Liabilities and Bank Borrowings

SJW Corp.'s contractual obligations and commitments include senior notes, mortgages and other obligations. San Jose Water Company, a subsidiary of SJW Corp., has received advance deposit payments from its customers on certain construction projects. Refunds of the advance deposit payments constitute an obligation of San Jose Water Company solely.

Note 7. Fair Value Measurement

The following instruments are not measured at fair value on the SJW Corp.'s condensed consolidated balance sheets as of September 30, 2015, but require disclosure of their fair values: cash and cash equivalents, accounts receivable and accounts payable. The estimated fair value of such instruments as of September 30, 2015 approximates their carrying value as reported on the condensed consolidated balance sheets. The fair value of such financial instruments are determined using the income approach based on the present value of estimated future cash flows. There have been no changes in valuation technique during the three months ended September 30, 2015. The fair value of these instruments would be categorized as Level 2 in the fair value hierarchy, with the exception of cash and cash equivalents, which would be categorized as Level 1. The fair value of pension plan assets is discussed in Note 4.

The fair value of SJW Corp.'s long-term debt was approximately \$455,236 and \$460,171 as of September 30, 2015 and December 31, 2014, respectively, and was determined using a discounted cash flow analysis, based on the current rates for similar financial instruments of the same duration and creditworthiness of the company. The book value of the long-term debt was \$384,514 and \$384,949 as of September 30, 2015 and December 31, 2014, respectively. The fair value of long-term debt would be categorized as Level 2 in the fair value hierarchy.

As of September 30, 2015 and December 31, 2014, the fair value of the Company's investment in California Water Service Group was \$5,732 and \$6,378, respectively, and would be categorized as Level 1 of the fair value hierarchy.

Note 8. Regulatory Rate Filings

On September 15, 2014, San Jose Water Company filed an application for rehearing of 2012 General Rate Case Decision No. 14-08-006 to address a limited set of issues from San Jose Water Company's General Rate Case Decision No. 14-08-006. Specifically, San Jose Water Company sought rehearing on the duration of the interim rate period used to determine the General Rate Case true-up recovery and rehearing on the treatment of excess capacity labor in the provision of non-tariffed products and services. On March 27, 2015, the CPUC issued Decision No. 15-03-048 granting a limited rehearing and modifying Decision No. 14-08-006 to recover lost revenue related to the extension of interim rates from the date of the 2012 General Rate Case Decision (August 14, 2014) to the date 2014 rates became effective (September 29, 2014). Decision No. 15-03-048 also provided for a limited rehearing on the treatment of excess capacity labor in the provision of non-tariffed products and services. On August 13, 2015, San Jose Water Company and the CPUC's Office of Ratepayer Advocates ("ORA") submitted a settlement that resolved all outstanding issues related to the rehearing. On October 1, 2015, the CPUC issued Decision No. 15-10-005 adopting the submitted settlement and closing the proceeding. The settlement agreement did not effect authorized revenues or rates.

On January 5, 2015, San Jose Water Company filed General Rate Case Application No. 15-01-002 requesting authority for an increase of revenue of \$34,928, or 12.22%, in 2016, \$9,954, or 3.11%, in 2017 and \$17,567, or 5.36%, in 2018. This General Rate Case filing also includes several "special requests", including but not limited to: (1) recovery of the under-collected balance of \$4,752 in balancing accounts, (2) disbursement of the over-collected balance of \$976 accrued in various memorandum accounts, and (3) implementation of a full revenue decoupling Water Revenue Adjustment Mechanism and associated Modified Cost Balancing Account. The ORA submitted testimony on April 23 2015, recommending increases of \$23,468, or 8.54%, in 2016, \$13,803, or 4.42%, in 2017 and \$16,261, or 4.95% in 2018. San Jose Water Company and the CPUC's ORA reached a settlement agreement on a range of issues, including full settlement on all contested utility plant in-service items. Evidentiary hearings to address all remaining unsettled items took place in June 2015 and briefs were submitted in July 2015. A final decision is expected to occur in the last quarter of 2015 with new rates becoming effective at the beginning of 2016. If a decision is not reached by the end of 2015, the CPUC has mechanisms in place that will allow San Jose Water Company to request interim rates, effective January 1, 2016, until such time a decision is adopted. Interim rates would be set equal to fiscal year-end 2015 rates plus an increase for inflation up to the change in the consumer price index and would remain in effect until a decision is adopted.

On March 26, 2015, San Jose Water Company filed Advice Letter No. 468 with the CPUC. With this advice letter San Jose Water Company requested authorization to recover an under-collection balance of \$9,567 in the MCRAMA that accumulated

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during the period April 1, 2014 through December 31, 2014. The MCRAMA approved by the CPUC allows San Jose Water Company to track lost revenue associated with reduced sales due to the ongoing drought and the associated calls for water use reduction from the SCVWD. San Jose Water Company seeks to recover the accumulated balance via a quantity based surcharge on all potable usage for a period of 12 months. This advice letter is currently under CPUC review and a decision is anticipated in the last quarter of 2015.

On May 29, 2015, San Jose Water Company filed Advice Letter No. 474 with the CPUC requesting authorization to increase revenues by \$18,357, or approximately 6.44%. This filing is intended to cover increased costs that go into effect on July 1, 2015 for purchased water and groundwater production charged to San Jose Water Company by the SCVWD. As directed by the CPUC's Water Division, the revenue increase will be recovered via surcharges on the existing quantity rate. San Jose Water Company's request was authorized and became effective July 1, 2015.

On July 30, 2015, San Jose Water Company filed Application No. 15-07-027 with the CPUC seeking the authorization to implement a reincorporation of San Jose Water Company's parent holding company, SJW Corp., from its present form as a California corporation to a Delaware corporation. A prehearing conference was held in this matter on September 30, 2015. A decision in this matter is anticipated in the first quarter of 2016.

On August 21, 2015, San Jose Water Company file Application No. 15-08-016 with the CPUC seeking authority to issue additional debt and equity securities of up to \$150,000 in aggregate for general purposes including property acquisition, construction, completion, extension or improvement of facilities. A decision in this matter is anticipated in the first quarter of 2016.

On August 21, 2015, San Jose Water Company filed Advice Letter 476. San Jose Water Company requested authorization to for a rate base offset for improvements to the Montevina Water Treatment Plant. In Decision No. 13-07-028 the CPUC authorized San Jose Water Company to file annual advice letters to include in rate base costs of the Montevina Water Treatment Plant upgrade project. The advice letter filing requested authorization for a revenue increase of approximately \$275 or an increase to rates of 0.09%. The advice letter was approved and the increase in rates became effective September 20, 2015. Revenue will be recorded through rates on a prospective basis. This filing was the second such advice letter. San Jose Water Company will continue to file similar annual advice letters until the project has been completed.

Effective September 1, 2014, CLWSC became subject to the economic regulation of the Public Utilities Commission of Texas ("PUCT"). Prior to that time, CLWSC was subject to economic regulation by the Texas Commission on Environmental Quality ("TCEQ"). Both the PUCT and TCEQ authorize rate increases after the filing of an Application for a Rate/Tariff Change. Rate cases may be filed as they become necessary, provided there is no current rate case outstanding. Further, rate cases may not be filed more frequently than once every 12 months.

On September 16, 2015, CLWSC filed an application with the PUCT requesting approval of the reincorporation of SJW Corp., Inc. from a California corporation to a Delaware corporation. The application is currently being reviewed by PUCT and a decision in this matter is anticipated in the first quarter of 2016.

Note 9. Balancing and Memorandum Account Recovery Procedures

For California, the CPUC has established a balancing account mechanism for the purpose of tracking the under-collection or over-collection associated with expense changes and the revenue authorized by the CPUC to offset those expense changes. San Jose Water Company also maintains memorandum accounts to track revenue impacts due to catastrophic events, unforeseen water quality expenses related to new federal and state water quality standards, energy efficiency, cost of capital, any revenue requirement impact of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, and other approved activities or as directed by the CPUC.

Balancing and memorandum accounts are recognized by San Jose Water Company when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process. In addition, in the case of special revenue programs such as the MCRAMA, San Jose Water Company follows the requirements of ASC Topic 980 subtopic 605-25 in determining revenue recognition. In assessing the probability criteria for balancing and memorandum accounts between general rate cases, San Jose Water Company considers evidence that may exist prior to CPUC authorization that would satisfy ASC Topic 980 subtopic 340-25 recognition criteria. Such evidence may include regulatory rules and decisions, past practices, and other facts and circumstances that would indicate that recovery or refund is probable. When such evidence provides sufficient support for balance recognition, the balances are recorded in SJW Corp.'s financial statements.

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San Jose Water Company has met the recognition requirements for certain of its balancing and memorandum accounts and, as such, amounts subject to balancing and memorandum accounts and revenue, regulatory assets and regulatory liability changed as follows:

	Three months ended September 30, 2015				Three months ended September 30, 2014			
	Beginning Balance	Revenue Increase(Reduction)	Refunds (Collections)	Ending Balance	Beginning Balance	Revenue Increase(Reduction)	Refunds (Collections)	Ending Balance
Memorandum accounts	\$ (229)	301	150	222	\$ (1,511)	(154)	23	(1,642)
Balancing accounts, net assets:								
Water supply costs	1,070	2,153	(32)	3,191	(1,221)	2,477	(17)	1,239
Pension	140	(231)	(230)	(321)	9,672	(6,625)	(123)	2,924
2012 General Rate Case true-up	40,367	—	(3,813)	36,554	—	46,456	—	46,456
All others	1,453	(88)	(17)	1,348	1,858	(81)	(9)	1,768
Total balancing accounts	<u>\$ 43,030</u>	<u>1,834</u>	<u>(4,092)</u>	<u>40,772</u>	<u>\$ 10,309</u>	<u>42,227</u>	<u>(149)</u>	<u>52,387</u>
Total balancing and memorandum accounts, net assets	<u>\$ 42,801</u>	<u>2,135</u>	<u>(3,942)</u>	<u>40,994</u>	<u>\$ 8,798</u>	<u>42,073</u>	<u>(126)</u>	<u>50,745</u>
Balancing account, liability:								
Drought surcharges	80	—	6,333	6,413	—	—	—	—
Total balancing account, liability	<u>\$ 80</u>	<u>—</u>	<u>6,333</u>	<u>6,413</u>	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Nine months ended September 30, 2015				Nine months ended September 30, 2014			
	Beginning Balance	Revenue Increase(Reduction)	Refunds (Collections)	Ending Balance	Beginning Balance	Revenue Increase(Reduction)	Refunds (Collections)	Ending Balance
Memorandum accounts	\$ (1,377)	1,122	477	222	\$ (1,895)	230	23	(1,642)
Balancing accounts, net assets:								
Water supply costs	890	2,445	(144)	3,191	(2,378)	3,634	(17)	1,239
Pension	1,412	(692)	(1,041)	(321)	9,734	(6,687)	(123)	2,924
2012 General Rate Case true-up	44,400	1,937	(9,783)	36,554	—	46,456	—	46,456
All others	1,735	(310)	(77)	1,348	2,229	(452)	(9)	1,768
Total balancing accounts	<u>\$ 48,437</u>	<u>3,380</u>	<u>(11,045)</u>	<u>40,772</u>	<u>\$ 9,585</u>	<u>42,951</u>	<u>(149)</u>	<u>52,387</u>
Total balancing and memorandum accounts, net assets	<u>\$ 47,060</u>	<u>4,502</u>	<u>(10,568)</u>	<u>40,994</u>	<u>\$ 7,690</u>	<u>43,181</u>	<u>(126)</u>	<u>50,745</u>
Balancing account, liability:								
Drought surcharges	—	—	6,413	6,413	—	—	—	—
Total balancing account, liability	<u>\$ —</u>	<u>—</u>	<u>6,413</u>	<u>6,413</u>	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>

San Jose Water Company's request to extend the interim rate period to end on the effective date of 2014 rates from August 15, 2014 to September 28, 2014, and recover the remaining cumulative balance of \$1,937 in that period was authorized and became effective May 6, 2015. As such, San Jose Water Company recorded \$1,937 of revenue which has been included in the 2012 General Rate Case true-up row in the table above.

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As of September 30, 2015, the total balance in San Jose Water Company's balancing and memorandum accounts combined, including interest, that has not been recorded into the financial statements was a net under-collection of \$22,227, of which the majority relates to the MCRAMA and MCMA. All balancing accounts and memorandum-type accounts not included for recovery or refund in the current general rate case will be reviewed by the CPUC in San Jose Water Company's next general rate case or at the time an individual account reaches a threshold of 2% of authorized revenue, whichever occurs first. On March 26, 2015, San Jose Water Company filed Advice Letter No. 468 with the CPUC requesting authorization to recover the \$9,567 under-collection accumulated in the MCRAMA during the period April 1, 2014 through December 31, 2014. For further discussion, please see Note 8.

Note 10. Regulatory Assets and Liabilities

Regulatory assets and liabilities are comprised of the following as of September 30, 2015 and December 31, 2014:

Description	September 30, 2015	December 31, 2014
Regulatory assets:		
Income tax temporary differences, net	\$ 6,731	6,731
Postretirement pensions and other medical benefits	115,494	115,494
Balancing and memorandum accounts, net	40,994	47,061
Other, net	5,745	5,577
Total regulatory assets, net in Consolidated Balance Sheets	\$ 168,964	174,863
Less: current regulatory asset, net	15,035	16,853
Total regulatory assets, net, less current portion	\$ 153,929	158,010
Regulatory liability:		
Balancing account	\$ 6,413	—
Total regulatory liability in Consolidated Balance Sheets	\$ 6,413	—

Note 11. Legal Proceedings

SJW Corp. is subject to ordinary routine litigation incidental to its business. There are no pending legal proceedings to which SJW Corp. or any of its subsidiaries is a party, or to which any of its properties is the subject, that are expected to have a material effect on SJW Corp.'s business, financial position, results of operations or cash flows.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollar amounts in thousands, except per share amounts and otherwise noted)

The information in this Item 2 should be read in conjunction with the financial information and the notes thereto included in Item 1 of this Form 10-Q and the consolidated financial statements and notes thereto and the related "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in SJW Corp.'s Annual Report on Form 10-K for the year ended December 31, 2014.

