

SJW CORP  
Form DEF 14A  
March 06, 2013

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
PROXY STATEMENT PURSUANT TO SECTION 14(A)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
(AMENDMENT NO. )

Filed by the Registrant   
Filed by a Party other than the Registrant   
Check the appropriate box:

- Preliminary Proxy Statement
  - Definitive Proxy Statement
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  - Soliciting Material Under § 240.14a-12
- SJW Corp.  
(Name of Registrant as Specified In Its Charter)

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**SJW CORP.**

Notice of Annual Meeting of Shareholders

To Be Held On April 24, 2013

To Our Shareholders:

Notice is hereby given that the annual meeting of shareholders of SJW Corp. will be held on Wednesday, April 24, 2013 at 9:00 AM Pacific Time at the principal offices of SJW Corp., 110 W. Taylor Street, San Jose, California, for the following purposes, as more fully described in the proxy statement accompanying this Notice:

1. To elect eight directors to serve on the Board of Directors of SJW Corp.;
2. To approve the Amended and Restated Executive Officer Short-Term Incentive Plan which was adopted by the Board of Directors of SJW Corp. on January 30, 2013;
3. To approve the Amended and Restated Long-Term Incentive Plan which was adopted by the Board of Directors of SJW Corp. on January 30, 2013;
4. To ratify the appointment of KPMG LLP as the independent registered public accounting firm of SJW Corp. for fiscal year 2013; and
5. To act upon such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

The Board of Directors has set the close of business on Monday, March 4, 2013 as the record date for determining the shareholders entitled to notice of, and to vote at, the annual meeting and at any adjournment or postponement thereof. You are cordially invited to attend the meeting in person. You may call our offices at (408) 918-7231 for directions to our principal offices in order to attend the meeting in person. Your vote is important. Whether or not you plan to attend the meeting, please vote as soon as possible. You may vote by telephone, via the Internet or by mailing a completed proxy card. For detailed information regarding voting instructions, please refer to the section entitled "Voting Procedure" on page 2 of the proxy statement. You may revoke a previously delivered proxy at any time prior to the meeting. If you attend the meeting and wish to change your proxy vote, you may do so automatically by voting in person.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON APRIL 24, 2013: A COPY OF THE PROXY STATEMENT, THE FORM OF PROXY, AND THE ANNUAL REPORT FOR THE YEAR ENDED ON DECEMBER 31, 2012 ARE AVAILABLE AT <http://www.rrdezproxy.com/2013/SJWCorp/>.**

**BY ORDER OF THE BOARD OF DIRECTORS**

W. Richard Roth  
President, Chief Executive Officer and Chairman of the Board  
San Jose, California  
March 6, 2013

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**SJW CORP.**

110 W. Taylor Street  
San Jose, California 95110

Proxy Statement for the 2013 Annual Meeting of Shareholders  
To Be Held on April 24, 2013

The enclosed proxy is solicited on behalf of the Board of Directors of SJW Corp., a California corporation ("SJW Corp." or the "Corporation"), for use at SJW Corp.'s annual meeting of shareholders to be held on April 24, 2013 at 9:00 AM Pacific Time and at any adjournment or postponement thereof. The annual meeting will be held at the principal offices of the Corporation, 110 W. Taylor Street in San Jose, California.

These proxy solicitation materials are being mailed on or about March 18, 2013 to all shareholders entitled to notice of, and to vote at, the annual meeting of shareholders. SJW Corp.'s 2012 Annual Report, which includes its Form 10-K for the year ended December 31, 2012, accompanies these proxy solicitation materials.

**PURPOSE OF MEETING**

The Board of Directors has called the annual meeting of shareholders for the following purposes:

1. To elect eight directors to serve on the Board of Directors of SJW Corp.;
2. To approve the Amended and Restated Executive Officer Short-Term Incentive Plan which was adopted by the Board of Directors of SJW Corp. on January 30, 2013;
3. To approve the Amended and Restated Long-Term Incentive Plan which was adopted by the Board of Directors of SJW Corp. on January 30, 2013;
4. To ratify the appointment of KPMG LLP as the independent registered public accounting firm of SJW Corp. for fiscal year 2013; and
5. To act upon such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

The Board of Directors asks for your proxy for each of the foregoing proposals.

**VOTING RIGHTS AND SOLICITATION**

**Voting**

Only shareholders of record on March 4, 2013, the record date, will be entitled to notice of, and to vote at, the annual meeting. As of the close of business on March 4, 2013, there were 18,694,785 shares of common stock issued and outstanding.

Each share of common stock is entitled to one vote on each matter presented at the meeting, except in connection with the election of directors where shareholders are entitled to cumulate votes. When shareholders are entitled to cumulate votes, every shareholder, or his or her proxy, may cumulate his or her votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares owned by such shareholder.

Alternately, a shareholder may distribute his or her votes on the same principle among as many candidates as he or she thinks fit. For example, assume you have 100 shares. There are eight directors to be elected at the annual meeting so you have a total of  $8 \times 100 = 800$  votes. You could give all 800 votes to one nominee, or 200 votes to each of four nominees, or 100 votes to each of eight nominees. No shareholder or proxy, however, shall be entitled to cumulate votes unless: (1) the candidate(s) has been placed in nomination prior to the voting; and (2) the shareholder has given written notice to the chairman at the meeting prior to any voting that the shareholder intends to cumulate the shareholder's votes. If any one shareholder has given such notice, all shareholders may cumulate their votes for candidates in nomination. The Board of Directors seeks, by your proxy, the authority to cumulate votes among the directors listed in Proposal 1 in the manner determined by the proxy holder in his or her discretion in the event that any shareholder invokes cumulative voting. The eight nominees receiving the highest number of votes will be elected directors.

### Quorum and Votes Required

A majority of the Corporation's outstanding shares of common stock must be present in person or represented by proxy at the annual meeting in order to constitute a quorum. Abstentions and broker non-votes (shares held of record by brokers for which the required voting instructions are not provided by the beneficial owners of those shares) are included in the number of shares present for purposes of determining whether a quorum is present for the transaction of business. If a broker or other nominee holds shares in its name on behalf of a shareholder, the broker or nominee is not permitted to vote those shares on Proposals 1, 2 and 3 in the absence of voting instructions from that shareholder. In the election of directors, the eight director nominees receiving the highest number of affirmative votes will be elected (Proposal 1).

The approval of the Amended and Restated Executive Officer Short-Term Incentive Plan (Proposal 2) and the ratification of the appointment of the independent registered public accounting firm (Proposal 4) require for approval the affirmative vote of a majority of the shares of common stock present in person or represented by proxy and voting at the annual meeting, provided that such affirmative vote must also equal at least a majority of the shares required to constitute a quorum at the annual meeting. For purposes of Proposals 2 and 4, abstentions and broker non-votes will have the same effect as a vote against the proposals for purpose of determining whether the number of affirmative votes is equal to at least a majority of the shares required to constitute a quorum.

Approval of the Amended and Restated Long-Term Incentive Plan (Proposal 3) requires that the holders of more than 50 percent of the Corporation's outstanding common stock cast a vote with respect to that proposal (whether voting for or against such proposal or abstaining) and that a majority of the votes so cast must be in favor of the Amended and Restated Long-Term Incentive Plan. For purpose of Proposal 3, broker non-votes can have the effect of preventing approval because they are not counted as votes cast or abstaining for purpose of determining whether the 50 percent threshold has been exceeded.

### Voting Procedure

Shareholders of record may vote via the Internet, by telephone, by mailing a completed proxy card prior to the annual meeting, by delivering a completed proxy card at the annual meeting, or by voting in person at the annual meeting. Instructions for voting via the Internet or by telephone are set forth on the enclosed proxy card. The Internet and telephone voting facilities will close at 11:59 PM Eastern Time on April 23, 2013. If the enclosed form of proxy is properly signed, dated and returned, the shares represented thereby will be voted at the annual meeting in accordance with the instructions specified thereon. If voting instructions are not specified on the proxy, the shares represented by that proxy (if that proxy is not revoked) will be voted at the annual meeting FOR the election of the director nominees listed in Proposal 1, FOR the approval of the Amended and Restated Executive Officer Short-Term Incentive Plan as described in Proposal 2, FOR the approval of the Amended and Restated Long-Term Incentive Plan as described in Proposal 3, and FOR the ratification of the appointment of KPMG LLP as the independent registered public accounting firm as described in Proposal 4, and as the proxy holder may determine in his or her discretion with respect to any other matter that properly comes before the annual meeting or any adjournment or postponement thereof.

**YOUR VOTE IS IMPORTANT. PLEASE SIGN AND RETURN THE ACCOMPANYING PROXY CARD WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON.**

You may revoke your proxy at any time before it is actually voted at the meeting by:

• Delivering written notice of revocation to the Corporate Secretary at SJW Corp., 110 W. Taylor Street, San Jose, California 95110;

• Submitting a later dated proxy; or

• Attending the meeting and voting in person.

Your attendance at the meeting will not, by itself, constitute a revocation of your proxy.

You may also be represented by another person present at the meeting by executing a form of proxy designating that person to act on your behalf. Shares may only be voted by or on behalf of the record holder of shares as indicated in the stock transfer records of the Corporation. If you are a beneficial owner of shares, but those shares are held of record by another person such as a stock brokerage firm or bank, then you must provide voting instructions to the appropriate record holder so that such person can vote those shares. In the absence of such voting instructions from you, the record holder may not be entitled to vote those shares.

**Proxy Solicitation Costs**

The Corporation will bear the entire cost of this solicitation of proxies, including the preparation, assembly, printing, and mailing of this proxy statement, the proxy, and any additional solicitation materials that the Corporation may provide to shareholders. Copies of solicitation materials will be provided to brokerage firms, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward the solicitation material to such beneficial owners. The Corporation will reimburse the brokerage firms, fiduciaries and custodians holding shares in their names for reasonable expenses incurred by them in sending solicitation materials to its beneficial shareholders. The solicitation of proxies will be made by regular or first class mail and may also be made by telephone, telegraph, facsimile, or personally by directors, officers and employees of the Corporation who will receive no extra compensation for such services.



## PROPOSAL 1

## ELECTION OF DIRECTORS

## General

Eight directors, which will constitute the entire Board of Directors following the annual meeting, are to be elected at the annual meeting, to hold office until the next annual meeting and until a successor for such director is elected and qualified, or until the death, resignation or removal of such director.

Unless individual shareholders specify otherwise, each returned proxy will be voted FOR the election of the eight nominees who are listed below, each of whom has been nominated by the existing Board of Directors upon the recommendation of the Nominating & Governance Committee. All nominees are current directors of SJW Corp., San Jose Water Company, a wholly owned subsidiary, and SJW Land Company, another wholly owned subsidiary of SJW Corp. SJW Corp. intends to appoint all persons elected as directors of SJW Corp. at the annual meeting to be the directors of San Jose Water Company and SJW Land Company for a concurrent term. It is anticipated that four of the individuals elected as directors of SJW Corp. at the annual meeting will also be appointed as directors of SJWTX, Inc. and five of the individuals elected as directors of SJW Corp. at the annual meeting will also be appointed as directors of Texas Water Alliance Limited, two wholly owned subsidiaries of SJW Corp., for a concurrent term.

In the unanticipated event that a nominee is unable or declines to serve as a director at the time of the annual meeting, proxies will be voted for any nominee named by the present Board of Directors to fill the vacancy. As of the date of this proxy statement, SJW Corp. is not aware of any nominee who is unable or will decline to serve as a director.

The following sets forth certain information concerning the nominees for directors of SJW Corp.:

Name	Age	Director Since	Position with the Corporation	Committee Membership
Katharine Armstrong	60	2009	Director	Executive Compensation Committee (Chair) Nominating & Governance Committee
Walter J. Bishop	61	2012	Director	Audit Committee
Mark L. Cali	47	1992	Director	Real Estate Committee (Chair) Executive Compensation Committee
Douglas R. King	70	2003	Director	Audit Committee (Chair) Executive Compensation Committee Audit Committee
Ronald B. Moskovitz	69	2010	Director	Executive Compensation Committee Real Estate Committee
George E. Moss	81	2009	(1) Director	Nominating & Governance Committee
W. Richard Roth	60	1994	President, Chief Executive Officer and Chairman of the Board	Real Estate Committee
Robert A. Van Valer	63	2006	Director	Nominating & Governance Committee (Chair)

<sup>(1)</sup> Mr. Moss was a Board member of the Corporation from 1985 until April 30, 2008 and was re-elected on May 6, 2009.

#### Business Experience of Nominees

Katharine Armstrong, President of Natural Resources Solutions ("NRS") since 2008 and President of Katharine Armstrong, Inc. ("KAI") since 2003. Ms. Armstrong founded NRS in 2008, an Austin, Texas based company that works in partnership with universities, agencies of state and federal government, stakeholder groups and others to identify and implement positive solutions to environmental challenges created by regulatory mandates. Ms. Armstrong founded KAI in 2003, an Austin, Texas based firm specializing in statewide and national projects involving public affairs and legislative, agency and grassroots projects. KAI's primary focus and efforts have been directed at solving complex environmental and natural resource issues at every level of the private, public and not-for-profit sectors. Ms. Armstrong also serves as a director of Uranium Energy Corp.

Walter J. Bishop, Principal in Walter Bishop Consulting, a firm dedicated to utility management, leadership development, and strategic and business planning since 2010. Mr. Bishop was the General Manager and acted as the Chief Executive Officer of the Contra Costa Water District (the "District") from September 1992 until 2010. The District serves 600,000 customers in Northern California's Contra Costa County. From 1983 until 1992, he worked for the East Bay Municipal Utility District in Northern California, including serving as its General Manager. Mr. Bishop has served as a Board Member, Chairman and Officer of numerous water industry organizations dedicated to water supply and utility management. Mr. Bishop is a registered civil engineer in the State of California, and holds a Bachelor of Science in Civil Engineering from Duke University and a Masters in Public Administration from Pepperdine University.

Mark L. Cali, Attorney at Law, a Court Attorney for the Superior Court of California, County of San Luis Obispo since 2006. Prior to becoming a Court Attorney, Mr. Cali was a principal with the firm Clark, Cali and Negranti LLP from 1996 until 2006. Mr. Cali holds a California Real Estate Broker's license. Mr. Cali is Director and Vice-President of Arioto-Cali Properties and Winchester Ranch, Inc. and a Managing Member of Cali-Arioto LLC.

Douglas R. King, Retired as an audit partner of Ernst & Young LLP in 2002. During his career, Mr. King was the audit partner on large, complex public registrants, he managed Ernst & Young's San Francisco office, and had regional managing responsibilities. He also serves as a director of Adaptive Spectrum & Signal Alignment, Inc., Westport Innovations Inc. and Silicon Graphics International Corp. He also served as a director of Marvell Technology Group, Ltd. from April 2004 until October 2007 and Fuel Systems Solutions, Inc. from April 2006 until July 2010. Mr. King is a Certified Public Accountant with a Masters Degree in Business Administration from the University of Arkansas.

Ronald B. Moskovitz, Counsel to Morgan, Lewis & Bockius LLP since October 2008. He was a partner at Morgan, Lewis & Bockius LLP from 2003 until October 2008. Prior to 2003, he was a long-time partner at Brobeck, Phleger & Harrison LLP, where at various times he was a member of its management committee and headed its Corporate Group and its Mergers and Acquisitions Group. Mr. Moskovitz's practice has emphasized on mergers, acquisitions and corporate finance. Mr. Moskovitz received his J.D., magna cum laude, from Harvard University in 1968, and his B.A., cum laude and Phi Beta Kappa, from Williams College in 1965.

George E. Moss, Chairman of Roscoe Moss Manufacturing Company (manufacturer of water well casing and screen and water transmission pipe) since May 2010 and Vice Chairman from 1990 to May 2010. Mr. Moss was formerly President of the Roscoe Moss Company until 1990. Mr. Moss was a Board member of the Corporation from 1985 until April 30, 2008 and was re-elected on May 6, 2009.

W. Richard Roth, President, Chief Executive Officer and Chairman of the Board of the Corporation, San Jose Water Company, SJW Land Company, SJWTX, Inc. and Texas Water Alliance Limited. Mr. Roth was appointed Chief Executive Officer of SJW Corp. in 1999 and President in 1996. Prior to becoming President, he was Chief Financial Officer and Treasurer of the Corporation from 1990 to 1996 and Vice President from April 1992 until October 1996.

Robert A. Van Valer, President of Roscoe Moss Manufacturing Company (manufacturer of water well casing and screen and water transmission pipe) since 1990. Mr. Van Valer served as Vice President from 1984 until 1990 and previously managed domestic and international water well construction projects since joining Roscoe Moss Manufacturing Company in 1977.

No nominee or current director has any family relationship with any other current director, nominee or with any executive officer. Other than Mr. Roth, whose employment relationships with SJW Corp. and its subsidiaries are

described above, no nominee is or has been employed by SJW Corp. or its subsidiaries during the past five years.

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Experience, Qualifications, Attributes and Skills of Board Members

The biographies included above and the following table describe the particular experience, qualifications, attributes or skills that led the Board of Directors to conclude that each continuing director and nominee should serve as a director of SJW Corp. at this time, in light of its business and structure (in addition to any past experience on the Board of Directors of SJW Corp. and its subsidiaries):

Name	Particular Experience, Qualifications, Attributes or Skills
Katharine Armstrong	<p>The principal experience, qualifications and skills that Ms. Armstrong brings to the Board of Directors contribute to the Board's oversight of the Corporation's operations in a heavily-regulated industry, its management of its water supply, its administration of executive officer compensation programs through the Executive Compensation Committee, and its commitment to community involvement. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:</p>

- Chairman of the Armstrong Center for Energy and the Environment, a Texas public policy foundation
- Former Chairman of the Texas Parks and Wildlife Commission, 2<sup>nd</sup> largest wildlife agency in the United States
- Extensive experience in a wide variety of natural resource regulatory policy, including water
- Member of the Board of Directors of the Texas Watershed Management Foundation
- Participated in the formulation of a Land and Water Resources Conservation Plan, a strategic plan mandated by the Texas Legislature
- President of Taking Care of Texas, a state-wide conservation initiative founded by Laura Bush, former First Lady of the United States
- Active in the State of Texas where the Corporation conducts business operations through its wholly owned subsidiary, SJWTX, Inc.

Walter J. Bishop	<p>The principal experience, qualifications and skills that Mr. Bishop brings to the Board of Directors contribute to the Board's oversight of the Corporation's operations in a heavily-regulated industry, its management of its water supply, and its commitment to community involvement. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:</p>
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- Extensive experience leading and managing major water utilities in the United States with over one million customers
- Nationally recognized leader and engineer in the water and wastewater industry for over 38 years and received awards from numerous organizations for his commitment to water issues and policy
- Member of the American Water Works Association's ("AWWA") Board of Directors and Executive Committee and served on the Water Utility Council, International

Council and Strategic Planning Committee

- Past Chair of the Water Research Foundation and member of the Board of Trustees for 12 years
  
- Two-term member of the National Drinking Water Advisory Council which is chartered by Congress to advise the U.S. Environmental Protection Agency on national drinking water policy
  
- Member of Aspen Institute expert panel on Water Infrastructure Sustainability

Name Particular Experience, Qualifications, Attributes or Skills

Mark L. Cali The principal experience, qualifications and skills that Mr. Cali brings to the Board of Directors contribute to the Board's direction, guidance and oversight of the Corporation's legal compliance and the execution of the Corporation's overall real estate strategy, including the potential acquisition or disposition of real property. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:

- Licensed attorney with experience in civil litigation, and in real estate, insurance, and construction matters
- Licensed real estate broker with experience in commercial real estate
- Board member and Vice-President of Arioto-Cali Properties, a commercial real estate company

In addition, Mr. Cali has a meaningful economic interest in the Corporation through his beneficial ownership of approximately 1.7 percent of the outstanding shares of the Corporation's common stock.

