SJW GROUP
Form 424B5
November 30, 2018
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Filed pursuant to Rule 424(b)(5)
SEC File No. 333-228548

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock	7,762,500(1)	$55.00	$426,937,500	$51,744.83(2)(3)

(1) Includes 1,012,500 shares of common stock, par value $0.001 per share, issuable upon exercise of the underwriters option to purchase additional shares of common stock.
(2) Calculated in accordance with Rules 456(b) and 457(r) under the Securities Act of 1933, as amended (the Securities Act).
(3) A registration fee in the amount of $100,035.01 was previously paid by SJW Group (the Registrant) in connection with the filing of a Registration Statement on Form S-4 (File No. 333-224440) (the Form S-4) with the Securities and Exchange Commission (the SEC) on April 25, 2018, as amended by Amendment No. 1 filed with the SEC on June 7, 2018 and as further amended by Amendment No. 2 filed with the SEC on June 25, 2018. The Registrant did not sell any securities pursuant to the Form S-4, and the Form S-4 was withdrawn by the Registrant on August 6, 2018. Pursuant to Rule 457(p) under the Securities Act, the filing fee of $100,035.01 that was previously paid by the Registrant in connection with the Form S-4 is being used to offset the filing fee of $51,744.83 that is required in connection with this offering of common stock.

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Prospectus supplement

(To Prospectus dated November 26, 2018)

6,750,000 shares

Common stock

We are offering 6,750,000 shares of our common stock, par value $0.001 per share.

We intend to use the net proceeds from this offering, together with the Debt Financing (as defined herein), to finance our proposed acquisition of Connecticut Water Service, Inc., or the CTWS Acquisition, and to pay related fees and expenses. This offering is not conditioned on the consummation of the CTWS Acquisition. The CTWS Acquisition, if completed, will occur subsequent to the closing of this offering. If for any reason the CTWS Acquisition does not close, then we expect to use the net proceeds from this offering for general corporate purposes, which may include acquisitions, share repurchases or debt repayment, and we will not have any obligation to repurchase any or all of our shares of common stock sold in this offering. See Summary The CTWS Acquisition and Use of Proceeds.

Our common stock is listed on the New York Stock Exchange, or the NYSE, under the symbol SJW. On November 28, 2018, the closing price for our common stock was $56.59 per share.

	Per share	Total
Public offering price	$ 55.00	$ 371,250,000
Underwriting discounts and commissions(1)	$ 1.925	$ 12,993,750
Proceeds, before expenses, to us	$ 53.075	$ 358,256,250

(1) We have agreed to reimburse the underwriters for certain expenses in connection with this offering. See Underwriting.

In addition, we have granted the underwriters an option to purchase an additional 1,012,500 shares of common stock from us. Any such additional shares will be purchased at the offering price less underwriting discounts and commissions within 30 days following the date of this prospectus.

Investing in our common stock involves risks. See Risk Factors beginning on page S-11 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus supplement and the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of our common stock against payment on or about December 3, 2018.

Joint book-running managers

J.P. Morgan	**Barclays**
RBC Capital Markets	**UBS Investment Bank**

Co-managers

Janney Montgomery Scott	**Macquarie Capital**

Prospectus supplement dated November 28, 2018

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Prospectus supplement

Prospectus

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You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any related free writing prospectus prepared by or on behalf of us. Neither we nor any of the underwriters has authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. The information in this prospectus supplement, the accompanying prospectus or any free writing prospectus and the documents incorporated by reference herein and therein is accurate only as of the respective dates of such documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the shares of common stock in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement and the accompanying prospectus come should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are each part of an automatic shelf registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or the SEC, as a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933, as amended, or the Securities Act. Under the shelf registration process, we may from time to time offer and sell to the public any or all of the securities described in the registration statement in one or more offerings. This document is in two parts. The first part, which is this prospectus supplement, describes the specific terms of the securities that we are offering and other matters relating to us. The second part, which is the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which may not apply to the securities offered by this prospectus supplement. Generally when we refer to the prospectus supplement, we are referring to both parts combined. This prospectus supplement may add to, update or change the information in the accompanying prospectus. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference therein, on the other hand, you should rely on the information contained in this prospectus supplement.

You should not assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus supplement and the accompanying prospectus are delivered or the shares offered hereby are sold on a later date. Information that we file with the SEC subsequent to the date on the cover of this prospectus supplement, and prior to the completion of this offering, will automatically update and supersede the information contained in this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information and Incorporation of Certain Documents by Reference.

Unless the context otherwise requires (including on the cover page and in Summary The Offering) or as otherwise stated in Risk Factors, the terms the Company, we, us, our or similar terms and SJW refer to SJW Group, tog with its consolidated subsidiaries, without giving effect to the CTWS Acquisition, CTWS refers to Connecticut Water Service, Inc., together with its consolidated subsidiaries, without giving effect to the CTWS Acquisition, and combined company refers to us, after giving effect to the CTWS Acquisition.

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WHERE YOU CAN FIND MORE INFORMATION

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and its rules and regulations. The Exchange Act requires us to file reports, proxy statements and other information with the SEC. The SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC s website at *http://www.sec.gov*.

We make available, free of charge on our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to these reports filed or furnished pursuant to Section 13(a), 14 or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file these documents with, or furnish them to, the SEC. These documents are posted on our website at *www.sjwgroup.com*. The information contained on, accessible from or hyperlinked to our website (other than the SEC filings expressly referred to below) is not incorporated by reference herein and does not form a part of this prospectus supplement or the accompanying prospectus.

Copies of any of the above-referenced documents will also be made available, free of charge, upon written request to: SJW Group, 110 West Taylor Street, San Jose, California 95110, Attention: General Counsel and Corporate Secretary.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to incorporate into this prospectus supplement information we file with the SEC in other documents. The information incorporated by reference is considered to be part of this prospectus supplement, and information we later file with the SEC will, subject to the next sentence, automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act until all of the shares of common stock that are part of this offering have been sold or this offering has been terminated. The documents we have incorporated by reference are:

Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on February 27, 2018;

Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2018, June 30, 2018 and September 30, 2018, filed with the SEC on May 8, 2018, July 27, 2018 and October 26, 2018;

Portions of the Definitive Proxy Statement on Schedule 14A, filed with the SEC on March 6, 2018 that are incorporated by reference into Part III of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on February 27, 2018;

Current Reports on Form 8-K filed with the SEC on January 4, 2018, March 15, 2018 (Item 1.01 and Exhibits 10.1, 10.2 and 10.3 referenced in Item 9.01 therein only), March 22, 2018, April 26, 2018 (Item 5.07 only), May 31, 2018 (other than Item 7.01), August 6, 2018 (Item 1.01 and Exhibit 2.1 referenced in Item 9.01 therein only) and November 26, 2018; and the description of our common stock contained in our Registration Statement on Form 8-A/A, filed with the SEC on November 15, 2016, and any amendment or report filed for the purpose of updating such description.

Notwithstanding the above, information that is "furnished" to the SEC (including information furnished under Item 2.02 or 7.01 of Form 8-K and corresponding information furnished under Item 9.01 or included as an exhibit) shall not be incorporated by reference or deemed to be incorporated by reference into this prospectus supplement or the related registration statement.

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We will provide, without charge, to each person, including any beneficial owner, to whom a copy of this prospectus supplement is delivered, upon written or oral request of such person, a copy of any or all of the documents incorporated by reference into this prospectus supplement, other than exhibits to such documents unless such exhibits are specifically incorporated by reference into such documents. Requests may be made by sending a written request to SJW Group, 110 West Taylor Street, San Jose, California 95110, Attention: General Counsel and Corporate Secretary.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, any related free writing prospectus and the information included or incorporated by reference herein and therein, contain forward-looking statements within the meaning of the federal securities laws relating to future events and future results of SJW that are based on current expectations, estimates, forecasts and projections about SJW, CTWS, the CTWS Acquisition and the Debt Financing (including the expected benefits from the CTWS Acquisition and the cost and amount of, and our expectations with respect to, the Debt Financing), the industries in which we operate and the beliefs and assumptions of our management. Such forward-looking statements are identified by words including expect, estimate, anticipate, intends, seeks, plans projects, may, should, will and variations of such words, and similar expressions. These forward-looking statement are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Important factors that could cause or contribute to such differences include, but are not limited to:

- the risk that the conditions to the closing of the CTWS Acquisition are not satisfied;
- the risk that the regulatory approvals required for the CTWS Acquisition are not obtained at all, or if obtained, on the terms expected or on the anticipated schedule;
- the risk that the CPUC s (as defined herein) investigation may cause delays in or otherwise adversely affect the CTWS Acquisition and that we may be required to consummate the CTWS Acquisition prior to the CPUC s issuance of an order with respect to its investigation;
- the effect of water, utility, environmental and other governmental policies and regulations;
- litigation relating to the CTWS Acquisition;
- the ability of each party to meet expectations regarding timing, completion and accounting and tax treatments of the CTWS Acquisition and our ability to achieve the expected benefits from the CTWS Acquisition;
- the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement (as defined herein);

changes in demand for water and other products and services;

unanticipated weather conditions;

catastrophic events such as fires, earthquakes, explosions, floods, ice storms, tornadoes, terrorist acts, physical attacks, cyber-attacks, or other similar occurrences that could adversely affect the facilities, operations, financial condition, results of operations and reputation of CTWS or SJW;

risks that the CTWS Acquisition disrupts the current plans and operations of CTWS or SJW;

potential difficulties by CTWS or SJW in employee retention as a result of the CTWS Acquisition;

unexpected costs, charges or expenses resulting from the CTWS Acquisition;

the effect of the announcement or pendency of the CTWS Acquisition on business relationships, operating results, and business generally, including, without limitation, competitive responses to the CTWS Acquisition;

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risks related to diverting management s attention from ongoing business operations of CTWS or SJW;

the effect of the Debt Financing and the terms thereof, including on operations, financial condition, credit ratings, rating agency outlooks and expenses;

legislative and economic developments;

adjustment in accounting principles relating to regulated operations;

impact on water supply due to contamination or other decline in source water quality or access rights for water;

costs associated with implementing security procedures;

changes in the conditions of our water distribution network; and

ability to secure funding for operations.

Additional information concerning these and other risk factors is also contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2018, June 30, 2018 and September 30, 2018, respectively, which are incorporated by reference herein, as updated by other reports and documents we file with the SEC. We do not undertake any obligation to update or revise the information contained in this prospectus supplement or the accompanying prospectus, any related free writing prospectus or the information included or incorporated by reference herein and therein, including the forward-looking statements, to reflect any event or circumstance that may arise after the date of this prospectus supplement.

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SUMMARY

This summary highlights information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. Because this is a summary, it may not contain all of the information that is important to you. Before making an investment decision, you should read this entire prospectus supplement and the accompanying prospectus and the information included or incorporated by reference, including the section entitled Risk Factors in this prospectus supplement and such risk factors as may be updated from time to time in our public filings.

SJW Group

SJW is a holding company that conducts its business in the United States through three wholly owned subsidiaries, namely, San Jose Water Company, SJWTX, Inc. (which does business as Canyon Lake Water Service Company, or CLWSC) and SJW Land Company. San Jose Water Company and CLWSC are public utilities regulated by the California Public Utilities Commission, or the CPUC, and Public Utilities Commission of Texas, respectively, and operate within a service area approved by the regulators.

The principal business of San Jose Water Company and CLWSC, or together referred to as Water Utility Services, consists of the production, purchase, storage, purification, distribution, wholesale and retail sale of water. San Jose Water Company is a public utility that provides water service to approximately 231,000 connections serving a population of approximately one million people in an area comprising approximately 138 square miles in the metropolitan San Jose, California area. SJWTX, Inc. is another public utility that provides water service to approximately 15,800 connections serving approximately 48,000 people in an area comprising more than 246 square miles in western Comal County and southern Blanco County in the growing region between San Antonio and Austin, Texas. In addition, SJWTX, Inc. has a 25% interest in Acequia Water Supply Corporation, which has been consolidated with SJWTX, Inc. in our consolidated financial statements. San Jose Water Company also provides non-tariffed services under agreements with municipalities and other utilities. These non-tariffed services include water system operations, maintenance agreements and antenna site leases.

SJW Land Company owns an undeveloped real estate property, commercial and warehouse properties in Tennessee. SJW Land Company also has a 70% limited partnership interest in 444 West Santa Clara Street, L.P., which sold all of its interests in the commercial building and land the partnership owned and operated on April 6, 2017. See Business of SJW.

The principal executive offices of SJW are located at 110 West Taylor Street, San Jose, California 95110. Its telephone number is (408) 279-7800, and its Internet address is *www.sjwgroup.com*. The information on, accessible from or hyperlinked to, our website (other than the SEC filings expressly incorporated herein under Where You Can Find More Information) is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider it a part of this prospectus supplement or the accompanying prospectus.

CTWS

CTWS was incorporated in 1974, and The Connecticut Water Company, or Connecticut Water, its largest subsidiary, was organized in 1956. CTWS is a non-operating holding company whose income is derived from the earnings of its six wholly-owned subsidiary companies. In 2017, approximately 95% of CTWS s net income was attributable to water operations carried out within its four regulated water companies, Connecticut Water, The Heritage Village Water Company, or HVWC, The Avon Water Company, or Avon Water, and The Maine Water Company, or Maine Water, collectively referred to as the Regulated Companies. Connecticut Water, HVWC and Avon Water are regulated by the Connecticut Public Utilities Regulatory Authority, or PURA, and Maine Water

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is regulated by the Maine Public Utilities Commission, or the MPUC. As of December 31, 2017, the Regulated Companies supplied water to 135,645 connections, representing a population of approximately 450,000, in 80 municipalities throughout Connecticut and Maine and more than 3,000 wastewater connections, representing a population of approximately 10,000, in Southbury, Connecticut. The Regulated Companies are subject to state regulation regarding financial issues, rates and operating issues, and are subject to regulation by various other state and federal regulatory agencies concerning water quality and environmental standards.

