

CONNECTICUT WATER SERVICE INC / CT  
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**From:** Tang, John

**Sent:** Thursday, April 26, 2018 3:22 PM

**To:** [ ]

**Subject:** SJW Group - Connecticut Water Merger Update

Dear Elected Official, Staff, and Community Leaders,

As you are aware, the Board of Directors of San Jose Water Company's parent company, SJW Group, has approved a merger of equals between SJW Group and Connecticut Water Service Inc. Once completed, the merger will create efficiencies and bring greater financial strength to both companies and enable them to continue to fund infrastructure upgrades well into the future. Just over the last decade San Jose Water has invested more than \$1 billion in infrastructure improvements in the local communities here in the Santa Clara Valley, and we want to be able to continue this trend.

It is important to note that the merger is at the holding company level - SJW Group - and will therefore not impact the water rates established by the California Public Utility Commission (CPUC) for San Jose Water customers.

San Jose Water will maintain its name and SJW Group will honor the longstanding commitments of San Jose Water and Connecticut Water of outstanding customer service, environmental stewardship, and community support, with all of our operations remaining locally based and locally managed - just as it is today. Importantly, the combined company will honor its commitments to customers, all of its employees and the communities we serve. There will be no job displacement as a result of the merger.

In contrast, the non-binding indication of interest received from California Water Service Group (Cal Water) talks about achieving cost savings, but does not articulate how those cost savings will be realized. In our experience, these savings from transactions are typically achieved through job reductions. In this case, that most likely means the elimination of up to 30% of SJW employees as a result of this proposal. More importantly, there are serious concerns about the amount of debt Cal Water has proposed in its offer and whether their experience operating many small, disparate water systems gives Cal Water the technical and managerial experience necessary to successfully operate a

major urban water system like San Jose and achieve what they have promised. This uncertainty is highlighted by Cal Water's inability in recent years to complete their planned infrastructure reinvestment programs as approved by the CPUC.

As is often the case in mergers and acquisitions, during the process both Connecticut Water and SJW Group received competing offers from other interested entities. These competing offers were duly considered and unanimously rejected by both of our companies' Boards of Directors as they were considered inferior offers to the merger of equals already unanimously approved. Both Boards believe that the merger of equals offers the best value and the most beneficial path to establishing a more effective and responsive utility that will better and more efficiently serve our customers. Additionally, the merger of equals between SJW Group and Connecticut Water is expected to result in economies of scale that would accrue over time to the benefit of San Jose Water customers.

You may hear or read about these efforts as we work to finalize our merger. We look forward to answering any questions you may have about our merger and will follow up with a call to address them. In the meantime, feel free to contact me with any questions or comments.

Sincerely,

John Tang

### **Forward Looking Statements**

This document contains forward-looking statements within the meaning of the Private Litigation Reform Act of 1995, as amended. Some of these forward-looking statements can be identified by the use of forward-looking words such as believes, expects, may, will, should, seeks, approximately, intends, plans, estimates, projects, or the negative of those words or other comparable terminology.

The accuracy of such statements is subject to a number of risks, uncertainties and assumptions including, but not limited to, the following factors: (1) the risk that the conditions to the closing of the transaction are not satisfied, including the risk that required approvals from the shareholders of Connecticut Water or the stockholders of SJW Group for the transaction are not obtained; (2) the risk that the regulatory approvals required for the transaction are not obtained, or that in order to obtain such regulatory approvals, conditions are imposed that adversely affect the anticipated benefits from the proposed transaction or cause the parties to abandon the proposed transaction; (3) the risk that the anticipated tax treatment of the transaction is not obtained; (4) the effect of water, utility, environmental and other governmental policies and regulations; (5) litigation relating to the transaction; (6) uncertainties as to the timing of the consummation of the transaction and the ability of each party to consummate the transaction; (7) risks that the proposed transaction disrupts the current plans and operations of Connecticut Water or SJW Group; (8) the ability of Connecticut Water and SJW Group to retain and hire key personnel; (9) competitive responses to the proposed transaction; (10) unexpected costs, charges or expenses resulting from the transaction; (11) potential adverse reactions or changes to business relationships resulting from the announcement or completion of the transaction; (12) the combined companies' ability to achieve the growth prospects and synergies expected from the transaction, as well as delays, challenges and expenses associated with integrating the combined companies' existing businesses; and (13) legislative and economic developments. These risks, as well as other risks associated with the proposed transaction, are more fully discussed in the joint proxy statement/prospectus that is included in the Registration Statement on Form S-4 that has been filed with the Securities and Exchange Commission ( SEC ) in connection with the proposed transaction.