Douglas R. King The principal experience, qualifications and skills that Mr. King brings to the Board of Directors contribute to the Board's oversight of the Corporation's financial reporting requirements and the Board's administration of executive officer compensation programs through the Executive Compensation Committee. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:

- Accounting, finance and audit experience, including his experience at Ernst & Young, LLP from 1970 until 2002
- Serves as the Corporation's "audit committee financial expert" as defined in Securities and Exchange Commission rules
- Experience serving on the Board and Audit Committee of various publicly traded companies
- Experience in managing 400 employees at Ernst & Young, LLP from 1998 until 2002

Ronald B. Moskowitz The experience, qualifications and skills that Mr. Moskowitz brings to the Board of Directors contribute to the Board's oversight of the Corporation's financial reporting requirements, corporate governance and consideration of potential acquisitions and dispositions by the Corporation. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:

- Extensive experience in corporate legal practice for over 40 years with major law firms in Northern California, including work in corporate finance, public company reporting and transactional work
- Experience on the Corporation's Audit Committee

- Familiarity with the business and affairs of the Corporation based on many years of legal representation prior to his retirement from active practice in 2008
- Law firm management experience

George E. Moss

The principal experience, qualifications and skills that Mr. Moss brings to the Board of Directors relate primarily to his long years of experience in the water industry that allow him to contribute to the Board's oversight of the Corporation's operations, through its wholly owned subsidiaries San Jose Water Company and SJWTX, Inc., in that heavily-regulated industry. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:

- Over 58 years experience in ground water development, water well design, water treatment, and sustainability

Name	Particular Experience, Qualifications, Attributes or Skills
W. Richard Roth	<ul style="list-style-type: none"> <li>- Over 28 years experience in the water utility industry</li> <li>- Experience and knowledge in executive compensation, mergers and acquisitions, and strategic initiatives</li> </ul> <p>Mr. Moss has a substantial economic interest in the Corporation through his beneficial ownership of approximately 10.4 percent of the outstanding shares of the Corporation's common stock.</p> <p>The principal experience, qualifications and skills that Mr. Roth brings to the Board of Directors contribute to the Board's oversight of the Corporation's operations in a heavily-regulated industry, its management of its water supply, and the Corporation's execution of its overall strategy. Such experience, qualifications and skills may be summarized as follows:</p> <ul style="list-style-type: none"> <li>- Current President, Chief Executive Officer and Chairman of the Board of the Corporation and has been an officer of the Corporation since 1990</li> <li>- Former President of the National Association of Water Companies and Trustee of the Water Research Foundation</li> <li>- Certified public accountant with over 10 years of experience with KPMG LLP, a registered public accounting firm</li> <li>- Significant experience and knowledge in strategic initiatives, real estate, and corporate governance</li> </ul> <p>Mr. Roth is also active in the San Jose community and contributes to the Board's goal of establishing significant relationships between the Corporation and the leaders of local communities.</p>
Robert A. Van Valer	<p>Mr. Van Valer has substantial experience in the water industry that allows him to contribute to the Board's oversight of the Corporation's operations, through its wholly owned subsidiaries San Jose Water Company and SJWTX, Inc., in that heavily-regulated industry. In addition to the items listed in the biographical data above, such experience, qualifications and skills may be summarized as follows:</p> <ul style="list-style-type: none"> <li>- Over 35 years of water industry experience, including water well construction, domestic and foreign, and manufacturing operations and management for water well casing and screen and water transmission pipe</li> <li>- President since 1990 of Roscoe Moss Manufacturing Company, supplier to municipal, state and federal water projects and investor owned utilities in the western United States</li> <li>- Participation in several industry non-profit and educational organizations and ground water associations</li> </ul>



Independent Directors

The Board of Directors has affirmatively determined that each of its directors who served for part of the 2012 fiscal year, current directors and nominees, other than W. Richard Roth, SJW Corp.'s President and Chief Executive Officer, is independent within the meaning of the New York Stock Exchange director independence standards, as currently in effect.

In connection with its determination of independence of the Corporation's former Board member and Chairman Charles J. Toeniskoetter, the Board of Directors reviewed Mr. Toeniskoetter's relationship with the Corporation in terms of his association with 444 West Santa Clara Street, L.P. In 1999, SJW Land Company and TBI-444 West Santa Clara Street, L.P. ("TBI-444") formed 444 West Santa Clara Street, L.P., a California limited partnership (the "Partnership"). TBI-444 is the general partner with a 30 percent interest in the Partnership and SJW Land Company is a limited partner with a 70 percent interest in the Partnership. Mr. Toeniskoetter is a limited partner in TBI-444 with a 32.6 percent interest, and Toeniskoetter Development Inc. ("Toeniskoetter Development")

is the general partner with a 5 percent interest in TBI-444. Mr. Toeniskoetter is the Chairman and has an 85 percent interest in Toeniskoetter Development. The Board of Directors concluded that the relationship is not a material relationship and therefore did not preclude Mr. Toeniskoetter from being independent based on the following considerations. SJW Land Company's role in the Partnership is as a limited partner. SJW Land Company received its limited partnership interest in exchange for an in-kind contribution of raw land to the Partnership in connection with its formation in 1999. The Corporation's objective in forming the Partnership was to convert raw land into income producing commercial property through the skills of the principals of the general partner, including Mr. Toeniskoetter. The Corporation does not have operational control over the Partnership, is not subject to any recourse for the indebtedness of the Partnership, and is not liable for any other obligations of the Partnership. In addition, the cash distribution payments made by the Partnership to the general partner, TBI-444, an entity controlled by Mr. Toeniskoetter, are made solely out of the net income of the Partnership. Such payments were approximately in the amount of \$75,600 in 2010, \$52,500 in 2011, and \$17,500 between January 1, 2012 until April 25, 2012 (the date until which Mr. Toeniskoetter served on the Board of Directors). In addition, Toeniskoetter Development manages the office building owned by the Partnership pursuant to a Management Agreement between the Partnership and Toeniskoetter Development. Under this Management Agreement, (i) the tenant in the office building paid \$36,486 in 2010, \$26,558 in 2011 and \$6,625 between January 1, 2012 and April 25, 2012 of management fees to Toeniskoetter Development and (ii) the Partnership paid \$119,797 to Toeniskoetter Development in 2010 in connection with the extension of the lease for the entire office building. Such amounts were not significant to Mr. Toeniskoetter's annual personal income.

In connection with the determination of independence for Robert A. Van Valer and George E. Moss, the Board of Directors considered the Corporation's relationship with Roscoe Moss Manufacturing Company, an intermittent supplier of the Corporation and its subsidiaries and of which Mr. Moss is Chairman of the Board and a significant shareholder and Mr. Van Valer is the President and a shareholder. Roscoe Moss Manufacturing Company sold well casing and screen for water wells with an aggregate price of approximately \$392,945 in 2010, approximately \$249,075 in 2011, and approximately \$768,222 in 2012, to contractors for use in San Jose Water Company well replacement construction projects. The Board of Directors concluded that the Corporation's relationship with Roscoe Moss Manufacturing Company is not a material relationship and therefore would not impair the independence of Mr. Van Valer and Mr. Moss in light of the fact that the aggregate sales of Roscoe Moss Manufacturing Company to the Corporation and contractors for use in San Jose Water Company construction projects were less than one and a half percent of Roscoe Moss Manufacturing Company's gross revenues in 2010, 2011 and 2012, and Mr. Van Valer and Mr. Moss expect that direct and indirect purchases of products from Roscoe Moss Manufacturing Company will be less than one and a half percent of its revenue in future years.

In connection with the determination of independence for Walter J. Bishop, the Board of Directors considered his relationship with the Corporation. Mr. Bishop provided water supply development consulting services to San Jose Water Company, the Corporation's wholly owned subsidiary, and was paid approximately \$21,708 for such services in 2011. The consultant agreement with Mr. Bishop was terminated effective December 30, 2011.

The Board of Directors has determined that the members of the Audit Committee and the members of the Executive Compensation Committee also meet the additional independence criteria promulgated by the New York Stock Exchange for audit committee membership and executive compensation committee membership, respectively.

#### Board Leadership Structure

Board structures vary greatly among U.S. public corporations, and the Board does not believe that any one leadership structure is more effective at creating long-term stockholder value. The Board believes that an effective leadership structure could be achieved either by combining or separating the Chair and Chief Executive Officer positions, so long as the structure encourages the free and open dialogue of competing views and provides for strong checks and balances.

The positions of Chairman and Chief Executive Officer are held by W. Richard Roth. The Board also appointed George E. Moss, an independent director, as the lead independent director of the Board. The Board of Directors believes that combining the Chair and Chief Executive Officer positions and having a lead independent director is the appropriate leadership structure for the Corporation at this time. Combining the Chair and Chief Executive Officer

roles fosters clear accountability, centralization of authority, effective decision making, and alignment on corporate strategy and value creation. The Board believes that Mr. Roth is in an optimal position to

identify and to lead Board discussions on important matters related to business operations. The Board believes this leadership structure is particularly appropriate for the Corporation at this time given Mr. Roth's long tenure with the Corporation, his many years of experience in managing the Corporation in the regulated water utility industry and his familiarity with the challenges and intricacies of such regulatory environment.

As the lead independent director, Mr. Moss assumes the following duties and responsibilities: (i) advise and consult with the Chair regarding the information provided to directors in connection with Board meetings, (ii) ensure that independent directors have adequate opportunities to meet and discuss issues in executive sessions or at separate meetings without management being present and preside at such executive sessions and meetings, (iii) serve as principal liaison between the independent directors and the Chair, (iv) chair the meetings of the Board when the Chair is not present, and (v) respond directly to shareholders and other stakeholder questions and comments that are directed to the lead independent director or to the independent directors as a group. The Board believes that this leadership structure provides strong, unified leadership of the Corporation while maintaining effective and independent oversight of management. Nevertheless, the Board will continue to consider from time to time whether the new leadership structure should be maintained or modified.

#### Board's Role in Risk Oversight

The Corporation has implemented an internal risk assessment process that focuses on the principal risks that have been identified for the Corporation, including risks associated with the Corporation's regulatory environment and business operations and continuity, compliance requirements, its information technology and data storage and retrieval facilities, insurance coverage, liquidity, credit and other financial risks, internal controls over financial reporting, risks related to potential fraudulent activities and any material risks posed by the Corporation's compensation policies. Potential risks are reviewed and discussed by the Board of Directors on a regular basis. The Audit Committee, pursuant to its charter, oversees the risk assessment process and meets periodically with employees to discuss the identified risks and the measures taken to control, manage and mitigate those risks. On the basis of these meetings and discussions, the Chairman of the Audit Committee reports periodically to the full Board regarding the Committee's risk oversight function.

#### Board Committees

The Board of Directors has a standing Audit Committee, Executive Compensation Committee, Nominating & Governance Committee, and Real Estate Committee. The Board has the authority to form additional committees, and has done so from time to time, to address matters specifically identified by the Board.

#### Audit Committee

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the "Exchange Act"). The Audit Committee assists the Board of Directors in its oversight of the integrity of the financial reports and other financial information provided by the Corporation to any governmental body or the public, the Corporation's compliance with legal and regulatory requirements, the Corporation's systems of internal controls, the qualifications and independence of the independent accountants, and the quality of the Corporation's accounting and financial reporting processes generally. Messrs. King, Bishop and Moskovitz are the current Audit Committee members. The Board of Directors has determined that Mr. King is an "audit committee financial expert" as defined in Securities and Exchange Commission rules. Mr. King is independent, as independence for audit committee members is defined in the listing standards of the New York Stock Exchange. The Audit Committee held 10 meetings during fiscal year 2012. The Audit Committee charter may be found at the Corporation's website at [www.sjwcorp.com](http://www.sjwcorp.com).

#### Executive Compensation Committee

The Executive Compensation Committee assists the Board of Directors in its responsibilities with respect to the compensation of the Corporation's executive officers and other key employees, and administers all employee benefit plans, including the Corporation's Long-Term Incentive Plan, Executive Officer Short-Term Incentive Plan and any other equity incentive plans that may be adopted by the Corporation. The Executive Compensation Committee is also authorized to approve the compensation payable to the Corporation's executive officers and other key employees, approve all perquisites, equity incentive awards and special cash payments made or paid to executive officers and other key employees, and approve severance packages with cash and/or equity components



for the executive officers and other key employees. Additionally, the Executive Compensation Committee reviews and recommends to the Board of Directors appropriate director compensation programs.

The Executive Compensation Committee has engaged Frederic W. Cook & Co., Inc., a national executive compensation consulting firm ("F.W. Cook"), to serve as the committee's independent compensation consultant. The role of such consultant, the nature and scope of its assignment and the material elements of the instructions or directions given to such consultant with respect to the performance of its duties are more fully set forth below in the section entitled "Compensation Discussion and Analysis." F.W. Cook only provided advice or recommendations on executive officer and director compensation matters in 2012. No additional services were provided by F.W. Cook or any affiliate to SJW Corp. or its subsidiaries in 2012.

Ms. Armstrong and Messrs. Cali, King and Moskovitz are the current members of the Executive Compensation Committee. The Executive Compensation Committee held five meetings during fiscal year 2012. The Executive Compensation Committee Charter may be found at the Corporation's website at [www.sjwcorp.com](http://www.sjwcorp.com).

#### Nominating & Governance Committee

The Nominating & Governance Committee is charged by the Board of Directors with reviewing and proposing changes to the Corporation's corporate governance policies, developing criteria for evaluating performance of the Board of Directors, determining the requirements and qualifications for members of the Board of Directors and proposing to the Board of Directors nominees for the position of director of the Corporation. Messrs. Moss and Van Valer and Ms. Armstrong are the Nominating & Governance Committee members. The Board of Directors has determined that all of the members of the Nominating & Governance Committee are independent as defined under the independence standards for nominating committee members in the listing standards for the New York Stock Exchange. The Nominating & Governance Committee held four meetings during fiscal year 2012. The Nominating & Governance Committee has a charter and Corporate Governance Policies, which may be found at the Corporation's website at [www.sjwcorp.com](http://www.sjwcorp.com).

On October 28, 2004, the Board of Directors approved the "Policies and Procedures of the Nominating & Governance Committee for Nomination for Directors" (the "Policies and Procedures"). Such Policies and Procedures were amended effective October 26, 2006. The Policies and Procedures specify director selection criteria for the Nominating & Governance Committee to consider, and procedures for identifying and evaluating director candidates for the Nominating & Governance Committee to follow, when executing its duty to recommend director nominees at the annual meeting of shareholders. The Policies and Procedures also specify steps a shareholder must take in order to properly recommend director candidates which the Nominating & Governance Committee will consider. All candidates for director must generally meet the criteria set forth in the Policies and Procedures, a copy of which can be found at the Corporation's website at [www.sjwcorp.com](http://www.sjwcorp.com).

The criteria address the specific qualifications that the Nominating & Governance Committee believes must be met by each nominee prior to recommendation by the committee for a position on the Corporation's Board of Directors. In particular, the criteria address the specific qualities or skills that the Nominating & Governance Committee believes are necessary for one or more of the Corporation's directors to possess in order to fill the Board, committee chairman and other positions, and to provide the best combination of experience and knowledge on the Board and its committees. These criteria include: highest professional and personal ethical standards; absence of any interests that would materially impair his or her ability to exercise judgment or otherwise discharge the fiduciary duties; ability to contribute insight and direction to achieve the Corporation's goals; skills and expertise relative to the entire make-up of the Board; experience in effective oversight and decision-making, including experience on other boards; ability and willingness to serve a full term with consistent attendance; first-hand business experience and achievement in the industry; and independence as determined under the New York Stock Exchange and SEC rules and regulations. The Nominating & Governance Committee and the Board of Directors do take diversity into account when considering potential nominees for directors, such as differences of viewpoint, varied professional or governmental experience, education and advanced degrees, skill set and other individual qualities and attributes that are likely to contribute to board heterogeneity. However, SJW Corp. does not have a formal or other established policy in which one or more diversity factors have been specifically identified for application as a matter of ordinary course in the director nominee process.



The steps a shareholder must take in order to properly recommend director candidates which the Committee will consider include submission via mail to the attention of the Nominating & Governance Committee at the address of the Corporate Secretary, SJW Corp., 110 W. Taylor Street, San Jose, California 95110, of a completed "Shareholder Recommendation of Candidate for Director" form which can be found at the Corporation's website at [www.sjwcorp.com](http://www.sjwcorp.com) or may be obtained by mailing a request for a copy of the form to the Corporate Secretary of the Corporation at the above address. Forms must be submitted not earlier than 210 days prior and not later than 120 days prior to the one-year anniversary of the date the proxy statement for the preceding annual meeting was mailed to shareholders. In addition to or in lieu of making a director candidate recommendation via the completed recommendation form, shareholders may nominate directly a person for election as a director at the annual meeting by following the procedures set out in the Corporation's By-Laws, as amended on July 28, 2010. Under the By-Laws, a nominating shareholder must provide the Corporation with advance written notice of a proposed nomination no later than 90 days and no earlier than 120 days prior to the one-year anniversary of the preceding year's annual meeting. Such advance notice must include certain information and materials relating to the shareholder and the proposed nominee as prescribed under the By-Laws, including the name and qualification of the proposed nominee and other information typically required in a proxy statement filed under proxy rules of the Securities and Exchange Commission. For more information on the procedure and advance notice requirement for nominating a director, see Section 10.14 of the Corporation's By-Laws, a copy of which is attached as Exhibit 3.1 to a current report on Form 8-K filed on July 29, 2010.

#### Real Estate Committee

The Real Estate Committee is charged with the review of significant potential acquisitions or dispositions involving the real property interests of the Corporation and its subsidiaries and makes recommendations thereon to the Chief Executive Officer and the full Board. Messrs. Cali, Moskovitz and Roth are the members of the Real Estate Committee. The Real Estate Committee held four meetings during fiscal year 2012.

#### Communications with the Board

Communications to the Board of Directors may be submitted by email to [boardofdirectors@sjwater.com](mailto:boardofdirectors@sjwater.com) or by writing to SJW Corp., Attention: Corporate Secretary, 110 W. Taylor Street, San Jose, California 95110. The Board of Directors relies upon the Corporate Secretary to forward written questions or comments to named directors or committees or the Lead Independent Director, as appropriate. General comments or inquiries from shareholders are forwarded to the appropriate individual within the Corporation, including the President, as appropriate. Interested parties may make their concerns known to non-management directors or independent directors on a confidential and anonymous basis by calling the Corporation's toll free hotline, 1-888-883-1499.

#### Code of Ethical Business Conduct

The Corporation has adopted a Code of Ethical Business Conduct (the "Code") that applies to the directors, officers and employees of the Corporation. A copy of the Code can be found at the Corporation's website at [www.sjwcorp.com](http://www.sjwcorp.com).

#### Board Meetings

During 2012, there were four regular meetings and one special meeting of the Board of Directors of SJW Corp. Each director attended or participated in 75 percent or more of the aggregate of (i) the total number of regular and special meetings of the Board of Directors of SJW Corp. and (ii) the total number of meetings held by all committees of the Board on which such director served during the 2012 fiscal year. Mr. Toeniskoetter was chosen to preside at all executive sessions of non-management directors or independent directors until his cessation of Board service on April 25, 2012. George E. Moss was chosen to preside at all executive sessions of non-management directors or independent directors effective as of April 25, 2012.

Pursuant to the Corporation's Corporate Governance Policies, each member of the Board of Directors is strongly encouraged to attend the annual meetings of shareholders. All current members of the Board attended the 2012 annual meeting of the shareholders. Messrs. DiNapoli and Toeniskoetter and Secretary Mineta, members of the Board at that time, did not attend the meeting because they were not standing for re-election.





## Compensation of Directors

The following table sets forth certain information regarding the compensation of each non-employee member of the Board of Directors of SJW Corp. for the 2012 fiscal year.

Name (a)	Fees Earned or Paid in Cash \$(1) (b)	Stock Awards \$(2) (c)	Option Awards \$(3) (d)	Non-Equity Incentive Plan Compensa- tion \$( (e)	Change in Pension Value and Non-Qualified Deferred Compensa- tion Earnings (f)	All Other Compensa- tion \$( (g)	Total \$( (h)
Katharine Armstrong	\$95,000	—	—	—	—	—	\$95,000
Walter J. Bishop	\$56,000	—	—	—	—	—	\$56,000
Mark L. Cali	\$86,500	—	—	—	—	—	\$86,500
J. Philip DiNapoli	\$29,500	—	—	—	—	—	\$29,500
Douglas R. King	\$108,500	—	—	—	—	—	\$108,500
Norman Y. Mineta	\$28,500	—	—	—	—	—	\$28,500
Ronald B. Moskovitz	\$86,500	—	—	—	—	—	\$86,500
George E. Moss	—	—	—	—	—	—	—
Charles J. Toeniskoetter	\$50,833	—	—	—	—	—	\$50,833
Robert A. Van Valer	\$89,000	—	—	—	—	—	\$89,000

Consists of the annual retainer and meeting fees for service as members of the Board of Directors of the Corporation, San Jose Water Company, SJW Land Company, SJW TX, Inc., and Texas Water Alliance Limited.

(1) The respective dollar amounts of these fees are set forth in the table below. For further information concerning such fees, see the sections below entitled "Director Annual Retainer" and "Director Meeting Fees." Mr. Moss waived his retainer and meetings fees for the 2012 fiscal year.