In addition to its regulated companies, CTWS owns two active unregulated companies, Chester Realty, Inc., a real estate company in Connecticut, and New England Water Utility Services, Inc., which provides contract water and sewer operations and other water related services. In 2017, these unregulated companies, together with real estate transactions within Connecticut Water, contributed approximately 5% of CTWS s net income through real estate transactions as well as services and rentals. See Business of CTWS.

The principal executive offices of CTWS are located at 93 West Main Street, Clinton, Connecticut 06413. Its telephone number is (860) 669-8636, and its Internet address is *www.ctwater.com*. The information on, accessible from or hyperlinked to, CTWS s website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider it a part of this prospectus supplement or the accompanying prospectus.

CTWS Acquisition

On August 5, 2018, we and CTWS, entered into a Second Amended and Restated Agreement and Plan of Merger, or the Merger Agreement, on the terms and subject to the conditions of which we have agreed to acquire CTWS. Under the terms of the Merger Agreement, each share of common stock of CTWS will be automatically converted into the right to receive an amount in cash equal to $70.00 per share.

Consummation of the CTWS Acquisition is subject to customary conditions, including receipt of certain governmental approvals, including the approval of the MPUC and PURA. The CPUC has instituted an investigation into whether the CTWS Acquisition is subject to its approval and anticipated impacts in California. Completion of the CPUC s investigation is not a condition to the consummation of the CTWS Acquisition. We currently expect to receive approval of the MPUC in January 2019 and approval of PURA in December 2018, and we currently expect the CPUC to complete its inquiry in the first quarter of 2019. We may not receive the requisite approvals from the MPUC or PURA, or the CPUC may not complete its investigation, by the dates indicated or at all, or their determinations may be subject to terms and conditions which impose costs on us, which costs may be material and may negate some or all of the benefits that we expect as a result of the CTWS Acquisition.

The Merger Agreement contains certain termination rights for us and CTWS, including if the Merger is not consummated on or before May 5, 2019, subject to two automatic three-month extensions up to November 5, 2019 if needed to satisfy the governmental approvals condition. Upon termination of the Merger Agreement under specified circumstances, CTWS will be required to pay us a cash termination fee of $28.1 million or we will be required to pay CTWS a cash termination fee of $42.5 million. Upon termination of the Merger Agreement due to failure of certain closing conditions as a result of actions by the CPUC, we will be required to reimburse CTWS for all of its documented out-of-pocket fees and expenses incurred in connection with the Merger Agreement up to a maximum of $5.0 million, and, if, under certain circumstances, within 15 months of such termination we enter into a definitive contract to consummate an alternative proposal or an alternative proposal is consummated, we will pay CTWS the $42.5 million termination fee (against which the expense reimbursement amount actually paid by us to CTWS will be credited). We currently expect the CTWS Acquisition to close during the first quarter of 2019, assuming receipt of required governmental approvals.

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The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, which is filed as Exhibit 2.1 to our Current Report on Form 8-K filed August 6, 2018 and incorporated herein by reference. Certain financial information of CTWS has been filed as Exhibit 99.2 to our Current Report on Form 8-K filed November 26, 2018 and incorporated herein by reference.

We may be unable to consummate the CTWS Acquisition on a timely basis or at all. See Risk Factors Risks Related to the CTWS Acquisition. This offering is not conditioned on the consummation of the CTWS Acquisition.

Anticipated Benefits of the CTWS Acquisition

We believe the CTWS Acquisition is a strategically compelling transaction that will bring together two high-quality regulated water utility companies in economically vibrant regions. The combined company is expected to be the second largest investor-owned pure play water and wastewater utility in the United States, based on both estimated enterprise values and estimated rate bases. Both the Company and CTWS have demonstrated shareholder returns with a history of sustainable growth in dividends and earnings. We believe the CTWS Acquisition will improve the Company s cash flow stability and support the Company s objective of maintaining its commitment to a strong investment grade credit rating. The CTWS Acquisition is expected to be accretive to earnings per share.

We expect the CTWS Acquisition to increase the scale, geographic diversity, rate base and financial foundation of the Company to create an enhanced platform for long-term growth. The combined company will be well-positioned for growth in the infrastructure replacement era with a footprint in four states that have constructive regulatory environments supporting infrastructure investments. We currently estimate that the combined company will have capital expenditures of approximately $200 million to $223 million over each of the next three years.

Although we expect that the CTWS Acquisition will result in benefits to the Company, we may be unable to consummate the CTWS Acquisition on a timely basis or at all, and if the CTWS Acquisition is consummated, we may not realize the anticipated benefits because of integration difficulties and other challenges. See Risk Factors Risks Related to the CTWS Acquisition, Risk Factors Risks Relating to the Combined Company After Completion of the CTWS Acquisition and Cautionary Note Concerning Forward-Looking Statements.

Financing of the CTWS Acquisition

In addition to this offering, we expect to finance the remaining portion of the purchase price of the CTWS Acquisition with net proceeds from up to $490.6 million of additional debt, which may include borrowings under a $975.0 million committed bridge facility, or the Bridge Facility, or other debt financing. We refer to any debt financing that we expect to incur to fund all or any portion of the CTWS Acquisition, and to pay related fees and expenses, as the Debt Financing. If and to the extent that this offering is not completed or is completed for less proceeds than anticipated, we would fund any shortfall with additional Debt Financing, which may include borrowings under the Bridge Facility.

This offering is not conditioned on the closing of any Debt Financing, and neither this offering nor any Debt Financing (other than the Bridge Facility) is conditioned on the consummation of the CTWS Acquisition. We may not complete the CTWS Acquisition or any Debt Financing on the terms contemplated by this prospectus supplement or at all. This prospectus supplement is not an offer to sell or a solicitation of an offer to buy any securities that may be offered in the Debt Financing.

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THE OFFERING

The summary below contains basic information about this offering. It does not contain all of the information you should consider in making your investment decision. You should read this entire prospectus supplement and the accompanying prospectus and the information included or incorporated by reference herein and therein before making an investment decision. As used in this section, except where otherwise indicated, the terms us, we and our refer to SJW Group and not to any of its subsidiaries.

Issuer	SJW Group, a Delaware corporation.
Securities offered	6,750,000 shares.
Approximate number of shares to be outstanding after this offering	27,381,171 shares.
Underwriters option	We have granted the underwriters a 30-day option to purchase up to 1,012,500 additional shares of our common stock (representing 15% of the shares being offered) at the public offering price, less the underwriting discounts and commissions.
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $356.7 million (or approximately $410.5 million if the underwriters exercise their option to purchase additional shares in full), after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.
	We intend to use the net proceeds of this offering, together with the net proceeds of the Debt Financing, to finance the CTWS Acquisition and to pay related fees and expenses. Pending such use, we may invest the net proceeds temporarily in investment-grade securities, money-market funds, bank deposit accounts or similar short-term investments. This offering is not conditioned on the consummation of the CTWS Acquisition, and the CTWS Acquisition may not be consummated on the terms described herein or at all. If for any reason the CTWS Acquisition does not close, then we expect to use the net proceeds from this offering for general corporate purposes, which may include acquisitions, share repurchases or debt repayment, and we will not have any obligation to repurchase any or all of our shares of common stock sold in this offering. See Use of Proceeds.

New York Stock Exchange symbol for our common stock	SJW.
Transfer agent and registrar for our common stock	American Stock Transfer & Trust Company.

The approximate number of shares of common stock to be outstanding immediately after this offering is based on (i) 20,631,171 shares of our common stock outstanding as of September 30, 2018, plus (ii) the 6,750,000 shares that we are offering pursuant to this prospectus supplement, but excluding:

- 1,012,500 shares of our common stock (representing 15% of the shares of common stock being offered) issuable on the exercise of the underwriters option to purchase additional shares of our common stock in this offering;

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- 282,818 shares of our common stock reserved for issuance under our 2014 Employee Stock Purchase Plan as of September 30, 2018; and

- 881,914 shares of our common stock available under our Long-Term Incentive Plan and an additional 143,581 shares of our common stock issuable under outstanding restricted stock units and deferred restricted stock units as of September 30, 2018.

Except as otherwise noted, all information in this prospectus supplement assumes no exercise of the underwriters option to purchase additional shares of our common stock in this offering.

Risk factors

See Risk Factors beginning on page S-11 to read about factors you should consider before buying shares of our common stock.

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF SJW

The following summary historical consolidated financial information for the years ended December 31, 2017, 2016 and 2015 and as of December 31, 2017 and 2016 has been derived from our audited consolidated financial statements for such years and as of such dates, which are incorporated by reference into this prospectus supplement and the accompanying prospectus. The following summary historical consolidated financial information for the nine months ended September 30, 2018 and 2017 and as of September 30, 2018 has been derived from our unaudited condensed consolidated financial statements for such periods and as of such date, which are incorporated by reference into this prospectus supplement and the accompanying prospectus. Our unaudited condensed consolidated financial statements were prepared on the same basis as our audited financial statements, and, in the opinion of our management, include all adjustments, consisting only of normal, recurring adjustments necessary for a fair presentation of the information set forth herein. Our operating results for the nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for any full year period.

This information is only a summary and should be read in conjunction with the consolidated financial statements and the related notes, which appear in our Annual Report on Form 10-K for the year ended December 31, 2017 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, which have been incorporated herein by reference. See Where You Can Find More Information in this prospectus supplement.

(in thousands, except per share data)	**Year Ended December 31,**			**Nine Months Ended September 30,**	
	2017	**2016**	**2015**	**2018**	**2017**
Consolidated Results of Operations:					
Operating revenue	$ 389,225	$ 339,706	$ 305,082	$ 298,981	$ 295,696
Operating expense					
Purchased water	86,456	72,971	61,089	72,673	66,938
Power	7,295	6,102	6,121	4,774	5,491
Groundwater extraction charges	47,817	32,088	31,240	34,341	34,098
Other production expenses	15,203	13,167	12,178	13,674	12,067
Administrative and general	55,011	48,038	47,131	36,278	34,909
Maintenance	17,430	17,476	14,956	14,036	12,991
Property taxes and other non-income taxes	13,642	12,123	11,667	11,332	10,260
Depreciation and amortization	48,292	44,625	40,740	40,921	36,217
Merger related expenses				14,994	
Total operating expense	291,146	246,590	225,122	243,023	212,971
Operating income	98,079	93,116	79,960	55,958	82,725
Interest expense, other income and expense	(1,586)	(6,735)	(18,806)	(18,423)	(11,875)
Income before income taxes	96,493	86,381	61,154	37,535	70,850
Provision for income taxes	35,393	33,542	23,272	7,591	27,055
Net income before noncontrolling interest	61,100	52,839	37,882	29,944	43,795
Less net income attributable to the noncontrolling interest	1,896				1,896

Net income	$ 59,204	$ 52,839	$ 37,882	$ 29,944	$ 41,899
Consolidated per share data:					
Earnings per share basic	2.89	2.59	1.86	1.45	2.04
Earnings per share diluted	2.86	2.57	1.85	1.45	2.03
Dividends paid	1.04	0.81	0.78	0.84	0.65

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(in thousands)	As of December 31, 2017	2016	As of September 30, 2018
Consolidated Balance Sheet:			
Utility plant and intangible assets	$ 1,792,323	$ 1,666,381	$ 1,897,177
Less accumulated depreciation and amortization	553,059	520,018	593,916
Net utility plant	1,239,264	1,146,363	1,303,261
Net real estate investment	45,081	50,459	44,307
Total assets	1,458,001	1,443,376	1,536,868
Capitalization:			
Stockholders equity	463,209	421,646	474,957
Long-term debt, less current portion	431,092	433,335	431,341
Total capitalization	$ 894,301	$ 854,981	$ 906,298

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF CTWS

The following summary historical consolidated financial information for the years ended December 31, 2017, 2016 and 2015 and as of December 31, 2017 and 2016 has been derived from CTWS s audited consolidated financial statements for such years and as of such dates, which are included in a Current Report on Form 8-K of SJW that is incorporated by reference into this prospectus supplement and the accompanying prospectus. The following summary historical consolidated financial information for the nine months ended September 30, 2018 and 2017 and as of September 30, 2018 has been derived from CTWS s unaudited condensed consolidated financial statements for such periods and as of such date, which are included in a Current Report on Form 8-K of SJW that is incorporated by reference into this prospectus supplement and the accompanying prospectus. CTWS s unaudited condensed consolidated financial statements were prepared on the same basis as its audited financial statements, and, in the opinion of CTWS s management, include all adjustments, consisting only of normal, recurring adjustments necessary for a fair presentation of the information set forth herein. CTWS s operating results for the nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for any full year period.

This information is only a summary and should be read in conjunction with CTWS s historical consolidated financial statements and the notes thereto incorporated by reference into this prospectus supplement. See Where You Can Find More Information in this prospectus supplement.

(in thousands, except per share data)	**Year Ended December 31,**			**Nine Months Ended September 30,**	
	2017	**2016**	**2015**	**2018**	**2017**
Consolidated Results of Operations:					
Operating revenues	$ 107,054	$ 98,667	$ 96,041	$ 91,026	$ 82,162
Operating expenses	73,649	70,462	69,399	59,805	53,615
Other utility income, net of taxes	824	744	797	715	619
Total utility operating income	34,229	28,949	27,439	31,936	29,166
Interest and debt expense	8,841	6,916	6,737	8,111	6,277
Net income	25,054	23,387	22,761	17,165	23,202
Basic earnings per common share from continuing operations	2.17	2.12	2.07	1.44	2.03
Declared common dividends per share	1.175	1.115	1.05	0.9225	0.8775

(in thousands)	**As of December 31,**		**As of September 30,**
	2017	**2016**	**2018**
Consolidated Balance Sheet:			
Common stockholders equity	$ 293,630	$ 236,028	$ 298,200
Long-term debt (consolidated, excluding current maturities)	253,367	197,047	250,877
Preferred stock	772	772	
Total capitalization	547,769	433,847	549,077
Net utility plant	697,723	601,396	721,488
Total assets	898,783	784,502	944,041

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SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The Unaudited Pro Forma Condensed Combined Balance Sheet, or the Pro Forma Balance Sheet, as of September 30, 2018 gives effect to the CTWS Acquisition and related financing as if they had been completed on September 30, 2018. The Unaudited Pro Forma Condensed Combined Statements of Operations, or the Pro Forma Statements of Operations, for the nine months ended September 30, 2018 and the year ended December 31, 2017 give effect to the CTWS Acquisition and related financing as if they had been completed on January 1, 2017.