This report contains forward-looking statements within the meaning of the federal securities laws relating to future events and future results of SJW Corp. and its subsidiaries that are based on current expectations, estimates, forecasts, and projections about SJW Corp. and its subsidiaries and the industries in which SJW Corp. and its subsidiaries operate and the beliefs and assumptions of the management of SJW Corp. Such forward-looking statements are identified by words including "expect," "estimate," "anticipate," "intends," "seeks," "plans," "projects," "may," "should," "will," and variation of such words, and similar expressions. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict.

Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Important factors that could cause or contribute to such differences include, but are not limited to, those discussed in this report and our most recent Form 10-K filed with the SEC under the item entitled "Risk Factors," and in other reports SJW Corp. files with the SEC, specifically the most recent reports on Form 10-Q and Form 8-K, each as it may be amended from time to time. SJW Corp. undertakes no obligation to update or revise the information contained in this report, including the forward-looking statements, to reflect any event or circumstance that may arise after the date of this report.

General:

SJW Corp. is a holding company with five subsidiaries: San Jose Water Company, SJW Land Company, SJWTX, Inc., Texas Water Alliance Limited and SJW Group, Inc.

San Jose Water Company, a wholly owned subsidiary of SJW Corp., is a public utility in the business of providing water service to approximately 229,000 connections that serve a population of approximately one million people in an area comprising approximately 138 square miles in the metropolitan San Jose, California area.

The principal business of San Jose Water Company consists of the production, purchase, storage, purification, distribution, wholesale and retail sale of water. San Jose Water Company provides water service to customers in portions of the cities of San Jose and Cupertino and in the cities of Campbell, Monte Sereno, Saratoga and the Town of Los Gatos, and adjacent unincorporated territories, all in the County of Santa Clara in the State of California. San Jose Water Company distributes water to customers in accordance with accepted water utility methods which include pumping from storage and gravity feed from high elevation reservoirs. San Jose Water Company also provides non-tariffed services under agreements with municipalities and other utilities. These non-tariffed services include water system operations, maintenance agreements and antenna leases.

San Jose Water Company has utility property including land held in fee, impounding reservoirs, diversion facilities, wells, distribution storage, and all water facilities, equipment, office buildings and other property necessary to supply its customers. Under Section 851 of the California Public Utilities Code, properties currently used and useful in providing utilities services cannot be disposed of unless California Public Utilities Commission ("CPUC") approval is obtained.

San Jose Water Company also has approximately 410 acres of nonutility property which has been identified as no longer used and useful in providing utility services. The majority of the properties are located in the hillside areas adjacent to San Jose Water Company's various watershed properties.

SJW Land Company, a wholly owned subsidiary of SJW Corp., owned the following real properties during the year-to-date period ended September 30, 2015:

Description	Location	Acreage	Square Footage	% for Nine months ended September 30, 2015 of SJW Land Company	
				Revenue	Expense
2 Commercial buildings	San Jose, California	2	28,000	10%	10%
Warehouse building	Phoenix, Arizona	11	176,000	12%	9%
Warehouse building	Knoxville, Tennessee	30	361,500	34%	29%
Commercial building	Knoxville, Tennessee	15	135,000	44%	52%
Undeveloped land	Knoxville, Tennessee	10	N/A	N/A	N/A
Undeveloped land	San Jose, California	5	N/A	N/A	N/A

SJW Land Company owns a 70% limited partnership interest in 444 West Santa Clara Street, L.P. One of the California properties is owned by such partnership. The limited partnership has been determined to be a variable interest entity within the scope of FASB ASC Topic 810 – “Consolidation” with SJW Land Company as the primary beneficiary, and as a result, it has been consolidated with SJW Land Company.

SJWTX, Inc., a wholly owned subsidiary of SJW Corp., doing business as Canyon Lake Water Service Company (“CLWSC”), is a public utility in the business of providing water service to approximately 12,000 connections that serve approximately 36,000 people. CLWSC’s service area comprises more than 243 square miles in western Comal County and southern Blanco County in the growing region between San Antonio and Austin, Texas. SJWTX, Inc. has a 25% interest in Acequia Water Supply Corporation (“Acequia”). The water supply corporation has been determined to be a variable interest entity within the scope of ASC Topic 810 with SJWTX, Inc. as the primary beneficiary. As a result, Acequia has been consolidated with SJWTX, Inc.

Texas Water Alliance Limited (“TWA”), a wholly owned subsidiary of SJW Corp., is undertaking activities that are necessary to develop a water supply project in Texas. In connection with the project, TWA obtained groundwater production and transportation permits to meet the future water needs in the Canyon Lake Water Service Company’s service area and to the central Texas hill country communities and utilities adjacent to the area.

SJW Group, Inc., a Delaware corporation, was formed in March 2015 for the sole purpose of effectuating a change in the state of incorporation of SJW Corp. from California to Delaware (the “Reincorporation”). The Reincorporation requires the approval of the CPUC and will not become effective until after we obtain such approval. In July 2015, we filed an application with the CPUC to seek such approval and a decision is expected in the first quarter of 2016.

Business Strategy for Water Utility Services:

SJW Corp. focuses its business initiatives in three strategic areas:

- (1) Regional regulated water utility operations;
- (2) Regional non-tariffed water utility related services provided in accordance with the guidelines established by the CPUC in California and the Public Utilities Commission of Texas (“PUCT”) in Texas;
- (3) Out-of-region water and utility related services.

As part of our pursuit of the above three strategic areas, the Company considers from time to time opportunities to acquire businesses and assets. However, SJW Corp. cannot be certain it will be successful in identifying and consummating any strategic business acquisitions relating to such opportunities. In addition, the execution of our business strategy will expose us to different risks than those associated with the current utility operations. We expect to incur costs in connection with the execution of this strategy and any integration of an acquired business could involve significant costs, the assumption of certain known and unknown liabilities related to the acquired assets, the diversion of management’s time and resources, the potential for a negative impact on SJW Corp.’s financial position and operating results, entering markets in which SJW Corp. has no or limited direct prior experience and the potential loss of key employees of any acquired company. Any future acquisition we decide to undertake may also impact our ability to finance our business, affect our compliance with regulatory requirements, and impose additional burdens on our operations. Any businesses we acquire may not achieve sales, customer growth and projected profitability that would justify the investment. Any difficulties we encounter in the integration process, including the integration of controls necessary for internal control and financial reporting, could interfere with our operations, reduce our

operating margins and adversely affect our internal controls. SJW Corp. cannot be certain that any transaction will be successful or that it will not materially harm its operating results or financial condition.

Real Estate Services:

SJW Corp.'s real estate investment activity is conducted through SJW Land Company. SJW Land Company owns undeveloped land in the states of California and Tennessee and owns and operates a portfolio of commercial buildings in the states of California, Arizona and Tennessee. SJW Land Company also owns a limited partnership interest in 444 West Santa Clara Street, L.P. The partnership owns a commercial building in San Jose, California. SJW Land Company manages its income producing and other properties until such time a determination is made to reinvest proceeds from sale of such properties. SJW Land Company's real estate investments diversify SJW Corp.'s asset base.

Critical Accounting Policies:

The discussion and analysis of our financial condition and results of operations is based on the accounting policies used and disclosed in our 2014 consolidated financial statements and accompanying notes that were prepared in accordance with accounting principles generally accepted in the United States of America and included as part of our annual report on Form 10-K for the year ended December 31, 2014.

Our critical accounting policies are described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the year ended December 31, 2014. There has been no changes in our critical accounting policies. Our significant accounting policies are described in our notes to the 2014 consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2014. SJW Corp. did not adopt any new accounting policies during the nine months ended September 30, 2015 except as indicated below.

New Accounting Pronouncement Adopted:

In January 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-05 - "Service Concession Arrangements" which became effective for SJW Corp. during the first quarter of 2015. ASU 2014-05 specifies that an operating entity should not account for a service concession arrangement as a lease in accordance with FASB ASC Topic 840 - "Leases." An operating entity should refer to other accounting guidance topics as applicable to account for various aspects of a service concession arrangement. ASU 2014-05 also specifies that infrastructure constructed by an operator in a service concession arrangement should not be recognized as property, plant, and equipment of the operator. ASU 2014-05 required application on a modified retrospective basis to service concession arrangements that existed at January 1, 2015. San Jose Water Company operates the City of Cupertino's municipal water system under a service concession arrangement. Upon adoption of this standard, SJW Corp. reclassified \$1,859 of Depreciable Plant and Equipment for infrastructure related to the Cupertino service concession arrangement to intangible assets and the related accumulated depreciation of \$377 to accumulated amortization. In addition, SJW Corp. recognized a cumulative effect adjustment of \$436, net of tax, to the opening balance of retained earnings.

Impact of Recent Accounting Pronouncements:

In May 2014, the FASB issued Accounting Standards Update 2014-09 which supersedes most of the current revenue recognition requirements, including most industry-specific guidance. On July 9, 2015, the FASB agreed to defer by one year the mandatory effective date but will also provide entities the option to adopt it as of the original effective date. The updated standard will become mandatory for SJW Corp. in the first quarter of 2018 and permits the use of either the retrospective or cumulative effect transition method. Management is currently evaluating the effect that the new standard will have on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued Accounting Standards Update 2015-03 regarding simplification of the presentation of debt issuance costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The update is effective for SJW Corp. beginning in the first quarter of the fiscal year ending December 31, 2016. Earlier adoption is permitted for financial statements that have not been previously issued. SJW Corp. is required to apply the guidance on a retrospective basis with additional disclosure requirements upon transition. Management does not expect the adoption of this new standard will have a material impact on its consolidated financial statements.

Results of Operations:

Water sales are seasonal in nature and influenced by weather conditions. The timing of precipitation and climatic conditions can cause seasonal water consumption by customers to vary significantly. Due to the seasonal nature of the water business, the operating results for interim periods are not indicative of the operating results for a 12-month period. Revenue is generally higher in the warm, dry summer months when water usage and sales are greater, and lower in the winter months when cooler temperatures and increased rainfall curtail water usage and sales.

See Note 1 of Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of the California drought and political and regulatory activities that have occurred in response to ongoing drought conditions.

Overview

SJW Corp.'s consolidated net income for the three months ended September 30, 2015 was \$9,534, a decrease of \$28,832 or approximately 75%, from \$38,366 for the same period in 2014. SJW Corp.'s consolidated net income for the nine months ended September 30, 2015 was \$21,690, a decrease of \$24,428, or approximately 53%, from \$46,118 for the same period in 2014. The decrease in net income for the three and nine months ended September 30, 2015 was primarily due to a decrease in revenue as a result of the recognition of \$46,456 true-up revenue from the 2014 decision of the 2012 General Rate Case. On September 29, 2014, the CPUC approved a surcharge to true-up the difference between interim rates and authorized rates of \$46,700 as well as one-time refunds of \$200. Collection of the surcharge is authorized to occur over a three-year period which commenced on October 2, 2014.

Operating Revenue

	Operating Revenue by Segment			
	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Water Utility Services	\$ 81,203	123,660	\$ 212,136	245,034
Real Estate Services	1,752	1,770	5,333	5,348
	<u>\$ 82,955</u>	<u>125,430</u>	<u>\$ 217,469</u>	<u>250,382</u>

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

	Three months ended September 30, 2015 vs. 2014		Nine months ended September 30, 2015 vs. 2014	
	Increase/(decrease)		Increase/(decrease)	
Water Utility Services:				
Consumption changes	\$ (15,264)	(12)%	\$ (28,436)	(11)%
New customers increase	257	— %	933	— %
Rate increases	12,362	10 %	33,158	14 %
Balancing and memorandum accounts	6,644	5 %	5,966	2 %
2012 General Rate Case true-up	(46,456)	(37)%	(44,519)	(18)%
Real Estate Services	(18)	— %	(15)	— %
	<u>\$ (42,475)</u>	<u>(34)%</u>	<u>\$ (32,913)</u>	<u>(13)%</u>

Operating Expense

	Operating Expense by Segment			
	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Water Utility Services	\$ 63,356	65,026	\$ 165,138	169,219
Real Estate Services	1,050	1,041	3,077	3,118
All Other	289	249	979	756
	<u>\$ 64,695</u>	<u>66,316</u>	<u>\$ 169,194</u>	<u>173,093</u>

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

	Three months ended September 30, 2015 vs. 2014		Nine months ended September 30, 2015 vs. 2014	
	Increase/(decrease)		Increase/(decrease)	
Water production expenses:				
Change in surface water use	\$ 152	— %	\$ (3,143)	(2)%
Change in usage and new customers	(9,511)	(14)%	(18,438)	(11)%
Purchased water and groundwater extraction charge and energy price increase	5,469	8 %	9,261	6 %
Total water production expenses	(3,890)	(6)%	(12,320)	(7)%
Administrative and general	1,527	3 %	5,327	3 %
Maintenance	—	— %	365	— %
Property taxes and other non-income taxes	21	— %	627	1 %
Depreciation and amortization	721	1 %	2,102	1 %
	\$ (1,621)	(2)%	\$ (3,899)	(2)%

Sources of Water Supply

San Jose Water Company's water supply consists of groundwater from wells, surface water from watershed run-off and diversion, reclaimed water, and imported water purchased from the SCVWD under the terms of a master contract with SCVWD expiring in 2051. Surface water is the least expensive source of water. Changes and variations in quantities from each of these sources affect the overall mix of the water supply, thereby affecting the cost of the water supply. In addition, the water rate for purchased water and the groundwater extraction charge may be increased by the SCVWD at any time. If an increase occurs, then San Jose Water Company would file an advice letter with the CPUC seeking authorization to increase revenues to offset the cost increase.