Name	2012 Retainer	2012 Meeting Fees	Total Annual Service Fees
Katharine Armstrong	\$65,000	\$30,000	\$95,000
Walter J. Bishop	\$41,000	\$15,000	\$56,000
Mark L. Cali	\$60,000	\$26,500	\$86,500
J. Philip DiNapoli	\$20,000	\$9,500	\$29,500
Douglas R. King	\$60,000	\$48,500	\$108,500
Norman Y. Mineta	\$20,000	\$8,500	\$28,500
Ronald B. Moskovitz	\$60,000	\$26,500	\$86,500
George E. Moss	—	—	—
Charles J. Toeniskoetter	\$38,333	\$12,500	\$50,833
Robert A. Van Valer	\$65,000	\$24,000	\$89,000

- No reportable stock awards were made to the non-employee directors during the 2012 fiscal year. However, as of December 31, 2012, the following non-employee directors held deferred stock awards covering the following number of shares of SJW Corp.'s common stock with dividend equivalent rights: Ms. Armstrong, 0 shares; Mr. Bishop, 0 shares; Mr. Cali, 23,375 shares; Mr. DiNapoli, 30,944 shares; Mr. King, 8,038 shares; Secretary Mineta, 0 shares; Mr. Moskovitz, 0 shares; Mr. Moss, 0 shares; Mr. Toeniskoetter, 23,375 shares; and Mr. Van Valer, 2,341 shares. Any deferred shares so held are attributable to the director's prior participation in certain deferred compensation programs implemented under the Corporation's Long-Term Incentive Plan. For further information concerning those programs, see the sections below entitled "Deferral Election Program for Non-Employee Board Members" and "Deferred Restricted Stock Program." The phantom dividends that accumulate on those deferred
- (2) shares pursuant to the dividend equivalent rights are converted annually into additional deferred shares. For further information concerning such dividend equivalent rights, see the section below entitled "Dividend Equivalent Rights." Such dividend equivalent rights were factored into the original grant date fair value of the deferred shares determined for financial accounting purposes under FASB ASC Topic 718, and accordingly no amounts are reported in this column with respect to the additional deferred shares attributable to the phantom dividends that accumulated during the 2012 fiscal year as a result of those dividend equivalent rights. Those 2012 fiscal year phantom dividends were converted into the following additional deferred shares for the non-employee directors on January 2, 2013: Mr. Cali was credited with 702 shares; Mr. DiNapoli was credited with 743 shares; Mr. King was credited with 241 shares; Mr. Toeniskoetter was credited with 526 shares; and Mr. Van Valer was credited with 70 shares. At the time of such credit, the fair market value per share of the Corporation's common stock was \$27.26.
- (3) No option awards were made to the non-employee directors during the 2012 fiscal year.

## Director Annual Retainer

The following table sets forth the 2012 annual retainer fees for the non-employee Board members of SJW Corp., San Jose Water Company, SJW Land Company, SJWTX, Inc. and Texas Water Alliance Limited:

	Annual Retainer
SJW Corp.	
Chair	\$30,000
Other Board Members	\$15,000
San Jose Water Company	
Chair	\$60,000
Other Board Members	\$40,000
SJW Land Company	
Chair	\$20,000
Other Board Members	\$5,000
SJWTX, Inc.	
Chair	\$5,000
Other Board Members	\$5,000
Texas Water Alliance Limited	
Board Members	\$0

## Director Meeting Fees

The following table sets forth the 2012 per meeting Board and Committee fees for the non-employee Board members of SJW Corp., San Jose Water Company, SJW Land Company, SJWTX, Inc. and Texas Water Alliance Limited:

	Per Meeting Fee
SJW Corp.	
Chair	\$1,000
Other Board Members	\$1,000
SJW Corp. Committees	
Audit Committee Chair (for attending audit committee meetings)	\$3,000
Other Committee Chair (for attending their respective committee meetings)	\$2,000
Other Board Members	\$1,000
San Jose Water Company	
Chair	\$1,000
Other Board Members	\$1,000
SJW Land Company	
Chair	\$500
Other Board Members	\$500
SJWTX, Inc.	
Chair	\$2,500
Other Board Members	\$500
Texas Water Alliance Limited	
Board Members	\$500

The meeting fees are the same for attending Board and Committee meetings held telephonically.

In the event a non-employee director attends an in-person Board or Committee meeting by telephone, he or she will be entitled to receive the applicable per meeting fee for the first meeting attended by telephone in a calendar year, and half of such meeting fee for each subsequent meeting attended by telephone in the same calendar year.

Non-employee directors may also receive fees determined on a case-by-case basis by SJW Corp.'s Executive Compensation Committee and ratified by the Board of Directors for attending additional meetings other than Board or Committee meetings, such as Board retreats, strategic planning meetings, or other programs organized by SJW Corp., San Jose Water Company, SJW Land Company, SJW TX, Inc. or Texas Water Alliance Limited.

Mr. Moss elected not to receive any retainer or meeting fees for his service as a non-employee director during each fiscal year since 2008.

#### Deferral Election Program for Non-Employee Board Members

Pursuant to the Deferral Election Program, each non-employee member of the Corporation's Board of Directors has the opportunity to defer: (i) either 50 percent or 100 percent of his or her annual retainer fees for serving on the Corporation's Board and the Board of one or more subsidiaries; and (ii) 100 percent of his or her fees for attending pre-scheduled meetings of such Boards or any committees of such Boards on which he or she serves. The deferral election is irrevocable and must be made prior to the start of the year for which the fees are to be earned.

The fees which a non-employee Board member elects to defer under such program for the fiscal year are credited to a deferral election account that will be credited with a fixed rate of interest, compounded semi-annually, set at the start of each calendar year at the lower of (i) the then current 30-year long-term borrowing cost of funds to San Jose Water Company (or the equivalent thereof), as measured as of the start of such calendar year, or (ii) 120 percent of the long-term Applicable Federal Rate determined as of the start of such calendar year and based on semi-annual compounding. The non-employee Board members will vest in the portion of their account attributable to each Board or Board committee on which they serve during a calendar year in a series of 12 equal monthly installments upon their completion of each calendar month of service on that Board or Board committee during such calendar year.

Distribution of the vested balance credited to each Board member's deferral election account will be made or commence on the 30<sup>th</sup> day following his or her cessation of Board service. The cash distribution will be made either in a lump sum or through a series of up to 10 annual installments in accordance with the payment election such Board member made.

Messrs. DiNapoli and King elected to defer all of their 2012 annual retainer fees and pre-scheduled 2012 meeting fees, and Mr. Cali elected to defer his 2012 annual retainer fees.

#### Deferred Restricted Stock Program

Prior to the 2008 fiscal year, the non-employee directors were able to receive awards of deferred stock, either through the conversion of their deferred Board and Committee fees under the Deferral Election Program into deferred shares of SJW Corp. common stock or through their participation in the Deferred Restricted Stock Program. Both of those deferred stock programs were implemented under the Corporation's Long-Term Incentive Plan (the "LTIP").

The principal features of the Deferred Restricted Stock Program may be summarized as follows:

Each non-employee director who commenced Board service on or after April 29, 2003 was granted: (i) a deferred stock award on the first business day of January following his or her completion of at least six months of service as a Board member; and (ii) annual grants of deferred stock on the first business day of January in each succeeding calendar year through the close of the 2007 calendar year, provided he or she remained a non-employee member of the Board through such date. The number of shares of the Corporation's common stock underlying each annual deferred stock award was determined by dividing (i) the aggregate dollar amount of the annual retainer fees, at the levels in effect as of the date of grant, for service on the Board and for service on the Boards of Directors of the Corporation's subsidiaries for the calendar year in which the grant is made by (ii) the fair market value per share of the Corporation's common stock on the grant date. The shares subject to each deferred stock award are fully vested and will be issued from the LTIP on a distribution commencement date tied to the director's cessation of

Board service or other pre-specified date. The shares may be issued either in a single lump sum or in up to 10 annual installments, as elected by the director at the time of his or her initial entry into the Deferred Stock Program or pursuant to the special payment election made available in 2007.

In addition, each non-employee director who commenced Board service prior to April 29, 2003 and participated in the Director Pension Plan was given the opportunity during the 2003 calendar year to elect to convert his or her accumulated benefit under that plan into a deferred stock award. The accumulated benefit of each director who made such an election was converted, on September 1, 2003, into a deferred stock award of comparable value based on the fair market value per share of the Corporation's common stock on such date. The award vested in 36 monthly installments over the director's period of continued Board service measured from the conversion date.

In accordance with the foregoing, Messrs. Cali, DiNapoli, Moss and Toeniskoetter elected to have their accumulated Director Pension Plan benefits converted into deferred stock pursuant to the Deferred Stock Program. As a result, Messrs. Cali, DiNapoli, Moss and Toeniskoetter each had \$270,000 in Pension Plan benefits converted into a deferred stock award covering 19,014 shares of the Corporation's common stock.

Each deferred stock award contains dividend equivalent rights, as discussed below. Except for the additional deferred shares that result from those dividend equivalent rights, no further deferred shares are intended to be awarded to the non-employee directors under either the Deferral Election Program or the Deferred Restricted Stock Program.

#### Director Pension Plan

Mr. King continues to participate in the Director Pension Plan. Under such plan, Mr. King will receive, following his cessation of service as a director, a benefit equal to one half of the aggregate annual retainer for service on the Board of SJW Corp. and the Boards of San Jose Water Company and SJW Land Company as in effect at the time he ceases to be a director. This benefit will be paid to Mr. King, his beneficiary or his estate, for four years. These payments will be made with the same frequency as the ongoing retainers. Directors who elected to convert their accumulated Director Pension Plan benefits into deferred restricted stock in 2003 and non-employee directors who commenced Board service on or after April 29, 2003 are not eligible to participate in the Director Pension Plan.

#### Dividend Equivalent Rights

Dividend Equivalent Rights ("DERs") are part of the outstanding deferred stock awards currently credited to the non-employee directors as a result of their pre-2008 participation in the Deferral Election and Deferred Restricted Stock Programs. Pursuant to those DERs, each non-employee director's deferred stock account under each program will be credited, each time a dividend is paid on the Corporation's common stock, with a dollar amount equal to the dividend paid per share multiplied by the number of shares at the time credited to the deferred stock account, including shares previously credited to the account by reason of the DERs. As of the first business day in January each year, the cash dividend equivalent amounts so credited in the immediately preceding year will be converted into additional shares of deferred stock by dividing such cash amount by the average of the fair market value of the Corporation's common stock on each of the dates in the immediately preceding year on which dividends were paid. The additional shares of common stock that are credited based on such DERs will vest in the same manner as the deferred stock awards to which they are attributable.

Effective as of January 1, 2008, the Corporation imposed a limitation on the maximum number of years such DERs will continue to remain outstanding. Accordingly, the DERs will terminate with the dividends paid by the Corporation during the 2017 calendar year, with the last DER conversion into deferred stock to occur on the first business day in January 2018. As part of the DER phase-out, each non-employee Board member was given the opportunity to make a special election by December 31, 2007 to receive a distribution from his accounts under the two programs in either (i) a lump sum distribution in any calendar year within the 10-year period from 2009 to 2018 or (ii) an installment distribution over a five or 10-year period within that 10-year period. The amount distributable from each such account would be equal to the number of deferred shares credited to that account as of December 31, 2007 plus the number of additional deferred shares subsequently credited to that account by reason of the dividend equivalent rights existing on those deferred shares during the period prior to their distribution. No further DERs would be paid on the distributed shares, but those shares would be entitled to actual dividends as and when paid to the Corporation's shareholders. In the absence of such special payment election, the distribution of the non-



employee Board member's accounts will continue to be deferred until cessation of Board service. Only Mr. Cali made a special payment election and elected to receive his deferred accounts in five annual installments over the five calendar-year period beginning with the 2014 calendar year.

On January 2, 2013, the following current non-employee Board members were credited with additional shares of deferred stock pursuant to their DERs: Mr. Cali, 702 shares; Mr. King, 241 shares; and Mr. Van Valer, 70 shares.

#### Expense Reimbursement Policies

Under the Corporation's Director Compensation and Expense Reimbursement Policies, each non-employee director will be reimbursed for all reasonable expenses incurred in connection with his or her attendance at Board or committee meetings of SJW Corp. or its subsidiaries as well as his or her attendance at certain other meetings held by such companies. Expenses subject to reimbursement include the expense of traveling by non-commercial aircraft if within 1,000 miles of company headquarters and approved by the Chairman of the Board, and the expense of traveling first class for any travel within the United States. A copy of the Amended and Restated Director Compensation and Expense Reimbursement Policies is attached as Exhibit 10.1 to the Form 10-Q filed on November 6, 2009.

#### Recommendation of the Board of Directors

The Board of Directors unanimously recommends that shareholders vote FOR the election of the eight nominees listed on page 4.



## PROPOSAL 2

### APPROVAL OF THE AMENDED AND RESTATED EXECUTIVE OFFICER SHORT-TERM INCENTIVE PLAN

On January 30, 2013, the Board of Directors unanimously adopted, subject to shareholder approval at the annual meeting, the January 2013 Amendment and Restatement of the Executive Officer Short-Term Incentive Plan (the "Incentive Plan"). Shareholder approval will allow bonuses paid under the Incentive Plan to continue to qualify as performance-based compensation that is not subject to the one million dollar (\$1,000,000) per person limitation imposed under Section 162(m) of the Internal Revenue Code ("Section 162(m)") on the income tax deductibility of compensation paid to certain of the Corporation's executive officers.

#### Principal Changes Effected by Restatement

The Incentive Plan was initially adopted by the Board of Directors on January 30, 2008 and approved by the Corporation's shareholders at the 2008 annual meeting. If the January 2013 Amendment and Restatement ("January 2013 Restatement") is approved by the shareholders, it will effect the following changes to the terms of the January 30, 2008 version of the Incentive Plan previously approved by the shareholders:

- i. Expand and re-confirm both the list of financial and non-financial performance criteria that may be utilized in the formulation of the specific performance goals for bonus entitlement under the Incentive Plan and the list of permissible adjustments that may be made to those criteria in assessing performance goal attainment;
- ii. Expand the class of individuals eligible for participation in the Incentive Plan;
- iii. Extend the maximum length of any performance period implemented under the Incentive Plan from 36 months to 60 months; and
- iv. Increase the maximum dollar amount payable per participant for performance periods in excess of 36 months.

If approved by the shareholders, the January 2013 Restatement will be in effect for awards made under the Incentive Plan for performance periods beginning after the date of the annual meeting.

#### Summary of the Short-Term Incentive Plan as Restated

The following is a summary of the principal features of the Incentive Plan, as amended and restated pursuant to the January 2013 Restatement. The summary, however, is not intended to be a complete description of all the terms of the January 2013 Restatement of the Incentive Plan and is qualified in its entirety by reference to the complete text of the January 2013 Restatement. A copy of the actual January 2013 Restatement of the Incentive Plan is attached as Appendix I to this Proxy Statement.

#### General

The purpose of the Incentive Plan is to provide the Corporation's executive officers and other key employees of the Corporation and its subsidiaries with the opportunity to earn incentive bonuses tied to the achievement of specific goals based on financial and/or non-financial performance criteria. Provided certain requirements are satisfied, the bonuses paid under the Incentive Plan should qualify as performance-based compensation not subject to the limitations on income tax deductibility imposed under Section 162(m). However, not all bonus programs implemented by the Corporation will be effected under the Incentive Plan, and the payments made under those particular programs will be subject to the deduction limitations imposed by Section 162(m).

#### Eligibility

Participation in the Incentive Plan will be limited to: (i) the Corporation's executive officers and (ii) other key employees of the Corporation or its subsidiaries. The plan administrator will have complete discretion in selecting the eligible individuals who are to participate in the Incentive Plan for one or more performance periods. As of January 31, 2013, four executive officers and approximately 18 other key employees would have been eligible to participate in the Incentive Plan. As of January 31, 2013, the Corporation's Chief Executive Officer has been the only eligible individual to have been selected for participation in the Incentive Plan for one or more performance periods.

#### Administration

The Incentive Plan will be administered by the Executive Compensation Committee (the “Committee”) of the Corporation's Board of Directors. Each member of the Committee will qualify as an “outside director” for purposes of Section 162(m). The Committee will have the authority to: (i) establish the duration of each performance period, (ii) select the eligible individuals who are to participate in the Incentive Plan for that performance period, (iii) determine the specific performance objectives for that performance period and set one or more designated levels of attainment for those objectives, (iv) establish the allowable adjustments (if any) to be applied in the determination of the level of performance goal attainment, and (v) set the bonus potential for each participant at each corresponding level of goal attainment. The Committee will also have the discretion to reduce the actual bonus payable to any participant below the bonus potential based on performance goal attainment for the applicable performance period. In its capacity as administrator, the Committee may adopt rules and regulations for the administration of the Incentive Plan and interpret any and all provisions of the Incentive Plan. All determinations of the Committee will be final and binding on all persons.

#### Performance Objectives

Under the Incentive Plan, participants will be eligible to receive cash bonuses based upon the attainment of the performance objectives established by the Committee for a designated performance period. Each performance period established by the Committee may range in duration from a minimum period of 12 months to a maximum period of 60 months. It is anticipated that the initial performance period under the January 2013 Restatement will be the 12-month period beginning January 1, 2014 and ending December 31, 2014.

For each performance period, the performance objectives may be based on one or more of the following financial and non-financial performance criteria: (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 Corporation's 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, (xxxii) capital budget or capital expenditures, and (xxxii) objectives tied to capital growth.

Each performance objective may be based upon the attainment of specified levels of the Corporation's performance measured under one or more of the criteria 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 company. 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 objective may include a minimum threshold level of performance below which no award will be earned, levels of performance at which specified portions of the award will be earned and a maximum level of performance at which the award will be fully earned.

#### Allowable Adjustments

Each applicable performance objective 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) 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

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expenses associated with cash-based awards made under the Incentive Plan, the Corporation's Long-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 company or of any joint venture in which the Corporation or any parent or subsidiary company 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 company or the gain or loss realized upon the sale of any such business or the assets thereof, and (j) any corporate transaction, such as a merger, consolidation, separation or reorganization.

#### Establishment of Performance Objectives

The Committee will, within the first 90 days of each performance period or at any time prior thereto, establish the specific performance objectives for that period. In no event may a performance objective be established at a time when no substantial uncertainty exists as to its attainment. For each performance objective, the Committee may establish up to three potential levels of attainment: threshold, target and above-target levels of attainment. At the time the performance objectives for a particular period are established, the Committee will also set the bonus potential for each participant at each of the designated levels of performance. Alternatively, the Committee may establish a linear formula for determining the bonus potential at various points of performance goal attainment.

#### Actual Bonus Awards

The total bonus amount to be paid for each performance period will be determined by the Committee on the basis of the Corporation's actual performance relative to each of the performance objectives established for that period. Accordingly, each performance objective will be measured separately in terms of actual level of attainment and will be weighted, equally or in such other proportion as the Committee determines at the time the performance objectives are established, in determining the actual bonus payable to each participant. For example, if four performance objectives are established for a performance period and weighted equally, each of those objectives attained at target level will contribute an amount equal to 25 percent of the bonus payable at target level for that period, and each objective attained at the above-target level will contribute to the bonus payable to the participant for that period an amount equal to 25 percent of the above-target bonus amount payable at that level. However, no bonus amount will be payable with respect to any performance objective if the specified threshold level for that objective is not attained. No bonuses will be paid until the Committee certifies the actual level of goal attainment for the performance period. If the actual level of goal attainment is between two of the designated performance levels, the applicable bonus amount will be interpolated on a straight-line basis. In no event will any participant receive a bonus in excess of the amount determined on the basis of the bonus potential established or interpolated for the particular level of goal attainment for the performance period. In addition, the Committee will have the discretion to reduce or eliminate the bonus that would otherwise be payable to one or more participants on the basis of the certified level of goal attainment.

#### Payment of Awards

The bonuses earned for each performance period will be paid in cash as soon as practicable following the determination and certification of the actual levels of goal attainment for the performance period. It is anticipated that the payment date will normally occur before the first business day of March of the calendar year immediately following the calendar year in which the performance period ends. However, one or more participants may elect to defer the receipt of their bonus payments until their separation from service or other designated date through a timely election made under San Jose Water Company's Special Deferral Election Plan.

#### Maximum Award

The maximum bonus payment that any one participant may receive under the Incentive Plan will be limited to one million dollars (\$1,000,000) per each full or partial calendar year included in the applicable performance period, up to a maximum bonus of five million dollars (\$5,000,000) for a maximum performance period of 60 months.

#### Prorated Awards

A participant will not be entitled to any bonus payment for a particular performance period if that participant's employment with the Corporation (or its parent or subsidiary companies) ceases for any reason prior to the end of that performance period. However, the following participants will receive a portion of the bonus to which they would otherwise have been entitled on the basis of actual performance goal attainment had they continued in the employ of the Corporation (or one of its parent or subsidiary companies) through the end of the applicable performance period:

- (i) Any participant who ceases employment due to death or disability,
- (ii) Any participant whose employment terminates under circumstances that would entitle such individual to a full or pro-rata bonus pursuant to the express terms of any agreement or arrangement to which that individual and the Corporation are parties, and
- (iii) Any participant whose employment terminates under special circumstances that warrant, in the Committee's sole discretion, a prorated bonus award under the Incentive Plan.

In no event will the bonus paid to any participant who ceases employment prior to the completion of the applicable performance period exceed the dollar amount determined by dividing: (i) the actual bonus to which that participant would have become entitled, on the basis of the level at which the performance objectives for that performance period are in fact attained, had he or she continued in employee status through the end of that performance period by (ii) a fraction the numerator of which is the number of days such individual remained in active employee status during that performance period and the denominator of which is the total number of days in such performance period; provided, however, that a participant may become entitled, pursuant to the terms of his or her pre-existing agreement or arrangement with the Corporation, to the full amount of the bonus earned for such performance period on the basis of the level at which the applicable performance objectives are in fact attained.

In no event will any pro-rated bonus payment be made if the applicable performance goals are not attained at threshold level or above.