The Unaudited Pro Forma Condensed Combined Financial Statements, or the Pro Forma Financial Statements, have been derived primarily from the September 30, 2018 unaudited condensed consolidated financial statements of SJW included in SJW s Quarterly Report on Form 10-Q for the fiscal quarter then ended, the unaudited condensed consolidated financial statements of CTWS as of September 30, 2018 and for the nine months then ended included in Exhibit 99.1 to the Current Report on Form 8-K of SJW filed on November 26, 2018, or the November 26 Form 8-K, the audited consolidated financial statements of SJW for the year ended December 31, 2017 included in SJW s Annual Report on Form 10-K for the fiscal year then ended and the audited consolidated financial statements of CTWS for the year ended December 31, 2017 included in Exhibit 99.2 to the November 26 Form 8-K, each of which is incorporated herein by reference. Assumptions and estimates underlying the pro forma adjustments are described in the Notes to Unaudited Pro Forma Condensed Combined Financial Statements, which should be read in conjunction with the Pro Forma Financial Statements. Since the Pro Forma Financial Statements have been prepared based upon preliminary estimates, the final amounts recorded at the date of the CTWS Acquisition may differ materially from the information presented herein. These preliminary estimates are subject to change pending further review of the assets acquired and the liabilities assumed.

The CTWS Acquisition is reflected in the Pro Forma Financial Statements as an acquisition of CTWS by SJW, based on the guidance provided by United States Generally Accepted Accounting Principles, or GAAP, for business combinations. In accordance with such accounting guidance, the total estimated purchase price is calculated as described in Note 3 to the Pro Forma Financial Statements, and the CTWS assets acquired and the liabilities assumed have been measured at estimated fair value. For purpose of measuring the estimated fair value of assets acquired and liabilities assumed, SJW has applied the accounting guidance for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The fair value measurements utilize estimates based on key assumptions of the transaction, including historical and current market data. The pro forma adjustments included herein are preliminary and will be revised when SJW has completed detailed fair value valuations and additional analyses and the final purchase price allocation is determined. As such, the final purchase price allocation may differ materially from the preliminary purchase price allocation presented herein.

Transaction costs recorded by SJW and CTWS in each of the respective companies September 30, 2018 unaudited condensed consolidated financial statements have been excluded from the Pro Forma Statement of Operations for the nine months ended September 30, 2018 as they reflect non-recurring charges directly related to the transaction. In addition, transaction costs estimated by SJW and CTWS for the year ended December 31, 2017 have been excluded from the Pro Forma Statement of Operations for the year ended December 31, 2017 because they also reflect non-recurring charges directly related to the transaction. However, the transaction costs recorded in the SJW and CTWS unaudited condensed consolidated financial statements as of September 30, 2018 and the estimated remaining transaction costs are reflected in the Pro Forma Balance Sheet as an increase to liabilities and deferred tax assets and a decrease to retained earnings as of September 30, 2018.

The Pro Forma Financial Statements do not reflect any cost savings (or associated costs to achieve such savings) from operating efficiencies, synergies, or other restructuring costs or restructuring related cost savings

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that could result from the CTWS Acquisition. Further, the Pro Forma Financial Statements do not reflect the effect of any regulatory actions that may impact the Pro Forma Financial Statements once the CTWS Acquisition is completed.

The SJW historical consolidated 2017 financial statements include the sale of its Texas Water Alliance Limited, or TWA, subsidiary. SJW recognized a pre-tax gain on the sale of TWA of $12.5 million. The TWA sale was not considered to be an unusual event, as defined in Article 11-02(c)(4) of Regulation S-X, and as a result, no separate pro forma condensed statement of operations is presented for this transaction.

CTWS s regulated operations are comprised of water and waste water service activities. The operations are subject to the rate-setting authority of PURA in Connecticut and the MPUC in Maine and are accounted for pursuant to GAAP, including the GAAP accounting guidance for regulated operations. The rate-setting and cost recovery provisions currently in place for CTWS s regulated operations provide revenues derived from costs, including a return on investments of assets included in rate base. The fair values of CTWS s tangible and intangible assets that are subject to these rate-setting provisions will be determined when detailed asset information can be obtained and a fair value analysis can be performed. The amounts presented in the Pro Forma Financial Statements for CTWS s regulated utility plant tangible and intangible assets are presented at carrying value. Fair value amounts may differ materially from the carrying value of the CTWS assets presented herein once the fair value analysis is completed.

This information is only a summary and should be read in conjunction with Unaudited Pro Forma Condensed Combined Financial Information in this prospectus supplement and the audited consolidated financial statements of SJW and CTWS for the year ended December 31, 2017 and the unaudited condensed consolidated financial statements of SJW and CTWS as of and for the nine months ended September 30, 2018 incorporated by reference into this prospectus supplement.

(in thousand, except per share data)	**Year Ended December 31, 2017**		**Nine Months Ended September 30, 2018**	
Consolidated Results of Operations:				
Operating revenues	$	496,279	$	390,007
Total operating expenses	$	368,867	$	289,939
Operating income	$	127,412	$	100,068
Interest expense, other income and expense	$	28,974	$	40,692
Net income	$	70,525	$	50,947
Consolidated Per Share Data:				
Earnings per share-Basic	$	2.59	$	1.86
Earnings per share-diluted	$	2.57	$	1.85
Dividends paid (year-to date)	$	1.04	$	0.84

(in thousands)	**As of September 30, 2018**	
Consolidated Balance Sheet:		
Utility plant and intangible assets	$	2,873,992
Less accumulated depreciation and amortization	$	847,404
Net utility plant	$	2,026,588
Net real estate investments	$	44,890
Total assets	$	3,040,021

Capitalization:		
Total stockholder s equity	$	816,198
Long-term debt (consolidated, excluding current maturities)	$	1,168,723
Total capitalization	$	1,984,921

RISK FACTORS

An investment in our common stock involves a number of risks. You should read this entire prospectus supplement and the accompanying prospectus and the information included or incorporated by reference herein and therein before making an investment decision. In particular, we urge you to consider carefully the factors set forth below and such risk factors as may be updated from time to time in our public filings. Any of these risks could materially and adversely affect our business, financial condition, results of operations and prospects and the actual outcome of matters as to which forward-looking statements are made in this prospectus supplement and the accompanying prospectus. As a result, the trading price of our common stock could decline, and you could lose some or all of your investment. While we believe we have identified and discussed below, in the accompanying prospectus and in the documents incorporated by reference herein and therein the material risks affecting our business, there may be additional risks and uncertainties that we do not presently know or that we do not currently believe to be material that may adversely affect our business, financial condition, results of operations and prospects in the future.

As used in this Risk Factors section under Risks Related to Our Business : (1) we, us, our or similar terms refer to SJW Group, together with its consolidated subsidiaries, including, if the CTWS Acquisition is consummated and following such consummation, Connecticut Water Service, Inc., together with its combined subsidiaries; and (ii) Water Utility Services refers to San Jose Water Company and CLWSC and, if the CTWS Acquisition is consummated and following such consummation, Connecticut Water, HVWC, Avon Water and Maine Water.

Risks Related to the CTWS Acquisition

This offering is not conditioned on the consummation of the CTWS Acquisition.

This offering is not conditioned on the consummation of the CTWS Acquisition. Accordingly, by purchasing our common stock, you are investing in SJW on a stand-alone basis, without the business of CTWS, in the event that we do not consummate the CTWS Acquisition. Although certain information included in this prospectus supplement generally assumes consummation of the CTWS Acquisition, the CTWS Acquisition may not be consummated on the terms described herein or at all. The consummation of the CTWS Acquisition is subject to conditions, which may or may not be satisfied. If for any reason the CTWS Acquisition does not close, then we expect to use the net proceeds from this offering for general corporate purposes, which may include acquisitions, share repurchases or debt repayment, and we will have no obligation to repurchase any of our shares of common stock sold in this offering. See Use of Proceeds.

The CTWS Acquisition is subject to the receipt of approvals from regulatory authorities that may impose conditions that could have an adverse effect on us or, if not obtained, could prevent completion of the CTWS Acquisition.

Completion of the CTWS Acquisition is contingent upon, among other things, the receipt of all required regulatory approvals, including the approvals of PURA and the MPUC.

The terms and conditions of such approvals may impose requirements, limitations or costs, or place restrictions on the conduct of the combined company s business. The Merger Agreement may require us and/or CTWS to comply with conditions imposed by regulatory entities and, in certain circumstances, either company may refuse to close the CTWS Acquisition on the basis of regulatory conditions imposed. There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions or that such conditions, terms, obligations or restrictions will not have the effect of delaying completion of the CTWS Acquisition or imposing additional material costs on or materially limiting the revenues of the combined company following the CTWS Acquisition. Additionally, neither we nor CTWS can provide assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the CTWS Acquisition, or the consummation of the CTWS Acquisition on terms different than those contemplated by the Merger Agreement.

The CPUC has initiated an investigation into the CTWS Acquisition, which may cause delays in or otherwise adversely affect the CTWS Acquisition, and we may be required to consummate the CTWS Acquisition prior to the CPUC s issuance of an order with respect to its investigation.

The CPUC at its July 12, 2018 meeting approved an Order Instituting Investigation into the CTWS Acquisition. The order includes investigating the CPUC s authority over the CTWS Acquisition, whether the CTWS Acquisition is in the public interest; whether the CTWS Acquisition would preserve the CPUC s jurisdiction over San Jose Water Company and the CPUC s capacity to effectively regulate utility operations in the State of California; the effect of the CTWS Acquisition on our and CTWS s employees, shareholders, subscribers, communities in which they operate and the State of California; whether the benefits likely exceed any detrimental effects of the CTWS Acquisition; and whether the CPUC should consider conditions or mitigation measures to prevent any adverse consequences which may result from the CTWS Acquisition, and if so, what should be those conditions or measures. The order stated that the CPUC planned to substantially complete the inquiry in a manner sufficiently timely to allow the CTWS Acquisition to go forward by the end of 2018, if appropriate. However, as a result of unexpected delays in the CPUC s scheduling of a planned public participation hearing, the CPUC is unlikely to complete its investigation prior to the first quarter of 2019.

We are unable to predict what action, if any, the CPUC will take with respect to the CTWS Acquisition upon the conclusion of the proceeding initiated by the Order Instituting Investigation and, therefore, no assurance can be given that such action will not delay or prevent completion of the CTWS Acquisition or impose costs on us, which costs may be material and may negate some or all of the benefits that we expect as a result of the CTWS Acquisition. If we or CTWS terminate the Merger Agreement on the grounds that a legal restraint prevents completion of the CTWS Acquisition, and such restraint arises from, is issued by or is in connection with the CPUC, or the CPUC has imposed terms or conditions in connection with the CTWS Acquisition that would reasonably be expected to have a material adverse effect on the combined company, then we will be required to reimburse CTWS s expenses up to $5 million.

Completion of the CPUC s investigation is not a condition to the consummation of the CTWS Acquisition. Accordingly, we may be required to consummate the CTWS Acquisition prior to the CPUC s issuance of an order with respect to its investigation. In such a circumstance, we may nevertheless be subject to any terms and conditions imposed on us by such an order and to any additional costs associated therewith. Such costs may be material and may negate some or all of the benefits that we expect as a result of the CTWS Acquisition.

We have contractual obligations under the Merger Agreement even if we are unable to secure financing for the CTWS Acquisition.

We intend to finance the CTWS Acquisition with net proceeds from this offering and the Debt Financing, and there is no guarantee that we will be able to secure such financing to complete the CTWS Acquisition. In addition, we have received a financing commitment letter from lenders to fund the Bridge Facility in the event that we are unable to complete this offering or secure other Debt Financing for the CTWS Acquisition at or prior to the time the CTWS Acquisition is completed. Such commitment includes customary conditions to funding.

In the event that the Bridge Facility is not available, the Merger Agreement requires that we obtain substitute financing, which may not be available on acceptable terms, in a timely manner or at all. If we are not able to obtain substitute financing to consummate the CTWS Acquisition, we could be in breach of the Merger Agreement and may be required to pay significant damages to CTWS or be compelled to specifically perform our obligations to consummate the CTWS Acquisition, which would have an adverse effect on our business, financial condition, results of operations and prospects.

We will take on substantial additional indebtedness to finance the CTWS Acquisition, which will decrease our business flexibility and increase our borrowing costs.

In addition to this offering, we expect to finance the remaining portion of the purchase price of the CTWS Acquisition with net proceeds from up to $490.6 million of Debt Financing, which may include borrowings under a $975.0 million Bridge Facility. If and to the extent that this offering is not completed or is completed for less proceeds than anticipated, we would fund any shortfall with additional Debt Financing, which may include borrowings under the Bridge Facility. As a result of the Debt Financing, we will increase our indebtedness substantially as compared to our indebtedness prior to the CTWS Acquisition (up to the difference between $975.0 million and the net proceeds received in this offering), and will have indebtedness that will be substantially greater than our indebtedness prior to the CTWS Acquisition. Any financial covenants we agree to in connection with such indebtedness and our increased indebtedness and higher debt-to-equity ratio in comparison to that of our recent historical basis will have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and increasing borrowing costs. In addition, the actual terms and conditions of such indebtedness may not be favorable to us, and as such, could further increase the cost of the CTWS Acquisition, as well as the overall burden of such indebtedness upon us and our business flexibility. Unfavorable terms in the Debt Financing may also adversely affect our business, financial condition, results of operations and prospects.

We anticipate that the CTWS Acquisition and the related Debt Financing may have an impact on our issuer and issue ratings, potentially in advance of consummation of the CTWS Acquisition. For example, it is possible that the issuer and issue ratings of certain of our subsidiaries, and certain of those entities to be acquired in the CTWS Acquisition, could be lowered. SJW has publicly announced an intention to achieve at least an A- issuer credit rating for the currently unrated SJW Group. We also anticipate that the Debt Financing may have an initial rating which may be equal to or lower than the potential new SJW Group issuer rating given the structural subordination of newly incurred unsecured debt in the Debt Financing. We cannot provide any assurances regarding potential rating agency actions, any changes in outlook from the rating agencies, the timing of any such actions or the level of any initial ratings or any downgrade.