CLWSC's water supply consists of groundwater from wells and purchased treated and untreated raw water from the Guadalupe-Blanco River Authority ("GBRA"). CLWSC has long-term agreements with the GBRA, which expire in 2037, 2040, 2044 and 2050. The agreements, which are take-or-pay contracts, provide CLWSC with an aggregate of 6,900 acre-feet of water per year from Canyon Lake at prices that may be adjusted periodically by GBRA.

The following table presents the change in sources of water supply, in million gallons, for Water Utility Services:

	Three months ended September 30,		Increase/ (decrease)	% of Total Change	Nine months ended September 30,		Increase/ (decrease)	% of Total Change
	2015	2014			2015	2014		
Purchased water	7,215	5,870	1,345	10 %	16,848	14,707	2,141	6 %
Groundwater	3,086	7,709	(4,623)	(33)%	9,508	19,948	(10,440)	(30)%
Surface water	82	138	(56)	(1)%	1,553	230	1,323	4 %
Reclaimed water	263	296	(33)	— %	505	578	(73)	— %
	10,646	14,013	(3,367)	(24)%	28,414	35,463	(7,049)	(20)%

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

Unaccounted-for water on a 12-month-to-date basis for September 30, 2015 and 2014 approximated 7.2% and 6.9%, respectively, as a percentage of total production. The increase in the unaccounted-for water estimate is primarily due to the impact of lower flows through the system as a result of conservation activities, partially offset by Water Utility Services' main replacements and lost water reduction programs.

Water production expenses

For the three and nine months ended September 30, 2015 compared to the same period in 2014, the decrease in water production expenses was primarily attributable to a decrease in customer water usage. This decrease was partially offset by higher per unit costs for purchased water, groundwater extraction and energy charges. Effective July 2015, SCVWD increased the unit price of purchased water by approximately 17% and the groundwater extraction charge by approximately 20%.

Other Operating Expenses

Operating expenses, excluding water production expenses, increased \$2,269 for the three months ended September 30, 2015 compared to the same period in 2014. The increase was primarily attributable to an increase of \$1,527 in administrative and general expenses due to increases in pension expense and legal expenses related SJW Corp.'s proposed reincorporation to the

state of Delaware. In addition, depreciation and amortization expense increased \$721 and property taxes and non-income taxes increased \$21 due to increases in utility plant and annual assessments.

Operating expenses, excluding water production expenses, increased \$8,421 for the nine months ended September 30, 2015 compared to the same period in 2014. The increase was primarily attributable to an increase of \$5,327 in administrative and general expenses due to increases in pension expense, legal expenses related SJW Corp.'s proposed reincorporation to the state of Delaware, rate case expenses for the General Rate Case, and outside printing and design expenses for customer mailers related to rate increases and conservation notices. In addition, depreciation and amortization expense increased \$2,102 and property taxes and non-income taxes increased \$627 due to increases in utility plant and annual assessments, and maintenance expenses increased \$365.

Other (Expense) Income

For the three months ended September 30, 2015 compared to the same period in 2014, the change in other (expense) income was primarily due to a gain on the sale of a portfolio of San Jose Water Company nonutility properties and an increase in non-tariffed income for contracted services provided to various governmental agencies. For the nine months ended September 30, 2015 compared to the same period in 2014, the change in other (expense) income was primarily due to a partial sale of the Company's investment in California Water Service Group stock in June 2014, and an increase in interest on long-term debt related to the Series L senior note which was funded in August 2014, partially offset by a gain on the sale of a portfolio of San Jose Water Company nonutility properties in August 2015.

Provision for Income Taxes

For the three months ended September 30, 2015 compared to the same period in 2014, income tax expense decreased \$10,194 primarily due to lower pre-tax income offset by the impact of a state income tax benefit of \$4,799 recognized in 2014 related to the adoption of new Department of Treasury and Internal Revenue Service Tangible Property Regulations for 2013 and prior years. The effective consolidated income tax rates were 37% and 29% for the three months ended September 30, 2015 and 2014, respectively.

For the nine months ended September 30, 2015 compared to the same period in 2014, income tax expense decreased \$6,648 as a result of lower pre-tax income offset by the impact of a state income tax benefit of \$4,799 recognized in 2014 related to the adoption of new Department of Treasury and Internal Revenue Service Tangible Property Regulations for 2013 and prior years and a benefit of \$880 recognized in 2014 related to State of California enterprise zone sales and use tax credits for tax years 2008 through 2012. The effective consolidated income tax rates were 37% and 30% for the nine months ended September 30, 2015, respectively.

SJW Corp. is currently undergoing an income tax examination by the California Franchise Tax Board for refund claims for fiscal years 2008 through 2012.

Other Comprehensive Income (Loss)

The change in other comprehensive income (loss) for the three and nine months ended September 30, 2015 compared to the same period in 2014 was due to the change in market value and sale of a portion of the Company's investment in California Water Service Group stock in 2014.

Water Supply

On October 1, 2015, SCVWD's 10 reservoirs were approximately 37% full with 61,931 acre-feet of water in storage. As reported by the SCVWD, the rainfall was approximately 24% of the seasonal average for the current rainfall season that commenced on July 1, 2015 and ends on June 30, 2016. The rainfall at San Jose Water Company's Lake Elzman was measured at 0.02 inches for the current rainfall season which is approximately 6% of the five-year average. Under normal hydrologic conditions, state and federal water allocations represent approximately 40% of the SCVWD's total annual supply. As of October 1, 2015, the SCVWD reported that allocations from the state and federal water project are approximately 20% and 25%, respectively, of amounts requested in 2015. SCVWD also reported that despite the prolonged drought, the Santa Clara Valley water companies purchased more imported water in 2015, allowing the groundwater levels to continue to recover from where they were a year ago. However, the groundwater level in the Santa Clara Plain was still lower than the five-year average by approximately 7 feet. According to SCVWD, the predicted total groundwater storage at the end of 2015 has been upgraded from critical to severe stage.

On October 1, 2015, San Jose Water Company's Lake Elzman contained 460 acre-feet which represents the operational low point for the facility. San Jose Water Company will utilize surface water and additional water from its portfolio of groundwater supplies to supplement imported water from the SCVWD. San Jose Water Company believes that its various potable water sources will be sufficient to meet customer demand through the remainder of 2015.

See Note 1 of Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of the California drought and political and regulatory activities that have occurred in response to ongoing drought conditions.

SJW Corp. and San Jose Water Company provide additional information on their web sites relating to ongoing water conservation measures taken or to be taken in response to the historical drought conditions in California, including information on customer water usage. The web sites are accessible at www.sjwater.com and www.sjwcorp.com. SJW Corp. intends to update the web sites as appropriate during the period in which the water shortage contingency plan of SCVWD remains in effect.

CLWSC's water supply consists of groundwater from wells and purchased treated and untreated raw water from the GBRA. CLWSC has long-term agreements with the GBRA, which expire in 2037, 2040, 2044 and 2050. The agreements, which are take-or-pay contracts, provide CLWSC with an aggregate of 6,900 acre-feet of water per year from Canyon Lake at prices that may be adjusted periodically by GBRA.

Regulation and Rates

Almost all of 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 the opportunity to achieve a specified return on common equity. The timing of rate decisions could have an impact on the results of operations.

See Note 8 of Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of the regulatory activities that have occurred for the year.

Liquidity:

Cash Flow from Operating Activities

During the nine months ended September 30, 2015, SJW Corp. generated cash flows from operations of approximately \$72,300, compared to \$45,900 for the same period in 2014. Cash flow from operations is primarily generated by net income from revenue producing activities, adjusted for non-cash expenses for depreciation and amortization, deferred income taxes, gains on the sale of assets, and changes in working capital items. Cash flow from operations increased by approximately \$26,400. This increase was caused by a combination of the following factors: (1) recognition in 2014 and collection in 2015 of balancing and memorandum accounts drove an increase of \$55,400 between the two periods primarily due to the 2012 General Rate Case true-up revenue recorded in the prior year and collection of \$6,400 in drought surcharges, (2) net collection of taxes receivable was \$4,900 more than prior period, (3) amounts previously invoiced and accrued offset by payments related to groundwater extraction charges, purchased water and purchased power caused a \$2,000 increase, (4) change in general working capital caused a \$300 increase, (5) offset by, net income adjusted for non-cash items and gains from asset activity decreased \$35,000 primarily due to the 2012 General Rate Case true-up revenue, and (6) collections of previously billed and accrued receivables decreased by \$1,200.

As of September 30, 2015, Water Utility Services' write-offs for uncollectible accounts represent less than 1% of its total revenue, unchanged from September 30, 2014. Management believes it will continue to collect its accounts receivable balances at its historical collection rate.

Cash Flow from Investing Activities

During the nine months ended September 30, 2015, SJW Corp. used cash flows in investing activities of approximately \$74,300, compared to \$72,400 for the same period in 2014. Cash flows used in investing activities increased by approximately \$1,900 primarily due to less cash received from the sale of real estate investments and stock and more cash used to retire utility plant, partially offset by less cash used for utility plant additions.

Water Utility Services' budgeted capital expenditures for 2015, exclusive of capital expenditures financed by customer contributions and advances, are \$108,000. As of September 30, 2015, approximately \$63,100 or 58% of the \$108,000 has been spent.

Water Utility Services' capital expenditures are incurred in connection with normal upgrading and expansion of existing facilities and to comply with environmental regulations. Over the next five years, Water Utility Services expects to incur approximately \$662,000 in capital expenditures, which includes replacement of pipes and mains, and maintaining water systems. This amount is subject to CPUC and PUCT approval. Included in this amount is \$59,600 relating to upgrades to San Jose Water Company's 40-year old Montevina Water Treatment Plant. Capital expenditures have the effect of increasing utility plant on which Water Utility Services earns a return. Water Utility Services actual capital expenditures may vary from their projections 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 as a result of new facilities construction funded with advances from developers and contributions in aid of construction.

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

Cash Flow from Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2015 decreased by approximately \$24,000 from the same period in the prior year, primarily as a result of a decrease in long-term borrowings, partially offset by an increase in net borrowings on the line of credit.

Sources of Capital:

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

San Jose Water Company's financing activity is designed to achieve a capital structure consistent with regulatory guidelines of approximately 49% debt and 51% equity. As of September 30, 2015, San Jose Water Company's funded debt and equity were approximately 46% and 54%, respectively.

Funding for San Jose Water Company's future capital expenditure program is expected to be provided primarily through internally-generated funds, the issuance of new long-term debt and the issuance of equity, all of which will be consistent with the regulator's guidelines.

SJW Corp.'s unsecured senior note agreement has terms and conditions that restrict SJW Corp. from issuing additional funded debt if: (1) the funded consolidated debt would exceed 66-2/3% of total capitalization, and (2) the minimum net worth of SJW Corp. becomes less than \$175,000 plus 30% of Water Utility Services cumulative net income, since June 30, 2011. As a result, SJW Corp. was not restricted from issuing future indebtedness as a result of these terms and conditions at September 30, 2015.

San Jose Water Company's unsecured senior note agreements generally have terms and conditions that restrict San Jose Water Company from issuing additional funded debt if: (1) the funded debt would exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-calendar-month period would be less than 175% of interest charges. As of September 30, 2015, San Jose Water Company's funded debt was 46% of total capitalization and the net income available for interest charges was 347% of interest charges. As a result, San Jose Water Company was not restricted from issuing future indebtedness as a result of these terms and conditions at September 30, 2015.

San Jose Water Company's loan agreement with the California Pollution Control Financing Authority contains affirmative and negative covenants customary for a loan agreement relating to revenue bonds, including, among other things, complying with certain disclosure obligations and covenants relating to the tax exempt status of the interest on the bonds and limitations and prohibitions relating to the transfer of the projects funded by the loan proceeds and the assignment of the loan agreement. As of September 30, 2015, San Jose Water Company was in compliance with all such covenants.

SJWTX, Inc.'s unsecured senior note agreement has terms and conditions that restrict SJWTX, Inc. from issuing additional funded debt if: (1) the funded debt would exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-calendar-month period would be less than 175% of interest charges. In addition, SJW Corp. is a guarantor of SJWTX, Inc.'s senior note which has terms and conditions that restrict SJW Corp. from issuing additional funded debt if: (1) the funded consolidated debt would exceed 66-2/3% of total capitalization, and (2) the minimum net worth of SJW Corp. becomes less than \$125,000 plus 30% of Water Utility Services cumulative net income, since December 31, 2005. As of September 30, 2015, SJWTX, Inc. and SJW Corp. were not restricted from issuing future indebtedness as a result of these terms and conditions.

As of September 30, 2015, SJW Corp. and its subsidiaries had unsecured bank lines of credit, allowing aggregate short-term borrowings of up to \$100,000, of which \$15,000 was available to SJW Corp. and SJW Land Company under a single line of credit and \$85,000 was available to San Jose Water Company under another line of credit. \$3,000 under the San Jose Water Company line of credit is set aside in the form of letters of credit for its Safe Drinking Water State Revolving Fund loans. At September 30, 2015, SJW Corp. and its subsidiaries had available unused short-term bank lines of credit of \$75,800. These lines of credit bear interest at variable rates. They will expire on September 1, 2016. The cost of borrowing on SJW Corp.'s short-term credit facilities has averaged 1.3% as of September 30, 2015. SJW Corp., on a consolidated basis, has the following affirmative covenants on its unsecured bank line of credit: (1) the funded debt cannot exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-calendar-month period cannot be less than 175% of interest charges. As of September 30, 2015, SJW Corp.'s funded debt was 51% of total capitalization and the net income available for interest charges was 304% of interest charges. As of September 30, 2015, SJW Corp. was in compliance with all covenants.