In addition, actual results are subject to other risks and uncertainties that relate more broadly to SJW Group's overall business, including those more fully described in SJW Group's filings with the SEC, including its annual report on Form 10-K for the fiscal year ended December 31, 2017, and Connecticut Water's overall business and financial condition, including those more fully described in Connecticut Water's filings with the SEC, including its annual report on Form 10-K for the fiscal year ended December 31, 2017. Forward looking statements are not guarantees of performance, and speak only as of the date made, and neither SJW Group or its management nor Connecticut Water or its management undertakes any obligation to update or revise any forward-looking statements.

### **Additional Information and Where to Find It**

In connection with the proposed transaction between SJW Group and Connecticut Water, on April 25, 2018, SJW Group filed with the SEC a Registration Statement on Form S-4 that includes a joint proxy statement of SJW Group and Connecticut Water that also constitutes a prospectus of SJW Group. These materials are not yet final and will be amended. SJW Group and Connecticut Water may also file other

documents with the SEC regarding the proposed transaction. This document is not a substitute for the joint proxy statement/prospectus, Form S-4 or any other document which SJW Group or Connecticut Water may file with the SEC. **INVESTORS AND SECURITY HOLDERS OF SJW GROUP AND CONNECTICUT WATER ARE URGED TO READ THE REGISTRATION STATEMENT, THE JOINT PROXY STATEMENT/PROSPECTUS AND ALL OTHER RELEVANT DOCUMENTS THAT ARE FILED OR WILL BE FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION AND RELATED MATTERS.** Investors and security holders may obtain free copies of the Form S-4 and the joint proxy statement/prospectus and other documents filed with the SEC by SJW Group and Connecticut Water through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Copies of documents filed with the SEC by SJW Group are available free of charge on SJW Group's investor relations website at [https://sjwgroup.com/investor\\_relations](https://sjwgroup.com/investor_relations). Copies of documents filed with the SEC by Connecticut Water are available free of charge on Connecticut Water's investor relations website at <https://ir.ctwater.com/>.

### **No Offer or Solicitation**

This communication is for informational purposes only and is not intended to and does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, or a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in which such offer, sale or solicitation would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, and otherwise in accordance with applicable law.

### **Participants in the Solicitation**

SJW Group, Connecticut Water and certain of their respective directors and officers, and other members of management and employees, may be deemed to be participants in the solicitation of proxies from the holders of SJW Group and Connecticut Water securities in respect of the proposed transaction. Information regarding SJW Group's directors and officers is available in SJW Group's annual report on Form 10-K for the fiscal year ended December 31, 2017 and its proxy statement for its 2018 annual meeting dated March 6, 2018, which are filed with the SEC. Information regarding Connecticut Water's directors and officers is available in Connecticut Water's annual report on Form 10-K for the fiscal year ended December 31, 2017, and its proxy statement for its 2018 annual meeting dated April 6, 2018, which are filed with the SEC. Investors may obtain additional information regarding the interest of such participants by reading the Form S-4 and the joint proxy statement/prospectus and other documents filed with the SEC by SJW Group and Connecticut Water. These documents are available free of charge from the sources indicated above.