Any delay in completing the CTWS Acquisition may reduce or eliminate the benefits to be achieved thereunder.

In addition to the required regulatory clearances, the CTWS Acquisition is subject to a number of other conditions beyond our control that may prevent, delay or otherwise materially adversely affect its completion. We cannot predict whether and when these other conditions will be satisfied. Furthermore, the requirements for obtaining the required clearances and approvals could delay the completion of the CTWS Acquisition for a significant period of time or prevent it from occurring. Any delay in completing the CTWS Acquisition could cause the combined company to not realize, or to be delayed in realizing, some or all of the benefits expected to result from elimination of duplicative public company and other related costs that we expect to achieve if the CTWS Acquisition is successfully completed within its expected time frame.

Failure to complete the CTWS Acquisition as currently contemplated or at all could negatively impact our stock price, business operations and financial results.

Completion of the CTWS Acquisition is not assured and is subject to risks, including the risks that approval by governmental entities will not be obtained or that certain other closing conditions will not be satisfied. If the CTWS Acquisition is not completed, or is completed on different terms than as contemplated by the Merger Agreement, our ongoing businesses and financial results may be adversely affected and we will be subject to several risks, including the following:

- having to pay certain significant costs relating to the CTWS Acquisition without receiving the benefits of the CTWS Acquisition, including, in certain circumstances, payment of a termination fee and an expense reimbursement;

the potential loss of key personnel during the pendency of the CTWS Acquisition as employees may experience uncertainty about their future roles with the combined company;

reputational harm due to the adverse public perception of any failure to successfully complete the CTWS Acquisition;

having been subject to certain restrictions on the conduct of our businesses, in the case of SJW, which may have prevented us from soliciting or making certain dispositions while the CTWS Acquisition was pending; and

our management having focused on the CTWS Acquisition instead of on conducting its day-to-day business and operational matters and pursuing other opportunities that could have been beneficial to us.

Any delay in the completion of the CTWS Acquisition, any uncertainty about the completion of the CTWS Acquisition on terms other than those contemplated by the Merger Agreement and any failure to complete the CTWS Acquisition could adversely affect our business, financial results and stock price.

The Merger Agreement with CTWS may be terminated in certain circumstances, which would result in the benefits of the CTWS Acquisition not being realized.

Either we or CTWS may terminate the Merger Agreement under certain circumstances, including, if the CTWS Acquisition has not been consummated by May 5, 2019 (unless such date is extended automatically to August 5, 2019 pursuant to the terms of the Merger Agreement). However, this termination right will not be available to a party if such failure of the CTWS Acquisition to occur on or before such date is the result of a material breach of any representation, warranty, covenant or agreement of the Merger Agreement by such party. If we are not able to complete the CTWS Acquisition by the end date, even if we decide not to terminate the Merger Agreement, we may not be able to prevent CTWS from exercising its right to terminate the Merger Agreement.

In addition, if the Merger Agreement is terminated under certain circumstances, CTWS may be required to pay us a termination fee of $28.1 million. Similarly, if the Merger Agreement is terminated under certain circumstances, we may be required to pay CTWS a termination fee of $42.5 million or, under the circumstances described in Summary CTWS Acquisition, to reimburse CTWS s expenses up to $5 million. A termination of the Merger Agreement prior to consummation will adversely affect our business and stock price, and we will not be able to realize the benefits expected from the CTWS Acquisition.

An adverse judgment in any litigation challenging the CTWS Acquisition may prevent it from becoming effective or from becoming effective within the expected timeframe.

On June 14, 2018, a putative class-action complaint was filed against the members of the CTWS board of directors, SJW and Eric W. Thornburg on behalf of CTWS shareholders in the Connecticut Superior Court in the Judicial District of Middlesex under the caption *Dunn v. Benoit, et al.*, Case No. MMX-CV18-6021536-S (Conn. Super. Ct.). The complaint, as amended on September 18, 2018, alleges that the members of the CTWS board of directors breached their fiduciary duties owed to CTWS shareholders in connection with negotiating the CTWS Acquisition and that CTWS s preliminary proxy statement, filed with the SEC on August 20, 2018, omits certain material information. The complaint further alleges that SJW and Eric W. Thornburg aided and abetted the alleged breaches by the CTWS board of directors. Among other remedies, the action seeks to recover rescissory and other damages and attorneys fees and costs.

Also, on June 14, 2018, a near-identical putative class-action complaint was filed against the members of the CTWS board of directors, SJW and Eric W. Thornburg on behalf of CTWS shareholders in the Connecticut Superior Court in the Judicial District of Middlesex under the caption *Tillotson v. Benoit, et al.,* Case No. MMX-CV18-6021537-S (Conn. Super. Ct.). The complaint, as amended on September 20, 2018, alleges that the members of the CTWS board of directors breached their fiduciary duties owed to CTWS shareholders in connection with negotiating the CTWS Acquisition and that CTWS s preliminary proxy statement, filed with the SEC on August 20, 2018, omits certain material information. The complaint further alleges that SJW and Eric W. Thornburg aided and abetted the alleged breaches by the CTWS board of directors. Among other remedies, the action seeks to recover recissory and other damages and attorneys fees and costs.

Additional complaints have been filed in connection with the CTWS Acquisition but neither SJW nor any of its officers or directors are named as defendants therein. On October 5, 2018, a complaint was filed against

CTWS and the members of the CTWS board of directors on behalf of a putative CTWS stockholder in the United States District Court for the District of Connecticut under the caption *Assad v. Connecticut Water Service, Inc.*, Case No. 3:18-cv-01664 (D. Conn.). The complaint alleges that the preliminary proxy statement issued in connection with the CTWS Acquisition omitted material information in violation of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934. Among other remedies, the action seeks an order (1) enjoining the defendants from consummating or closing on the CTWS Acquisition; (2) rescinding the CTWS Acquisition or awarding rescissory damages; (3) directing the defendants to disseminate a corrective proxy statement; (4) declaring that the defendants have violated Sections 14(a) and/or 20(a) of the 1934 Act, as well as Rule 14a-9 promulgated thereunder; and (5) awarding attorney s fees and costs. Also, on October 5, 2018, a near-identical putative class-action complaint was filed against CTWS and the members of the CTWS board of directors on behalf of CTWS stockholders in the United States District Court for the District of Connecticut under the caption *Paskowitz v. Connecticut Water Service, Inc.*, Case No. 3:18-cv-01663 (D. Conn.). The complaint alleges that the preliminary proxy statement issued in connection with the CTWS Acquisition omitted material information in violation of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934. Among other remedies, the action seeks an order (1) enjoining the defendants from consummating or closing on the CTWS Acquisition; (2) rescinding the CTWS Acquisition or awarding rescissory damages; (3) directing the defendants to disseminate a corrective proxy statement; (4) declaring that the defendants have violated Sections 14(a) and/or 20(a) of the 1934 Act, as well as Rule 14a-9 promulgated thereunder; and (5) awarding attorney s fees and costs.

While we believe that the lawsuits are without merit and that the disclosures in the preliminary proxy statement comply fully with applicable law, in order to avoid the expense and distraction of litigation, the parties to each of the above-referenced actions entered into agreements in principle to settle and release all claims that were or could have been alleged by the plaintiffs in all of those actions. The settlements provide for the dismissal of the actions subject to, among other things, the supplementation of the preliminary proxy statement with certain supplemental disclosures.

On November 20, 2018, the plaintiffs filed a brief in support of an opening mootness fee demand of $1.5 million for alleged benefits the plaintiffs believe their lawsuit created for CTWS. CTWS intends to vigorously oppose this demand.

It is possible that SJW stockholders or CTWS shareholders may file additional lawsuits challenging the CTWS Acquisition or the other transactions contemplated by the Merger Agreement, which may name SJW, the SJW board of directors, CTWS and/or the CTWS board of directors as defendants. The outcome of such lawsuits cannot be assured, including the amount of costs associated with defending these claims or any other liabilities that may be incurred in connection with the litigation of these claims. Whether or not any plaintiff s claim is successful, this type of litigation may result in significant costs and divert management s attention and resources, which could adversely affect the operation of SJW s and CTWS s business.

One of the conditions to the closing of the CTWS Acquisition is the absence of any law or order, decree or judgment by a court, arbitrator or other governmental entity that prevents, makes illegal or prohibits the consummation of the CTWS Acquisition or the other transactions contemplated by the Merger Agreement. Consequently, if SJW stockholders or CTWS shareholders file additional lawsuits challenging the CTWS Acquisition or the other transactions contemplated by the Merger Agreement, and a settlement or other resolution is not reached in such lawsuits and the plaintiffs secure injunctive or other relief prohibiting, delaying or otherwise adversely affecting the parties ability to complete the CTWS Acquisition, then such injunctive or other relief may prevent the CTWS Acquisition from becoming effective within the expected time frame or at all.

Uncertainties associated with the CTWS Acquisition may cause a loss of management personnel and other key employees which could adversely affect the future business and operations of the combined company.

SJW and CTWS are dependent on the experience and industry knowledge of their respective officers and other key employees to execute their business plans. The combined company s success after the CTWS

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Acquisition will depend in part upon the ability of SJW and CTWS to retain key management personnel and other key employees. Current and prospective employees of SJW and CTWS may experience uncertainty about their roles within the combined company following the CTWS Acquisition, which may have an adverse effect on the ability of each of SJW and CTWS to attract or retain key management and other key personnel. Accordingly, no assurance can be given that the combined company will be able to attract or retain key management personnel and other key employees of SJW and CTWS to the same extent that SJW and CTWS have previously been able to attract or retain their own employees. A failure by SJW, CTWS or, following the completion of the CTWS Acquisition, the combined company to attract, retain and motivate executives and other key employees during the period prior to or after the completion of the CTWS Acquisition could have a negative impact on their respective businesses.

Completion of the CTWS Acquisition may trigger change in control or other provisions in certain agreements to which CTWS is a party, which may have an adverse impact on the combined company s business and results of operations.

The completion of the CTWS Acquisition may trigger change in control and other provisions in certain agreements to which CTWS is a party. If we and CTWS are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements, potentially terminating the agreements or seeking monetary damages. Even if we and CTWS are able to negotiate waivers, the counterparties may require a fee for such waivers or seek to renegotiate the agreements on terms less favorable to CTWS or the combined company. Any of the foregoing or similar developments may have an adverse impact on the combined company s business and results of operations.

We may not have discovered undisclosed liabilities of CTWS during our due diligence process.

In the course of the due diligence review of CTWS that we conducted prior to the execution of the Merger Agreement, we may not have discovered, or may have been unable to quantify, undisclosed liabilities of CTWS and its subsidiaries, and our stockholders may not be indemnified for any of these liabilities. Examples of such undisclosed liabilities may include, but are not limited to, pending or threatened litigation or regulatory matters. Any such undisclosed liabilities could have an adverse effect on our business, results of operations, financial condition and cash flows and on the value of our common stock following the completion of the CTWS Acquisition.

Risks Relating to the Combined Company After Completion of the CTWS Acquisition

The combined company may be unable to integrate successfully the businesses of SJW and CTWS and realize the anticipated benefits of the CTWS Acquisition on the anticipated timeframe or at all.

The CTWS Acquisition involves the combination of two companies that currently operate as independent public companies. The success of the CTWS Acquisition will depend, in large part, on the ability of the combined company to realize the anticipated benefits from combining the businesses of SJW and CTWS. To realize these anticipated benefits, the businesses of SJW and CTWS must be successfully integrated. This integration will be complex and time consuming. The failure to integrate successfully and to manage successfully the challenges presented by the integration process may result in the combined company not fully achieving the anticipated benefits of the CTWS Acquisition. Potential difficulties the combined company may encounter as part of the integration process include the following:

- the inability to successfully combine the businesses of SJW and CTWS in a manner that permits the combined company to achieve the full benefits expected from the elimination of duplicative public company and other related costs as a result of the CTWS Acquisition;

coordinating geographically separated organizations, systems and facilities;

addressing possible differences in business backgrounds, corporate cultures and management philosophies;

maintaining employee morale and retaining key management and other employees;

integrating the workforces of the two companies while maintaining focus on providing consistent, high quality customer service;

potential unknown liabilities and unforeseen increased or new expenses, delays or regulatory conditions associated with the CTWS Acquisition;

diversion of the attention of each company s management;

failure to perform by third-party service providers who provide key services for the combined company; and

the disruption of, or the loss of momentum in, each company s ongoing businesses or inconsistencies in operations, services, standards, controls, procedures and policies, any of which could adversely affect each company s ability to maintain relationships with customers, vendors, employees and other constituencies or SJW s and CTWS s ability to achieve the anticipated benefits of the CTWS Acquisition, or which could reduce each company s earnings or otherwise adversely affect the business and financial results of the combined company.

The integration of CTWS with our business may also result in unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. These integration matters could have an adverse effect on each of SJW and CTWS during this transition period and on the combined company for an undetermined period after completion of the CTWS Acquisition. In addition, any actual cost savings of the CTWS Acquisition could be less than anticipated.

Many of the factors described above will be outside of the combined company s control, and any one of them could result in delays, increased costs, decreases in the amount of expected revenues and diversion of management s time and energy, which could materially affect the combined company s business, financial condition, results of operations and prospects.

The future results of the combined company will suffer if the combined company does not effectively manage its expanded operations following the CTWS Acquisition.

Following the CTWS Acquisition, the size of the business of the combined company will increase significantly beyond the current size of either our or CTWS s business. The combined company s future success depends, in part, upon its ability to manage this expanded business, which will pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, revenue enhancements and other benefits currently anticipated from the CTWS Acquisition.

The combined company is expected to incur substantial expenses related to the CTWS Acquisition and the integration of SJW and CTWS.