San Jose Water Company's unsecured bank line of credit has the following affirmative covenants: (1) the funded debt cannot exceed 66-2/3% of total capitalization, and (2) net income available for interest charges for the trailing 12-calendar-month period cannot be less than 175% of interest charges. As of September 30, 2015, San Jose Water Company was in compliance with all covenants.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

SJW Corp. is subject to market risks in the normal course of business, including changes in interest rates, pension plan asset values, and equity prices. The exposure to changes in interest rates can result from the issuance of debt and short-term funds obtained through SJW Corp.'s variable rate lines of credit. San Jose Water Company sponsors a noncontributory pension plan for its employees. Pension costs and the funded status of the plan are affected by a number of factors including the discount rate and investment returns on plan assets. SJW Corp. also owned 259,151 shares of common stock of California Water Service Group as of September 30, 2015, which is listed on the New York Stock Exchange, and is therefore exposed to the risk of fluctuations and 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.

ITEM 4. CONTROLS AND PROCEDURES

SJW Corp.'s management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of SJW Corp.'s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, the "Exchange Act"), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that SJW Corp.'s disclosure controls and procedures as of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by SJW Corp. in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. SJW Corp. believes that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

There has been no change in internal control over financial reporting during the third fiscal quarter of 2015 that has materially affected, or is reasonably likely to materially affect, the internal controls over financial reporting of SJW Corp.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

SJW Corp. is subject to ordinary routine litigation incidental to its business. There are no pending legal proceedings to which SJW Corp. or any of its subsidiaries is a party, or to which any of its properties is the subject, that are expected to have a material effect on SJW Corp.'s business, financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in the "Risk Factors" in SJW Corp.'s Form 10-K for the year ended December 31, 2014, and our other public filings, which could materially affect our business, financial condition or future results. Other than the risk factor listed below, there have been no material changes from risk factors previously disclosed in "Risk Factors" in SJW Corp.'s Form 10-K for the year ended December 31, 2014.

Fluctuations in customer demand for water due to seasonality, conservation regulations, and lifestyle can adversely affect operating results.

Water Utility Services' operations are seasonal, thus quarterly fluctuation in results of operations may be significant. Rainfall and other weather conditions also affect the operations of Water Utility Services. Most water consumption occurs during the third quarter of each year when weather tends to be warm and dry. In periods of drought, if customers are encouraged or required to conserve water due to a shortage of water supply or restriction of use, revenue tends to be lower. Similarly, in unusually wet periods, water supply tends to be higher and customer demand tends to be lower, again resulting in lower revenues. Furthermore, certain lifestyle choices made by customers can affect demand for water. For example, a significant portion of residential water use is for outside irrigation of lawns and landscaping. If there is a decreased desire by customers to maintain landscaping for their homes or restrictions are placed on outside irrigation, residential water demand would decrease, which would result in lower revenues.

Conservation efforts and construction codes, which require the use of low-flow plumbing fixtures, could diminish water consumption and result in reduced revenue. In addition, in time of drought, water conservation may become a regulatory requirement that impacts the water usage of our customers. For example, in response to the ongoing drought in California, on March 17, 2015, the State Water Board adopted an expanded emergency conservation regulation that became effective on March 27, 2015. The regulation prohibits certain outdoor water uses for all Californians and also places water usage restrictions on businesses in the restaurant and hospitality sectors. On March 25, 2015, the SCVWD increased their conservation target from 20% to 30% through the end of 2015. On April 1, 2015, Governor Edmund G. Brown Jr. issued an executive order imposing restrictions to achieve a statewide 25% reduction in potable urban water usage through February 28, 2016 based on 2013 usage. On April 9, 2015, the CPUC issued a resolution ordering its regulated water utilities to comply with the State Water Board's emergency conservation regulation, conduct additional customer outreach and implement restrictions of outdoor water use. Effective June 15, 2015, San Jose Water Company was authorized by the CPUC to activate Stage 3 of Tariff Rule 14.1 with a water shortage contingency plan with mandatory water usage reduction and drought surcharges. The drought surcharges will be recorded in a drought account authorized by the CPUC to track lost revenues from conservation. The amount collected will offset future surcharges as a result of conservation efforts. San Jose Water Company is continually working to remain in compliance with the various drought rules and regulations and is also working with local governments as well as the SCVWD to communicate consistent messages on the drought to the public.

The implementation of mandatory conservation measures has resulted and is expected to result in lower water usage by our customers which may adversely affect our results of operation. If the current drought and the related conservation measures continue, we may experience fluctuations in the timing of or a reduction in customer revenue. Furthermore, while the CPUC approved MCRAMA and MCMA memorandum accounts would allow us to recover revenue reductions due to water conservation activities and certain conservation related costs, such memorandum accounts are subject to a review and approval process by the CPUC, which can be lengthy, and there is no assurance that we will be able to recover all of the revenue and costs recorded in the memorandum accounts.

ITEM 5. OTHER INFORMATION

On October 28, 2015, the Board of Directors of SJW Corp. declared the regular quarterly dividend of \$0.195 per share of common stock. The dividend will be paid on December 1, 2015 to shareholders of record as of the close of business on November 9, 2015.

SJW Corp. intends to post information about the operating and financial performance of SJW Corp. and its subsidiaries on its web sites at www.sjwater.com and www.sjwcorp.com from time to time.

ITEM 6. EXHIBITS

See Exhibit Index located immediately following the Signatures of this document, which is incorporated herein by reference as required to be filed by Item 601 of Regulation S-K for the quarter ended September 30, 2015.

SIGNATURES

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

SJW CORP.

DATE: November 2, 2015

By: /s/ JAMES P. LYNCH

James P. Lynch

**Chief Financial Officer and Treasurer
(Principal financial officer)**

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
10.1	SJW Corp. Long-Term Incentive Plan, as amended and restated July 29, 2015. (1)
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chairman, President and Chief Executive Officer. (1)
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chief Financial Officer and Treasurer. (1)
32.1	Certification Pursuant to 18 U.S.C. Section 1350 by Chairman, President and Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)
32.2	Certification Pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer and Treasurer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Filed currently herewith.

SJW CORP.
LONG-TERM INCENTIVE PLAN
AS AMENDED AND RESTATED JULY 29, 2015

ARTICLE ONE
GENERAL PROVISIONS

I. PURPOSE OF THE PLAN

This Amended and Restated Long-Term Incentive Plan (the “Plan”) is intended to promote the interests of SJW Corp., a California corporation, by providing eligible persons in the Corporation’s service with the opportunity to participate in one or more cash or equity incentive compensation programs designed to encourage them to continue their service relationship with the Corporation.

The Plan was initially adopted by the Board on March 6, 2002 and approved by the Corporation’s shareholders on April 18, 2002. The Plan was amended and restated by the Board on January 30, 2008 and approved by the Corporation’s shareholders at the 2008 Annual Meeting. The Plan was subsequently amended and restated by the Board on January 30, 2013 and approved by the Corporation’s shareholders at the 2013 Annual Meeting. This July 2015 Amended and Restated Plan was adopted by the Board on July 29, 2015. All Awards outstanding under the Plan at the time of the Board’s adoption of the July 2015 Amended and Restated Plan shall continue to be governed by the existing terms and provisions of the applicable agreements evidencing those Awards, and nothing in the July 2015 Amended and Restated Plan shall be deemed to affect or modify the existing terms and conditions of those Awards.

Capitalized terms shall have the meanings assigned to such terms in the attached Appendix.

II. STRUCTURE OF THE PLAN

A. The Amended and Restated Plan is hereby divided into a series of separate incentive compensation programs as follows:

- the Discretionary Grant Program under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of Common Stock or stock appreciation rights tied to the value of such Common Stock,
- the Stock Issuance Program under which eligible persons may, at the discretion of the Plan Administrator, be issued shares of Common Stock pursuant to restricted stock awards, restricted stock units, performance shares or other stock-based awards which vest upon the completion of a designated service period or the attainment of pre-established performance milestones, or such shares of Common Stock may be issued as a bonus for services rendered the Corporation (or any Parent or Subsidiary), and the Incentive Bonus Program under which eligible persons may, at the discretion of the Plan Administrator, be provided with incentive bonus opportunities through performance unit awards and special cash incentive programs tied to the attainment of pre-established performance milestones.

B. The provisions of Articles One and Five shall apply to all incentive compensation programs under the Plan and shall govern the interests of all persons under the Plan.

III. ADMINISTRATION OF THE PLAN

A. The Executive Compensation Committee shall have sole and exclusive authority to administer the Discretionary Grant, Stock Issuance and Incentive Bonus Programs with respect to Section 16 Insiders. Administration of the Discretionary Grant, Stock Issuance and Incentive Bonus Programs with respect to all other persons eligible to participate in those programs may, at the Board's discretion, be vested in the Executive Compensation Committee or a Secondary Board Committee, or the Board may retain the power to administer those programs with respect to such persons.

B. The Executive Compensation Committee may make Awards to any and all non-employee Board members, including members of the Executive Compensation Committee, upon such terms and conditions as the Executive Compensation Committee deems appropriate in its sole discretion or pursuant to one or more formulaic programs which provide for the automatic grant of such Awards in such amounts, at such times and subject to such terms as the Executive Compensation Committee may designate in advance, in each instance subject to the express provisions of the Plan and the limitations of Section V.D of this Article One. The terms and conditions of the Awards may vary among the non-employee Board members on an individual by individual basis or may differ from the terms and conditions in effect for prior Awards made to the non-employee Board members. The Executive Compensation Committee may also implement one or more programs which provide the non-employee Board members with the opportunity to elect on an advance basis to receive specific types of Awards, either on a current or deferred basis, in lieu of retainer or meeting fees otherwise payable to them in cash for their service as non-employee Board members and/or as members of one or more Board committees (or for their service as members of the board of directors of any Parent or Subsidiary or any committee of such board). All discretionary Awards to non-employee Board members authorized by the Executive Compensation Committee and all formulaic programs implemented by the Executive Compensation Committee for such Board members shall be subject to approval and ratification by a majority of the Board. Outstanding Awards under the special incentive compensation programs previously established for the non-employee Board members under the Plan, namely, the Deferral Election Program and the Deferred Restricted Stock Program (each as amended as of December 6, 2007), shall continue in full force and effect in accordance with their existing terms and conditions, and nothing in this July 2015 Amended and Restated Plan shall be deemed to affect or modify the existing terms and conditions of those Awards. In addition, the non-employee Board members shall continue to have the opportunity to make an annual deferral election with respect to their retainer and meeting fees for each upcoming year of service on the Board or any Board Committee pursuant to the provisions of the Deferral Election Program as amended December 6, 2007 and to earn an investment return on their deferred fees.

C. Members of the Executive Compensation Committee or any Secondary Board Committee shall serve for such period of time as the Board may determine and may be removed by the Board at any time. The Board may also at any time terminate the functions of any Secondary Board Committee and reassume all powers and authority previously delegated to such committee.

D. Each Plan Administrator shall, within the scope of its administrative functions under the Plan, have full power and authority (subject to the provisions of the Plan) to establish such rules and regulations as it may deem appropriate for proper administration of the Discretionary Grant, Stock Issuance and Incentive Bonus Programs and to make such determinations under, and issue such interpretations of, the provisions of those programs and any outstanding Awards thereunder as it may deem necessary or advisable. Decisions of the Plan Administrator within the scope of its administrative functions under the Plan shall be final and binding on all parties who have an interest in the Discretionary Grant, Stock Issuance and Incentive Bonus Programs under its jurisdiction or any Award thereunder.

E. Service as a Plan Administrator by the members of the Executive Compensation Committee or the Secondary Board Committee shall constitute service as Board members, and the members of each such committee shall accordingly be entitled to full indemnification and reimbursement as Board members for their service on such committee. No member of the Executive Compensation Committee or the Secondary Board Committee shall be liable for any act or omission made in good faith with respect to the Plan or any Award thereunder.

IV. ELIGIBILITY

A. The persons eligible to participate in the Plan are as follows:

- (i) Employees,
- (ii) non-employee members of the Board or the board of directors of any Parent or Subsidiary, and
- (iii) consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. The Plan Administrator shall have full authority to determine, (i) with respect to Awards made under the Discretionary Grant Program, which eligible persons are to receive such Awards, the time or times when those Awards are to be made, the number of shares to be covered by each such Award, the time or times when the Award is to become exercisable, the vesting schedule (if any) applicable to the Award, the maximum term for which such Award is to remain outstanding and the status of a granted option as either an Incentive Option or a Non-Statutory Option; (ii) with respect to Awards under the Stock Issuance Program, which eligible persons are to receive such Awards, the time or times when the Awards are to be made, the form in which the Awards are to be made, the number of shares subject to each such Award, the vesting and issuance schedules applicable to the shares which are the subject of such Award, the cash consideration (if any) payable for those shares and the form (cash or shares of Common Stock) in which the Award is to be settled; and (iii) with respect to Awards under the Incentive Bonus Program, which eligible persons are to receive such Awards, the time or times when the Awards are to be made, the form in which the Awards are to be made, the performance objectives for each such Award, the amounts payable at designated levels of attained performance, any applicable service vesting requirements, the payout schedule for each such Award that vests and the form (cash or Common Stock) in which the Award is to be settled.

C. The Plan Administrator shall have the absolute discretion to grant options or stock appreciation rights in accordance with the Discretionary Grant Program, to effect stock issuances and other stock-based awards in accordance with the Stock Issuance Program and to grant incentive bonus awards in accordance with the Incentive Bonus Program.

V. STOCK SUBJECT TO THE PLAN

A. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Corporation on the open market. The total number of shares of Common Stock reserved for issuance over the term of the Plan shall not exceed one million eight hundred thousand (1,800,000) shares¹.

¹As of January 1, 2013, 327,093 shares of Common Stock were subject to outstanding Awards, 287,534 shares had been issued in settlement of Awards made under the Plan and 1,185,373 shares were available for future Awards.

B. The maximum number of shares of Common Stock that may be issued from the authorized share reserve under Section V.A above pursuant to Incentive Options granted under the Plan after December 31, 2012 shall be limited to one million five hundred twelve thousand four hundred sixty-six (1,512,466) shares.