#### Term of Restated Incentive Plan

The Incentive Plan as restated pursuant to the January 2013 Restatement will be in effect for the fiscal year beginning January 1, 2014 and for each year thereafter until terminated by the Committee. Prior to that effective date, the provisions of the Incentive Plan as originally approved by the stockholders at the 2008 annual meeting will continue in effect.

#### Other Bonus Programs

Bonus programs for one or more fiscal years or for individuals who are not selected for participation in the Incentive Plan for any such fiscal year may be implemented pursuant to programs other than the Incentive Plan. It is likely that the terms and conditions of any such programs will vary from the terms and conditions of the Incentive Plan, and the bonuses payable under those programs will not qualify as performance-based compensation for Section 162(m) purposes.

#### Amendment and Termination

The Committee may amend, suspend or terminate the Incentive Plan at any time, provided such action does not adversely affect the rights and interests of participants accrued to date under the Incentive Plan or otherwise impair their ability to earn bonus awards based on the performance objectives established by the Committee for the then current performance period. Any amendment or modification of the Incentive Plan will be subject to shareholder approval to the extent required under Section 162(m) of the Internal Revenue Code or any other applicable law or regulation.

#### Federal Income Tax Consequences

Under present federal income tax laws, participants in the Incentive Plan will recognize taxable income equal to the bonus payment that they receive under the Incentive Plan. Such taxable income will be recognized in the year the bonus payment is made to them. The Corporation will be entitled to an income tax deduction, equal to the amount of the taxable income recognized by the participants, for the taxable year for which the bonus under the Incentive Plan is earned, provided such payment is made within two and one-half months following the close of that



year; otherwise, the deduction will be deferred to the taxable year of payment. The bonus payments under the Incentive Plan should qualify as performance-based compensation that is not subject to the one million dollar (\$1,000,000) limitation on the income tax deductibility of compensation paid per executive officer imposed under Section 162(m). However, as mentioned above, the Corporation may implement one or more bonus programs outside of the Incentive Plan that will not qualify as performance-based compensation under Section 162(m).

#### Plan Benefits

##### New Plan Benefits

No awards will be made, and no performance period will commence, under the January 2013 Restatement of the Incentive Plan prior to the January 1, 2014 start of the Corporation's 2014 fiscal year.

##### Current Plan Benefits

For the 2013 fiscal year ending December 31, 2013, only the Corporation's Chief Executive Officer has been selected for participation in the Incentive Plan. The bonus amount which the Chief Executive Officer may earn for the 2013 fiscal year will be dependent upon the level at which the Corporation attains the applicable performance goals for that year. At threshold level of goal attainment, the Chief Executive Officer's bonus potential has been set at \$81,250 (12.5 percent of fiscal year 2013 base salary); for target level attainment, the bonus potential is \$162,500 (25 percent of fiscal year 2013 base salary); and at above-target level attainment, the applicable bonus potential is \$243,750 (37.5 percent of fiscal year 2013 base salary). The actual bonus amount will accordingly vary from 0 to 150 percent of the target bonus amount based on the level at which the various performance goals are in fact attained.

The Corporation's performance goals for the 2013 fiscal year are based on the following performance criteria: (i) return on equity, (ii) compliance with certain specified water quality and environmental requirements, and (iii) attainment of water industry objectives measured in terms of service, reliability and efficiency.

Because such bonus award was not made under the January 2013 Restatement but pursuant to the original terms of the Incentive Plan approved by the shareholders at the 2008 annual meeting, any bonus payment made pursuant to such award is not subject to shareholder approval of the January 2013 Restatement at the annual meeting.

##### Required Vote

Approval of the January 2013 Restatement of the Incentive Plan requires the affirmative vote of a majority of the shares of common stock present in person or represented by proxy and voting at the annual meeting, provided such affirmative vote is also equal to at least a majority of the shares required to constitute a quorum. For the effects of abstentions and broker non-votes on this Proposal see, "Voting Rights and Solicitation - Quorum and Votes Required" on page 2 of this proxy statement.

Should such shareholder approval not be obtained, then the January 2013 Restatement of the Incentive Plan will not be implemented, and no further performance periods will commence under the Incentive Plan after the date of the annual meeting. The Corporation will consider other alternatives for providing incentive compensation to the Corporation's Chief Executive Officer and other executive officers who are eligible for participation in the Incentive Plan.

##### Recommendation of the Board of Directors

The Board of Directors believes that Proposal No. 2 is in the best interests of the Corporation and in the best interests of the shareholders and unanimously recommends a vote FOR this Proposal. Unless otherwise instructed, the proxy holders named in each proxy will vote the shares represented thereby FOR this Proposal.

### PROPOSAL 3

#### APPROVAL OF THE AMENDED AND RESTATED LONG-TERM INCENTIVE PLAN

The shareholders are being asked to vote on a proposal to approve the amendment and restatement of the Corporation's Long-Term Incentive Plan (the "LTIP") which was adopted by the Board of Directors on January 30, 2013. The LTIP was initially adopted by the Board on March 6, 2002 and approved by the Corporation's shareholders at the 2002 annual meeting. The LTIP was subsequently amended and restated by the Board on January 30, 2008 and approved by the Corporation's shareholders at the 2008 annual meeting.

The January 2013 Amendment and Restatement of the LTIP (the "January 2013 Restatement") will become effective upon shareholder approval at the annual meeting. All awards currently outstanding under the LTIP will continue to be governed by the existing terms and provisions of the applicable agreements evidencing those awards, and nothing in the January 2013 Restatement will affect or modify the existing terms and conditions of those awards.

Incentive compensation programs play a pivotal role in the Corporation's efforts to attract and retain key personnel essential to the Corporation's long-term growth and financial success. For that reason, the Corporation has structured the LTIP to provide flexibility in designing cash and equity incentive programs so as to provide a broad array of equity incentives, such as stock options, restricted stock, restricted stock units and performance shares, and cash incentive programs, such as cash-settled performance bonus awards, for purposes of attracting and retaining the services of key individuals. The January 2013 Restatement will continue to provide the Corporation with the needed flexibility to implement competitive incentive compensation programs for its key employees and non-employee Board members.

#### Principal Changes Effected by Restatement

The January 2013 Restatement does not increase the reserve of common stock under the LTIP that was previously approved by the shareholders at the 2008 annual meeting. However, the January 2013 Restatement will, subject to shareholder approval at the annual meeting, effect the following changes to the January 30, 2008 restatement of the LTIP previously approved by the shareholders:

- (i) Expand and re-confirm both the list of financial and non-financial performance criteria that may be utilized in the formulation of the specific performance goals to which the vesting of performance-based awards under the LTIP may be tied and the list of permissible adjustments that may be made to those criteria in assessing performance goal attainment so that those awards, whether settled in shares of common stock or cash, may continue to 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 Section 162(m) of the Internal Revenue Code (the "Code");
- (ii) Clarify the treatment of performance-vesting awards in connection with a change in control transaction;
- (iii) Impose a limitation on the maximum number of shares of common stock that may be issued under the LTIP pursuant to tax-favored incentive stock options;
- (iv) Specify the minimum vesting requirements for awards made to the non-employee Board members; and
- (v) Extend the term of the LTIP until April 23, 2023.

The principal terms and provisions of the LTIP as amended and restated pursuant to the January 2013 Restatement are summarized below. The summary, however, is not intended to be a complete description of all the terms of the January 2013 Restatement of the LTIP and is qualified in its entirety by reference to the complete text of the January 2013 Restatement. A copy of the actual January 2013 Restatement of the LTIP is attached as Appendix II to this Proxy Statement.



### Incentive Programs

The LTIP as restated continues to be divided into three separate incentive compensation programs: (i) the stock option/stock appreciation rights program, (ii) the stock issuance program and (iii) the incentive bonus program. The principal features of each program are described below.

#### Administration

The Executive Compensation Committee of the Board of Directors (the "Committee") will have the exclusive authority to administer the three incentive programs with respect to awards made to the Corporation's executive officers and non-employee Board members and will also have the authority to make awards under those programs to all other eligible individuals. However, the Board of Directors may at any time appoint a secondary committee of two or more Board members to have separate but concurrent authority with the Committee to make awards under those programs to individuals other than executive officers and non-employee Board members, or the Board of Directors may itself administer the programs with respect to those individuals.

The Committee may make awards under the LTIP to any and all non-employee Board members upon such terms and conditions as the 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 Committee may designate in advance, in each instance subject to the express provisions and limitations of the LTIP. The Committee may also implement one or more programs which provide the non-employee Board members with the opportunity to elect to receive specific types of awards under the LTIP, 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 company or any committee of such board). However, all discretionary awards to non-employee Board members authorized by the Committee and all formulaic programs implemented by the Committee for such Board members will 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 LTIP will continue in full force and effect in accordance with their existing terms and conditions, and nothing in the January 2013 Restatement will affect or modify the existing terms and conditions of those awards.

The term "plan administrator," as used in this summary, will mean the Executive Compensation Committee, the Board of Directors and any secondary committee of the Board, to the extent each such entity is acting within the scope of its administrative authority under the LTIP.

#### Eligibility

Officers and employees, as well as consultants and other independent advisors, in the Corporation's employ or service or in the employ or service of any parent or subsidiary company (whether now existing or subsequently established) will be eligible to participate in the three incentive programs under the LTIP. The non-employee members of the Corporation's Board of Directors or of the board of directors of any parent or subsidiary company (whether now existing or subsequently established) will also be eligible to participate in those three programs, including any formulaic plans established under one or more of those programs.

As of January 31, 2013, approximately 385 persons (including four executive officers) and seven non-employee Board members were eligible to participate in the three incentive programs.

#### Securities Subject to LTIP

1,800,000 shares of the Corporation's common stock have been reserved for issuance over the term of the LTIP. As of January 31, 2013, (i) 64,544 shares were subject to outstanding options under the LTIP, (ii) 274,918 shares were subject to outstanding stock awards under such plan, including restricted stock unit awards and deferred or restricted stock awards, and (iii) 1,173,004 shares remained unallocated and available for future award. The Committee estimates that the existing authorized share reserve under the LTIP should be sufficient to fund equity awards to the Corporation's officers and other key employees and the non-employee Board members for a period extending through the scheduled April 23, 2023 term of the LTIP, based on a projected annual burn rate under the LTIP of awards representing 0.21% of the currently outstanding shares of the Corporation's common stock.



The maximum number of shares of the Corporation's common stock that may be issued from such authorized share reserve pursuant to tax-favored incentive stock options granted under the LTIP after December 31, 2012 will be limited to 1,512,466 shares.

Awards made under the LTIP are subject to the following per-participant limitations in order to provide the plan administrator with the opportunity to structure one or more of those awards as performance-based compensation under Code Section 162(m):

(1) For awards denominated in shares of the Corporation's common stock (whether payable in such common stock, cash or a combination of both), no participant in the LTIP may receive awards (in the form of stock options, stock appreciation rights, restricted stock units, deferred or restricted stock, performance shares, stock bonuses or other stock-based awards) for more than 600,000 shares of common stock in the aggregate in any single calendar year, subject to adjustment for subsequent stock splits, stock dividends and similar transactions. Shareholder approval of this proposal will also constitute re-approval of that 600,000-share limitation for purposes of Code Section 162(m). Accordingly, such limitation will assure that any deductions to which the Corporation would otherwise be entitled upon the exercise of stock options or stock appreciation rights granted under the LTIP will not be subject to the one million dollar (\$1,000,000) limitation on the income tax deductibility of compensation paid per executive officer imposed under Code Section 162(m). In addition, one or more stock-based awards made under the stock issuance program may also qualify as performance-based compensation that is not subject to the Code Section 162(m) limitation, if the vesting of those awards is tied to the attainment of pre-established milestones based on one or more of the performance criteria discussed below in the summary description of that program.

(2) For awards denominated in dollars (whether payable in cash, shares of the Corporation's common stock, or both), no participant in the LTIP may receive awards with an aggregate dollar value in excess of one million dollars (\$1,000,000) for each full or partial calendar year within the applicable performance measurement period (which may not exceed five calendar years). Shareholder approval of this proposal will also constitute approval of that one million dollar (\$1,000,000) per year limitation for purposes of Code Section 162(m). Accordingly, such limitation will assure that any deductions to which the Corporation would otherwise be entitled upon the payment of cash bonuses or the cash settlement of performance units will not be subject to the one million dollar (\$1,000,000) limitation on the income tax deductibility of compensation paid per executive officer imposed under Code Section 162(m), to the extent the vesting of those awards is tied to the attainment of pre-established milestones based on one or more of the performance criteria discussed below in the summary description of the stock issuance program.

In addition, the maximum number of shares for which awards may be made under the LTIP to any one non-employee Board member will be limited to 4,000 shares in the aggregate per calendar year, except that such limit will be increased to 10,000 shares for the year in which the non-employee Board member is first appointed or elected to the Board. Both limitations will be subject to adjustment for subsequent stock splits, stock dividends and similar transactions.

The shares of the Corporation's common stock issuable under the LTIP may be drawn from shares of authorized but unissued common stock or from shares of common stock that the Corporation acquires, including shares purchased on the open market or in private transactions.

Shares subject to outstanding awards under the LTIP that expire or otherwise terminate prior to the issuance of those shares will be available for subsequent issuance under the plan. Any unvested shares issued under the LTIP that are subsequently forfeited or that the Corporation repurchases, at a price not greater than the original issue price paid per share, pursuant to the Corporation's repurchase rights under the LTIP will be added back to the share reserve and will accordingly be available for subsequent issuance.

There are no net counting provisions in effect under the LTIP. Accordingly, the following share counting procedures will apply in determining the number of shares of common stock available from time to time for issuance under the LTIP:

(1) Should the exercise price of an option be paid in shares of the Corporation's common stock, then the number of shares reserved for issuance under the LTIP will be reduced by the gross number of shares for which that option is exercised, and not by the net number of new shares issued under the exercised option.



(2) Should shares of common stock otherwise issuable under the LTIP be withheld by the Corporation in satisfaction of the withholding taxes incurred in connection with the exercise, vesting or settlement of a plan award, then the number of shares of common stock available for issuance under the LTIP will be reduced by the full number of shares that were issuable under the award, and not by the number of shares actually issued after any such share withholding.

(3) Upon the exercise of any stock appreciation right granted under the LTIP, the share reserve will be reduced by the gross number of shares as to which such stock appreciation right is exercised, and not by the net number of shares actually issued upon such exercise.

#### Equity Incentive Programs

##### Stock Option/Stock Appreciation Rights Program

Under this program, eligible persons may be granted options to purchase shares of the Corporation's common stock or stock appreciation rights tied to the value of such common stock. The plan administrator will have complete discretion to determine which eligible individuals are to receive option grants or stock appreciation rights, the time or times when those options or stock appreciation rights are to be granted, the time or times when the award is exercisable, the number of shares subject to each such grant, the vesting schedule, if any, to be in effect for the grant, the maximum term for which the granted option or stock appreciation right is to remain outstanding and the status of any granted option as either an incentive stock option or a non-statutory option under the federal tax laws.

Each granted option will have an exercise price per share determined by the plan administrator, but the exercise price will not be less than the fair market value of the shares on the grant date. No granted option will have a term in excess of 10 years. The shares subject to each option will generally vest in one or more installments over a specified period of service measured from the grant date. However, one or more options may be structured so that they will be immediately exercisable for any or all of the option shares. The shares acquired under such immediately exercisable options will be subject to repurchase by the Corporation, at the lower of the exercise price paid per share or the fair market value per share at the time of repurchase, if the optionee ceases service prior to vesting in those shares. In addition, one or more awards may be structured so that those awards will vest and become exercisable only after the achievement of pre-established corporate performance objectives.

The LTIP will allow the issuance of two types of stock appreciation rights under the discretionary grant program:

(1) Tandem stock appreciation rights granted in conjunction with stock options which provide the holders with the right to surrender the related option grant for an appreciation distribution from the Corporation in an amount equal to the excess of (i) the fair market value of the vested shares of the Corporation's common stock subject to the surrendered option over (ii) the aggregate exercise price payable for those shares.

(2) Stand-alone stock appreciation rights which allow the holders to exercise those rights as to a specific number of shares of the Corporation's common stock and receive in exchange an appreciation distribution from the Corporation in an amount equal to the excess of (i) the fair market value of the shares of common stock as to which those rights are exercised over (ii) the aggregate exercise price in effect for those shares. The exercise price per share may not be less than the fair market value per share of the Corporation's common stock on the date the stand-alone stock appreciation right is granted, and the right may not have a term in excess of 10 years.

The appreciation distribution on any exercised tandem or stand-alone stock appreciation right may be paid in (i) cash, (ii) shares of the Corporation's common stock or (iii) a combination of cash and shares of common stock, as set forth in the applicable award agreement.

Upon cessation of service with the Corporation, the recipient of a vested stock option or stock appreciation right will have a limited period of time in which to exercise that vested right. The plan administrator will have complete discretion to extend the period following the award recipient's cessation of service during which his or her outstanding stock options or stock appreciation rights may be exercised and/or to accelerate the exercisability or vesting of those stock options or stock appreciation rights in whole or in part. Such discretion may be exercised at any time while the award remains outstanding.

#### Repricing Prohibition

Except in connection with certain changes in the Corporation's capital structure as described in the "Changes in Capitalization" section below, the plan administrator may not implement any of the following repricing programs under the LTIP without obtaining shareholder approval: (i) the cancellation of outstanding options or stock appreciation rights in return for new options or stock appreciation rights with a lower exercise price per share, (ii) the cancellation of outstanding options or stock appreciation rights with exercise prices per share in excess of the then current fair market value per share of the Corporation's common stock for consideration payable in cash, equity securities of the Corporation or in the form of any other award under the LTIP, except in connection with a change in control transaction, or (iii) the direct reduction of the exercise price in effect for outstanding options or stock appreciation rights.

#### Stock Issuance Program

Shares may be issued under the stock issuance program subject to performance or service vesting requirements established by the plan administrator. Shares may also be issued as a fully-vested bonus for past services without any cash outlay required of the recipient. Shares may also be issued under the program pursuant to restricted stock units which entitle the recipients to receive those shares upon the attainment of designated performance goals and/or the completion of a prescribed service period or upon the expiration of a designated deferral period following the vesting of those units, including (without limitation) a deferred distribution date following the termination of the recipient's service with the Corporation.

Performance shares may also be issued under the program in accordance with the following parameters:

- (1) The vesting of the performance shares will be tied to the attainment of performance objectives over a specified performance period, all as established by the plan administrator at the time of the award.
- (2) At the end of the performance period, the plan administrator will 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.
- (3) The performance shares which so vest will 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 awarded or for the period selected by the participant in accordance with the applicable requirements of Code Section 409A.
- (4) Performance shares may be settled in cash or shares of the Corporation's common stock or a combination of both.
- (5) Performance shares may also be structured so that such shares are convertible into actual shares of the Corporation's common stock based on a conversion rate that varies in accordance with the level at which each applicable performance objective is in fact attained.

The plan administrator will have complete discretion under the program to determine which eligible individuals are to receive awards under the stock issuance program, the time or times when those awards are to be made, the form of those awards, the number of shares subject to each such award, the vesting schedule, if any, to be in effect for the award, the issuance schedule for the shares which vest under the award, the cash consideration, if any, payable per share, and the form (cash or shares of the Corporation's common stock) by which the award is to be settled.

The following limitations will apply with respect to the vesting schedules established for awards made under the stock issuance program: (i) for any award which is to vest solely on the basis of service, the minimum vesting period is three years, with incremental vesting to occur over that period as determined by the plan administrator, and (ii) for any award which is to vest on the basis of performance objectives, the performance period will have a duration of at least one year.

The foregoing minimum vesting requirements will 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.

In order to assure that the compensation attributable to one or more awards made under the stock issuance program or the incentive bonus program described below will qualify as performance-based compensation that will not be subject to the one million dollar (\$1,000,000) limitation on the income tax deductibility of the compensation paid per executive officer which is imposed under Code Section 162(m), the plan administrator will also have the discretionary authority to structure one or more awards under those programs so that the awards will vest only upon the achievement of certain pre-established performance goals based on one or more of the following criteria: (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 Corporation's 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, (xxxii) capital budget or capital expenditures, and (xxxii) objectives tied to capital growth.

Each performance objective may be based upon the attainment of specified levels of the Corporation's performance measured under one or more of the criteria 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 company. 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 objective may include a minimum threshold level of performance below which no award will be earned, levels of performance at which specified portions of the award will be earned and a maximum level of performance at which the award will be fully earned.

Each applicable performance objective 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) 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 Corporation's Executive Officer Short-Term Incentive Plan, LTIP 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 company or of any joint venture in which the Corporation or any parent or subsidiary company 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 company or the gain or loss realized upon the sale of any such business or the assets thereof, and (j) any corporate transaction, such as a merger, consolidation, separation or reorganization.





Shareholder approval of the January 2013 Restatement of the LTIP will also constitute approval of the foregoing performance criteria and adjustments for purposes of establishing the specific vesting targets for one or more awards under the LTIP that are intended to qualify as performance-based compensation under Code Section 162(m). However, not all awards made under the stock issuance program will be structured to qualify as such performance-based compensation.