The combined company is expected to incur substantial expenses in connection with the CTWS Acquisition and the integration of SJW and CTWS. There are a large number of processes, policies, procedures, operations, technologies and systems at each company that must be integrated, including accounting and finance, payroll, revenue management, commercial operations, risk management and employee benefits. While we and CTWS have assumed that a certain level of expenses would be incurred, there are many factors beyond our control that could affect the total amount or the timing of the integration expenses. Moreover, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. These expenses could, particularly in the near term, exceed the benefits that the combined company expects to achieve from the elimination of duplicative public company and other related costs expected from the transaction. These integration expenses likely will

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result in the combined company taking significant charges against earnings following the completion of the CTWS Acquisition, and the amount and timing of such charges are uncertain at present. Substantial expenses related to the transaction, including fees payable to the companies advisors, will also be borne by us and CTWS even if the CTWS Acquisition is not completed.

The unaudited pro forma condensed combined financial information included in and incorporated by reference into this prospectus supplement is not intended to be representative of the combined company s results after the CTWS Acquisition.

The unaudited pro forma condensed combined financial information included in and incorporated by reference into this prospectus supplement is presented solely for informational purposes and is not intended to be indicative of the financial position or results of operations that actually would have occurred had the CTWS Acquisition been completed as of the dates indicated, nor is it indicative of the future operating results or financial position of the combined company following the CTWS Acquisition. This unaudited pro forma condensed combined financial information reflects adjustments that were developed using preliminary estimates based on available information and various assumptions and may be revised as additional information becomes available. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments included in and incorporated by reference into this prospectus supplement.

The CTWS Acquisition will result in changes to the board of directors that may affect the strategy and operations of the combined company.

In connection with the consummation of the CTWS Acquisition, the board of directors of the combined company will be expanded by two seats with the two new vacancies to be filled by two current CTWS directors to be selected by SJW. This new composition of the board of directors may affect the combined company s business strategy and operating decisions following the completion of the CTWS Acquisition.

The CTWS Acquisition will combine two companies that are currently affected by developments in the water utility industry, including changes in regulation. A failure to adapt to the changing regulatory environment after the CTWS Acquisition could adversely affect the stability of the combined company s earnings.

Because SJW, CTWS and their respective subsidiaries are regulated in the U.S. at the federal level and, in the case of SJW, in California and Texas, and, in the case of CTWS, Connecticut and Maine, the two companies have been and will continue to be affected by legislative and regulatory developments. After the CTWS Acquisition, the combined company and/or its subsidiaries will be subject in the U.S. to federal regulation as well as to extensive state regulation in the states in which the combined company will operate. The costs and burdens associated with complying with these regulatory jurisdictions may have an adverse effect on the combined company. Moreover, potential legislative changes, regulatory changes or otherwise may create greater risks to the stability of the combined company s earnings generally.

The combined company s dividend policy is subject to the discretion of its board of directors and may be limited by the combined company s credit agreements and limitations under Delaware law.

Although it is currently anticipated that the combined company will pay a regular quarterly dividend following the completion of the CTWS Acquisition, any such determination to pay dividends will be at the discretion of the board of directors of the combined company and will be dependent on then-existing conditions, including the company s financial condition, earnings, legal requirements, including limitations under Delaware law, restrictions in the combined company s credit agreements that limit its ability to pay dividends to stockholders and other factors the board of directors of the combined company deems relevant. The board of directors of the combined company may, in its sole discretion, change the amount or frequency of dividends or discontinue the payment of dividends entirely. For these reasons, you will not be able to rely on dividends to

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receive a return on your investment. Accordingly, realization of a gain on your shares of the combined company common stock received in the CTWS Acquisition may depend on the appreciation of the price of the combined company common stock, which may never occur.

The financing arrangements that we will enter into in connection with the CTWS Acquisition may, under certain circumstances, contain restrictions and limitations that could significantly impact the combined company s ability to operate its business.

We intend to incur additional indebtedness in connection with the CTWS Acquisition. We expect that the agreements governing the indebtedness incurred in connection with the CTWS Acquisition may contain covenants that could impose significant operating and financial limitations and restrictions on us, including restrictions on our ability to enter into particular transactions and to engage in other actions that we may believe are advisable or necessary for our business.

Various risks, uncertainties and events beyond the combined company s control could affect its ability to comply with the covenants contained in its debt agreements. Failure to comply with any of the covenants in its existing or future financing agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity of indebtedness under these agreements and to foreclose upon any collateral securing such indebtedness. Under these circumstances, the combined company might not have sufficient funds or other resources to satisfy all of its obligations. In addition, the limitations imposed by financing agreements on the combined company s ability to incur additional indebtedness and to take other actions might significantly impair its ability to obtain other financing.

Risks Related to Ownership of Our Common Stock

The CTWS Acquisition may not be accretive and may cause dilution to the combined company s earnings per share, which may negatively affect the market price of the combined company s common stock.

Even if the CTWS Acquisition is completed, there can be no assurance that it will result in accretion on an earnings per share basis to shareholders of the combined company. The combined company could also encounter additional transaction and integration-related costs or other factors, such as the failure to realize all of the benefits anticipated in the CTWS Acquisition. All of these factors could cause dilution to the combined company s adjusted earnings per share or decrease or delay any expected accretive effect of the CTWS Acquisition and cause a decrease in the market value of the combined company s common stock.

The market price of shares of our common stock may be affected by factors different from those that historically have affected our shares due to the CTWS Acquisition.

Our businesses differ from those of CTWS in certain respects, and, accordingly, the financial position, results of operations or cash flows of the combined company after the CTWS Acquisition, as well as the market price of shares of our common stock, may be affected by factors different from those currently affecting our financial position or results of operations and/or cash flows due to the CTWS Acquisition. Following the completion of the CTWS Acquisition, CTWS will be part of a larger company with other lines of business and a broader geographic footprint, so decisions affecting CTWS may be made in respect of the larger combined business as a whole rather than the CTWS businesses individually.

The market price of shares of our common stock may decline in the future as a result of the sale of shares of our common stock.

Our stockholders may seek to sell shares of our common stock held by them following, or in anticipation of, completion of the CTWS Acquisition. These sales (or the perception that these sales may occur), coupled with

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the increase in the outstanding number of shares of our common stock, may affect the market for, and the market price of, our common stock in an adverse manner. A decline in the market price of our common stock could impair our ability to raise additional capital through the sale of our equity securities.

In addition, in the future we may issue additional securities to raise capital or in connection with acquisitions. We may also acquire interests in other companies by using a combination of cash and our common stock or just our common stock. Further, shares of preferred stock may be issued from time to time in one or more series as our board of directors may from time to time determine each such series to be distinctively designated. The issuance of any such preferred stock could materially adversely affect the rights of holders of our common stock. Any of these events may dilute your ownership interest in our company and have an adverse impact on the price of our common stock.

Our stock price has fluctuated in the past and may fluctuate in the future.

The trading price of our common stock has fluctuated in the past. The trading price of our common stock could fluctuate significantly in the future and could be negatively affected in response to various factors, including:

- market conditions in the broader stock market in general;
- our ability to make investments with attractive risk-adjusted returns;
- market perception of our current and projected financial condition, potential growth, future earnings and future cash dividends;
- announcements we make regarding dividends;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- additional offerings of our common stock or equity-linked securities;
- actions by rating agencies;
- short sales of our common stock;
- any decision to pursue a distribution or disposition of a meaningful portion of our assets;
- issuance of new or changed securities analysts reports or recommendations;

- market perception or media coverage of us, other similar companies or the outlook of the markets and industries in which we compete;

- major reductions in trading volumes on the exchanges on which we operate;

- legislative or regulatory developments, including changes in the status of our regulatory approvals or licenses; and

- litigation and governmental investigations.

These and other factors may cause the market price and demand for our common stock to fluctuate substantially, which may negatively affect the price or liquidity of our common stock.

In addition, the market price of our common stock may fluctuate significantly following consummation of the CTWS Acquisition if, among other things, the combined company is unable to achieve the expected benefits of the CTWS Acquisition, the transaction costs relating to the CTWS Acquisition are greater than expected or the Debt Financing is on unfavorable terms.

The market price also may decline if the combined company does not achieve the perceived benefits of the CTWS Acquisition as rapidly or to the extent anticipated by financial or industry analysts or if the effect of the

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CTWS Acquisition on the combined company s financial position, results of operations or cash flows is not consistent with the expectations of financial or industry analysts. In addition, our business differs from that of CTWS, and accordingly, the results of operations of the combined company and the market price of our common stock after the completion of the CTWS Acquisition may be affected by factors different from those currently affecting the independent results of operations of each of our and CTWS s business.

When the market price of a stock has been volatile or has decreased significantly in the past, holders of that stock have, at times, instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending, settling or paying any resulting judgments related to the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business and hurt our share price.

Our shares of common stock will rank junior to all of our consolidated liabilities.

In the event of a bankruptcy, liquidation, dissolution or winding up, our assets will be available to pay obligations on the common stock only after all of our consolidated liabilities have been paid. In the event of a bankruptcy, liquidation, dissolution or winding up, there may not be sufficient assets remaining, after paying our and our subsidiaries liabilities, to pay any amounts with respect to the common stock then outstanding. We have a significant amount of debt, which amounted to $431.3 million as of September 30, 2018, with a $76.0 million line of credit. We expect to incur additional debt to fund the CTWS Acquisition. See Risks Related to the CTWS Acquisition We will take on substantial additional indebtedness to finance the CTWS Acquisition, which will decrease our business flexibility and increase our borrowing costs. We may also take on additional long-term debt and working capital fines of credit to meet future financing needs, subject to certain restrictions under the terms of our existing debt.

We have and the combined company will have a significant amount of goodwill and other intangible assets on our balance sheet. If our goodwill or other intangible assets become impaired, we may be required to record a non-cash charge to earnings and reduce our stockholders equity.

Under GAAP, goodwill and other intangible assets are reviewed for impairment on an annual basis or more frequently whenever events or circumstances indicate that their carrying value may not be recoverable. We monitor relevant circumstances, including expected synergies from combining operations of an acquiree and an acquirer as well as from intangible assets that do not qualify for separate recognition, our overall financial performance and the market prices for our common stock and the potential impact that changes in such circumstances might have on the valuation of our goodwill or other intangible assets. If our goodwill or other intangible assets are determined to be impaired in the future, we may be required to record a non-cash charge to earnings during the period in which the impairment is determined, which would reduce our retained earnings.

Our charter documents and Delaware law could prevent a takeover that stockholders consider favorable and could also make it more difficult for stockholders to influence our policies or may reduce the rights of stockholders.

In November 2016, we changed our state of incorporation from California to Delaware. Our certificate of incorporation and bylaws contain provisions that could delay or prevent a change in control of SJW. These provisions could also make it more difficult for our stockholders to elect directors and take other corporate actions. These provisions include but are not limited to the following:

- authorizing our board of directors to issue blank check preferred stock;

prohibiting cumulative voting in the election of directors;

limiting the ability of stockholders to call a special meeting of stockholders to only stockholders holding not less than 20% of outstanding voting power; and

requiring advance notification of stockholder nominations and proposals.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of management. In addition, the provisions of Section 203 of the Delaware General Corporate Law, or DGCL, govern SJW. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time without the consent of our board of directors.

Furthermore, our certificate of incorporation provides that a state or federal court located within Delaware is the sole and exclusive forum (unless the company consents in writing to the selection of an alternate forum) for (i) any derivative action or proceeding brought on behalf of SJW, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of SJW to the company or its stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, or (iv) any action asserting a claim governed by the internal affairs doctrine. Such exclusive forum provision may limit a stockholder s ability to bring a claim in a judicial forum that it finds favorable for disputes with SJW or its directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees.

Risks Related to Our Business

Our business is regulated and may be adversely affected by changes to the regulatory environment.

Our Water Utility Services are regulated public utilities. The operating revenue of San Jose Water Company and CLWSC is generated primarily from the sale of water at rates authorized by the CPUC and the Public Utilities Commission of Texas, or PUCT, respectively. The CPUC and PUCT set rates that are intended to provide revenues sufficient to recover normal operating expenses, provide funds for replacement of water infrastructure and produce a fair and reasonable return on stockholder common equity. Consequently, our revenue and operating results depend upon the rates which the CPUC and PUCT authorize.

In our applications for rate approvals, we rely upon estimates and forecasts to propose rates for approval by the CPUC or PUCT. No assurance can be given that our estimates and forecasts will be accurate or that the CPUC or PUCT will agree with our estimates and forecasts and approve our proposed rates. To the extent our authorized rates may be too low, revenues may be insufficient to cover Water Utility Services operating expenses, capital requirements and our historical dividend rate. In addition, delays in approving rate increases may negatively affect our operating results and our operating cash flows.

If the CTWS Acquisition is consummated, we will also be subject to rate approval by PURA in Connecticut and the MPUC in Maine. CTWS s four regulated water companies, Connecticut Water, HVWC, Avon Water and Maine Water, are entitled to file rate increase requests, from time to time, to recover their investments in utility plant and expenses. Once a rate increase petition is filed with the respective agency, the ensuing administrative and hearing process may be lengthy and costly. There can be no assurance that any future rate increase requests will be approved by each agency; and, if approved, any such rate increase requests may not be granted in a timely or sufficient manner to cover the investments and expenses for which the applicable company initially sought the rate increase. Additionally, a regulatory agency may rule that a company must reduce its rates.

In addition, policies and regulations promulgated by the regulators govern the recovery of capital expenditures, the treatment of gains from the sale of real utility property, the offset of production and operating costs, the recovery of the cost of debt, the optimal equity structure, and the financial and operational flexibility to engage in non-tariffed operations. If the regulators implement policies and regulations that will not allow San Jose Water Company and CLWSC to accomplish some or all of the items listed above, Water Utility Services future operating results may be adversely affected. Further, from time to time, the commissioners at the CPUC and the PUCT may change. Such changes could lead to changes in policies and regulations and there can be no assurance that the resulting changes in policies and regulation, if any, will not adversely affect our operating results or financial condition.