C. Each person participating in the Plan shall be subject to the following limitations:

- For Awards denominated in shares of Common Stock (whether payable in Common Stock, cash or a combination of both), the maximum number of shares of Common Stock for which such Awards may be made in the aggregate to such person in any calendar year shall not exceed six hundred thousand (600,000) shares of Common Stock in the aggregate, and

- For Awards denominated in cash (whether payable in cash, Common Stock or a combination of both), the maximum dollar amount for which such Awards may be made in the aggregate to such person shall not exceed one million dollars (\$1,000,000.00) for each full or partial calendar year within the applicable service or performance measurement period (not to exceed five calendar years).

D. The maximum number of shares of Common Stock for which Awards may be made to any one non-employee Board member shall not exceed in the aggregate four thousand (4,000) shares per calendar year, except that such limit shall be increased to ten thousand (10,000) shares for the year in which the non-employee Board member is first appointed or elected to the Board.

E. Shares of Common Stock subject to outstanding Awards made under the Plan shall be available for subsequent issuance under the Plan to the extent those Awards expire or terminate for any reason prior to the issuance of the shares of Common Stock subject to those Awards. Unvested shares issued under the Plan and subsequently forfeited or repurchased by the Corporation, at a price per share not greater than the original issue price paid per share, pursuant to the Corporation's repurchase rights under the Plan shall be added back to the number of shares of Common Stock reserved for issuance under the Plan and shall accordingly be available for subsequent reissuance. Should the exercise price of an option under the Plan be paid with shares of Common Stock, then the authorized reserve of Common Stock under the Plan shall be reduced by the gross number of shares for which that option is exercised, and not by the net number of shares issued under the exercised stock option. Upon the exercise of any stock appreciation right under the Plan, the share reserve shall be reduced by the gross number of shares as to which such right is exercised, and not by the net number of shares actually issued by the Corporation upon such exercise. If shares of Common Stock otherwise issuable under the Plan are withheld by the Corporation in satisfaction of the withholding taxes incurred in connection with the exercise, vesting or settlement of an Award, then the number of shares of Common Stock available for issuance under the Plan shall be reduced on the basis of the gross number of shares issuable under such Award at the time of exercise, vesting or settlement, calculated in each instance prior to any such share withholding.

F. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of the outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Plan Administrator to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the maximum number and/or class of securities that may be issued pursuant to Incentive Options granted under the Plan, (iii) the maximum number and/or class of securities for which any one person may be granted Common Stock-denominated

Awards under the Plan per calendar year, (iv) the maximum number and/or class of securities for which a non-employee Board member may be granted Common Stock-denominated Awards under the Plan in any one calendar year, (v) the number and/or class of securities and the exercise or base price per share in effect under each outstanding Award under the Discretionary Grant Program, (vi) the number and/or class of securities subject to each outstanding Award under the Stock Issuance Program and the cash consideration (if any) payable per share, (vii) the number and/or class of securities subject to each outstanding Award under the Incentive Bonus Program denominated in shares of Common Stock and (viii) the number and/or class of securities subject to the Corporation's outstanding repurchase rights under the Plan and the repurchase price payable per share. The adjustments shall be made in such manner as the Plan Administrator deems appropriate, and such adjustments shall be final, binding and conclusive. In the event of a Change in Control, however, the adjustments (if any) shall be made solely in accordance with the applicable provisions of the Plan governing Change in Control transactions.

G. Outstanding Awards granted pursuant to the Plan shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

ARTICLE TWO

DISCRETIONARY GRANT PROGRAM

I. OPTION TERMS

Each option shall be evidenced by one or more documents in the form approved by the Plan Administrator; provided, however, that each such document shall comply with the terms specified below. Each document evidencing an Incentive Option shall, in addition, be subject to the provisions of the Plan applicable to such options.

A. Exercise Price.

1. The exercise price per share shall be fixed by the Plan Administrator; ***provided, however***, that such exercise price shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the grant date.

2. The exercise price shall become immediately due upon exercise of the option and shall, subject to the provisions of the documents evidencing the option, be payable in one or more of the forms specified below:

(i) cash or check made payable to the Corporation,

(ii) shares of Common Stock (whether delivered in the form of actual stock certificates or through attestation of ownership) held for the requisite period (if any) necessary to avoid any resulting charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date,

(iii) shares of Common Stock otherwise issuable under the option but withheld by the Corporation in satisfaction of the exercise price, with such withheld shares to be valued at Fair Market Value on the exercise date, and

(iv) to the extent the option is exercised for vested shares, through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide instructions to: (a) a brokerage firm (reasonably satisfactory to the Corporation for purposes of administering such procedure in compliance with the Corporation's pre-clearance/pre-notification policies) to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable income and employment taxes required to be withheld by the Corporation by reason of such exercise and (b) the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm on such settlement date in order to complete the sale.

Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. **Exercise and Term of Options.** Each option shall be exercisable at such time or times, during such period and for such number of shares as shall be determined by the Plan Administrator and set forth in the documents evidencing the option. However, no option shall have a term in excess of ten (10) years measured from the option grant date and no option shall vest over a period that is less than one (1) year from the option grant date; provided, however, the Plan Administrator may provide for accelerated vesting without regard to the minimum vesting period in connection with the Optionee's death or disability or in the event of a Change in Control. In addition, subject to adjustments under Section V.A. of Article One, up to 5% of the shares of Common Stock available for issuance under the Plan as of July 29, 2015 may be subject to awards granted under the Discretionary Grant Program without regard to the minimum vesting requirement.

C. **Effect of Termination of Service.**

1. The following provisions shall govern the exercise of any options granted pursuant to the Discretionary Grant Program that are outstanding at the time of the Optionee's cessation of Service or death:

(i) Any option outstanding at the time of the Optionee's cessation of Service for any reason shall remain exercisable for such period of time thereafter as shall be determined by the Plan Administrator and set forth in the documents evidencing the option, but no such option shall be exercisable after the expiration of the option term.

(ii) Any option held by the Optionee at the time of the Optionee's death and exercisable in whole or in part at that time may be subsequently exercised by the personal representative of the Optionee's estate or by the person or persons to whom the option is transferred pursuant to the Optionee's will or the laws of inheritance or by the Optionee's designated beneficiary or beneficiaries of that option.

(iii) Should the Optionee's Service be terminated for Cause or should the Optionee otherwise engage in conduct constituting grounds for a termination for Cause while holding one or more outstanding options granted under this Article Two, then all of those options shall terminate immediately and cease to be outstanding.

(iv) During the applicable post-Service exercise period, the option may not be exercised for more than the number of vested shares for which the option

is at the time exercisable; **provided, however**, that one or more options under the Discretionary Grant Program may be structured so that those options continue to vest in whole or part during the applicable post-Service exercise period. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any shares for which the option has not been exercised.

2. The Plan Administrator shall have complete discretion, exercisable either at the time an option is granted or at any time while the option remains outstanding, to:

(i) extend the period of time for which the option is to remain exercisable following the Optionee's cessation of Service from the limited exercise period otherwise in effect for that option to such greater period of time as the Plan Administrator shall deem appropriate, but in no event beyond the expiration of the option term,

(ii) include an automatic extension provision whereby the specified post-Service exercise period in effect for any option granted under this Article Two shall automatically be extended by an additional period of time equal in duration to any interval within the specified post-Service exercise period during which the exercise of that option or the immediate sale of the shares acquired under such option could not be effected in compliance with applicable federal and state securities laws, but in no event shall such an extension result in the continuation of such option beyond the expiration date of the term of that option, and/or

(iii) permit the option to be exercised, during the applicable post-Service exercise period, not only with respect to the number of vested shares of Common Stock for which such option is exercisable at the time of the Optionee's cessation of Service but also with respect to one or more additional installments in which the Optionee would have vested had the Optionee continued in Service.

D. **Shareholder Rights**. The holder of an option shall have no shareholder rights with respect to the shares subject to the option until such person shall have exercised the option, paid the exercise price and become a holder of record of the purchased shares.

E. **Repurchase Rights**. The Plan Administrator shall have the discretion to grant options which are exercisable for unvested shares of Common Stock. Should the Optionee cease Service while such shares are unvested, the Corporation shall have the right to repurchase any or all of those unvested shares at a price per share equal to the **lower** of (i) the exercise price paid per share or (ii) the Fair Market Value per share of Common Stock at the time of repurchase. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Plan Administrator and set forth in the document evidencing such repurchase right.

F. **Transferability of Options**. The transferability of options granted under the Plan shall be governed by the following provisions:

(i) **Incentive Options**. During the lifetime of the Optionee, Incentive Options shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or the laws of inheritance following the Optionee's death.

(ii) **Non-Statutory Options.** Non-Statutory Options shall be subject to the same limitation on transfer as Incentive Options, except that the Plan Administrator may structure one or more Non-Statutory Options so that the option may be assigned in whole or in part during the Optionee's lifetime through a gratuitous transfer or domestic relations order to one or more Family Members of the Optionee or to a trust established exclusively for the Optionee and/or such Family Members. The assigned portion may only be exercised by the person or persons who acquire a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate.

(iii) **Beneficiary Designations.** Notwithstanding the foregoing, the Optionee may designate one or more persons as the beneficiary or beneficiaries of his or her outstanding options under this Article Two (whether Incentive Options or Non-Statutory Options), and those options shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding those options. Such beneficiary or beneficiaries shall take the transferred options subject to all the terms and conditions of the applicable agreement evidencing each such transferred option, including (without limitation) the limited time period during which the option may be exercised following the Optionee's death.

II. INCENTIVE OPTIONS

The terms specified below shall be applicable to all Incentive Options. Except as modified by the provisions of this Section II, all the provisions of Articles One, Two and Five shall be applicable to Incentive Options. Options which are specifically designated as Non-Statutory Options when issued under the Plan shall not be subject to the terms of this Section II.

A. **Eligibility.** Incentive Options may only be granted to Employees.

B. **Dollar Limitation.** The aggregate Fair Market Value of the shares of Common Stock (determined as of the respective date or dates of grant) for which one or more options granted to any Employee under the Plan (or any other option plan of the Corporation or any Parent or Subsidiary) may for the first time become exercisable as Incentive Options during any one calendar year shall not exceed the sum of one hundred thousand dollars (\$100,000).

To the extent the Employee holds two (2) or more such options which become exercisable for the first time in the same calendar year, then for purposes of the foregoing limitations on the exercisability of those options as Incentive Options, such options shall be deemed to become first exercisable in that calendar year on the basis of the chronological order in which they were granted, except to the extent otherwise provided under applicable law or regulation.

C. **10% Shareholder.** If any Employee to whom an Incentive Option is granted is a 10% Shareholder, then the exercise price per share shall not be less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the option grant date, and the option term shall not exceed five (5) years measured from the option grant date.

III. STOCK APPRECIATION RIGHTS

A. **Authority.** The Plan Administrator shall have full power and authority, exercisable in its sole discretion, to grant stock appreciation rights in accordance with this Section III to selected Optionees or other individuals eligible to receive option grants under the Discretionary Grant Program.

B. **Types.** Two types of stock appreciation rights shall be authorized for issuance under this Section III: (i) tandem stock appreciation rights (“Tandem Rights”) and (ii) stand-alone stock appreciation rights (“Stand-alone Rights”).

C. **Tandem Rights.** The following terms and conditions shall govern the grant and exercise of Tandem Rights.

1. One or more Optionees may be granted a Tandem Right, exercisable upon such terms and conditions as the Plan Administrator may establish, to elect between the exercise of the underlying option for shares of Common Stock or the surrender of that option in exchange for a distribution from the Corporation in an amount equal to the excess of (i) the Fair Market Value (on the option surrender date) of the number of shares in which the Optionee is at the time vested under the surrendered option (or surrendered portion thereof) over (ii) the aggregate exercise price payable for such vested shares.

2. Any distribution to which the Optionee becomes entitled upon the exercise of a Tandem Right may be made in (i) shares of Common Stock valued at Fair Market Value on the option surrender date, (ii) cash or (iii) a combination of cash and shares of Common Stock, as specified in the applicable Award agreement.

D. **Stand-Alone Rights.** The following terms and conditions shall govern the grant and exercise of Stand-alone Rights:

1. One or more individuals eligible to participate in the Discretionary Grant Program may be granted a Stand-alone Right not tied to any underlying option under this Discretionary Grant Program. The Stand-alone Right shall relate to a specified number of shares of Common Stock and shall be exercisable upon such terms and conditions as the Plan Administrator may establish. In no event, however, may the Stand-alone Right have a maximum term in excess of ten (10) years measured from the grant date. In addition, the minimum vesting requirements applicable to options granted under the Discretionary Grant Program as set forth in Section I.B of this Article Two shall apply to Stand-alone Rights.

2. Upon exercise of the Stand-alone Right, the holder shall be entitled to receive a distribution from the Corporation in an amount equal to the excess of (i) the aggregate Fair Market Value (on the exercise date) of the shares of Common Stock underlying the exercised right over (ii) the aggregate base price in effect for those shares.

3. The number of shares of Common Stock underlying each Stand-alone Right and the base price in effect for those shares shall be determined by the Plan Administrator in its sole discretion at the time the Stand-alone Right is granted. In no event, however, may the base price per share be less than the Fair Market Value per underlying share of Common Stock on the grant date.

4. Stand-alone Rights shall be subject to the same transferability restrictions applicable to Non-Statutory Options and may not be transferred during the holder’s lifetime, except for an assignment in the form of a gratuitous transfer or pursuant to domestic relations order to one or more Family Members of the holder or to a trust established for the holder and/or one or more such Family Members. In addition, one or more beneficiaries may be designated for an outstanding Stand-alone Right in accordance with substantially the same terms and provisions as set forth in Section I.F of this Article Two.

5. The distribution with respect to an exercised Stand-alone Right may be made in (i) shares of Common Stock valued at Fair Market Value on the exercise date, (ii) cash or (iii) a combination of cash and shares of Common Stock, as specified in the applicable Award agreement.