Outstanding awards under the stock issuance program will automatically terminate, and no shares of common stock will actually be issued in satisfaction of those awards, if the performance goals or service requirements established for such awards are not attained. The plan administrator, however, will have the discretionary authority to issue shares of common stock in satisfaction of one or more outstanding awards as to which the designated performance goals or service requirements are not attained. However, no vesting requirements tied to the attainment of performance objectives may be waived with respect to awards which were intended at the time of issuance to qualify as performance-based compensation under Code Section 162(m), except in the event of death or permanent disability or in connection with a change in control.

#### Incentive Bonus Program

Cash-incentive awards, performance unit awards and dividend equivalent rights may be awarded under the incentive bonus program.

Cash incentive awards may be structured so as to vest in one or more installments over the award recipient's period of continued service with the Corporation or upon the attainment of specified performance goals.

Performance unit awards will be subject to the following parameters:

(1) A performance unit will represent either (i) a unit with a dollar value tied to the level at which pre-established performance objectives are attained or (ii) a participating interest in a special bonus pool tied to the attainment of pre-established performance objectives. 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 will 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-vesting 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-vesting requirement may be settled in cash or shares of the Corporation's common stock valued at fair market value on the payment date or a combination of both.

The plan administrator will have complete discretion under the program to determine which eligible individuals are to receive awards under the program, the time or times when those awards are to be made, the form of each such award, the performance objectives for each such award, the amount payable at one or more designated levels of attained performance, any applicable service vesting requirements, the payout schedule for each such award and the method by which the award is to be settled (cash or shares of the Corporation's common stock).

In order to assure that the compensation attributable to one or more awards under the incentive bonus program will qualify as performance-based compensation which will not be subject to the one million dollar (\$1,000,000) limitation on the income tax deductibility of the compensation paid per executive officer which is imposed under Code Section 162(m), the plan administrator will also have the discretionary authority to structure one or more awards so that cash or shares of common stock subject to those awards will vest only upon the achievement of certain pre-established performance goals based on one or more of the performance criteria described above in the summary of the stock issuance program. As noted above, shareholder approval of the January 2013 Restatement of the LTIP will also constitute approval of the those performance criteria for purposes of establishing the specific vesting targets for one or more awards under the LTIP that are intended to qualify as performance-based compensation under Code Section 162(m). However, not all awards made under the incentive bonus program will be structured to qualify as such performance-based compensation.



The plan administrator will have the discretionary authority at any time to accelerate the vesting of any and all awards outstanding under the incentive bonus program. However, no vesting requirements tied to the attainment of performance objectives may be waived with respect to awards which were intended at the time of issuance to qualify as performance-based compensation under Code Section 162(m), except in the event of death or permanent disability or in connection with a change in control.

Dividend equivalent rights may also be issued under the incentive bonus program, either as stand-alone awards or in tandem with other awards made under the LTIP. Each dividend equivalent right award will represent the right to receive the economic equivalent of each dividend or distribution, whether in cash, securities or other property (other than shares of the Corporation's common stock) which is made per issued and outstanding share of the Corporation's common stock during the term the dividend equivalent right remains outstanding. Payment of the amounts attributable to such dividend equivalent rights may be made either concurrently with the actual dividend or distribution made per issued and outstanding share of common stock or may be deferred to a later date. Payment may be made in cash or shares of common stock or a combination of both. However, no dividend equivalent units relating to awards subject to performance-vesting conditions will 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 will accordingly be subject to cancellation and forfeiture to the same extent as the underlying award, should those performance goals not be attained.

Stock Awards-LTIP

Option Grants

The following table sets forth, as to the Corporation's Chief Executive Officer, Chief Financial Officer, the three other most highly compensated executive officers of the Corporation with compensation in excess of \$100,000 for the 2012 fiscal year, and the other individuals and groups indicated, the number of shares of common stock subject to option grants made under the Incentive Plan for the period beginning with the March 6, 2002 effective date of the LTIP and ending January 31, 2013, together with the weighted average exercise price payable per share. The reported option awards also include (i) options that have been exercised and are no longer outstanding and (ii) options that have been forfeited and are no longer outstanding.

Name and Position	Number of Shares Underlying Options (#)	Weighted Average Exercise Price Per Share (\$)
W. Richard Roth, President, Chief Executive Officer and Chairman of the Board	121,646	\$ 15.30
George J. Belhumeur, Senior Vice President of Operations (through May 25, 2012)	6,768	\$ 15.61
Palle Jensen, Senior Vice President of Regulatory Affairs	—	—
James P. Lynch, Chief Financial Officer and Treasurer	—	—
R. Scott Yoo, Chief Operating Officer	20,768	\$ 23.75
All current executive officers as a group (4 persons)	142,414	\$ 16.53
Non-Employee Directors:		
Katharine Armstrong	—	—
Walter J. Bishop	—	—
Mark L. Cali	—	—
J. Philip DiNapoli (until April 25, 2012)	—	—
Douglas R. King	—	—
Norman Y. Mineta (until April 25, 2012)	—	—
Ronald B. Moskovitz	—	—
George E. Moss	—	—
Charles J. Toeniskoetter (until April 25, 2012)	—	—
Robert A. Van Valer	—	—
All current non-employee directors as a group (7 persons)	—	—
All employees, including current officers who are not executive officers, as a group (8 persons)	25,080	\$ 15.34

#### Stock Awards

The following table sets forth, as to the Corporation's Chief Executive Officer, Chief Financial Officer, the three other most highly compensated executive officers of the Corporation with compensation in excess of \$100,000 for the 2012 fiscal year, and the other individuals and groups indicated, the number of shares of the Corporation's common stock subject to restricted stock, deferred restricted stock or restricted stock unit awards made under the LTIP from the March 6, 2002 effective date of the LTIP through January 31, 2013. The reported stock awards also include (i) awards that have vested and are no longer outstanding, (ii) awards that have been forfeited and are no longer outstanding and (iii) shares of common stock attributable to dividend equivalent rights.

Name and Position	Number of Shares Subject to Stock Award (#)
W. Richard Roth, President, Chief Executive Officer and Chairman of the Board	258,338
George J. Belhumeur, Senior Vice President of Operations (through May 25, 2012)	10,410
Palle Jensen, Senior Vice President of Regulatory Affairs	9,845
James P. Lynch, Chief Financial Officer and Treasurer	13,703
R. Scott Yoo, Chief Operating Officer	23,215
All current executive officers as a group (4 persons)	305,101
Non-Employee Directors:	
Katharine Armstrong	—
Walter J. Bishop	—
Mark L. Cali	24,077
J. Philip DiNapoli (until April 25, 2012)	31,687
Douglas R. King	8,279
Norman Y. Mineta (until April 25, 2012)	—
Ronald B. Moskovitz	—
George E. Moss	—
Charles J. Toeniskoetter (until April 25, 2012)	23,901
Robert A. Van Valer	2,411
All current non-employee directors as a group (7 persons)	34,767
All employees, including current officers who are not executive officers, as a group (16 persons)	49,002

#### New Plan Benefits

As of January 31, 2013, no awards have been made under the LTIP that are subject to shareholder approval of the January 2013 Restatement.

#### General Provisions

##### Vesting Acceleration

In the event the Corporation should experience a change in control, the following special vesting acceleration provisions will be in effect for all outstanding awards under the LTIP:

(1) Each outstanding award will automatically accelerate in full upon a change in control, if that award is not assumed or otherwise continued in effect by the successor corporation or replaced with a cash incentive program which preserves the intrinsic value of the award and provides for the subsequent vesting and concurrent payout of that value in accordance with the same vesting schedule in effect for that award.

(2) Stock options and stock appreciation rights outstanding under the LTIP on the date of the change in control will be subject to cancellation and termination, without cash payment or other consideration due the award holder, if the fair market value per share of the Corporation's 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).

(3) To the extent any outstanding award is at the time of the 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 will upon the

assumption, continuation or replacement of that award be cancelled, and such award will 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.

(4) The plan administrator will have complete discretion to grant one or more awards that will vest in the event the individual's service with the Corporation or the successor entity terminates within a designated period following a change in control transaction in which those awards are assumed or otherwise continued in effect.

(5) The plan administrator will have the discretion to structure one or more awards so that those awards will immediately vest upon a change in control, whether or not they are to be assumed or otherwise continued in effect. Unless the plan administrator establishes a different definition for one or more awards, a change in control will be deemed to occur for purposes of the LTIP in the event (a) the Corporation is acquired by merger or asset sale, (b) there occurs any transaction or series of related transactions pursuant to which any person or group of related persons becomes directly or indirectly the beneficial owner of securities possessing (or convertible into or exercisable for securities possessing) 30 percent or more of the total combined voting power of the Corporation's outstanding securities, (c) there is a sale of all or substantially all of the Corporation's assets or (d) there is a change in the majority of the Board of Directors over a period of 36 months or less occasioned by one or more contested elections of Board members.

The plan administrator's authority to accelerate vesting in connection with a change in control extends to any awards intended to qualify as performance-based compensation under Code Section 162(m), even though the accelerated vesting of those awards may result in their loss of performance-based status under Code Section 162(m).

#### Changes in Capitalization

In the event any change is made to the outstanding shares of the Corporation's common stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change in corporate structure effected without the Corporation's receipt of consideration or should the value of the outstanding shares of the Corporation's common stock be substantially reduced by reason of a spin-off transaction or extraordinary dividend or distribution, or should any merger, consolidation or other reorganization occur, equitable adjustments will be made to: (i) the maximum number and/or class of securities issuable under the LTIP; (ii) the maximum number and/or class of securities that may be issued pursuant to tax-favored incentive stock options granted under the LTIP, (iii) the maximum number and/or class of securities for which any one person may be granted common stock-denominated awards under the LTIP per calendar year; (iv) the number and/or class of securities and the exercise price per share in effect for outstanding awards under the stock option/stock appreciation rights program, (v) 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, (vi) the maximum number and/or class of securities for which any one non-employee Board member may be granted common stock-denominated awards under the LTIP per calendar year, (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 LTIP and the repurchase price payable per share. Such adjustments will be made in such manner as the plan administrator deems appropriate.

#### Valuation

The fair market value per share of the Corporation's common stock on any relevant date under the LTIP will be deemed to be equal to the closing selling price per share on that date on the New York Stock Exchange (or any other national securities exchange on which the common stock is at the time primarily traded). 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. On January 31, 2013, the fair market value per share of the Corporation's common stock determined on such basis was \$27.12.

#### Shareholder Rights and Transferability

No optionee will have any shareholder rights with respect to the option shares until such optionee has exercised the option and paid the exercise price for the purchased shares. The holder of a stock appreciation right will not have any shareholder rights with respect to the shares subject to that right unless and until such person



exercises the right and becomes the holder of record of any shares of the common stock distributed upon such exercise. Options are not assignable or transferable other than by will or the laws of inheritance following optionee's death, and during the optionee's lifetime, the option may only be exercised by the optionee. However, the plan administrator may structure one or more non-statutory options under the LTIP so that those options will be assignable during the optionee's lifetime, by gift or pursuant to a domestic relations order, to one or more members of the optionee's family or to a trust established for the optionee and/or one or more such family members or to the optionee's former spouse. Stand alone stock appreciation rights will be subject to the same transferability restrictions applicable to non-statutory options.

A participant will have full shareholder rights with respect to any shares of common stock issued to him or her under the LTIP, whether or not his or her interest in those shares is vested. A participant will not have any shareholder rights with respect to the shares of common stock subject to a restricted stock unit or performance share 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 restricted stock units or performance shares, subject to such terms and conditions as the plan administrator may deem appropriate.

#### Special Tax Election

The plan administrator may, in its discretion, structure one or more awards so that shares of the Corporation's common stock may be used as follows to satisfy the withholding taxes to which such holders of those awards may become subject in connection with the exercise, vesting or settlement of those awards:

**Stock Withholding:** The Corporation may reserve the right to withhold, from the shares of common stock otherwise issuable upon the exercise, vesting or settlement of the 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 will reduce the number of shares of common stock authorized for issuance under the LTIP.

**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 the award, one or more shares of the Corporation's common stock with an aggregate fair market value equal to the percentage of the withholding taxes (not to exceed 100 percent) designated by the individual. The shares of common stock so delivered will neither reduce the number of shares of common stock authorized for issuance under the LTIP nor be added to the number of shares of common stock authorized for issuance under the LTIP.

#### Amendment and Termination

The Board of Directors may amend or modify the LTIP at any time; provided, however, that shareholder approval will be required for any amendment which materially increases the number of shares of common stock authorized for issuance under the LTIP (other than in connection with certain changes to the Corporation's capital structure as explained above), materially expands the class of individuals eligible to participate in the LTIP, expands the types of awards which may be made under the LTIP or extends the term of the LTIP or to the extent otherwise required under applicable law or regulation or pursuant to the listing standards of the stock exchange on which the Corporation's common stock is at the time traded.

Unless sooner terminated by the Corporation's Board of Directors, the LTIP will terminate on the earliest of (i) April 23, 2023, (ii) the date on which all shares available for issuance under the LTIP have been issued as fully-vested shares or (iii) the termination of all outstanding awards in connection with certain changes in control or ownership.

#### Summary of Federal Income Tax Consequences

The following is a summary of the federal income taxation treatment applicable to the Corporation and to the participants who receive awards under the LTIP.

#### Option Grants

Options granted under the discretionary grant program may be either incentive stock options which satisfy the requirements of Section 422 of the Code or non-statutory options which are not intended to meet such requirements. The federal income tax treatment for the two types of options differs as follows:



### Incentive Options

No taxable income is recognized by the optionee at the time of the option grant, and no taxable income is recognized for regular tax purposes at the time the option is exercised, although taxable income may arise at that time for alternative minimum tax purposes. The optionee will recognize taxable income in the year in which the purchased shares are sold or otherwise made the subject of certain other dispositions. For federal tax purposes, dispositions are divided into two categories: (i) qualifying and (ii) disqualifying. A qualifying disposition occurs if the sale or other disposition is made more than two years after the date the option for the shares involved in such sale or disposition is granted and more than one year after the date the option is exercised for those shares. If the sale or disposition occurs before these two periods are satisfied, then a disqualifying disposition will result.

Upon a qualifying disposition, the optionee will recognize long-term capital gain in an amount equal to the excess of (i) the amount realized upon the sale or other disposition of the purchased shares over (ii) the exercise price paid for the shares. If there is a disqualifying disposition of the shares, then the excess of (i) the fair market value of those shares on the exercise date or (if less) the amount realized upon such sale or disposition over (ii) the exercise price paid for the shares will be taxable as ordinary income to the optionee. Any additional gain recognized upon the disposition will be a capital gain.

If the optionee makes a disqualifying disposition of the purchased shares, then the Corporation will be entitled to an income tax deduction, for the taxable year in which such disposition occurs, equal to the amount of ordinary income recognized by the optionee as a result of the disposition. The Corporation will not be entitled to any income tax deduction if the optionee makes a qualifying disposition of the shares.

### Non-Statutory Options

No taxable income is recognized by an optionee upon the grant of a non-statutory option. The optionee will in general recognize ordinary income, in the year in which the option is exercised, equal to the excess of the fair market value of the purchased shares on the exercise date over the exercise price paid for the shares, and the optionee will be required to satisfy the tax withholding requirements applicable to such income. The Corporation will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the optionee with respect to the exercised non-statutory option. The deduction will in general be allowed for the Corporation's taxable year in which such ordinary income is recognized by the optionee.

### Stock Appreciation Rights

No taxable income is recognized upon receipt of a stock appreciation right. The holder will recognize ordinary income in the year in which the stock appreciation right is exercised, in an amount equal to the excess of the fair market value of the underlying shares of common stock on the exercise date over the base price in effect for the exercised right, and the holder will be required to satisfy the tax withholding requirements applicable to such income. The Corporation will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the holder in connection with the exercise of the stock appreciation right. The deduction will be allowed for the taxable year in which such ordinary income is recognized.

### Restricted Stock Awards

The recipient of unvested shares of common stock issued under the LTIP will not recognize any taxable income at the time those shares are issued but will have to report as ordinary income, as and when those shares subsequently vest, an amount equal to the excess of (i) the fair market value of the shares on the vesting date over (ii) the cash consideration (if any) paid for the shares. The recipient may, however, elect under Section 83(b) of the Code to include as ordinary income in the year the unvested shares are issued an amount equal to the excess of (i) the fair market value of those shares on the issue date over (ii) the cash consideration (if any) paid for such shares. If the Section 83(b) election is made, the recipient will not recognize any additional income as and when the shares subsequently vest. Subject to the deductibility limitations of Code Section 162(m) described below, the Corporation will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the recipient with respect to the unvested shares. The deduction will in general be allowed for the Corporation's taxable year in which such ordinary income is recognized by the recipient.



#### Restricted Stock Units

No taxable income is recognized upon receipt of restricted stock units. The holder will recognize ordinary income in the year in which the shares subject to the units are actually issued to the holder. The amount of that income will be equal to the fair market value of the shares on the date of issuance, and the holder will be required to satisfy the tax withholding requirements applicable to such income. Subject to the deductibility limitations of Code Section 162(m) described below, the Corporation will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the holder at the time the shares are issued. The deduction will be allowed for the taxable year in which such ordinary income is recognized.

#### Performance Shares/Performance Units

No taxable income is recognized upon receipt of such an award. The holder will recognize ordinary income in the year in which the performance shares or performance units are settled. The amount of that income will be equal to the fair market value of the shares of common stock or cash received in settlement of the award, and the holder will be required to satisfy the tax withholding requirements applicable to such income. The Corporation will be entitled to an income tax deduction equal to the amount of the ordinary income recognized by the holder of the performance shares or the performance units at the time the award is settled. That deduction will be allowed for the taxable year in which such ordinary income is recognized.

#### Dividend Equivalent Rights

No taxable income is recognized upon receipt of a dividend equivalent right award. The holder will recognize ordinary income in the year in which the payment in settlement of the accrued dividend equivalents is made to the holder, whether in cash, securities or other property. The amount of that income will be equal to the cash or fair market value of any securities or other property received, and the holder will be required to satisfy the tax withholding requirements applicable to such income. Subject to the deductibility limitations of Code Section 162(m) described below, the Corporation will be entitled to an income tax deduction equal to the amount of the ordinary income recognized by the holder of the dividend equivalent right award at the time the settlement payment is made to such holder. That deduction will be allowed for the taxable year in which such ordinary income is recognized.

#### Deductibility of Executive Compensation

It is anticipated that any compensation deemed paid by the Corporation in connection with the exercise of options or stock appreciation rights will qualify as performance-based compensation for purposes of Code Section 162(m) and will not have to be taken into account for purposes of the one million dollar (\$1,000,000) limitation per covered individual on the deductibility of the compensation paid to certain of the Corporation's executive officers.

Accordingly, the compensation deemed paid with respect to options and stock appreciation rights granted under the LTIP should remain deductible by the Corporation without limitation under Code Section 162(m). However, any compensation deemed paid by the Corporation in connection with shares issued under the stock issuance program or shares or cash issued under the incentive bonus program will be subject to the one million dollar (\$1,000,000) limitation, unless the issuance of the shares or cash is tied to one or more of the performance criteria described above.

#### Summary of Accounting Treatment

The accounting principles applicable to awards made under the LTIP may be summarized in general terms as follows:

- Pursuant to Accounting Standards Codification, Topic 718, of the Financial Accounting Standards Board, the Corporation will be required to expense all share-based payments, including grants of stock options, stock appreciation rights, restricted stock, restricted stock units and all other stock-based awards under the LTIP. Accordingly, stock options and stock appreciation rights which are granted to employees and non-employee Board members and payable in shares of the Corporation's common stock must be valued at fair value as of the grant date under an appropriate valuation formula, and that value will then be charged as a direct compensation expense against the Corporation's reported earnings over the designated vesting period of the award. Stock appreciation rights that are to be settled in cash will be subject to variable mark-to-market accounting, until the actual settlement date. For shares issuable upon the vesting of restricted stock units awarded under the LTIP, the Corporation will be required to amortize over the vesting period a compensation cost equal to the fair market value of the underlying shares on the



date of the award. If any other shares are unvested at the time of their direct issuance, then the fair market value of those shares at that time (less any cash consideration paid for those shares) will be charged to the Corporation's reported earnings ratably over the vesting period. Such accounting treatment will be applicable for awards tied solely to service-vesting requirements. The issuance of a fully-vested stock bonus will result in an immediate charge to the Corporation's earnings equal to the fair market value of the bonus shares on the issuance date.

- For performance shares and performance units payable in shares of the Corporation's common stock, the accounting cost is generally equal to the fair market value per share of the common stock on the award date multiplied by the number of shares of common stock that would be issued under that award at target level attainment, assuming such level of attainment is the probable outcome for the award at the time. The cost is then amortized over the requisite service period, subject to subsequent adjustment in the event a different level of performance goal attainment is later determined to be the probable outcome. Any such adjustment to the accounting cost of the award would be effected on a cumulative prospective basis by revising the number of shares of the Corporation's common stock likely to become issuable under the award, but the original grant-date fair value per share would continue to be used for purposes of determining the overall compensation expense associated with the award.

- For performance units awarded under the LTIP and payable in a fixed cash amount, the Corporation will amortize the potential cash expense over the applicable performance period and any subsequent service vesting period.