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On December 22, 2017, the Tax Cuts and Jobs Act (H.R. 1), or the Tax Act, was signed into law. The Tax Act includes significant reform of the current income tax code including lowering the corporate tax rate from 35% to 21%.

The SEC issued guidance in Staff Accounting Bulletin 118, or SAB 118, which provides for up to a one year period in which to complete the required analysis and income tax accounting for the Tax Act. SAB 118 describes three scenarios associated with a company s status of accounting for income tax reform (1) a company is complete with its accounting for certain effects of tax reform, (2) a company is able to determine a reasonable estimate for certain effects of tax reform and records that estimate as a provisional amount, or (3) a company is not able to determine a reasonable estimate and therefore continues to apply the provisions of the tax laws that were in effect immediately prior to the Tax Act being effective.

In accordance with GAAP, we have recorded the revaluation of deferred taxes and related impacts using the new corporate tax rate in our December 31, 2017 consolidated financial statements. The amounts recorded are based on information known and reasonable estimates used as of December 31, 2017, but are subject to change based on a number of factors, including further actions of regulators, SJW filing its tax returns for the year ended December 31, 2017, and completion of our interim and annual consolidated financial statements for the year ending December 31, 2018.

Furthermore, the CPUC has directed us to establish a memorandum account to capture all the impacts of the Tax Act, including the benefit of the reduction in the federal statutory income tax rate on regulated revenue requirement. The CPUC has also indicated that the net benefit of Tax Act should be passed on to the ratepayers. San Jose Water Company has established a memorandum account to capture the tax benefit and expenses related to the Tax Act. The memorandum account is subject to review and approval by the CPUC. The PUCT has directed water utilities, including CLWSC, to report the difference between revenues collected under existing rates and revenues that would have been collected had existing rates been set using the new federal statutory income tax rate. The PUCT has indicated they may require regulated entities to file a new rate case if it is determined that they are earning more than their authorized revenue requirement.

If the CPUC disagrees with our calculation of the memorandum account or the CPUC or PUCT disagrees with our implementation of the rules and regulation under the Tax Act, we may be required to make adjustments that could adversely affect our results of operations.

With respect to CTWS, both PURA and the MPUC have opened formal proceedings related to the Tax Act in which Maine Water, Avon Water and HVWC are participating. At this time, we cannot predict the impacts of any related interpretations, if and when issued, on CTWS, or the regulatory treatment of the Tax Act in each of CTWS s regulatory jurisdictions.

Recovery of regulatory assets is subject to adjustment by the regulatory agency and could impact the operating results of Water Utility Services.

GAAP for water utilities includes the recognition of regulatory assets and liabilities as permitted by FASB ASC Topic 980 Regulated Operations. In accordance with ASC Topic 980, Water Utility Services record deferred costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that these costs and credits will be recovered in the ratemaking process in a period different from when the costs and credits were incurred. If the assessment of the probability of recovery in the ratemaking process is incorrect and the applicable ratemaking body determines that a deferred cost is not recoverable through future rate increases, the regulatory assets or liabilities would need to be adjusted, which could have an adverse effect on our results of operations and financial condition. In addition, as a result of the enactment of the Tax Act, Water Utility Services are required to re-evaluate and re-assess their deferred tax assets and liabilities in future periods. Such re-evaluation may reduce our ability to realize deferred tax balances, which may adversely affect our cash flow or increase our tax liabilities.

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Changes in water supply, water supply access or costs or the mix of water supply could adversely affect the operating results and business of Water Utility Services.

San Jose Water Company s supply of water primarily relies upon three main sources: water purchased from the Santa Clara Valley Water District, or SCVWD, surface water from its Santa Cruz Mountains watershed and pumped underground water. Changes and variations in quantities from each of these three sources affect the overall mix of the water supply, thereby affecting the cost of the water supply. Surface water is the least costly source of water. If there is an adverse change to the mix of water supply and San Jose Water Company is not allowed by the CPUC to recover the additional or increased water supply costs, its operating results may be adversely affected.

SCVWD receives an allotment of water from state and federal water projects. If San Jose Water Company has difficulties obtaining a high quality water supply from SCVWD due to availability, environmental, legal or other restrictions, it may not be able to fully satisfy customer demand in its service area and its operating results and business may be adversely affected. Additionally, the availability of water from San Jose Water Company s Santa Cruz Mountains watershed depends on the weather and fluctuates with each season. In a normal year, surface water supply provides 6% to 8% of the total water supply of the system. In a season with little rainfall, such as the record drought conditions in 2015 and most of 2016, water supply from surface water sources may be low, thereby causing San Jose Water Company to increase the amount of water purchased from outside sources at a higher cost than surface water, thus increasing water production expenses. When drought conditions occur, we may be required to rely more heavily on purchased water than surface water, which would increase our costs and adversely affect our results of operations.

In addition, San Jose Water Company s ability to use surface water is subject to regulations regarding water quality and volume limitations. If new regulations are imposed or existing regulations are changed or given new interpretations, the availability of surface water may be materially reduced. A reduction in surface water could result in the need to procure more costly water from other sources, thereby increasing overall water production expenses and adversely affecting our operating results.

Because the extraction of water from the groundwater basin and the operation of the water distribution system require a significant amount of energy, increases in energy prices could increase operating expenses of San Jose Water Company. The cost of energy is beyond our control and can change unpredictably and substantially based on load supply and demand. Therefore, San Jose Water Company cannot be certain that it will be able to contain energy costs into the future.

San Jose Water Company continues to utilize Pacific Gas & Electric s time of use rate schedules to minimize its overall energy costs primarily for groundwater pumping. Optimization and energy management efficiency is achieved through the implementation of software applications that control pumps based on demand and cost of energy. An increase in demand or a reduction in the availability of surface water or import water could result in the need to pump more water during peak hours, which may adversely affect the operating results of San Jose Water Company.

San Jose Water Company has been granted permission by the CPUC to employ certain balancing accounts to track various water supply expenses and revenues. There is no assurance that the CPUC will allow recovery or refund of these balances when submitted by San Jose Water Company.

CLWSC s primary water supply is 6,900 acre-feet of water which is pumped from Canyon Lake at three lake intakes or delivered as treated water from the Guadalupe-Blanco River Authority s, or GBRA s, Western Canyon Pipeline, in accordance with the terms of its contracts with the GBRA, which are long-term take-or-pay contracts. This supply is supplemented by groundwater pumped from wells. While the contract provides a committed long-term water supply for future demand, CLWSC customers currently do not use the volume of water allowed under the contracts which increases the cost of water for existing customers, and there is no assurance that future demands up to the committed supply volume will occur. However, Texas faces long-term water supply constraints similar to California as described above and, while current water supply exceeds demand, CLWSC may not be able to obtain adequate water supply to meet customer demand or may be required to procure more costly water from other sources.

Climate change may also impact water supply. For example, rising sea levels may impact the availability of groundwater available to San Jose Water Company. Increased frequency and severity of drought conditions may impact the availability of water to all Water Utility Services.

In addition, if the CTWS Acquisition is consummated, we will be subject to regulations concerning the flow of water in Connecticut s rivers and streams, as well as the State of Maine s regulations that govern the flow of water in rivers and streams and also govern lake levels on great ponds. See New or more stringent regulations could increase our operating costs and affect our business.

Maine Water relies on legislatively granted water rights in order to serve customers. In some instances, these rights were granted to predecessor water companies specially chartered by the Maine Legislature many decades ago, with those entities later having been merged into Maine Water. The legislation incorporating these predecessor water companies did not address whether chartered rights may be transferred to another entity without special legislative action. The Maine Business Corporation Act generally provides that property and contract rights of a merged corporation are vested in the survivor corporation without reversion or impairment. In the MPUC proceedings that approved the mergers of these Maine Water predecessor companies, the survivorship of water rights was not contested, and Maine Water has not sought specific legislation to reaffirm the transfer of chartered rights granted to predecessor water companies.

Fluctuations in customer demand for water due to seasonality, restrictions of use, weather and lifestyle can adversely affect operating results.

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

Conservation efforts and construction codes, which require the use of low-flow plumbing fixtures, could diminish water consumption and result in reduced revenue. In addition, in time of drought, water conservation may become a regulatory requirement that impacts the water usage of our customers. For example, in response to the severe drought in California in 2015 and 2016, the SCVWD extended their call for 30% conservation and restrictions on outdoor watering of ornamental landscapes two days a week through June 30, 2016. While the drought condition improved in late 2016 and 2017, the SCVWD reduced its conservation target from 30% to 20% and also increased the number of outdoor watering days from two to three effective July 1, 2016 through January 31, 2017. On January 24, 2017, the SCVWD maintained their call for 20% conservation and restrictions on outdoor watering for ornamental landscapes to no more than three days a week, effective February 1, 2017. On June 13, 2017, the SCVWD adopted Resolution 17-43 to encourage making water conservation a way of life in California through recommendations on watering schedules and a call for customers to achieve a 20% reduction in water use as compared to 2013.

The implementation of mandatory conservation measures has resulted and is expected to result in lower water usage by our customers which may adversely affect our results of operation. If the current conservation measures continue, or if new measures are imposed in response to drought conditions in the future, we may experience fluctuations in the timing of or a reduction in customer revenue. Furthermore, while the CPUC approved Water Conservation Memorandum Accounts, or WCMA, which would allow us to recover revenue reductions due to water conservation activities and certain conservation related costs, such memorandum accounts are subject to a review and approval process by the CPUC, which can be lengthy, and there is no assurance that we will be able to recover in a timely manner all or some of the revenue and costs recorded in the memorandum accounts. If drought conditions ease and the State Water Resources Control Board and the SCVWD no longer mandate water conservation, the Company may no longer be allowed to recover revenue lost due to continued conservation activities under the WCMA account and would therefore be exposed to differences between actual and authorized usage. This could result in lower revenues.

CTWS has also been impacted by increased water conservation, as well as the use of more efficient household fixtures and appliances among residential users. There has been a trend of declining per customer residential water usage in Connecticut and Maine over the last several years. CTWS s regulated business in Maine and at Avon Water are heavily dependent on revenue generated from rates it charges to its residential customers for the volume of water they use.

The rate CTWS charges for its water is regulated by the MPUC in Maine and PURA in Connecticut, and CTWS may not unilaterally adjust its rates to reflect changes in demand. If the CTWS Acquisition is consummated, declining volume of residential water usage may have a negative impact on our operating revenues in the future if regulators do not reflect any usage declines in the rate setting design process. Although the legislatures in Maine and Connecticut have provided enabling legislation for water utilities to implement revenue adjustment mechanisms to allow for recovery of authorized rates where conservation has occurred and consumption has declined and such a mechanism has been approved by PURA for Connecticut Water and HVWC, this mechanism has yet to be implemented at Avon Water or Maine Water.

A contamination event or other decline in source water quality could affect the water supply of Water Utility Services and therefore adversely affect our business and operating results.

Water Utility Services are required under environmental regulations to comply with water quality requirements. Through water quality compliance programs, Water Utility Services continually monitor for contamination and pollution of its sources of water. In addition, a watershed management program provides a proactive approach to minimize potential contamination activities. There can be no assurance that Water Utility Services will continue to comply with all applicable water quality requirements. In the event a contamination is detected, Water Utility Services must either commence treatment to remove the contaminant or procure water from an alternative source. Either of these results may be costly, may increase future capital expenditures and there can be no assurance that the regulators would approve a rate increase to enable us to recover the costs arising from such remedies. In addition, we could be held liable for consequences arising from hazardous substances in our water supplies or other environmental damages. Our insurance policies may not cover or may not be sufficient to cover the costs of these claims.

If the CTWS Acquisition is consummated, CTWS s wastewater operations, wastewater collection and treatment and septage pumping and sludge hauling also involve various unique risks that could impact our company. If collection or treatment systems operated by HVWC fail or do not operate properly, or if there is a spill, untreated or partially treated wastewater could discharge onto property or into nearby streams and rivers, causing various damages and injuries, including environmental damage. These risks are most acute during periods of substantial rainfall or flooding, which are the main causes of wastewater overflow and system failure. Liabilities resulting from such damages and injuries could harm our business, financial condition, and results of operations.

Water Utility Services are subject to litigation risks concerning water quality and contamination.

Although Water Utility Services have not been and are not parties to any environmental and product-related lawsuits, there is no guarantee that such lawsuits will not occur in the future. If Water Utility Services are subject to an environmental or product-related lawsuit, they might incur significant legal costs and it is uncertain whether they would be able to recover the legal costs from ratepayers or other third parties. Although Water Utility Services have liability insurance coverage for bodily injury and property damage, pollution liability is excluded from this coverage and our excess liability coverage. A pollution liability policy is in place, but is subject to exclusions and limitations. Costs for defense are included within the limit of insurance on the pollution liability policy. In addition, any complaints or lawsuits against us based on water quality and contamination may receive negative publicity that can damage our reputation and adversely affect our business and trading price of our common stock.

Water Utility Services are subject to possible litigation or regulatory enforcement action concerning water discharges to Waters of the United States.

Regulatory actions and fines related to discharges of water to Waters of the United States against other water utilities have increased in frequency in recent years. If Water Utility Services are subject to a litigation or regulatory enforcement action, it might incur significant costs in fines and restoration efforts, and it is uncertain whether Water Utility Services would be able to recover some or all of such costs from ratepayers or other third parties. In addition, any litigation or regulatory action against us regarding a water discharge and/or resulting environmental impact may receive negative publicity that can damage our reputation and adversely affect our business and the trading price of our common stock.

New or more stringent regulations could increase our operating costs and affect our business.

Water Utility Services   operations are subject to water quality and pollution control regulations issued by the EPA and environmental laws and regulations administered by the respective states and local regulatory agencies.

New or more stringent environmental and water quality regulations, including relating to emerging contaminants, could increase Water Utility Services   water quality compliance costs, hamper Water Utility Services   available water supplies, and increase future capital expenditure.

Under the federal Safe Drinking Water Act, Water Utility Services are subject to regulation by the EPA relating to the quality of water they sell and treatment techniques they use to make the water potable. The EPA promulgates nationally applicable standards, including maximum contaminant levels for drinking water. Additional or more stringent requirements may be adopted by each state. There can be no assurance that Water Utility Services will be able to comply with all water quality requirements.