6. The holder of a Stand-alone Right shall have no shareholder rights with respect to the shares subject to the Stand-alone Right unless and until such person shall have exercised the Stand-alone Right and become a holder of record of the shares of Common Stock issued upon the exercise of such Stand-alone Right.

E. **Post-Service Exercise.** The provisions governing the exercise of Tandem and Stand-alone Rights following the cessation of the recipient's Service shall be substantially the same as those set forth in Section I.C of this Article Two for the options granted under the Discretionary Grant Program, and the Plan Administrator's discretionary authority under Section I.C.2 of this Article Two shall also extend to any outstanding Tandem or Stand-alone Appreciation Rights.

IV. CHANGE IN CONTROL

A. In the event of an actual Change in Control transaction, each outstanding Award under the Discretionary Grant Program shall automatically accelerate and become exercisable, immediately prior to the effective date of that Change in Control, as to all the shares of Common Stock at the time subject to such Award, unless (i) such Award is to be assumed by the successor corporation (or parent thereof) or is otherwise to continue in full force and effect pursuant to the terms of the Change in Control transaction or (ii) such Award is to be replaced with a cash retention program of the successor corporation which preserves the spread existing at the time of the Change in Control on any shares as to which the Award is not otherwise at that time exercisable and provides for the subsequent vesting and payout of that spread in accordance with the same exercise/vesting schedule in effect for that Award or (iii) the acceleration of such Award is subject to other limitations imposed by the Plan Administrator. No such cash retention program shall be established for any Award under the Discretionary Grant Program, whether granted before or after the date the Board adopted the January 2013 amendment and restatement of the Plan, to the extent such program would otherwise be deemed to constitute a deferred compensation arrangement subject to the requirements of Code Section 409A and the Treasury Regulations thereunder. Notwithstanding the foregoing, any Award outstanding under the Discretionary Grant Program on the date of such Change in Control shall be subject to cancellation and termination, without cash payment or other consideration due the Award holder, if the Fair Market Value per share of Common Stock on the date of such Change in Control (or any earlier date specified in the definitive agreement for the Change in Control transaction) is less than the per share exercise or base price in effect for such Award and that Award is not otherwise to be assumed or continued in effect by the successor corporation (or parent thereof).

B. All outstanding repurchase rights under the Discretionary Grant Program shall automatically terminate, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, immediately prior to the effective date of an actual Change in Control transaction, except to the extent: (i) those repurchase rights are to be assigned to the successor corporation (or parent thereof) or are otherwise to continue in effect pursuant to the terms of the Change in Control transaction or (ii) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator.

C. Immediately following the consummation of the Change in Control, all outstanding Awards made under the Discretionary Grant Program of this Amended and Restated Plan shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or are otherwise continued in effect pursuant to the terms of the Change in Control transaction.

D. Each Award which is assumed in connection with a Change in Control or otherwise continued in effect shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities into which the shares of Common Stock subject to that Award would have

been converted in consummation of such Change in Control had those shares actually been outstanding at that time. Appropriate adjustments to reflect such Change in Control shall also be made to (i) the exercise or base price per share in effect under each outstanding Award, provided the aggregate exercise or base price in effect for such securities shall remain the same, (ii) the maximum number and/or class of securities available for issuance over the remaining term of the Plan (iii) the maximum number and/or class of securities that may be issued pursuant to Incentive Options granted under the Plan, (iv) the maximum number and/or class of securities for which any one person may be granted Common Stock-denominated Awards under the Plan per calendar year, (v) the maximum number and/or class of securities for which a non-employee Board member may be granted Common Stock-denominated Awards under the Plan in any one calendar year, (vi) the number and/or class of securities and the exercise or base price per share in effect under each outstanding Award under the Discretionary Grant Program, (vii) the number and/or class of securities subject to each outstanding Award under the Stock Issuance Program and the cash consideration (if any) payable per share, (viii) the number and/or class of securities subject to each outstanding Award under the Incentive Bonus Program denominated in shares of Common Stock and (ix) the number and/or class of securities subject to the Corporation's outstanding repurchase rights under the Plan and the repurchase price payable per share. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of the outstanding Awards under the Discretionary Grant Program and with the Plan Administrator's approval, substitute, for the securities underlying those assumed or continued Awards, one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control transaction, provided such common stock is readily traded on an established U.S. securities exchange or market.

E. The Plan Administrator shall have the discretionary authority to structure one or more outstanding Awards under the Discretionary Grant Program so that those Awards shall, immediately prior to the effective date of an actual Change in Control transaction, become exercisable as to all the shares of Common Stock at the time subject to those Awards and may be exercised as to any or all of those shares as fully vested shares of Common Stock, whether or not those Awards are to be assumed or replaced in the Change in Control transaction or otherwise continued in effect. In addition, the Plan Administrator shall have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Discretionary Grant Program so that those rights shall terminate immediately prior to the effective date of an actual Change in Control transaction, and the shares subject to those terminated rights shall thereupon vest in full.

F. The Plan Administrator shall have full power and authority to structure one or more outstanding Awards under the Discretionary Grant Program so that those Awards shall become exercisable as to all the shares of Common Stock at the time subject to those Awards in the event the Optionee's Service is subsequently terminated by reason of an Involuntary Termination within a designated period following the effective date of any Change in Control transaction in which those Awards do not otherwise fully accelerate. In addition, the Plan Administrator may structure one or more of the Corporation's repurchase rights so that those rights shall immediately terminate with respect to any shares held by the Optionee at the time of such Involuntary Termination, and the shares subject to those terminated repurchase rights shall accordingly vest in full at that time.

G. The portion of any Incentive Option accelerated in connection with a Change in Control shall remain exercisable as an Incentive Option only to the extent the applicable one hundred thousand dollar (\$100,000) limitation is not exceeded. To the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a Non-statutory Option under the Federal tax laws.

V. PROHIBITION ON REPRICING PROGRAMS

Except in connection with the adjustments specifically authorized by Section V.F. of Article One, the Plan Administrator shall not (i) implement any cancellation/regrant program pursuant to which outstanding options or stock appreciation rights under the Plan are cancelled and new options or stock appreciation rights are granted in replacement with a lower exercise price per share, (ii) cancel outstanding options or stock appreciation rights under the Plan with exercise prices per share in excess of the then current Fair Market Value per share of Common Stock for consideration payable in cash, equity securities of the Corporation or in the form of any other Award under the Plan, except in connection with a Change in Control transaction, or (iii) otherwise directly reduce the exercise price in effect for outstanding options or stock appreciation rights under the Plan, without in each such instance obtaining shareholder approval.

ARTICLE THREE

STOCK ISSUANCE PROGRAM

I. STOCK ISSUANCE TERMS

Shares of Common Stock may be issued under the Stock Issuance Program pursuant to restricted stock awards that vest in one or more increments over a designated period of Service. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to performance shares or restricted stock units which entitle the recipients to receive the shares underlying those Awards upon the attainment of designated performance goals or the satisfaction of specified Service requirements or upon the expiration of a designated time period following the vesting of those Awards. Each Award under the Stock Issuance Program shall be evidenced by an Award Agreement which complies with the terms specified below.

A. Issue Price/Consideration.

1. Shares may be issued for a cash consideration per share fixed by the Plan Administrator at the time of the Award, but in no event shall such cash consideration be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the Award date.

2. Shares of Common Stock may also be issued under the Stock Issuance Program for any of the following items of consideration which the Plan Administrator may deem appropriate in each individual instance:

- (i) past services rendered to the Corporation (or any Parent or Subsidiary); or
- (ii) any other valid consideration under the State in which the Corporation is at the time incorporated.

B. Vesting Provisions.

1. Shares of Common Stock issued under the Stock Issuance Program may, at the discretion of the Plan Administrator, be fully and immediately vested upon issuance as a bonus for

Service rendered or may vest in one or more installments over the Participant's period of continued Service or upon the attainment of specified performance objectives. The elements of the vesting schedule applicable to any unvested shares of Common Stock issued under the Stock Issuance Program shall be determined by the Plan Administrator and incorporated into the Award Agreement. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to performance shares or restricted stock units which entitle the recipients to receive the shares underlying those Awards upon the attainment of designated performance goals and/or the satisfaction of specified Service requirements or upon the expiration of a designated time period following the vesting of those Awards, including (without limitation) a deferred distribution date following the termination of the Participant's Service. Notwithstanding the foregoing, the following limitations shall apply with respect to the vesting schedules established for the Awards made under the Stock Issuance Program, subject to the acceleration provisions in Paragraphs B.6 and B.7 below and Section II of this Article Three:

(i) for any such Award which is to vest on the basis of Service, the minimum vesting period shall be three (3) years, with the rate of vesting over that period to be determined by the Plan Administrator; and

(ii) for any such Award which is to vest on the basis of performance objectives, the performance period shall have a duration of at least one year.

The foregoing minimum vesting requirements shall not be applicable to any Awards made under the Stock Issuance Program to an individual who is at the time of such Award serving solely in the capacity of a non-employee Board member; provided, however, that any Award made under the Stock Issuance Program to such non-employee Board member must have a minimum vesting period of at least one year or (if earlier) the date of the next annual shareholders meeting following the date of such Award, with no greater than monthly pro-rated vesting over that period.

2. The Plan Administrator shall also have the discretionary authority, consistent with Code Section 162(m), to structure one or more Awards under the Stock Issuance Program so that the shares of Common Stock subject to those Awards shall vest (or vest and become issuable) upon the achievement of pre-established performance objectives based on one or more Performance Goals and measured over the performance period specified by the Plan Administrator at the time of the Award.

3. Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) which the Participant may have the right to receive with respect to the Participant's unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares, spin-off transaction, extraordinary dividend or distribution or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration shall be issued subject to (i) the same vesting requirements applicable to the Participant's unvested shares of Common Stock and (ii) such escrow arrangements as the Plan Administrator may deem appropriate. Equitable adjustments to reflect each such transaction shall also be made by the Plan Administrator to the repurchase price payable per share by the Corporation for any unvested securities subject to its existing repurchase rights under the Plan; provided the aggregate repurchase price shall in each instance remain the same.

4. The Participant shall have full shareholder rights with respect to any shares of Common Stock issued to the Participant under the Stock Issuance Program, whether or not the Participant's interest in those shares is vested. Accordingly, the Participant shall have the right to vote such shares and to receive any dividends paid on such shares, subject to any applicable vesting requirements. The Participant

shall not have any shareholder rights with respect to the shares of Common Stock subject to a performance share award or restricted stock unit award until that award vests and the shares of Common Stock are actually issued thereunder. However, dividend-equivalent units may be paid or credited, either in cash or in actual or phantom shares of Common Stock, on outstanding performance share or restricted stock unit Awards, subject to such terms and conditions as the Plan Administrator may deem appropriate; provided, however, that no such dividend-equivalent units relating to Awards subject to performance-vesting conditions shall vest or otherwise become payable prior to the time the underlying Award (or portion thereof to which such dividend-equivalents units relate) vests upon the attainment of the applicable performance goals and shall accordingly be subject to cancellation and forfeiture to the same extent as the underlying Award.

5. Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock issued under the Stock Issuance Program or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Corporation for cancellation, and the Participant shall have no further shareholder rights with respect to those shares. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash or cash equivalent, the Corporation shall repay to the Participant the lower of (i) the cash consideration paid for the surrendered shares or (ii) the Fair Market Value of those shares at the time of cancellation.

6. The Plan Administrator may in its discretion waive the surrender and cancellation of one or more unvested shares of Common Stock which would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those shares. Any such waiver shall result in the immediate vesting of the Participant's interest in the shares of Common Stock as to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives. However, no vesting requirements tied to the attainment of performance objectives may be waived with respect to shares which were intended at the time of issuance to qualify as performance-based compensation under Code Section 162(m), except in the event of the Participant's cessation of Service by reason of death or Permanent Disability or as otherwise provided in Section II of this Article Three.

7. Outstanding performance shares or restricted stock units under the Stock Issuance Program shall automatically terminate, and no shares of Common Stock shall actually be issued in satisfaction of those Awards, if the performance goals or Service requirements established for those Awards are not attained or satisfied. The Plan Administrator, however, shall have the discretionary authority to issue vested shares of Common Stock under one or more outstanding Awards of performance shares or restricted stock units as to which the designated performance goals or Service requirements have not been attained or satisfied. However, no vesting requirements tied to the attainment of performance goals may be waived with respect to Awards which were intended, at the time those Awards were made, to qualify as performance-based compensation under Code Section 162(m), except in the event of the Participant's cessation of Service by reason of death or Permanent Disability or as otherwise provided in Section II of this Article Three.

8. The following additional requirements shall be in effect for any performance shares awarded under this Article Three:

(i) At the end of the performance period, the Plan Administrator shall determine the actual level of attainment for each performance objective and the extent to which the performance shares awarded for that period are to vest and become payable based on the attained performance levels.

(ii) The performance shares that so vest shall be paid as soon as practicable following the end of the performance period, unless such payment is to be deferred for the period specified by the Plan Administrator at the time the performance shares are initially awarded or for the period designated by the Participant pursuant to a timely-filed deferral election made in accordance with the applicable requirements of Code Section 409A.

(iii) Performance shares that vest may be paid in (a) cash, (b) shares of Common Stock or (c) any combination of cash and shares of Common Stock, as specified in the applicable Award Agreement.

(iv) Performance shares may also be structured so that the shares are convertible into shares of Common Stock, but the rate at which each performance share is to so convert shall be based on the attained level of performance for each applicable performance objective.