#### Required Vote

Approval of the January 2013 Restatement of the LTIP requires that the holders of more than 50 percent of the Corporation's outstanding common stock cast a vote with respect to Proposal 3 (whether voting for or against such proposal or abstaining) and that a majority of the votes so cast must be in favor of the January 2013 Restatement. Should such approval not be obtained, then the term of the LTIP will not be extended until April 23, 2023, and no performance-based awards, other than stock options and stock appreciation rights, will be made under the LTIP. The other remaining provisions and features of the LTIP as approved by the shareholders at the 2008 annual meeting will continue in full force and effect, and awards may continue to be made pursuant to those provisions of the LTIP until April 29, 2018 or until the available share reserve under such plan has been issued. However, any such awards under the LTIP, other than stock options and stock appreciation rights, will not qualify as performance-based compensation under Code Section 162(m), and the income tax deductibility of those awards will accordingly be subject to the one million dollar limitation per covered executive officer.

#### Recommendation of the Board of Directors

The Board of Directors believes that Proposal No. 3 is in the best interests of the Corporation and in the best interests of the shareholders and unanimously recommends a vote FOR the approval of the January 2013 Restatement of the LTIP. Unless otherwise instructed, the proxy holders named in each proxy will vote the shares represented thereby FOR this Proposal.

## PROPOSAL 4

RATIFICATION OF APPOINTMENT OF INDEPENDENT  
REGISTERED ACCOUNTING FIRM

## General

The Audit Committee of the Board of Directors has appointed KPMG LLP as the Corporation's independent registered public accounting firm (the "independent accountants") for fiscal year 2013. At the annual meeting, shareholders are being asked to ratify the appointment of KPMG LLP as the Corporation's independent accountants for fiscal year 2013. In the event the shareholders fail to ratify the appointment of KPMG LLP, the Audit Committee will reconsider its selection.

Representatives of KPMG LLP are expected to be present at the annual meeting. They have been offered the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

## Principal Independent Accountants' Fees and Services

The following table sets forth the approximate aggregate fees billed to the Corporation during or for fiscal years 2011 and 2012:

	2012	2011
Audit Fees (1)	\$676,500	\$705,500
Audit-Related Fees (2)	\$8,000	\$12,000
Tax Fees (3)	\$27,000	\$19,047
All Other Fees (4)	\$0	\$0
Total Fees	\$711,500	\$736,547

(1) Audit Fees: This category consists of the fees billed for those fiscal years for the audit of annual financial statements, review of the financial statements included in quarterly reports on Form 10-Q and services that are normally provided by the independent accountants in connection with statutory and regulatory filings or engagements for those fiscal years.

(2) Audit-Related Fees: This category consists of fees billed in those fiscal years with respect to assurance and related services by the independent accountants that are reasonably related to the performance of the audit and review of financial statements and are not reported under "Audit Fees." All audit-related fees were pre-approved by the Audit Committee. The services for the fees disclosed under this category include services related to certain debt financing and corporate transactions.

(3) Tax Fees: This category consists of fees billed in those fiscal years with respect to professional services rendered by the independent accountants for tax compliance, tax advice and tax planning. All tax fees were pre-approved by the Audit Committee. The services for the fees disclosed under this category include state tax credit analysis and tax return review billed during 2011 and 2012.

(4) All Other Fees: This category consists of fees not covered by "Audit Fees," "Audit-Related Fees" and "Tax Fees."

The Audit Committee has considered and concluded that the provision of services described above is compatible with maintaining the independence of KPMG LLP.

The Audit Committee has adopted a pre-approval policy regarding the rendering of audit, audit-related and non-audit services by KPMG LLP. In general, audit fees are reviewed and approved by the Audit Committee annually.

Audit-related and non-audit services are pre-approved by the Audit Committee. The Audit Committee has delegated authority to its Chairman to pre-approve specific services to be rendered by KPMG LLP subject to ratification by the Audit Committee when it next convenes a meeting.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the adoption of the proposal to ratify the appointment of KPMG LLP as SJW Corp.'s independent accountants for fiscal year 2013. Unless otherwise instructed, the proxy holders named in each proxy will vote the shares represented thereby FOR this Proposal.

## OWNERSHIP OF SECURITIES

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the executive officers and directors of the Corporation, and persons who own more than 10 percent of a registered class of the Corporation's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "SEC") and the New York Stock Exchange. These persons are required to furnish SJW Corp. with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such reports received by it, and written representations from certain reporting persons that no other reports were required during 2012, SJW Corp. believes that all Section 16(a) reporting obligations were met during 2012.

## Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of February 1, 2013, certain information concerning ownership of shares of SJW Corp. common stock by each director of the Corporation, nominee for director, and the Corporation's Chief Executive Officer, Chief Financial Officer and each of the Corporation's other executive officers named in the Summary Compensation Table below (the "named executive officers"), and all directors, nominees and named executive officers as a group and beneficial owners of five percent or more of the common stock of SJW Corp. Unless otherwise indicated, the beneficial ownership consists of sole voting and investment power with respect to the shares indicated, except to the extent that spouses share authority under applicable law. None of the shares reported as beneficially owned have been pledged as security for any loan or indebtedness.

Name	Shares Beneficially Owned	Percent of Class	
Directors and Nominees for Directors:			
Katharine Armstrong (1)	2,000	*	
Walter J. Bishop (2)	1,760	*	
Mark L. Cali (3)	310,221	1.7	%
Douglas R. King (4)	4,500	*	
Ronald B. Moskovitz (5)	5,000	*	
George E. Moss (6)(7)	1,936,857	10.4	%
W. Richard Roth, President, Chief Executive Officer and Chairman of the Board (8)	115,404	*	
Robert A. Van Valer (9)(10)	2,182,868	11.7	%
Officers not listed above:			
George J. Belhumeur, Senior Vice President of Operations (through May 25, 2012) (11)	13,085	*	
Palle Jensen, Senior Vice President of Regulatory Affairs	5,119	*	
James P. Lynch, Chief Financial Officer and Treasurer (12)	2,904	*	
R. Scott Yoo, Chief Operating Officer (13)	31,674	*	
All directors, nominees and executive officers as a group (12 individuals) (14)	4,611,392	24.6	%
Beneficial owners of five percent or more not listed above:			
Nancy O. Moss (15)(16)	1,181,092	6.3	%
Gabelli Funds, LLC, GAMCO Asset Management Inc. and Teton Advisors, Inc. (17)	1,122,741	6.0	%
One Corporate Center, Rye, New York 10580-1435			

\*Represents less than one percent of the outstanding shares of SJW Corp.'s common stock.

(1) Includes 1,000 shares of common stock held under an IRA account and 1,000 shares of common stock held by the Katharine Armstrong Love Exempt Trust U/A/D 6/30/2009 for which Katharine Armstrong is the sole trustee.



- (2) Includes 1,760 shares of common stock held by the Bishop Family Trust for which Walter Bishop and his spouse are trustees. Mr. Bishop has shared voting and investment powers with respect to such shares.  
Includes (i) 23,639 shares of common stock held by the Mark Cali Revocable Trust for which Mr. Cali is the trustee, (ii) 170,096 shares of common stock held by the Cali 1994 Living Trust for which Mark Cali is a co-trustee, (iii) 87,998 shares of common stock held by the Cali Family Gift Trust for which Mark Cali is the trustee, (iv) 27,000 shares of common stock held by Nina Negranti, Mr. Cali's spouse, as trustee of the Nina Negranti Revocable Trust, (v) 1,200 shares of common stock held by Nina Negranti's IRA, and (vi) 288 shares of common stock held by Mr. Cali's son, Clark Cali. Mr. Cali has shared voting and investment powers with respect to the 170,096 shares.
- (4) Includes 4,500 shares of common stock held by the King Family Trust dated June 6, 2005 of which Mr. King and Melinda King are trustees. Mr. King has shared voting and investment powers with respect to such shares.  
Includes 5,000 shares of common stock held by the Moskowitz Family Trust U/A DTD 6/12/2003 of which Mr. Moskowitz and Jessica M. Moskowitz are trustees. Mr. Moskowitz has shared voting and investment powers with respect to such shares.
- (6) Includes (i) 1,117,221 shares of common stock held by the George Edward Moss Trust, a living trust of which Mr. Moss is the sole trustee and sole beneficiary, with sole power to revoke, (ii) 6,644 shares of common stock held by his spouse's revocable trust, (iii) 830 shares of common stock held under his spouse's IRA, (iv) 1,103 shares of common stock held under his spouse's Roth IRA, and (v) 811,059 shares of common stock held by the John Kimberly Moss Trust for which George Moss disclaims beneficial ownership except to the extent of his pecuniary interest.
- (7) The address for George E. Moss is 4360 Worth Street, Los Angeles, California 90063.  
Includes (i) 50,855 shares of common stock, (ii) 18,300 shares of common stock held by a separate property trust for which Mr. Roth is trustee, and (iii) 46,249 shares of common stock subject to options which were exercisable as of February 1, 2013 or which will become exercisable within 60 days thereafter.
- (9) Includes (i) 45,000 shares of common stock, (ii) 1,937,226 shares of common stock held under the Non Exempt Bypass Trust created under the Roscoe Moss Jr Revocable Trust dated march 24, 1982 for which Mr. Van Valer has sole voting and dispositive powers, and (iii) 200,642 shares of common stock held under an Exempt Bypass Trust created under the Roscoe Moss Jr Revocable Trust dated march 24, 1982 for which Mr. Van Valer has sole voting and dispositive powers.
- (10) The address for Robert A. Van Valer is 4360 Worth Street, Los Angeles, California 90063.  
Includes (i) 5,789 shares of common stock, (ii) 5,508 shares of common stock held under an IRA account, and (iii) 1,787 shares of common stock subject to options which were exercisable as of February 1, 2013 or which will become exercisable within 60 days thereafter.
- (12) Includes 2,904 shares of common stock. Mr. Lynch has shared voting and investment powers with respect to such shares.
- (13) Includes (i) 15,166 shares of common stock and (ii) 16,508 shares of common stock subject to options which were exercisable as of February 1, 2013 or which will become exercisable within 60 days thereafter.
- (14) Includes 64,544 shares of common stock subject to options which were exercisable as of February 1, 2013 or which will become exercisable within 60 days thereafter.
- (15) Includes (i) 1,180,092 shares of common stock held by the Nancy O. Moss Trust and (ii) 1,000 shares of common stock held under a SEP-IRA account.
- (16) The mailing address of Nancy O. Moss is 924 South Oakland Avenue, Pasadena, California 91106.
- (17) Pursuant to Schedule 13D/A filed with the SEC on January 12, 2011, by Gabelli Funds, LLC, GAMCO Asset Management Inc. ("GAMCO") and Teton Advisors, Inc. According to this Schedule 13D, Gabelli Funds, LLC, GAMCO and Teton Advisors, Inc. had the sole power to vote or direct the vote and sole power to dispose or to direct the disposition of 631,600 shares of common stock, 394,841 shares of common stock and 96,300 shares of common stock respectively, either for its own benefit or for the benefit of its investment clients or its partners, as the case may be, except that (i) GAMCO did not have the authority to vote 36,400 of the reported shares, (ii) Gabelli Funds, LLC had sole dispositive and voting power with respect to the shares of the Corporation held

by the Funds (as defined in the Schedule 13D) so long as the aggregate voting interest of all

joint filers does not exceed 25% of their total voting interest in the Corporation and, in that event, the Proxy Voting Committee of each Fund would respectively vote that Fund's shares, (iii) at any time, the Proxy Voting Committee of each such Fund could take and exercise in its sole discretion the entire voting power with respect to the shares held by such fund under special circumstances such as regulatory considerations, and (iv) the power of Mario Gabelli, GAMCO Investors, Inc., and GGCP, Inc. were indirect with respect to shares beneficially owned directly by other reporting persons.

In addition to the ownership of the shares and options reported in the above table, as of February 1, 2013, the following directors, nominees to the Board and named executive officers held deferred stock awards and restricted stock units covering shares of the Corporation's common stock as follows:

Name	Number of Shares	
Directors and Nominees for Directors:		
Katharine Armstrong	—	
Walter J. Bishop	—	
Mark L. Cali	24,077	(1)
Douglas R. King	8,279	(1)
Ronald B. Moskovitz	—	
George E. Moss	—	
W. Richard Roth, President, Chief Executive Officer and Chairman of the Board	163,297	(2)
Robert A. Van Valer	2,411	(1)
Officers not listed above:		
George J. Belhumeur, Senior Vice President of Operations (through May 25, 2012)	—	
Palle Jensen, Senior Vice President of Regulatory Affairs	6,886	(3)
James P. Lynch, Chief Financial Officer and Treasurer	9,379	(3)
R. Scott Yoo, Chief Operating Officer	8,548	(3)

The shares of the Corporation's common stock underlying these deferred stock awards will be issued in one or (1) more installments following the individual's cessation of such Board service or any earlier date that the non-employee Board member has designated pursuant to the special payment election provided to him in 2007.

The 163,297 shares of the Corporation's common stock are issuable pursuant to restricted stock units and other deferred stock awards which are subject to various performance vesting and service vesting requirements. The (2) shares that actually vest under those awards will be issued in accordance with the applicable issuance schedule in effect for those shares.

The shares of the Corporation's common stock issuable pursuant to these restricted stock unit awards are subject to (3) vesting schedules tied to the individual's continued service with the Corporation or its affiliated companies. The shares which vest under each such award will be distributed incrementally as they vest.

For further information concerning such restricted stock unit and deferred stock awards, please see the following sections of this proxy statement: "Compensation of Directors" and "Executive Compensation and Related Information-Summary Compensation Table and Grants of Plan-Based Awards."

## EXECUTIVE COMPENSATION AND RELATED INFORMATION

### Compensation Discussion and Analysis

This Compensation Discussion and Analysis discusses the principles underlying the Corporation's policies and decisions relating to executive officer compensation for the 2012 fiscal year. The Corporation's Chief Executive Officer (the "CEO"), the Chief Financial Officer and the other executive officers included in the Summary Compensation Table that appears later in this Proxy Statement will be referred to as the "named executive officers" for purposes of this discussion.

### Compensation Objectives and Philosophy

The Executive Compensation Committee (the "Committee") of the Board of Directors is responsible for reviewing and approving the compensation payable to the Corporation's executive officers and other key employees. The Committee seeks to maintain an overarching pay-for-performance compensation philosophy through the use of compensation programs for the Corporation's executive officers that are designed to attain the following objectives:

- Recruit, motivate and retain executives capable of meeting the Corporation's strategic objectives;
- Provide incentives to achieve superior executive performance and successful financial results for the Corporation; and
- Align the interests of executives with the long-term interests of the shareholders.

The Committee seeks to achieve these objectives by:

- Establishing a compensation structure that is both market competitive and internally fair;
- Linking a substantial portion of compensation to the Corporation's financial performance and the individual's contribution to that performance;
- Maintaining a compensation structure that is designed to provide below-target compensation for underachievement and upward leverage for exceptional performance; and
- Providing long-term equity-based incentives and encouraging direct share ownership by executive officers.

The Committee is not authorized to delegate any of its authority with respect to executive officer compensation, other than with respect to routine administrative functions. However, the Committee may from time to time consult with other independent Board members regarding executive compensation matters and is authorized to hire independent compensation consultants and other professionals to assist in the design, formulation, analysis and implementation of compensation programs for the Corporation's executive officers and other key employees.

### Setting Executive Compensation for 2012

Major compensation decisions for each fiscal year including base salary adjustments, the determination of target annual bonus opportunities and the determination of the grant-date value of long-term equity incentive awards, are generally made by the Committee during the last quarter of the prior year or during the first month of the current year. Accordingly, for the 2012 fiscal year, such decisions were made in October 2011 and January 2012.

The principal factors that the Committee considered when setting the 2012 compensation levels for the named executive officers were as follows:

- Competitive benchmarking;
- Long-term retention;
- Management's recommendations for the named executive officers other than the CEO;
- Advice from the Committee's independent consultant in setting the compensation of the CEO;
- Comparison of the Corporation's performance against certain operational and qualitative goals identified in the Corporation's strategic plan;
- Individual performance as assessed by the Committee, with input from the CEO as to the named executive officers other than himself;
- The cost of living in the San Francisco Bay Area; and
- Tenure, future potential and internal pay equity.

**Impact of 2011 Say-on-Pay Vote:** The most recent shareholder advisory vote on executive officer compensation required under the federal securities laws was held on April 27, 2011. More than 85 percent of the votes cast on such proposal were in favor of the compensation of the named executive officers, as that compensation was disclosed in the Compensation Discussion and Analysis and the various compensation tables and narrative that appeared in the Corporation's proxy statement dated March 8, 2011. Based on that level of shareholder approval, the Committee decided not to make any material changes to the Corporation's compensation philosophies, policies and practices for the remainder of the 2011 fiscal year or for compensation decisions made in October 2011 and January 2012 with respect to the 2012 fiscal year compensation of the named executive officers. However, the Committee will continue to take into account future shareholder advisory votes on executive compensation and other relevant market developments affecting executive officer compensation in order to determine whether any subsequent changes to the Corporation's executive compensation programs and policies would be warranted to reflect any shareholder concerns reflected in those advisory votes or to address market developments. Based on the voting preference of our shareholders, the frequency of future Say-on-Pay votes will be every three years. Accordingly, the next shareholder advisory vote on executive officer compensation will occur at the 2014 annual meeting.

**Role of Management:** As in prior years, the CEO provided the Committee with recommendations regarding the 2012 compensation levels for each of the named executive officers other than himself. Such recommendations included base salary adjustments, target bonus amounts for the 2012 fiscal year and actual payout levels for those bonuses and long-term incentive grant values. The CEO also provided the Committee with his assessment of the individual performance of each of the other named executive officers.

**Role of External Advisors:** The Committee has engaged Frederic W. Cook & Co., Inc., a national executive compensation consulting firm, to serve as the Committee's independent compensation consultant (the "Consultant"). The Consultant attended certain Committee meetings held during the 2012 fiscal year and provided advice and guidance regarding executive officer and director compensation issues throughout the year. The Consultant did not perform any services on behalf of management. In addition, the Committee has determined that the Consultant is independent and that the Consultant's work did not raise any conflict of interest. The Committee made such determination primarily on the basis of the six factors for assessing independence and identifying potential conflicts of interest that are set forth in Rule 10C-1(b)(4) under the Securities Exchange Act of 1934. The Committee will apply the same factors, together with any factors identified by the New York Stock Exchange and any other factors the Committee may deem relevant under the circumstances, in determining whether any other persons from whom the Committee seeks advice relating to executive compensation matters is independent or whether any potential conflicts exist.

**Benchmarking:** The Committee relied extensively on the executive compensation benchmarking report prepared by the Consultant dated September 2011 when setting the 2012 compensation program for the named executive officers. The September 2011 report benchmarked the compensation paid by comparable publicly-traded water, electricity and natural gas utility companies to their executive officers.

The peer companies utilized for such benchmarking purposes were selected by the Committee, in accordance with the recommendation of the Consultant, on the basis of objective industry classifications, geographic location and financial size criteria (revenue and market capitalization). The peer companies were divided into two groups, a primary group consisting of six water utilities, and a secondary group of nine additional electricity and natural gas utilities. The secondary group was used to provide additional perspective with respect to executive officer compensation levels at other regulated companies of generally comparable revenue size and market-capitalization. These peer groups were unchanged from the previous year, with the exception that one company (Southwest Water) was removed from the primary group because that company was acquired by a private equity firm and compensation disclosure data was no longer available for it in 2011. The Committee believes that all of the peer companies represent primary competitors for executive talent and investment capital.

The companies in each of the respective peer groups are listed below:

**Primary Peers (Water Utilities)**

American States Water

Aqua America

Artesian Resources

California Water Service Group

Connecticut Water Service

Middlesex Water



Secondary Peers (Electricity and Natural Gas Utilities)

Central Vermont Public Service	CH Energy Group	Chesapeake Utilities
Empire District Electric	MGE Energy	Northwest Natural Gas
Otter Tail Corp	South Jersey Industries	Unitil

For the 2012 fiscal year the Committee targeted the total annual direct compensation (base salary, target bonus and annualized grant-date value of equity awards) of each executive officer based generally on the median level for his comparable position at the peer group as reflected in the September 2011 benchmarking report plus a 10 percent increase to reflect the high cost of living in the San Francisco Bay Area.

The chart below sets forth the approximate percentile level (based on the September 2011 benchmarking report) at which the 2012 fiscal year total target direct compensation that the Committee set for each named executive officer stood in relation to the total target direct compensation for his comparable position at the peer group companies, with the multi-year equity awards made to the CEO in fiscal year 2010 annualized over the five-year period for which those awards were made.

Name	Title	Percentile Level of Total Target Direct Compensation for 2012 Fiscal Year	
W. Richard Roth	President, Chief Executive Officer and Chairman of the Board	60th	(1)
George J. Belhumeur	Senior Vice President of Operations (through May 25, 2012)	62nd	
Palle Jensen	Senior Vice President of Regulatory Affairs	N/A	(2)
James P. Lynch	Chief Financial Officer and Treasurer	61st	
R. Scott Yoo	Chief Operating Officer	53rd	

(1) For purposes of such calculation, the grant-date fair value of Mr. Roth's 2010 equity awards were annualized over a five-year period coincident with the Corporation's 2010 through 2014 fiscal years. In addition, as noted below, his base salary for the 2012 fiscal year was set pursuant to the contractual provisions of the December 2009 amendment to his employment agreement with the Corporation.