Water Utility Services have implemented monitoring activities and installed specific water treatment improvements in order to comply with existing maximum contaminant levels and plan for compliance with future drinking water regulations. However, the EPA and the respective state agencies have continuing authority to issue additional regulations under the Safe Drinking Water Act. New or more stringent environmental standards could be imposed that will raise Water Utility Services   operating costs, including requirements for increased monitoring, additional treatment of underground water supplies, fluoridation of all supplies, more stringent performance standards for treatment plants and procedures to further reduce levels of disinfection by-products. There are currently limited regulatory mechanisms and procedures available to us for the recovery of such costs, and there can be no assurance that such costs will be fully recovered.

In addition, if the CTWS Acquisition is consummated, we will be subject to regulations concerning the flow of water in Connecticut s rivers and streams, which could adversely affect our business. As promulgated, the regulations may require that certain downstream releases be made from seven of Connecticut Waters   eighteen active reservoirs following the adoption of stream classifications by the Department of Energy and Environmental Protection, or

DEEP. Currently, downstream releases are made at two locations. No groundwater supply wells are affected by the regulations.

DEEP has finalized stream classifications in two areas of the state where Connecticut Water maintains and operates sources of supply. Other areas of the state, including areas where Connecticut Water operates, remain to be classified. Although significantly and favorably modified from prior versions, the regulations still have the potential to lower safe yield, raise capital and operating expenses and adversely affect revenues and earnings. Because they affect only a subset of CTWS s supplies and allow for releases to be scaled back in response to drought events, the overall impact is anticipated to be manageable. Although there can be no assurance PURA would approve rate increases to enable us to recover all such costs, legislation passed in 2013 allows for a surcharge to recover capital improvement costs necessary to achieve compliance with the regulations.

If the CTWS Acquisition is consummated, we will also be subject to the State of Maine s regulations that govern the flow of water in rivers and streams and also govern lake levels on great ponds. Maine regulations govern any activity that alters the flow or level of classified state waters. Maine Water operates five water systems that use surface waters governed by these regulations. For public water systems, Maine regulations allow the Maine Department of Environmental Protection, or MDEP, to impose site specific conditions in locations where Maine s water quality classifications are not being met. Any conditions proposed on a water withdrawal by a public water system must consider the provisions of any legislative charter, the watershed protection benefits provided by the utility and the financial viability of the utility. Further, any conditions imposed must be accommodated by the existing MPUC approved rate schedule for the utility and may not, in and of themselves, cause a utility to request a rate increase from their customers. To date, the MDEP has not imposed any withdrawal conditions on any public water system in Maine.

In particular, Maine Water relies on legislatively granted water rights in order to serve customers. In some instances, these rights were granted to predecessor water companies specially chartered by the Maine Legislature many decades ago, with those entities later having been merged into Maine Water. The legislation incorporating these predecessor water companies did not address whether chartered rights may be transferred to another entity without special legislative action. The Maine Business Corporation Act generally provides that property and contract rights of a merged corporation are vested in the survivor corporation without reversion or impairment. In the MPUC proceedings that approved the mergers of these Maine Water predecessor companies, the survivorship of water rights was not contested, and Maine Water has not sought specific legislation to reaffirm the transfer of chartered rights granted to predecessor water companies.

Water Utility Services rely on information technology and systems that are key to business operations. A system malfunction, security breach, cyber attacks or other disruptions could compromise our information and expose us to liability, which could adversely affect business operations.

Information technology is key to the operation of Water Utility Services, including but not limited to payroll, general ledger activities, outsourced bill preparation and remittance processing, providing customer service and the use of Supervisory Control and Data Acquisition systems to operate our distribution system. Among other things, system malfunctions, computer viruses and security breaches could prevent us from operating or monitoring our facilities, billing and collecting cash accurately and timely analysis of financial results. In addition, we collect, process, and store sensitive data from our customers and employees, including personally identifiable information, on our networks. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed without our authorization, publicly disclosed, lost or stolen which could result in legal claims or proceedings, violation of privacy laws or damage to our reputation and customer relationships. Our profitability and cash flow could be affected negatively in the event these systems do not operate effectively or are breached. In addition, we may not be able to develop or acquire information technology that is competitive and responsive to the needs of our business, and we may lack sufficient resources to make the necessary upgrades or replacements of our outdated existing technology to allow us to continue to operate at our current level of efficiency.

The water utility business requires significant capital expenditures that are dependent on our ability to secure appropriate funding. If we are unable to generate sufficient operating cash flows and obtain sufficient capital or if the rates at which we borrow increase, there would be a negative impact on our results of operations.

The water utility business is capital-intensive. Expenditure levels for renewal and modernization of the system will grow at an increasing rate as components reach the end of their useful lives. We fund capital expenditures through a variety of sources, including cash received from operations, funds received from developers as contributions or advances, borrowings through the lines of credit, and equity or debt financing. We cannot provide any assurance that the historical sources of funds for capital expenditures will continue to be adequate or that the cost of funds will remain at levels permitting us to earn a reasonable rate of return. A significant change in any of the funding sources could impair the ability of Water Utility Services to fund their capital expenditures, which could impact our ability to grow our utility asset base and earnings. Any increase in the cost of capital through higher interest rates or otherwise could adversely affect our results of operations.

Our ability to raise capital through equity or debt may be affected by the economy and condition of the debt and equity markets. Disruptions in the capital and credit markets or deteriorations in the strength of financial institutions could adversely affect our ability to draw on its line of credit, issue long-term debt or sell its equity. In addition, government policies, the state of the credit markets and other factors could result in increased interest rates, which would increase our cost of capital. Furthermore, equity financings, such as this offering, may result in dilution to our existing stockholders, and debt financings may contain covenants that restrict the actions of SJW and its subsidiaries. Our senior note borrowings include certain affirmative covenants regarding a maximum debt to equity ratio and an interest coverage requirement. In the event we exceed the maximum debt to equity ratio or interest coverage requirement, we may be restricted from issuing future debt. In addition, the pollution control revenue bonds issued on our behalf contain affirmative and negative covenants customary for a loan agreement relating to revenue bonds, including, among other things, certain disclosure obligations, the tax exempt status of the interest on the bonds and limitations and prohibitions on the transfer of projects funded by the loan proceeds and assignment of the loan agreement. In the event we violate any of these covenants, an event of default may occur and all amounts due under such bonds may be called by the trustee, which would have an adverse effect on our business operations and financial conditions.

We operate in areas subject to natural disasters or that may be the target of terrorist activities.

We operate in areas that are prone to earthquakes, fires and other natural disasters. A significant seismic event in northern California, where the majority of our operations are concentrated, or other natural disaster in northern California or Texas or, if the CTWS Acquisition is consummated, Connecticut or Maine, could adversely impact our ability to deliver water to our customers and our costs of operations. A major disaster could damage or destroy substantial capital assets. Our California and Texas based regulators have historically allowed utilities to establish catastrophic event memorandum accounts as a possible mechanism to recover costs. However, we can give no assurance that our regulators, or any other commission would allow any such cost recovery mechanism in the future.

In light of the potential threats to the nation s health and security due to terrorist attacks, we have taken steps to increase security measures at our facilities and heighten employee awareness of threats to our water supply. We have also tightened our security measures regarding the delivery and handling of certain chemicals used in our business. We have and will continue to bear increased costs for security precautions to protect our facilities, operations and supplies. These costs may be significant.

While some of these costs are likely to be recovered in the form of higher rates, there can be no assurance that our regulators will approve rate increases to recover all or part of such costs and, as a result, the Company s operating results and business may be adversely affected. Further, despite these tightened security measures, we may not be in a position to control the outcome of terrorist events should they occur.

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A failure of our reservoirs, storage tanks, mains or distribution networks could result in losses and damages that may adversely affect our financial condition and reputation.

We distribute water through an extensive network of mains and store water in reservoirs and storage tanks located across our service areas. A substantial portion of Water Utility Services distribution system was constructed during the period from 1945 to 1980. A failure of major mains, reservoirs, or tanks could result in injuries and damage to residential and/or commercial property for which we may be responsible, in whole or in part. The failure of major mains, reservoirs or tanks may also result in the need to shut down some facilities or parts of our water distribution network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water delivery requirements prescribed by governmental regulators, which could adversely affect our financial condition, results of operations, cash flow, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance in the future at acceptable rates. If the CTWS Acquisition is consummated, we will also own and operate numerous dams throughout Connecticut and Maine, and such dams would be subject to similar risks.

In addition, CTWS operates a number of water and wastewater systems under Operation and Maintenance contracts that we may assume if the CTWS Acquisition is consummated. Pursuant to these contracts, such systems are operated according to the standards set forth in the applicable contract, and it is generally the responsibility of the owner of the system to undertake capital improvements. If the CTWS Acquisition is consummated and we assume the Operation and Maintenance contracts, in some cases, we may not be able to convince the owner to make needed improvements in order to maintain compliance with applicable regulations. Although violations and fines incurred by water and wastewater systems may be the responsibility of the owner of the system under these contracts, those non-compliance events may reflect poorly on us as the operator of the system and damage our reputation, and in some cases, may result in liability to the same extent as if we were the owner.

SJW Land Company has real estate holdings that are subject to various business and investment risks.

SJW Land Company owns real estate in two states. The risks in investing directly in real estate vary depending on the investment strategy and investment objective and include the following:

Liquidity risk real estate investments are illiquid. The lag time to build or reduce the real estate portfolio is long.

Obsolescence risk real estate property is location specific. Location obsolescence can occur due to a decline of a particular sub-market or neighborhood. Functional obsolescence can also occur from physical depreciation, wear and tear, and other architectural and physical features which could be curable or incurable.

Market and general economic risks real estate investment is tied to overall domestic economic growth and, therefore, carries market risk which cannot be eliminated by diversification. Generally, all property types benefit from national economic growth, though the benefits range according to local factors, such as local supply and demand and job creation. Because real estate leases are typically staggered and last for multiple years, there is generally a delayed effect in the performance of real estate in relation to the overall economy.

This delayed effect can insulate or deteriorate the financial impact to SJW Land Company in a downturn or an improved economic environment.

Concentration/credit risk the risk of a tenant declaring bankruptcy and seeking relief from its contractual rental obligation could affect the income and the financial results of SJW Land Company. This risk is most prevalent in a recessionary environment.

Vacancy rates can climb and market rents can be impacted and weakened by general economic forces, therefore affecting income to SJW Land Company.

The value of real estate can drop materially due to a deflationary market, decline in rental income, market cycle of supply and demand, long lag time in real estate development, legislative and governmental actions,

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environmental concerns, increases in rates of returns demanded by investors, and fluctuation of interest rates, eroding any unrealized capital appreciation and, potentially, invested capital.

A drop in the value of a real estate property or increase in vacancy could result in reduced future cash flows to amounts below the property s current carrying value and could result in an impairment charge.

The success of SJW Land Company s real estate investment strategy depends largely on ongoing local, state and federal land use development activities and regulations, future economic conditions, the development and fluctuations in the sale of the undeveloped properties, the ability to identify the developer/potential buyer of the available-for-sale real estate, the timing of the transaction, favorable tax law, and the ability to maintain and manage portfolio properties. There is no guarantee that we will be able to execute the strategy successfully, and failure to do so may adversely affect our operating results and financial condition.

Our business strategy, which includes acquiring water systems and expanding non-tariffed services, will expose us to new risks which could have a material adverse effect on our business.

Our business strategy focuses on the following:

- regional regulated water utility operations;
- regional non-tariffed water utility related services provided in accordance with the guidelines established by the CPUC in California and the PUCT in Texas; and
- out-of-region water and utility related services.

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

We must continue to attract and retain qualified technical and managerial personnel in order to succeed.

Our future success depends largely upon our ability to attract and retain highly skilled technical, operational and financial managers. There is a significant competition for such personnel in our industry. The loss of the services of any member of our management team or the inability to hire and retain experienced management personnel could have an adverse effect on our business, as our management team has knowledge of our industry and customers and would be difficult to replace. We try to ensure that we offer competitive compensation and benefits as well as opportunities for continued development, and we continually strive to recruit and train qualified personnel and retain key employees. There can be no assurance, however, that we will continue to be successful in attracting and retaining the personnel we require to grow and operate profitably.

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Adverse investment returns and other factors may increase our pension costs and pension plan funding requirements.

A substantial number of our employees are covered by a defined benefit pension plan. Our pension costs and the funded status of the plan are affected by a number of factors including the discount rate, applicable mortality tables, mortality rates of plan participants, investment returns on plan assets, and pension reform legislation. Any change in such factors could result in an increase in future pension costs and an increase in our pension liability, requiring an increase in plan contributions which may adversely affect our financial conditions and results of operations.

Work stoppages and other labor relations matters could adversely affect our business and operating results.

As of December 31, 2017, 234 of our 411 total employees were union employees. Most of our unionized employees are represented by the Utility Workers of America, except certain employees in the engineering department who are represented by the International Union of Operating Engineers.

We may experience difficulties and delays in the collective bargaining process to reach suitable agreements with union employees, particularly in light of increasing healthcare and pension costs. In addition, changes in applicable law and regulations could have an adverse effect on management s negotiating position with the unions. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during future negotiations may adversely affect our business, financial condition, results of operations, cash flows and liquidity.

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USE OF PROCEEDS

We expect to receive net proceeds of approximately $356.7 million from the sale of our common stock in this offering (or approximately $410.5 million if the underwriters exercise their option to purchase additional shares of our common stock in full), after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering, together with the net proceeds from the Debt Financing, to finance the CTWS Acquisition and to pay related fees and expenses. Pending such use, we may invest the net proceeds temporarily in investment-grade securities, money-market funds, bank deposit accounts or similar short-term investments.

This offering is not conditioned on the consummation of the CTWS Acquisition. If for any reason the CTWS Acquisition does not close, then we expect to use the net proceeds from this offering for general corporate purposes, which may include acquisitions, share repurchases or debt repayment, and we will not have any obligation to repurchase any or all of our shares of common stock sold in this offering. In the event the CTWS Acquisition is not consummated, we do not expect any of the Debt Financing amounts to be outstanding. See Summary Financing of the CTWS Acquisition and Risk Factors Risks Relating to the CTWS Acquisition.