II. CHANGE IN CONTROL

A. Each Award outstanding under the Stock Issuance Program on the effective date of a Change in Control transaction may be (i) assumed by the successor corporation (or parent thereof) or otherwise continued in effect pursuant to the terms of the Change in Control transaction or (ii) replaced with a cash incentive program of the successor corporation which preserves the Fair Market Value of the underlying shares of Common Stock at the time of the Change in Control and provides for the subsequent vesting and payment of that value in accordance with the same vesting and payment schedules in effect for those shares at the time of such Change in Control. To the extent any such Award is at the time of such Change in Control transaction subject to performance-vesting requirements tied to the attainment of one or more specified performance goals and the Plan Administrator does not at that time provide otherwise, those performance-vesting requirements shall upon the assumption, continuation or replacement of that Award be cancelled, and such Award shall thereupon be converted into a Service-vesting Award, based on an assumed attainment of the applicable performance goals at target level, that will vest in one or more increments over the Service-vesting period in effect for that Award immediately prior to the effective date of the Change in Control.

B. Each Award so assumed or continued in effect shall be adjusted immediately after the consummation of that Change in Control so as to apply to the number and class of securities into which the shares of Common Stock subject to that Award immediately prior to the Change in Control would have been converted in consummation of such Change in Control had those shares actually been outstanding at that time, and appropriate adjustments shall also be made to the consideration (if any) payable per share thereunder, provided the aggregate amount of such consideration shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of the outstanding Awards and subject to the Plan Administrator's approval, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control transaction, provided such common stock is readily traded on an established U.S. securities exchange or market.

C. If an Award outstanding under the Stock Issuance Program on the effective date of a Change in Control transaction is not assumed or otherwise continued in effect or replaced with a cash retention program of the successor corporation which preserves the Fair Market Value of the underlying shares of Common Stock at the time of the Change in Control and provides for the subsequent vesting and

payment of that value in accordance with the same vesting and payment schedules in effect for those shares at the time of such Change in Control, then such Award shall vest immediately prior to the effective date of that Change in Control, and the shares of Common Stock subject to that Award shall be issued as fully-vested shares in accordance with the terms of the applicable Award Agreement, unless such accelerated vesting is precluded by other limitations imposed in the Award Agreement.

D. The Plan Administrator shall have the discretionary authority to structure one or more unvested Awards under the Stock Issuance Program so that the shares of Common Stock subject to those Awards shall automatically vest in whole or in part immediately prior to the effective date of an actual Change in Control transaction or upon the subsequent termination of the Participant's Service by reason of an Involuntary Termination within a designated period following the effective date of that Change in Control transaction.

E. The Plan Administrator's authority under Paragraph D of this Section II shall also extend to any Awards intended to qualify as performance-based compensation under Code Section 162(m), even though the automatic vesting of those Awards pursuant to Paragraph D of this Section II may result in their loss of performance-based status under Code Section 162(m).

F. All of the Corporation's outstanding repurchase rights under the Stock Issuance Program shall terminate automatically, and all the shares of Common Stock subject to those terminated rights shall vest in full, immediately prior to the effective date of an actual Change in Control transaction, except to the extent (i) the Awards to which those repurchase rights are to be assumed by the successor corporation (or parent thereof) or are otherwise to continue in full force and effect pursuant to the terms of the Change in Control transaction, (ii) those Awards are to be replaced with a cash retention program of the successor corporation which preserves, for each such Award, the Fair Market Value of the underlying shares of Common Stock at the time of the Change in Control and provides for the subsequent vesting and payment of that value in accordance with the same vesting and payment schedules in effect for those shares at the time of such Change in Control or (iii) such accelerated vesting is precluded by other limitations imposed in the applicable Award Agreement.

ARTICLE FOUR

INCENTIVE BONUS PROGRAM

I. INCENTIVE BONUS TERMS

The Plan Administrator shall have full power and authority to implement one or more of the following incentive bonus programs under the Plan:

- (i) cash incentive awards ("Cash Awards"),
- (ii) performance unit awards ("Performance Unit Awards"), and
- (iii) dividend equivalent rights ("DER Awards")

A. **Cash Awards.** The Plan Administrator shall have the discretionary authority under the Plan to make Cash Awards which are to vest in one or more installments over the Participant's period of

continued Service with the Corporation or upon the attainment of specified performance goals. Each such Cash Award shall be evidenced by one or more documents in the form approved by the Plan Administrator; **provided however**, that each such document shall comply with the terms specified below.

1. The elements of the vesting schedule applicable to each Cash Award shall be determined by the Plan Administrator and incorporated into the Award Agreement.

2. The Plan Administrator shall also have the discretionary authority, consistent with Code Section 162(m), to structure one or more Cash Awards so that those Awards shall vest upon the achievement of pre-established corporate performance objectives based upon one or more Performance Goals.

3. Outstanding Cash Awards shall automatically terminate, and no cash payment or other consideration shall be due the holders of those Awards, if the performance goals or Service requirements established for the Awards are not attained or satisfied. The Plan Administrator may in its discretion waive the cancellation and termination of one or more unvested Cash Awards which would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those Awards. Any such waiver shall result in the immediate vesting of the Participant's interest in the Cash Award as to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives. However, no vesting requirements tied to the attainment of performance goals may be waived with respect to awards which were intended, at the time those awards were made, to qualify as performance-based compensation under Code Section 162(m), except in the event of the Participant's cessation of Service by reason of death or Permanent Disability or as otherwise provided in Section II of this Article Four.

4. Cash Awards which become due and payable following the attainment of the applicable performance goals or satisfaction of the applicable Service requirement (or the waiver of such goals or Service requirement) may be paid in (i) cash, (ii) shares of Common Stock valued at Fair Market Value on the payment date or (iii) a combination of cash and shares of Common Stock, as specified in the Award Agreement.

B. **Performance Unit Awards.** The Plan Administrator shall have the discretionary authority to make Performance Unit Awards in accordance with the terms of this Article Four. Each such Performance Unit Award shall be evidenced by one or more documents in the form approved by the Plan Administrator; **provided however**, that each such document shall comply with the terms specified below.

1. A Performance Unit shall represent either (i) a unit with a dollar value tied to the level at which pre-established performance objectives based on one or more Performance Goals are attained or (ii) a participating interest in a special bonus pool tied to the attainment of pre-established performance objectives based on one or more Performance Goals. The amount of the bonus pool may vary with the level at which the applicable performance objectives are attained, and the value of each Performance Unit which becomes due and payable upon the attained level of performance shall be determined by dividing the amount of the resulting bonus pool (if any) by the total number of Performance Units issued and outstanding at the completion of the applicable performance period.

2. Performance Units may also be structured to include a Service requirement which the Participant must satisfy following the completion of the performance period in order to vest in the Performance Units awarded with respect to that performance period.

3. Performance Units which become due and payable following the attainment of the applicable performance objectives and the satisfaction of any applicable Service requirement may be paid in (i) cash, (ii) shares of Common Stock valued at Fair Market Value on the payment date or (iii) a combination of cash and shares of Common Stock, as specified in the Award Agreement.

4. The Plan Administrator may in its discretion waive the cancellation and termination of one or more unvested Performance Units which would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those Awards. Any such waiver shall result in the immediate vesting of the Participant's interest in the Performance Units as to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives. However, no vesting requirements tied to the attainment of performance goals may be waived with respect to Performance Unit Awards which were intended, at the time those Awards were made, to qualify as performance-based compensation under Code Section 162(m), except in the event of the Participant's cessation of Service by reason of death or Permanent Disability or as otherwise provided in Section II of this Article Four.

C. **DER Awards.** The Plan Administrator shall have the discretionary authority to make DER Awards in accordance with the terms of this Article Four. Each such DER Award shall be evidenced by one or more documents in the form approved by the Plan Administrator; **provided however**, that each such document shall comply with the terms specified below.

1. The DER Awards may be made as stand-alone awards or in tandem with other Awards made under the Plan. The term of each such DER Award shall be established by the Plan Administrator at the time of grant, but no DER Award shall have a term in excess of ten (10) years.

2. Each DER shall represent the right to receive the economic equivalent of each dividend or distribution, whether in cash, securities or other property (other than shares of Common Stock), which is made per issued and outstanding share of Common Stock during the term the DER remains outstanding. A special account on the books of the Corporation shall be maintained for each Participant to whom a DER Award is made, and that account shall be credited per DER with each such dividend or distribution made per issued and outstanding share of Common Stock during the term of that DER remains outstanding.

3. Payment of the amounts credited to such book account may be made to the Participant either concurrently with the actual dividend or distribution made per issued and outstanding share of Common Stock or may be deferred for a period specified by the Plan Administrator at the time the DER Award is initially made or designated by the Participant pursuant to a timely-filed deferral election made in accordance with Code Section 409A.

4. Payment may be paid in (i) cash, (ii) shares of Common Stock or (iii) a combination of cash and shares of Common Stock, as specified in the Award Agreement. If payment is to be made in the form of Common Stock, the number of shares of Common Stock into which the cash dividend or distribution amounts are to be converted for purposes of the Participant's book account may be based on the Fair Market Value per share of Common Stock on the date of conversion, a prior date or an average of the Fair Market Value per share of Common Stock over a designated period, as the Plan Administrator shall determine.

5. The Plan Administrator shall also have the discretionary authority, consistent with Code Section 162(m), to structure one or more DER Awards so that those Awards shall vest

only after the achievement of pre-established performance objectives based upon one or more Performance Goals.

II. CHANGE IN CONTROL

A. The Plan Administrator shall have the discretionary authority to structure one or more Awards under this Article Four so that those Awards shall automatically vest in whole or in part immediately prior to the effective date of an actual Change in Control transaction or upon the subsequent termination of the Participant's Service by reason of an Involuntary Termination within a designated period following the effective date of such Change in Control. To the extent any such Award is, at the time of such Change in Control, subject to performance vesting upon the attainment of one or more specified performance goals and the Plan Administrator does not at that time provide otherwise, the performance vesting condition shall automatically be cancelled on the effective date of such Change in Control, and such Award shall thereupon be converted into a Service-vesting Award, based on an assumed attainment of each applicable performance goal at target level, that will vest in one or more increments over the Service-vesting schedule in effect for that Award immediately prior to the Change in Control.

B. The Plan Administrator's authority under Paragraph A of this Section II shall also extend to any Awards under this Article Four that are intended to qualify as performance-based compensation under Code Section 162(m), even though the automatic vesting of those Awards pursuant to such Paragraph A may result in their loss of performance-based status under Code Section 162(m).

ARTICLE FIVE

MISCELLANEOUS

I. DEFERRED COMPENSATION

A. The Plan Administrator may, in its sole discretion, structure one or more Awards under the Stock Issuance or Incentive Bonus Programs so that the Participants may be provided with an election to defer the compensation associated with those Awards for federal income tax purposes. Any such deferral opportunity shall comply with all applicable requirements of Code Section 409A.

B. To the extent the Corporation maintains one or more separate non-qualified deferred compensation arrangements which allow the participants the opportunity to make notional investments of their deferred account balances in shares of Common Stock, the Plan Administrator may authorize the share reserve under the Plan to serve as the source of any shares of Common Stock that become payable under those deferred compensation arrangements. In such event, the share reserve under the Plan shall be reduced on a share-for-one share basis for each share of Common Stock issued under the Plan in settlement of the deferred compensation owed under those separate arrangements.

C. To the extent there is any ambiguity as to whether any provision of any Award made under the Plan that is deemed to constitute a deferred compensation arrangement under Code Section 409A would otherwise contravene one or more requirements or limitations of such Code Section 409A and the Treasury Regulations thereunder, such provision shall be interpreted and applied in a manner that complies with the applicable requirements of Code Section 409A and the Treasury Regulations thereunder.

II. TAX WITHHOLDING

A. The Corporation's obligation to deliver shares of Common Stock upon the exercise, vesting or settlement of an Award under the Plan shall be subject to the satisfaction of all applicable income and employment tax withholding requirements.

B. The Plan Administrator may, in its discretion, structure one or more Awards so that shares of Common Stock may be used as follows to satisfy all or part of the Withholding Taxes to which such holders of those Awards may become subject in connection with the exercise, vesting or settlement of those Awards:

1. **Stock Withholding:** The Corporation may be provided with the right to withhold, from the shares of Common Stock otherwise issuable upon the exercise, vesting or settlement of such Award, a portion of those shares with an aggregate Fair Market Value equal to the applicable Withholding Taxes. The shares of Common Stock so withheld shall reduce the number of shares of Common Stock authorized for issuance under the Plan.

2. **Stock Delivery:** The Award holder may be provided with the right to deliver to the Corporation, at the time of the exercise, vesting or settlement of such Award, one or more shares of Common Stock previously acquired by such individual with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by the individual. The shares of Common Stock so delivered shall neither reduce the number of shares of Common Stock authorized for issuance under the Plan nor be added to the number of shares of Common Stock authorized for issuance under the Plan.

III. SHARE ESCROW/LEGENDS

Unvested shares may, in the Plan Administrator's discretion, be held in escrow by the Corporation until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

IV. TERM OF THE PLAN AND EFFECT OF RESTATEMENT

A. The Plan shall terminate upon the *earliest* to occur of (i) April 23, 2023, (ii) the date on which all shares available for issuance under the Plan shall have been issued as fully vested shares or (iii) the termination of all outstanding Awards in connection with a Change in Control. Should the Plan terminate on April 23, 2023, then all Awards outstanding at that time shall continue to have force and effect in accordance with the provisions of the documents evidencing those Awards.

B. The Plan as amended and restated January 30, 2013, effected the following modifications to the provisions of the Plan in effect immediately prior to such amendment and restatement:

(i) expanded and re-confirmed the list of financial and non-financial goals that may serve as the performance criteria for the vesting of Awards and the list of permissible adjustments that may be made to such goals in assessing performance goal attainment so that those Awards may qualify as performance-based compensation not subject to the one million dollar (\$1,000,000) limitation on income tax deductibility per executive officer imposed under Code Section 162(m);

(ii) clarified the treatment of performance-vesting awards in connection with a Change in Control transaction;

(iii) imposed a limitation on the maximum number of shares of Common Stock that may be issued under the Plan pursuant to Incentive Options;

(iv) specified the minimum vesting requirements for Awards made to the non-employee Board members;

(v) effected appropriate revisions so as to allow the Plan to continue to comply with the applicable requirements of Code Section 409A; and

(vi) extended the term of the Plan until April 23, 2023.