(2) Mr. Jensen was promoted to Senior Vice President of Regulatory Affairs on October 26, 2011. His 2012 compensation was approved by the Committee on October 25, 2011 when he was not an executive officer. His 2012 compensation was based on regional peer companies and internal pay equity considerations, as was the case with other non-executive officers whose compensation was set at the time by the Committee.

Components of Compensation

For the 2012 fiscal year, the principal components of the Corporation's executive compensation program were as follows:

- Base salary
- Annual short-term cash incentives
- Long-term equity incentive awards
- Retirement benefit accruals

There is no pre-established policy for the allocation of compensation between cash and non-cash (equity) components or between short-term and long-term components, and there are no pre-established ratios between the CEO's compensation and that of the other named executive officers. Instead, the Committee determines the total direct compensation of each named executive officer based on its review of competitive market data for his or her position and its subjective analysis of that individual's performance and contribution to the Corporation's financial

performance. The Committee may also take into account internal pay equity considerations based on the individual's relative duties and responsibilities within the organization.

The named executive officers are also provided with market competitive benefits and perquisites and are entitled to certain severance benefits in the event their employment terminates under certain defined circumstances, as more fully set forth below in this section and in the section entitled "Employment Agreements, Termination of Employment and Change in Control Arrangements" that appears later in this Proxy Statement.

#### Base Salary

It is the Committee's objective to set a competitive annual rate of base salary for each executive officer. The Committee believes that such competitive base salaries are necessary to attract and retain top quality executives, since it is common practice for public companies to provide their executive officers with an annual component of compensation that provides a level of economic security and continuity from year to year, without substantial adjustments to reflect the Corporation's performance.

**CEO Base Salary:** The Committee negotiated a new compensation package with the CEO in December 2009 that was designed for the primary purpose of retaining his services and leadership abilities for at least the next five years and that was documented pursuant to the December 2009 amendment to his existing employment agreement. The objective was to establish a stable and consistent level of cash compensation for that period and reorient the CEO's overall compensation structure so that the cash element would be a more predominant component. Pursuant to the December 2009 amendment, the CEO's base salary was increased to \$625,000 per year for the 2010, 2011 and 2012 calendar years. There was a four percent increase to \$650,000 for calendar year 2013, and the amendment provides for another four percent increase to \$676,000 for calendar year 2014. The base salary levels for that five-year period were set at the upper quartile of chief executive officer base salaries at the peer group companies and were established with the understanding that there would be no further increases to the CEO's base salary prior to the 2015 calendar year, unless circumstances warrant otherwise. In establishing such compensation package for the CEO, the Committee utilized a special study of chief executive officer compensation at a select group of water utility companies that the Consultant prepared in October 2009. The competitive analysis of chief executive officer compensation included only the seven major water utility companies that were included at the time in the primary peer group in order to allow the Committee to focus on the unique and specialized water-industry expertise necessary to lead the company. In addition, the Committee believed that those companies provided a sufficient survey of chief executive officer compensation upon which to base its decisions concerning the revised compensation package for the CEO.

**Base Salary of the Other Named Executive Officers:** In setting the 2012 fiscal year base salaries for the other named executive officers, the Committee considered each executive officer's tenure and responsibilities with the Corporation, competitive market data for his position, the high cost of living in the San Francisco Bay Area, internal pay equity considerations, and the other components of his total direct compensation for the year. The Committee approved market-based and cost-of-living salary adjustments for the 2012 fiscal year that ranged from 6.7 to 9.5 percent increases for each of those other named executive officers. Accordingly, the base salary levels that were in effect for the 2011 and 2012 fiscal years for each of the other named executive officers and the applicable percentage increase for the 2012 fiscal year were as follows:

Name	Title	2011 Salary	2012 Salary	% Increase	
George J. Belhumeur	Senior Vice President of Operations (through May 25, 2012)	\$300,000	\$320,000	6.7	%
Palle Jensen	Senior Vice President of Regulatory Affairs	\$210,000	\$230,000	9.5	%
James P. Lynch	Chief Financial Officer and Treasurer	\$350,000	\$375,000	7.1	%
R. Scott Yoo	Chief Operating Officer	\$310,000	\$335,000	8.1	%

For the 2013 fiscal year, the Committee approved market-based and cost-of-living salary adjustments that ranged from 3 to 15.2 percent increases for each of the above-listed named executive officers. Mr. Jensen's salary was increased by 15.2 percent to bring his total compensation closer to the Committee's target of median plus 10 percent and in recognition of additional responsibilities he has undertaken, including the oversight of customer service and field service activities.





Accordingly, the base salary levels in effect for the 2012 and 2013 fiscal years for each named executive officer and the applicable percentage increase for the 2013 fiscal year are as follows:

Name	Title	2012 Salary	2013 Salary	% Increase	
W. Richard Roth	President, Chief Executive Officer and Chairman of the Board	\$625,000	\$650,000	4	%(1 )
Palle Jensen	Senior Vice President of Regulatory Affairs	\$230,000	\$265,000	15.2	%
James P. Lynch	Chief Financial Officer and Treasurer	\$375,000	\$389,000	3.7	%
R. Scott Yoo	Chief Operating Officer	\$335,000	\$345,000	3.0	%

(1)As required pursuant to the terms of the December 2009 amendment to his employment agreement.

#### Annual Bonus

As part of their total compensation package, the Corporation's executive officers have the opportunity to earn an annual cash bonus. The cash bonus awards are designed to reward superior executive performance while reinforcing the Corporation's short-term strategic operating goals. Each year, the Committee establishes a target bonus for each named executive officer (tied to either a percentage of base salary or a specific dollar amount) that is in line with the Committee's overall objective of targeting total cash compensation between the 50<sup>th</sup> and 75<sup>th</sup> percentiles of the total cash compensation for comparable positions at the peer group companies.

For the 2012 fiscal year, the target bonus levels ranged from 16 to 26 percent of base salary for the named executive officers, with the CEO's target bonus set at 25 percent of base salary in accordance with the existing terms of his employment agreement with the Corporation. The potential payout for each such bonus award ranged from 0 to 150 percent of target for the CEO, and from 0 to 200 percent of target for the other named executive officers, based on the Corporation's performance against pre-established performance goals and the Committee's assessment of the officer's performance for such year.

The chart below sets forth the approximate percentile level (based on the September 2011 benchmarking report) at which the 2012 fiscal year total target cash compensation (salary and target bonus) that the Committee set for each named executive officer stood in relation to the total target cash compensation for his comparable position at the peer group companies.

Name	Title	Percentile Level of Total Target Cash Compensation for 2012 Fiscal Year	
W. Richard Roth	President, Chief Executive Officer and Chairman of the Board	61st	
George J. Belhumeur	Senior Vice President of Operations (through May 25, 2012)	85th	
Palle Jensen	Senior Vice President of Regulatory Affairs	N/A	(1)
James P. Lynch	Chief Financial Officer and Treasurer	77th	
R. Scott Yoo	Chief Operating Officer	71st	

Mr. Jensen was promoted to Senior Vice President of Regulatory Affairs on October 26, 2011. His 2012 compensation was approved by the Committee on October 25, 2011 when he was not an executive officer. His (1) 2012 compensation was based on regional peer companies and internal pay equity, as was the case with other non-executive officers whose compensation was set at that time by the Committee.

CEO's Bonus for the 2012 Fiscal Year: The actual dollar amount of the CEO's bonus for the 2012 fiscal year was tied to the level at which the Corporation attained the performance goals established on January 24, 2012 by the Committee for that year. At threshold level attainment, the CEO's bonus potential was set at \$78,125 (12.5 percent

of base salary); for target level attainment, the bonus potential was \$156,250 (25 percent of base salary); and at above-target level attainment, the applicable bonus potential was \$234,375 (37.5 percent of base salary). Accordingly, the actual bonus amount could have varied from 0 to 150 percent of the target bonus amount (25 percent of base salary) based on the level at which each of the various performance goals was in fact attained.

The Corporation's performance goals set by the Committee for the 2012 fiscal year, together with the portion of the CEO target bonus allocated to each goal, were as follows:

Performance Criteria	Goals and Minimum and Maximum Thresholds	Allocation of Target Amount (\$)(3)	2012 Actual Bonus Award (\$)(4)
			\$45,053
San Jose Water Company Return on Equity for the 2012 Fiscal Year	Target Goal: 10.00%		Represents
	Minimum Threshold: At least 7.00%	\$52,084	86.5% of \$52,084 based on 9.19% ROE (between Minimum Threshold and Target Goal)
	Maximum Goal: At least 11.00%		\$78,124.50
Compliance (Environmental)	Maximum Goal: No material water quality or environmental violations (Target Goal and Minimum Threshold are not applicable) (2)	\$52,083	Represents 150% of \$52,083 (Maximum Goal attained)
	Target Goal: Achieve 80% of identified key water industry objectives measured primarily in terms of service, reliability and efficiency		\$78,124.50
San Jose Water Company Operational Goal (1)	Minimum Threshold: Achieve 70% of identified water industry objectives	\$52,083	Represents 150% of \$52,083 based on 90% achievement of identified key water industry objectives (Maximum Goal attained)
	Maximum Goal: Achieve 90% of identified key water industry objectives		\$201,302
	Total 2012 Actual Bonus Award		

San Jose Water Company annually establishes operational goals (i.e. performance indicators) that are designed to align management's operating objectives with the primary goals of the Corporation's Strategic Plan. Operational goals are established in terms of specific benchmarks that measure San Jose Water

(1) Company's performance in five critical areas: 1) water quality and pressure; 2) customer service; 3) infrastructure integrity and reliability; 4) efficiency and productivity; and 5) diversity and community involvement. For 2012, the operational goals were comprised of 20 key performance indicators, of which 18 (90%) were achieved at target level or above.

(2) "No material water quality or environmental violations" means the absence of citations with material fines issued by state or federal environmental regulators in the 2012 fiscal year in connection with violations which occurred in the 2012 fiscal year. A material fine is deemed to occur if the amount of the fine exceeds \$25,000 in any one instance or \$100,000 in the aggregate for the year.

The actual bonus attributable to each performance goal could have ranged from 0 to 150 percent of the portion of (3) the target bonus amount allocated to that goal. Based on the Committee determination of the level of achievement of each performance goal, the amount payable with respect to that goal would be as follows:

- ¶ If the goal was attained at target level, 100 percent of the allocated amount would be paid.
- ¶ If the goal was only attained at the minimum threshold level, then 50 percent of the allocated amount would be paid.

If the goal was attained at or above the maximum level, then 150 percent of the allocated amount would be paid. If the actual level of attainment of any such performance goal was between two of the designated levels, then the bonus potential with respect to that goal would be interpolated on a straight-line basis.

The actual 2012 bonus award approved for payment was based on the attained level of each performance goal (4) certified by the Committee and was equal to approximately 129 percent of Mr. Roth's 2012 target annual bonus.

Such bonus was paid under the Corporation's Executive Officer Short-Term Incentive Plan.

2012 Fiscal Year Bonus Levels for the Other Named Executive Officers: On October 25, 2011, the Committee approved the following 2012 performance-based target bonus amounts for the other named executive officers:

(i) \$50,000 for George J. Belhumeur, (ii) \$60,000 per individual for Palle Jensen and R. Scott Yoo, and (iii) \$75,000 for James P. Lynch. The 2012 target bonus for each such individual, except for Mr. Lynch, was higher than his target bonus for the 2011 fiscal year. The actual bonus amount that any such named executive officer could have earned for the 2012 fiscal year ranged from 0 to 200 percent of his target bonus based on the Corporation's performance and the Committee's assessment of the named executive officer's individual performance for such year. The actual percentage within that range was to be determined as follows: (i) up to 150 percent of the target bonus could be earned, weighted 75 percent for the Corporation's performance and 25 percent for individual performance, and (ii) an additional 50 percent could be earned for exceptional individual performance.

The Corporation's performance was measured in terms of return on equity, environmental compliance and the attainment of certain water industry objectives, utilizing the same target for each such goal that was in effect for the CEO's 2012 bonus, as summarized in the table above. However, the bonus potential established for each of the other named executive officer was not pre-allocated in distinct dollar segments among those various goals, and the attainment of one or more of those goals did not guarantee that a named executive officer would be awarded any specific bonus amount. Rather, the actual bonus amount payable for the 2012 fiscal year to each of the other named executive officer was to be determined solely in the Committee's discretion based on the Committee's assessment of the Corporation's performance and the Committee's assessment of the named executive officer's individual performance measured against the achievement of specific operational goals or completion of specific projects or initiatives.

The table below summarizes the principal individual goals that the Committee set for the 2012 fiscal year for each of the other named executive officers:

Name	Title	Principal Individual 2012 Goals
George J. Belhumeur	Senior Vice President of Operations (through May 25, 2012)	- Optimize water operations and distribution system processes - Develop/implement comprehensive water supply business plan - Ensure completion of CPUC-approved capital budget/projects - Ensure effective water quality control and environmental compliance
	Senior Vice President of Regulatory Affairs	- Optimize regulatory functions, proceedings, and outcomes - Ensure timely recovery of costs and capital investments - Establish/maintain effective regulatory and government relations - Ensure compliance with other regulatory requirements
	Chief Financial Officer and Treasurer	- Optimize capital management and control corporate cost structure - Execute financial plan/budgets to achieve targeted results - Integrate/optimize accounting, finance, treasury, and tax functions - Execute investor relations and retirement plan funding strategies - Develop and execute transition, succession, and officer retirement plans
R. Scott Yoo	Chief Operating Officer	- Effect enhanced organization and professional development plans - Ensure organizational alignment with strategic plan goals/key performance indicators - Evaluate and execute specific strategic initiatives

In January 2013, the Committee determined, on the basis of the Corporation's performance in relation to the performance criteria listed above for the Corporation and the executive officer's individual performance that bonuses for the 2012 fiscal year should be paid to the above-listed named executive officers in amounts ranging from 0 to

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122 percent of target. The table below sets forth the fiscal year 2012 annual bonus targets and actual bonus payout amounts for each of those named executive officers.

Name	Title	2012 Target Bonus (\$)	2012 Target Bonus (% Salary)	2012 Actual Bonus (\$)	2012 Actual Bonus (% Target Bonus)
George J. Belhumeur	Senior Vice President of Operations (through May 25, 2012)	\$50,000	16 %	—	(1) 0 %
Palle Jensen	Senior Vice President of Regulatory Affairs	\$60,000	26 %	\$73,000	122 %
James P. Lynch	Chief Financial Officer and Treasurer	\$75,000	20 %	\$91,200	122 %
R. Scott Yoo	Chief Operating Officer	\$60,000	18 %	\$73,000	122 %

(1) Mr. Belhumeur, who retired effective May 25, 2012, was not paid any bonus for the 2012 fiscal year.

#### Long-Term Incentive Equity Awards

A significant portion of each named executive officer's compensation is provided in the form of long-term incentive equity awards under the Corporation's Long-Term Incentive Plan ("LTIP"). Long-term incentive awards are typically made to executive officers in the form of restricted stock units ("RSUs") covering shares of the Corporation's common stock. The Committee believes that RSUs are important to encourage the retention of the executive officers and will help to advance the share ownership guidelines the Committee has established for the executive officers. The RSUs have vesting schedules that provide a meaningful incentive for the executive officer to remain in the Corporation's service. In addition, a substantial portion of the CEO's equity grants have historically been performance-vesting RSUs in order to link a greater percentage of his compensation to long-term shareholder return.

RSUs are less dilutive to shareholders than traditional option grants in terms of the number of shares issuable under those RSU awards and provide a more direct correlation between the compensation cost the Corporation must record for financial accounting purposes and the value delivered to the executive officers. In addition, RSUs continue to have value even in periods of declining stock prices and thereby provide a less risky equity compensation program than that associated with option grants that only have value to the extent the price of the underlying stock appreciates over the option term.

The Committee has followed a grant practice of tying regular-cycle equity awards to its annual year-end review of individual performance and its assessment of the Corporation's performance for that year. Accordingly, equity awards are typically made to the named executive officers on an annual basis during the last quarter of each fiscal year or the first month of the succeeding fiscal year.

2012 Fiscal Year Grants to Named Executive Officers other than the CEO: The grants were made solely in the form of service-vesting RSUs without any dividend equivalent rights. Each RSU award will vest, and the underlying shares of the Corporation's common stock will be issued, in three successive equal annual installments over the three-year period of service measured from the award date. The RSU award will vest in full and the underlying shares will become immediately issuable, on an accelerated basis in the following limited circumstances: (i) the officer's service terminates by reason of death or disability or (ii) the officer is involuntarily terminated other than for good cause, or resigns for good reason, within 24 months after a change in control (i.e. "double trigger"). Immediate vesting will also occur in the event there is a change in control of the Corporation in which the units are not assumed or otherwise continued in effect, thereby preserving the economic value of the awards that would otherwise be lost upon the cancellation of those awards as a result of such change in control.





The chart below indicates the number of shares of the Corporation's common stock underlying the RSU awards made to the named executive officers other than the CEO on January 3, 2012. No other equity awards were made to them during the remainder of the 2012 fiscal year:

Name	Title	Number of Underlying Shares (1)	(2)
George J. Belhumeur	Senior Vice President of Operations (through May 25, 2012)	2,079	(2)
Palle Jensen	Senior Vice President of Regulatory Affairs	4,159	
James P. Lynch	Chief Financial Officer and Treasurer	4,159	
R. Scott Yoo	Chief Operating Officer	3,535	

The number of shares underlying the RSUs granted to each officer listed in this table was determined by dividing (1)(i) \$50,000 for Mr. Belhumeur, \$100,000 for Mr. Jensen and Mr. Lynch, and \$85,000 for Mr. Yoo, by (ii) \$24.04, the closing selling price of the Corporation's common stock on the January 3, 2012 grant date.

(2) The award was cancelled upon Mr. Belhumeur's retirement on May 25, 2012, and none of the shares of the Corporation's common stock subject to the award were issued to him.

Grants to CEO: As part of his compensation package that became effective as of January 1, 2010, the CEO was granted two multi-year equity incentive awards in January 2010 in lieu of a series of regular annual equity awards over the 2010 to 2014 fiscal year period. The first award, in the form of RSUs covering 37,850 shares of the Corporation's common stock, contains a performance-vesting condition tied to a specified rate of total shareholder return over a five-year period ending with the close of the 2014 fiscal year. The second award, also in the form of RSUs, covers 12,000 shares of the Corporation's common stock and is tied to a three-year service-vesting schedule. Both awards were intended to serve as long-term retention vehicles for the CEO. At the time the awards were made in January 2010, the CEO's total target direct compensation (base salary, target annual bonus and the annualized grant-date fair value of those two retention equity awards) was determined to be aligned with the 75<sup>th</sup> percentile for comparable positions at the peer group companies. For the 2011 fiscal year, no additional equity awards were made to the CEO.

However, the Committee made additional RSU awards dated January 24, 2012 and January 2, 2013 to the CEO in recognition of the fact that the annualized grant-date value of equity awards for peer group chief executive officers had increased since 2010, and that the CEO's relative competitive total target direct compensation position had accordingly declined and was, in the Committee's view, low in relation to his level of experience and leadership abilities. The additional awards cover 4,321 shares and 9,170 shares, respectively, of the Corporation's common stock and will vest in three successive equal annual increments upon his completion of each year of service over the three-year period measured from the respective January 24, 2012 and January 2, 2013 award dates. The two awards were designed to restore the CEO's total direct compensation for both the 2012 and 2013 fiscal years to between the 50<sup>th</sup> and the 75<sup>th</sup> percentiles based on the more recent market data.

#### Executive Benefits and Perquisites

The named executive officers are provided with certain market competitive benefits and perquisites. It is the Committee's belief that such benefits are necessary for the Corporation to remain competitive and to attract and retain top caliber executive officers, since such benefits are commonly provided by peer group companies.

Retirement Benefits: Executive officers are eligible to receive retirement benefits under San Jose Water Company's Retirement Plan, a tax-qualified defined benefit plan covering a broad spectrum of the Corporation's employees.

Executive officers hired before March 31, 2008 are eligible to receive additional retirement benefits under the Executive Supplemental Retirement Plan ("SERP"), and executive officers hired on or after March 31, 2008 (including Mr. Lynch) are eligible to receive retirement benefits under the Cash Balance Executive Supplemental Retirement Plan ("Cash Balance SERP"). Both of those plans are non-qualified plans in which only senior officers and other designated members of management may participate, and such individuals remain general creditors of San Jose Water Company with respect to their accrued benefits under those plans. A description of the plans and the benefits payable to each named executive officer upon retirement is set forth in the Pension Benefits table and the accompanying narrative that appears later in this Proxy Statement.



The pension benefits payable to the executive officers under the SERP will increase in correlation with increases in their compensation levels and years of service. However, the present value of each executive officer's accrued pension benefit under the SERP will not only reflect such increases but will also fluctuate from year to year based on the interest rate used to discount anticipated future payments so that when interest rates decrease for example, the present value associated with the underlying benefit may increase.