The following table outlines the expected sources and uses of funds for the CTWS Acquisition. The table assumes that the CTWS Acquisition and the financing transactions are completed simultaneously, although some or all of the financing transactions are expected to occur before completion of the CTWS Acquisition.

All of the amounts in the following table are estimated. The actual amount of net proceeds from this offering will likely be different from the amount reflected in the following table, and other actual amounts may vary from the estimated amounts set forth in the following table.

Sources of funds	**(in millions)**	**Uses of funds**	**(in millions)**
Common stock offered hereby(1)	$ 371.3	CTWS Acquisition consideration	$ 843.5
Debt Financing(1)	490.6	Transaction fees and expenses	18.4
Total sources of funds	$ 861.9	Total uses of funds	$ 861.9

(1) Before underwriting discounts and commissions and expenses.

To the extent that the aggregate net proceeds from this offering are less than the aggregate amount set forth in the foregoing table, we intend to increase the amount of debt issued or borrowed in the Debt Financing (which may include borrowings under the Bridge Facility) in order to effect the CTWS Acquisition. See Summary Financing of the CTWS Acquisition.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2018 on:

- an actual basis;
- an as adjusted basis giving effect to this offering and estimated expenses, but without giving effect to the application of the net proceeds thereof or the CTWS Acquisition and any related Debt Financing; and
- a pro forma basis giving effect to this offering, the expected Debt Financing and the CTWS Acquisition.

You should read this table in conjunction with Use of Proceeds appearing elsewhere in this prospectus supplement and our audited and unaudited financial statements and the accompanying notes, which are incorporated by reference into this prospectus supplement from our Annual Report on Form 10-K for the year ended December 31, 2017 and Quarterly Report on Form 10-Q for the nine months ended September 30, 2018, and the consolidated financial statements and accompanying notes of CTWS, included in our Current Report on Form 8-K filed on November 26, 2018 and incorporated by reference into this prospectus supplement. You should also read this table in conjunction with the unaudited pro forma condensed combined financial information included in this prospectus supplement. You should not place undue reliance on the as adjusted or pro forma information included in this prospectus supplement. This offering is not contingent upon either the CTWS Acquisition or the Debt Financing reflected in the pro forma adjustments included in the following information.

	As of September 30, 2018		
	Actual	**As Adjusted**	**Pro Forma**
(in thousands, except share data)			
Cash and cash equivalents	$ 13,327	$ 370,043	$ 17,930
Long-term indebtedness(1):			
Existing debt securities	$ 431,341	$ 431,341	$ 682,218
Debt Financing(2)			486,505
Total long-term debt (excluding current portion)	$ 431,341	$ 431,341	$ 1,168,723
Stockholders equity:			
Common stock, $0.001 par value; authorized 36,000,000 shares; 20,631,171 issued and outstanding shares, actual; and 27,381,171 issued and outstanding shares, as adjusted and pro forma	21	28	28
Additional paid-in capital	84,045	440,755	440,755
Retained earnings	390,891	375,416	375,416
Accumulated other comprehensive income			
Total stockholders equity	474,957	816,198	816,198
Total capitalization	$ 906,298	$ 1,247,538	$ 1,984,921

(1) In addition to our long-term indebtedness, as of September 30, 2018, we had short-term indebtedness under lines of credit of $76.0 million. As of September 30, 2018, we and our subsidiaries had unsecured bank lines of credit allowing for aggregate short-term borrowings of up to $145.0 million, of which $15.0 million was available to SJW and SJW Land Company under a single line of credit, $5.0 million was available to SJWTX, Inc. under a second line of credit and $125.0 million was available to San Jose Water Company under a third line of credit. As of September 30, 2018, SJW and its subsidiaries had available unused short-term bank lines of credit totaling $69.0 million. As of September 30, 2018, CTWS and its subsidiaries had short-term indebtedness of $58.5 million under bank lines of credit and $1.5 million of available unused lines of credit. In addition, as of September 30, 2018, the current portion of long-term debt of CTWS and its subsidiaries was $4.3 million.

(2) We expect to incur Debt Financing to fund a portion of the CTWS Acquisition. See Summary Financing of the CTWS Acquisition. The amount is shown net of estimated debt issuance costs of $3.9 million.

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DIVIDEND POLICY

We have paid regular quarterly cash dividends on shares of our common stock for many years. We currently expect to maintain at least our current dividend per share rates following the CTWS Acquisition.

However, any future determination regarding dividend or distribution payments will be at the discretion of the combined company s board of directors and subject to applicable limitations under Delaware law, market conditions and other factors. See Risk Factors Risks Related to Our Common Stock.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The Pro Forma Financial Statements have been derived from the unaudited condensed consolidated financial statements of SJW as of September 30, 2018 and for the nine months then ended included in SJW s Quarterly Report on Form 10-Q for the fiscal quarter then ended, the unaudited condensed consolidated financial statements of CTWS as of September 30, 2018 and for the nine months then ended included in Exhibit 99.1 to the November 26 Form 8-K, the audited consolidated financial statements of SJW for the year ended December 31, 2017 included in SJW s Annual Report on Form 10-K for the fiscal year then ended and the audited consolidated financial statements of CTWS for the year ended December 31, 2017 included in Exhibit 99.2 to the November 26 Form 8-K, each of which is incorporated herein by reference.

The Pro Forma Balance Sheet as of September 30, 2018 gives effect to the CTWS Acquisition and related financing as if they had been completed on September 30, 2018. The Pro Forma Statements of Operations for the nine months ended September 30, 2018 and the year ended December 31, 2017 give effect to the CTWS Acquisition and related financing as if they had been completed on January 1, 2017.

The Merger Agreement provides that SJW will acquire CTWS for total cash consideration of $70.00 for each CTWS common share outstanding. The total equity purchase price is approximately $843.5 million. The Pro Forma Financial Statements assume that SJW will finance the acquisition by issuing new common equity shares in this offering for gross proceeds of approximately $371.3 million, including $14.5 million for estimated offering costs, and $490.6 million in Debt Financing, including $3.9 million for estimated debt issuance costs. If and to the extent that this offering is not completed or is completed for less proceeds than anticipated, SJW would fund any shortfall with additional Debt Financing.

The historical consolidated financial information has been adjusted in the Pro Forma Financial Statements to give effect to pro forma events that are: (1) directly attributable to the transaction, (2) factually supportable and (3) with respect to the Pro Forma Statements of Operations, expected to have continuing impact on the combined results of SJW and CTWS. As such, the impact of non-recurring transaction-related expenses is not included in the Pro Forma Statements of Operations. However, the impact of such expenses is reflected in the Pro Forma Balance Sheet as an increase to liabilities and deferred tax assets and a decrease to retained earnings.

The Pro Forma Financial Statements do not reflect any cost savings (or associated costs to achieve such savings) from operating efficiencies or synergies that could result from the transaction. Further, the Pro Forma Financial Statements do not reflect the effect of any regulatory actions that may impact the Pro Forma Financial Statements when the transaction is completed. In addition, the Pro Forma Financial Statements do not purport to project the future financial position or operating results of the combined company.

GAAP requires that one party to the transaction be identified as the acquirer. In accordance with such principles, the merger of SJW and CTWS will be accounted for as an acquisition of CTWS common stock by SJW, which we refer to as the CTWS Acquisition, and will follow the acquisition method of accounting for business combinations. As described above, SJW expects to finance the CTWS Acquisition with a combination of debt and equity. The number of new common equity shares assumed to be issued in the Pro Forma Financial Statements is based on the offering price of $55.00 per share (See Note 3 to the Pro Forma Financial Statements for additional information related to the preliminary purchase price).

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UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

At September 30, 2018

(In thousands)

	Historical Results (as reported)		Reclassification Adjustments	Pro Forma Adjustments		Pro Forma
	SJW Group	Connecticut Water	(Note 2)	(Note 5)		Combined
ASSETS						
Utility plant:						
Land	$ 18,300	$	$ 15,022	$		$ 33,322
Depreciable plant and equipment	1,783,654		837,255			2,620,909
Nondepreciable plant			102,850			102,850
Construction in progress	79,475	19,849	1,839			101,163
Utility plant		955,127	(955,127)			
Intangible assets	15,748					15,748
Total utility plant	1,897,177	974,976	1,839			2,873,992
Less accumulated depreciation and amortization	(593,916)	(253,488)				(847,404)
Net utility plant	1,303,261	721,488	1,839			2,026,588
Nonutility plant	56,336	12,111	(11,528)			56,919
Less accumulated depreciation	(12,029)					(12,029)
Net nonutility property	44,307	12,111	(11,528)			44,890
CURRENT ASSETS:						
Cash and equivalents	13,327	4,603				17,930
Accounts receivable:						
Customers, net of allowance	22,595	16,443	(1,101)			37,937
Other	826		1,351			2,177
Unbilled utility revenue	38,097	11,742				49,839
Current regulatory assets			7,471	395	b	7,866
Other current assets	5,522	14,178	(4,798)			14,902
Total current assets	80,367	46,966	2,923	395		130,651
OTHER ASSETS:						
Investments			11,528			11,528
Regulatory assets and deferred charges, less current portion	104,670	97,073	(5,322)	1,616	b	198,037
Other intangible assets				15,000	a	15,000
Goodwill		66,403		542,661	c	609,064
Other	4,263					4,263

Total other assets	108,933	163,476	6,206	559,277		837,892
	$ 1,536,868	$ 944,041	$ (560)	$ 559,672		$ 3,040,021
CAPITALIZATION AND LIABILITIES						
CAPITALIZATION:						
Common stock	$ 21	$ 189,927		$ (189,920)	h	28
Additional paid-in capital	84,045			356,710	h	440,755
Retained earnings	390,891	108,422		(123,897)	e,h	375,416
Accumulated other comprehensive income		(149)		149	h	
Total stockholders equity	474,957	298,200		43,041		816,198
Long-term debt, less current portion	431,341	250,877		486,505	d,e	1,168,723
Total capitalization	906,298	549,077		529,546		1,984,921
CURRENT LIABILITIES:						
Line of credit	76,000	58,541				134,541
Current portion of long-term debt		4,321		(282)	d	4,039
Accrued ground water extraction charge, purchased water and power	22,856					22,856
Accounts payable	26,956	8,529	(2,506)	21,493	e,h	54,472
Accrued interest	7,402	1,637				9,039
Accrued taxes	4,056					4,056
Accrued payroll	4,568		2,506			7,074
Other current liabilities	9,842	3,617	(560)	14,933	f	27,832
Total current liabilities	151,680	76,645	(560)	36,144		263,909
DEFERRED INCOME TAXES	80,901	34,168	66,849	(6,018)	e,g,h	175,900
ADVANCES FOR CONSTRUCTION	80,124	19,324				99,448
CONTRIBUTION IN AID OF CONSTRUCTION	167,769	133,959				301,728
POSTRETIREMENT BENEFIT PLANS	75,877	30,666				106,543
REGULATORY LIABILITY	60,650	30,970				91,620
UNFUNDED FUTURE INCOME TAXES		66,849	(66,849)			
OTHER NONCURRENT LIABILITIES	13,569	2,383				15,952
	$ 1,536,868	$ 944,041	$ (560)	$ 559,672		$ 3,040,021

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2018

(In Thousands)

	Historical Results (as reported) SJW Group	Connecticut Water	Reclassification Adjustments (Note 2)	Pro Forma Adjustments (Note 5)		Pro Forma Combined
OPERATING REVENUE	$ 298,981	$ 91,026				$ 390,007
OPERATING EXPENSE:						
Production expenses:						
Purchased water	72,673		1,484			74,157
Ground water extraction charges	34,341					34,341
Other production expenses	18,448		9,600			28,048
Operations and maintenance		38,156	(38,156)			
Total production expenses	125,462	38,156	(27,072)			136,546
Administrative and general	36,278		20,022			56,300
Maintenance	14,036		7,699			21,735
Taxes, other than income	11,332	8,685				20,017
Depreciation and amortization	40,921	13,670		750	a, j	55,341
Acquisition transaction expenses	14,994	7,766	135	(22,895)	i, h	
Total operating expense	243,023	68,277	784	(22,145)		289,939
OPERATING INCOME	55,958	22,749	(784)	22,145		100,068
Interest on long-term debt	(18,213)	(8,111)	(495)	(16,815)	d, k	(43,634)
Pension non-service cost	(1,767)		(1,015)			(2,782)
Unrealized loss on investments	(527)					(527)
Other, net	2,084	1,821	2,346			6,251
Income before income taxes	37,535	16,459	52	5,330		59,376
Provision for income taxes	7,591	(706)	52	1,492	l	8,429
NET INCOME	$ 29,944	$ 17,165		$ 3,838		$ 50,947

Earnings Per Share and Common Shares Outstanding, Assuming an Exchange Ratio of 1.1375										
-Basic	$	1.45	$	1.44				$	1.86
-Diluted	$	1.45	$	1.42				$	1.85
Weighted Average Common Shares Outstanding									
-Basic		20,593,570		11,899,000		(5,149,289)	m		27,343,281
-Diluted		20,721,970		12,069,000		(5,319,289)	m		27,471,681

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

(In Thousands)

	Historical Results (as reported)					
	SJW Group	Connecticut Water	Reclassification Adjustments (Note 2)	Pro Forma Adjustments (Note 5)		Pro Forma Combined
OPERATING REVENUE	$ 389,225	$ 107,054				496,279
OPERATING EXPENSE:						
Production expenses:						
Purchased water	86,456		1,559			88,015
Ground water extraction charges	47,817					47,817
Other production expenses	22,498		11,401			33,899
Operations and maintenance		48,017	(48,017)			
Total production expenses	156,771	48,017	(35,057)			169,731
Administrative and general	55,011		26,674			81,685
Maintenance	17,430		9,462			26,892
Taxes, other than income	13,642	10,941				24,583
Depreciation and amortization	48,292	16,684		1,000	a,j	64,976