C. The Plan as amended and restated on July 29, 2015 imposes a minimum one (1) year vesting requirement on grants under the Discretionary Grant Program (subject to certain exceptions).

V. AMENDMENT OF THE PLAN

A. The Board shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects; **provided, however**, that shareholder approval shall be required for any amendment to the Plan which materially increases the number of shares of Common Stock authorized for issuance under the Plan (other than pursuant to Section V.F of Article One), materially expands the class of individuals eligible to participate in the Plan, expands the types of awards which may be made under the Plan or extends the term of the Plan or to the extent such shareholder approval may otherwise be required under applicable law or regulation or pursuant to the listing standards of the Stock Exchange on which the Common Stock is at the time primarily traded. However, no such amendment or modification shall adversely affect the rights and obligations with respect to Awards at the time outstanding under the Plan unless the Optionee or the Participant consents to such amendment or modification.

B. Awards may be made under the Plan that involve shares of Common Stock in excess of the number of shares then available for issuance under the Plan, provided no shares shall actually be issued pursuant to those Awards until the number of shares of Common Stock available for issuance under the Plan is sufficiently increased by shareholder approval of an amendment of the Plan authorizing such increase. If such shareholder approval is not obtained within twelve (12) months after the date the first excess Award is made, then all Awards granted on the basis of such excess shares shall terminate and cease to be outstanding.

VI. USE OF PROCEEDS

Any cash proceeds received by the Corporation from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

VII. REGULATORY APPROVALS

A. The implementation of the Plan, the granting of any Award under the Plan and the issuance of any shares of Common Stock in connection with the issuance, exercise or vesting of any Award under the Plan shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the Awards made under the Plan and the shares of Common Stock issuable pursuant to those Awards.

B. No shares of Common Stock or other assets shall be issued or delivered under the Plan unless and until there shall have been compliance with all applicable requirements of applicable securities

laws, including the filing and effectiveness of the Form S-8 registration statement for the shares of Common Stock issuable under the Plan, and all applicable listing requirements of any Stock Exchange on which Common Stock is then listed for trading.

VIII. NO EMPLOYMENT/SERVICE RIGHTS

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

APPENDIX

The following definitions shall be in effect under the Plan:

A. **Award** shall mean any of the following awards authorized for issuance or grant under the Plan: stock options, stock appreciation rights, direct stock issuances, restricted stock or restricted stock unit awards, performance shares, performance units, dividend-equivalent rights and cash incentive awards.

B. **Award Agreement** shall mean the agreement(s) between the Corporation and the Optionee or Participant evidencing a particular Award made to that individual under the Plan, as such agreement(s) may be in effect from time to time.

C. **Board** shall mean the Corporation's Board of Directors.

D. **Cause** shall, with respect to each Award made under the Plan, be defined in accordance with the following provisions:

- Cause shall have the meaning assigned to such term in the Award Agreement for the particular Award or in any other agreement incorporated by reference into the Award Agreement for purposes of defining such term.

- In the absence of any other Cause definition in the Award Agreement for a particular Award (or in any other agreement incorporated by reference into the Award Agreement), an individual's termination of Service shall be deemed to be for Cause if such termination occurs by reason his or her commission of any act of fraud, embezzlement or dishonesty, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by such person adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner.

E. **Change in Control** shall, with respect to each Award made under the Plan, be defined in accordance with the following provisions:

- Change in Control shall have the meaning assigned to such term in the Award Agreement for the particular Award or in any other agreement incorporated by reference into the Award Agreement for purposes of defining such term.

- In the absence of any other Change in Control definition in the Award Agreement (or in any other agreement incorporated by reference into the Award Agreement), Change in Control shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

- (i) the acquisition, directly or indirectly, by any person or related group of persons (as such term is used in Sections 13(d) and 14(d) of the 1934 Act),

other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under control with the Corporation or an employee benefit plan maintained by the Corporation or such person, of beneficial ownership (as defined in Rule 13d-3 of the 1934 Act) of securities of the Corporation that results in such person or related group of persons beneficially owning securities representing thirty percent (30%) or more of the combined voting power of the Corporation's then-outstanding securities;

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

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

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

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

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

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

G. **Common Stock** shall mean the Corporation's common stock.

H. **Corporation** shall mean SJW Corp., a California corporation, and any corporate successor to all or substantially all of the assets or voting stock of SJW Corp. which has by appropriate action assumed the Plan and the outstanding Awards thereunder.

I. **Discretionary Grant Program** shall mean the discretionary grant program in effect under Article Two of the Plan pursuant to which stock options and stock appreciation rights may be granted to one or more eligible individuals.

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

K. **Exercise Date** shall mean the date on which the Corporation shall have received written notice of the option exercise.

L. **Executive Compensation Committee** shall mean the Executive Compensation Committee of the Board comprised of two (2) or more non-employee Board members.

M. **Fair Market Value** per share of Common Stock on any relevant date shall be the closing selling price per share of Common Stock at the close of regular hours trading on the New York Stock Exchange (or any other national securities exchange or market on which the Common Stock is at the time primarily traded) on the date in question. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the selling price at the close of regular hours trading on the last preceding date for which such quotation exists.

N. **Family Member** means, with respect to a particular Optionee or Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

O. **Good Reason** shall, with respect to each Award made under the Plan, be defined in accordance with the following provisions:

- Good Reason shall have the meaning assigned to such term in the Award Agreement for the particular Award or in any other agreement incorporated by reference into the Award Agreement for purposes of defining such term.

- In the absence of any other Good Reason definition in the Award Agreement (or in any other agreement incorporated by reference into the Award Agreement), Good Reason shall mean an individual's voluntary resignation following (i) a change in his or her position with the Corporation (or any Parent or Subsidiary) which materially reduces his or her duties, responsibilities or authority, (ii) a material diminution in the duties, responsibilities or authority of the person to whom such individual reports, (iii) a material reduction in such individual's level of compensation (including base salary, fringe benefits and target bonus under any corporate-performance based bonus or incentive programs), with a reduction of more than fifteen percent (15%) to be deemed material for such purpose, or (iv) a material relocation of such individual's place of employment, with a relocation of more than fifty (50) miles to be deemed material for such purpose, **provided, however,** that a resignation for Good Reason may be effected only after (a) the individual provides written notice to the Corporation of the event or transaction constituting grounds for such resignation within sixty (60) days after the occurrence of that event or transaction and (b) the Corporation fails to take the requisite remedial action with respect to such event or transaction within thirty (30) days after receipt of such notice.

P. **Incentive Bonus Program** shall mean the incentive bonus program in effect under Article Four of the Plan.

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

R. **Involuntary Termination** shall mean the termination of the Service of any individual which occurs by reason

of:

(i) such individual's involuntary dismissal or discharge by the Corporation (or any Parent or Subsidiary) for reasons other than for Cause, or

(ii) such individual's voluntary resignation for Good Reason.

S. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

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

U. **Optionee** shall mean any person to whom an option is granted under the Discretionary Grant Program.

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

W. **Participant** shall mean any person who is issued an Award under either the Stock Issuance Program or the Incentive Bonus Program.

X. **Permanent Disability or Permanently Disabled** shall mean the inability of the Optionee or the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more. However, solely for purposes of Awards made to the non-employee Board members, Permanent Disability or Permanently Disabled shall mean the inability of the non-employee Board member to perform his or her usual duties as a Board member by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more.

Y. **Performance Goals** shall mean any of the following performance criteria upon which the vesting of one or more Awards under the Plan may be based: (i) pre-tax or after-tax earnings, profit or net income, (ii) revenue or revenue growth, (iii) earnings per share, (iv) return on assets, capital, shareholder equity or rate base, (v) total shareholder return, (vi) gross or net profit margin, (vii) cash flow, operating cash flow or free cash flow, (viii) approved rate increases, (ix) earnings or operating income before interest, taxes, depreciation, amortization and/or charges for stock-based compensation, (x) increases in customer base, (xi) operating income, net operating income or net operating income after recorded tax expense, (xii) operating profit, net operating profit or net operating profit after recorded tax expense, (xiii) operating margin, (xiv) cost reductions or other expense control objectives, (xv) market price of the Common Stock, whether measured in absolute terms or in relationship to earnings or operating income, (xvi) compliance with applicable environmental requirements or applicable regulatory requirements, (xvii) budget objectives, (xviii) working capital, (xix) mergers, acquisitions or divestitures, (xx) attainment of water industry objectives measured in terms of water quality, service, reliability and efficiency, (xxi) measures of customer satisfaction, (xxii) property purchases or sales, (xxiii) construction goals, (xxiv) plant utilization or capacity, (xxv) litigation or regulatory resolution goals, (xxvi) rate base objectives, (xxvii) credit rating, (xxviii) application approvals, (xxix) economic value added, (xxx) productivity goals, (xxxi) capital budget or capital expenditures and (xxxii) objectives tied to capital growth. Each performance criteria may be based upon the attainment of specified levels of the Corporation's performance under one or more of the measures described above either in terms of the Corporation's performance or in relation to the performance of other entities and may also be based on the performance of any of the Corporation's business units or divisions or any Parent or Subsidiary. In addition, one or more of such performance criteria may be measured in terms of percentage achievement of the budgeted amounts established for those criteria. Each applicable Performance Goal may include a minimum threshold level of performance below which no Award will be earned, levels of performance at which specified portions of an Award will be earned and a maximum level of performance at which an Award will be fully earned. Each applicable performance goal may be

structured at the time of the Award to provide for appropriate adjustments or exclusions for one or more of the following items: (a) asset impairments or write-downs; (b) litigation and governmental investigation expenses, and amounts paid with respect to judgments, verdicts and settlements in connection therewith; (c) the effect of changes in tax law, accounting principles, California Public Utility Commission rules and regulations or any other such laws, regulations or provisions affecting reported results; (d) accruals for reorganization and restructuring programs; (e) costs and expenses incurred in connection with mergers and acquisitions; (f) any extraordinary or nonrecurring items; (g) bonus or incentive compensation costs and expenses associated with cash-based awards made under the Plan, the Corporation's Executive Officer Short-Term Incentive Plan, or other cash-paid bonus or incentive compensation plans or arrangements of the Corporation or any Parent or Subsidiary, (h) items of income, gain, loss or expense attributable to the operations of any business acquired by the Corporation or any Parent or Subsidiary or of any joint venture in which the Corporation or any Parent or Subsidiary participates; (i) items of income, gain, loss or expense attributable to one or more business operations divested by the Corporation or any Parent or Subsidiary or the gain or loss realized upon the sale of any such business or the assets thereof; and (j) the effects of any corporate transaction, such as a merger, consolidation, separation or reorganization.

Z. **Plan** shall mean the Corporation's Long-Term Incentive Plan, as amended and restated as set forth in this document.

AA. **Plan Administrator** shall mean the particular entity, whether the Executive Compensation Committee, the Board or the Secondary Board Committee, which is authorized to administer the Discretionary Grant and Stock Issuance Programs with respect to one or more classes of eligible persons, to the extent such entity is carrying out its administrative functions under the Plan with respect to the persons under its jurisdiction.

BB. **Secondary Board Committee** shall mean a committee of one or more Board members appointed by the Board to administer the Plan with respect to eligible persons other than Section 16 Insiders.

CC. **Section 16 Insider** shall mean an officer or director of the Corporation subject to the short-swing profit liabilities of Section 16 of the 1934 Act.

DD. **Service** shall mean the performance of services for the Corporation (or any Parent or Subsidiary, whether now existing or subsequently established) by a person in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the option grant or stock issuance. For purposes of the Plan, an Optionee or Participant shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) the Optionee or Participant no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary or (ii) the entity for which the Optionee or Participant is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though the Optionee or Participant may subsequently continue to perform services for that entity. Service shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Corporation; **provided, however**, that should such leave of absence exceed three (3) months,

then for purposes of determining the period within which an Incentive Option may be exercised as such under the federal tax laws, the Optionee's Service shall be deemed to cease on the first day immediately following the expiration of such three (3)-month period, unless Optionee is provided with the right to return to Service following such leave either by statute or by written contract. Except to the extent otherwise required by law or expressly authorized by the Plan Administrator or by the Corporation's written policy on leaves of absence, no Service credit shall be given for vesting purposes for any period the Optionee or Participant is on a leave of absence.

EE. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global Market or the New York Stock Exchange.

FF. **Stock Issuance Program** shall mean the stock issuance program in effect under Article Three of the Plan.

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

HH. **10% Shareholder** shall mean the owner of stock (as determined under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation (or any Parent or Subsidiary).

II. **Withholding Taxes** shall mean the applicable federal and state income and employment withholding taxes to which the holder of an Award under the Plan may become subject in connection with the exercise, vesting or settlement of that Award.

CERTIFICATIONS

I, W. Richard Roth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SJW Corp. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 2, 2015

/s/ W. RICHARD ROTH

W. Richard Roth

Chairman, President and Chief Executive Officer

(Principal executive officer)

CERTIFICATIONS

I, James P. Lynch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SJW Corp. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 2, 2015

/s/ JAMES P. LYNCH

James P. Lynch

Chief Financial Officer and Treasurer

(Principal financial officer)

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

In connection with the Quarterly Report of SJW Corp. (the "Company") on Form 10-Q for the quarter ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Richard Roth, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge on the date hereof:

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

/s/ W. RICHARD ROTH

W. Richard Roth

Chairman, President and Chief Executive Officer

(Principal executive officer)

November 2, 2015

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

In connection with the Quarterly Report of SJW Corp. (the "Company") on Form 10-Q for the quarter ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James P. Lynch, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge on the date hereof:

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

/s/ JAMES P. LYNCH

James P. Lynch

Chief Financial Officer and Treasurer

(Principal financial officer)

November 2, 2015