Mr. Lynch, the Corporation's Chief Financial Officer, commenced employment with the Corporation after March 31, 2008 and accordingly participates in the Cash Balance SERP. Under that plan, each participant will receive compensation credits and interest credits on a quarterly basis to the book account maintained for him or her under the plan. The amount of the compensation credit each quarter will be tied to his or her compensation for that quarter and his or her years of credited service, and the percentage of compensation to be credited on such quarterly basis will increase as the participant's years of credited service increase. For Mr. Lynch, the percentage of compensation credited to his Cash Balance SERP account for the first 20 years of credited service will be at 15 percent of his quarterly compensation in lieu of the lower percentage levels in effect for other participants, and he will vest in his accrued benefit under such plan after three years of service instead of the regular 10-year vesting schedule in effect for the other participants.

For further information concerning the SERP and the Cash Balance SERP, please see the section entitled "Pension Benefits" that appears later in this Proxy Statement.

**Broad-Based Employee Benefit Plans:** Executive officers are also eligible to participate in San Jose Water Company's Salary Deferral Plan, a tax-qualified 401(k) defined contribution plan. San Jose Water Company matches up to four percent of each participant's contributions, subject to certain statutory limits. Such plan is open to all employees and officers under the same terms and conditions.

**Elective Deferral:** The named executive officers and certain other highly compensated employees may participate in San Jose Water Company's Special Deferral Election Plan pursuant to which eligible participants may defer up to 50 percent of their base salary and up to 100 percent of their bonus or other incentive compensation. The deferred amounts are credited with an annual fixed rate of interest that will not exceed 120 percent of the long-term Applicable Federal Rate ("AFR") determined at the start of each fiscal year, compounded semi-annually. A description of the plan and the amounts deferred thereunder are set forth in the section entitled "Non-Qualified Deferred Compensation," which appears later in this Proxy Statement.

**Other Benefits and Perquisites:** All administrative employees, including executive officers, are eligible to receive standard health care, disability, life and travel insurance, and professional development benefits. In addition, the Corporation provides certain executives with (i) vehicles for business use and personal commutes, (ii) club memberships and (iii) reimbursement of certain spousal expenses incurred in connection with business trips taken by such executives. The Corporation also purchases season tickets to sporting and cultural events which the CEO and other executive officers and personnel of the Corporation may use for non-business purposes on occasions. The Corporation does not provide tax gross-ups for any imputed income in connection with providing those particular benefits and perquisites.

#### **Risk Assessment**

The Committee, with the input and assistance of the Corporation's Human Resources Department, reviewed the various compensation programs maintained by the Corporation and its subsidiaries to determine whether any of those programs, including those maintained for the named executive officers, encouraged excess risk taking that would create a material risk to the Corporation's economic viability. Based on that review and the fact that the Corporation operates in a heavily-regulated environment, the Committee concluded it was not reasonably likely that any of the Corporation's compensation programs, including the executive officer compensation programs, would have a material adverse effect upon the Corporation. For further information concerning the overall compensation risk assessment process, please see the section to this proxy statement entitled "Executive Compensation and Related Information - Risk Assessment of Compensation Policies and Practices," which appears later in this Proxy Statement.

#### Executive Severance Plan, Severance Programs and CEO Employment Agreement

**Executive Severance Plan:** The Corporation has implemented the Executive Severance Plan under which the CEO and the other named executive officers will become entitled to certain severance benefits on a so-called double trigger basis in the event their employment were to terminate under certain defined circumstances in connection with a change in control of the Corporation. Accordingly, such benefits would be triggered in connection with such a change in control only if the executive officer's employment is terminated by the Corporation other than for good cause or such executive officer resigns in connection with (i) a significantly adverse change in the nature or the scope of his or her authority or overall working environment, (ii) the assignment of duties materially inconsistent with his or her present duties, responsibilities or status, (iii) a reduction in the sum of his or her base salary and target bonus, or (iv) a relocation of his or her principal place of employment by 55 miles or more.

The Executive Severance Plan is designed to serve two primary purposes: (i) encourage the executive officers to remain in the Corporation's employ in the event of an actual or potential change in control transaction and (ii) align the interests of the Corporation's executive officers with those of the shareholders by enabling the executive officers to consider transactions that are in the best interests of the shareholders and provide opportunities for the creation of substantial shareholder value without undue concern over whether those transactions may jeopardize their employment or their existing compensation arrangements.

The Executive Severance Plan also allows the Corporation to maintain a standard set of severance benefits for new and existing executive officers and limit the instances where "one-off" arrangements will be negotiated with individual executive officers. As set forth above, the change in control benefits provided under the Executive Severance Plan are subject to a "double trigger" so that an executive officer will only receive those benefits if there is a change in control as well as a loss of employment. This differs from a "single trigger" program that would provide specified benefits immediately upon a change in control. Such a structure is consistent with one of the primary purposes of the Executive Severance Plan, namely to provide the executive officers with personal financial protection only upon loss of employment.

Based on the foregoing considerations and the many years of service that most of the executive officers have rendered to the Corporation, the Committee believes that the benefits provided under the Executive Severance Plan, including any tax gross-up payment to cover the parachute payment taxes the executive officers may incur under the federal tax laws with respect to one or more severance benefits provided under the plan, have been set at a fair and reasonable level and appropriately balance the respective interests of the various stakeholders.

For further information regarding the Executive Severance Plan and the severance benefits provided thereunder, please see the section entitled "Employment Agreements, Termination of Employment and Change in Control Arrangements" that appears later in this Proxy Statement.

**CEO Employment Agreement:** The Corporation entered into an amended and restated employment agreement with the CEO effective January 1, 2008, with an initial two-year term and an automatic renewal feature each year so that there will always be a continuing two-year term, unless the Corporation provides timely notice of non-renewal; provided however, that the term of such agreement will not extend beyond November 16, 2017. Such amended and restated employment agreement was subsequently amended on December 16, 2009 and January 26, 2010,

respectively. The principal terms of the employment agreement, as most recently amended, are summarized in the section entitled "Employment Agreements, Termination of Employment and Change in Control Arrangements" that appears later in this Proxy Statement. Pursuant to that agreement, Mr. Roth will also become entitled to severance benefits should his employment terminate under certain defined circumstances in the absence of a change in control. The Committee believes that such protections are typical for chief executive officers in the peer group companies.

**Severance Benefit Package for Mr. Lynch:** Mr. Lynch will, as part of his negotiated compensation package with the Corporation become entitled to severance benefits in the form of 12 months of salary continuation should his employment be involuntarily terminated without cause. Mr. Lynch also participates in the Executive Severance Plan under which he will become entitled to certain severance benefits in the event his employment were to terminate under certain defined circumstances in connection with a change in control of the Corporation. However, there will be no duplication of severance benefits under the two arrangements. For further information concerning Mr. Lynch's compensation package and potential severance benefits, see the section entitled "Employment Agreements,

Termination of Employment and Change in Control Arrangements" that appears later in this Proxy Statement.

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Separation Package for Mr. Belhumeur: In recognition of his more than 41 years of service with the Corporation and its subsidiaries, in April 2012 the Committee authorized a cash payment to Mr. Belhumeur in the aggregate amount of approximately \$40,000 (less applicable withholdings) to be paid in a lump sum on the first day of the seventh month following his retirement date. The payment was conditioned upon Mr. Belhumeur's retirement on May 25, 2012 and his execution and delivery of a release of all claims against the Corporation and its subsidiaries and its affiliates. Mr. Belhumeur retired on May 25, 2012 and signed the required general release. The Committee believes that the separation package for Mr. Belhumeur was fair and reasonable in light of the many years of service he had rendered to the Corporation and the important contributions he had made during that period to the Corporation in its heavily-regulated business environment.

#### Executive Officer Security Ownership Guidelines

In 2006, the Committee established a policy requiring named executive officers to achieve specific security ownership guidelines within five years. The Committee believes that such a policy is consistent with its philosophy of encouraging executive officer stock ownership and will serve to further align the interests of the executive officers with those of shareholders. Pursuant to the policy, executive officers are expected to own shares of the Corporation's common stock with an aggregate value equal to two times the annual base salary for the CEO and one times the annual base salary for the other named executive officers. Shares of the Corporation's common stock owned outright, shares underlying RSUs, and shares underlying deferred stock units, including deferred shares resulting from dividend equivalent rights, all count as shares owned for purposes of the guideline. Until the guideline is met, each executive is required to hold any shares of the Corporation's common stock issued upon the vesting of RSUs (net of any shares withheld or sold to cover statutory withholding taxes and other applicable taxes). As of December 31, 2012, all the named executive officers, except for Mr. Lynch, had complied with the policy. Mr. Lynch has until October 2015 to comply. The following table shows each named executive officer's share ownership as of December 31, 2012, except for Mr. Belhumeur who retired effective May 25, 2012:

Name	Title	Security Ownership (\$)(1)	Security Ownership Guideline (\$)(2)
W. Richard Roth	President, Chief Executive Officer and Chairman of the Board	\$5,909,855	\$1,250,000
Palle Jensen	Senior Vice President of Regulatory Affairs	\$238,895	\$230,000
James P. Lynch	Chief Financial Officer and Treasurer	\$249,269	\$375,000
R. Scott Yoo	Chief Operating Officer	\$575,411	\$335,000

(1) This amount is calculated by multiplying (i) the sum of the shares of the Corporation's common stock actually owned, the shares underlying restricted stock units and the shares underlying deferred stock units attributable to deferred compensation, by (ii) \$26.60, the closing selling price of the common stock on December 31, 2012, the last trading day of the 2012 fiscal year.

(2) This amount is equal to two times the base salary in effect for the CEO for the 2012 fiscal year and one times the base salary in effect for the other named executive officers for such year.

#### Policy Governing Hedging and Pledging of Common Stock

The Corporation has adopted policies that preclude the executive officers and certain employees and other individuals, including family members residing in the same household, from engaging in hedging transactions in the Corporation's common stock such as put and call options and short sales and from pledging the Corporation's common stock or holding such stock in margin accounts. Accordingly, the executive officers bear the full risk of economic loss, like any other shareholder, with respect to their equity holdings, whether in the form of actual shares of the Corporation's common stock or restricted stock units that will convert into such shares following the satisfaction of the applicable vesting requirements.



#### IRC Section 162(m) Compliance

As a result of Section 162(m) of the Internal Revenue Code, publicly-traded companies such as the Corporation are not allowed a federal income tax deduction for compensation paid to the CEO and the three other highest paid executive officers (other than the CFO) to the extent that such compensation exceeds one million dollars (\$1,000,000) per officer in any one year and does not otherwise qualify as performance-based compensation. The Corporation's Long-Term Incentive Plan ("LTIP") is structured so that compensation deemed paid to an executive officer in connection with the exercise of stock options should qualify as performance-based compensation that is not subject to the one million dollar (\$1,000,000) limitation. In addition, RSUs with performance-vesting goals tied to one or more of the performance criteria approved by the shareholders under the LTIP may also be structured to qualify as performance-based compensation for Section 162(m) purposes.

However, RSUs subject only to service-vesting requirements will not qualify as such performance-based compensation. Other awards made under the LTIP may or may not so qualify. In establishing the cash and equity incentive compensation programs for the executive officers, it is the Committee's view that the potential deductibility of the compensation payable under those programs should be only one of a number of relevant factors taken into consideration, and not the sole governing factor. For that reason the Committee may deem it appropriate to continue to provide one or more executive officers with the opportunity to earn incentive compensation, including cash bonus programs tied to the Corporation's financial performance and restricted stock units awards, which may be in excess of the amount deductible by reason of Section 162(m) or other provisions of the Internal Revenue Code. It is the Committee's belief that cash and equity incentive compensation must be maintained at the requisite level to attract and retain the executive officers essential to the Corporation's financial success, even if all or part of that compensation may not be deductible by reason of the Section 162(m) limitation.

The Corporation believes that the total amount of compensation paid during the 2012 fiscal year to the named executive officers subject to Section 162(m) (whether in the form of cash payments or upon the exercise or vesting of equity awards) should be deductible by the Corporation and not affected by the Section 162(m) limitation. However, in future years, it is possible that the total amount of compensation paid by the Corporation to one or more executive officers may not be fully deductible for tax purposes by reason of the Section 162(m) limitation.



## Summary Compensation Table

The following table provides certain summary information concerning the compensation earned for services rendered in all capacities to the Corporation and its subsidiaries for the years ended December 31, 2010, December 31, 2011 and December 31, 2012 by the Corporation's Chief Executive Officer, the Chief Financial Officer, and each of the Corporation's two other most highly compensated executive officers whose total compensation for the 2012 fiscal year (exclusive of the amounts reported in column (h) of such table) was in excess of \$100,000 and who were serving as executive officers at the end of the 2012 fiscal year. Although George J. Belhumeur, the Corporation's former Senior Vice President of Operations, retired on May 25, 2012, he is also included in the table because his compensation for the 2012 fiscal year would have made him one of the Corporation's three highest-paid executive officers (other than the Chief Executive Officer and the Chief Financial Officer who are included in the table by reason of their positions) had he continued in the Corporation's employ through the close of the 2012 fiscal year. No other executive officers who would have otherwise been includable in such table on the basis of total compensation for the 2012 fiscal year (exclusive of any amounts that would have been reportable in column (h) of such table) have been excluded by reason of their termination of employment or change in executive status during that year. The listed individuals shall be hereinafter referred to as the "named executive officers."

Name and Principal Position (a)	Year (b)	Salary (\$)(1) (c)	Bonus (\$)(1) (d)	Stock Awards (\$)(3) (e)	Option Awards (\$)(3) (f)	Non-Equity			Total (\$)(j)
						Incentive Plan Compensation (\$)(1) (g)	Change in Pension Value (\$)(h)	All Other Compensation (\$)(8) (i)	
W. Richard Roth	2012	\$625,000	—	\$90,827	—	\$201,302	\$763,046	(5) \$33,736	\$1,713,911
President, Chief Executive Officer and Chairman of the Board of SJW Corp.	2011	\$625,000	—	—	—	\$166,317	\$1,419,587	(6) \$31,903	\$2,242,807
	2010	\$625,000	\$30,000 (2)	\$572,185 (4)	—	\$87,890	\$447,634	(7) \$35,308	\$1,798,017
George J. Belhumeur	2012	\$185,449	—	\$45,572	—	—	\$300,430	(5) \$100,543	\$631,994
Senior Vice President of Operations of San Jose Water Company (through May 25, 2012)	2011	\$300,000	\$40,000	\$44,864	—	—	\$186,940	(6) \$17,062	\$588,866
	2010	\$300,000	\$30,000 (2)	\$44,335	—	—	\$54,482	(7) \$17,261	\$446,078
Palle Jensen	2012	\$230,000	\$73,000	\$91,165	—	—	\$245,987	(5) \$11,802	\$651,954
Senior Vice President of Regulatory Affairs of San Jose Water	2011	\$210,000	\$40,000	\$13,462	—	—	\$328,228	(6) \$13,867	\$605,557

Company (since October 26, 2011)										
James P. Lynch	2012	\$375,000	\$91,200	\$91,165	—	—	\$85,105	(5)	\$20,110	\$662,580
Chief	2011	\$350,000	\$75,000	\$67,308	—	—	\$74,836	(6)	\$15,354	\$582,498
Financial Officer and Treasurer of SJW Corp.	2010	\$80,769	\$38,750	(2) \$66,853	—	—	\$2,810	(7)	\$5,545	\$194,727
R. Scott Yoo	2012	\$335,000	\$73,000	\$77,487	—	—	\$131,016	(5)	\$18,253	\$634,756
Chief	2011	\$310,000	\$50,000	\$76,290	—	—	\$346,866	(6)	\$18,274	\$801,430
Operating Officer of San Jose Water Company	2010	\$310,000	\$58,000	(2) \$75,377	—	—	\$415,874	(7)	\$17,936	\$877,187

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(1) Includes amounts deferred under (i) the Corporation's Special Deferral Election Plan, a non-qualified deferred compensation plan for the Corporation's officers and other select management personnel and (ii) San Jose Water Company's Salary Deferral Plan, a qualified deferred compensation plan under section 401(k) of the Internal Revenue Code.

(2) Represents (i) for Messrs. Belhumeur and Yoo, the bonus earned for the 2010 fiscal year on the basis of corporate and individual performance, (ii) for Mr. Lynch, his pro-rated target bonus earned for his period of employment during the 2010 fiscal year and (iii) a special cash bonus award in the amount of \$30,000 for Mr. Roth and \$20,000 each for Messrs. Lynch and Yoo.

(3) The dollar amount reported is equal to the aggregate grant date fair value of the stock awards made during each reported fiscal year, calculated in accordance with FASB ASC Topic 718. The assumptions used in the calculation of the FASB ASC Topic 718 grant date fair value of each such award are set forth in Note 11 to the Corporation's consolidated financial statements included in its annual report on Form 10-K for the 2012 fiscal year. For further information concerning the grant date fair value of the awards, see the section below entitled "Grants of Plan-Based Awards." Mr. Roth is credited with shares of deferred stock, and a number of those deferred shares include dividend equivalent rights. The phantom dividends that accumulate each year on those deferred shares pursuant to such dividend equivalent rights are converted into additional deferred shares. However, since the dividend equivalent rights were factored into the original grant date fair value of Mr. Roth's deferred shares, no further amounts are reported in this column with respect to the additional deferred shares attributable to the phantom dividends that accumulated during the fiscal year as a result of those dividend equivalent rights. The phantom dividends for the 2012 fiscal year were converted on January 2, 2013 into an additional 3,102 deferred shares for Mr. Roth. Such deferred shares had a fair market value of \$82,513 on December 31, 2012 based on the \$26.60 closing selling price of the Corporation's common stock on December 31, 2012, the last trading day in the 2012 fiscal year.

(4) Mr. Roth's performance-based awards are treated, for financial accounting purpose, as subject to market condition vesting, and therefore the grant date fair value of each such award has been discounted to reflect the attainability of the applicable market condition.

(5) Consists solely of the increase in the actuarial present value of each named executive officer's accrued pension benefits recorded for the 2012 fiscal year. The present value of the accrued pension benefit fluctuates from year-to-year based on additional years of service and changes in compensation. In addition, such fluctuations may also occur due to the interest rate used to discount anticipated future payments so that when interest rates decrease for example, the present value associated with the underlying benefit may increase. Except for Mr. Belhumeur who retired on May 25, 2012, the present value of the accrued pension benefit does not include any incremental value in that benefit attributable to any accrued vacation pay or termination pay which otherwise may be includable in the benefit formula to which the named executive officer may become entitled at the time of his or her retirement. The table below indicates the actuarial present value of the pension benefits accrued as of the close of the 2012 and 2011 fiscal years, respectively, by each named executive officer. For the 2011 fiscal year calculations the discount rates applied were 4.34% for the Retirement Plan and 4.02% for the Executive Supplemental Retirement Plan ("SERP") and Cash Balance Executive Supplemental Retirement Plan ("Cash Balance SERP"). For the 2012 fiscal year calculations, the discount rates applied were 3.92% for the Retirement Plan and 3.5% for the SERP and Cash Balance SERP. Mr. Lynch's Cash Balance SERP benefit is based on a contribution rate of 15% of his quarterly compensation (as defined in the plan), offset by a portion of his accrued benefit under the Retirement Plan. \$188,495 of the reported increase in the actuarial present value of Mr. Belhumeur's pension benefit is attributable to the increase in the present value of his SERP benefits due to the inclusion, pursuant to the terms of the SERP, of the accrued vacation and termination pay received in connection with his retirement from the Corporation in May 2012.

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Actuarial Present Value of Retirement Benefits	W. Richard Roth	George J. Belhumeur	Palle Jensen	James P. Lynch	R. Scott Yoo
Accrued as of the close of the 2012 fiscal year	\$6,016,946	\$2,743,171	\$1,185,560	\$162,751	\$2,984,191
Accrued as of the close of the 2011 fiscal year	\$5,253,900	\$2,442,741	\$939,573	\$77,646	\$2,853,175
Change in Pension Value	\$763,046	\$300,430	\$245,987	\$85,105	\$131,016

Consists solely of the increase in the actuarial present value of each named executive officer's accrued pension (6) benefits recorded for the 2011 fiscal year. For further information concerning the pension benefits, see the section below entitled "Pension Benefits."

Consists solely of the increase in the actuarial present value of each named executive officer's accrued pension (7) benefits recorded for the 2010 fiscal year. For Mr. Lynch, the difference in actuarial present value is measured from his 2010 fiscal year entry date into the Retirement Plan.

Consists of the following amounts for each of the named executive officers: (i) spousal travel expenses, (ii) club memberships, (iii) personal use of company vehicle, and (iv) 401(k) employer match made on such individual's (8) behalf. Solely for Mr. Belhumeur, there is also included (i) cash out of accrued vacation, (ii) the lump sum separation payment in the amount indicated below that was paid to him in December 2012, and (iii) lump sum termination payment in the amount indicated below that was paid to him in December 2012.

For the Year Ended December 31, 2012

Description	W. Richard Roth
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