CONNECTICUT WATER SERVICE INC / CT
Form 425
April 26, 2018

Filed pursuant to Rule 425 under the

Securities Act of 1933, as amended, and

deemed filed under Rule 14a-12 under the

Securities Exchange Act of 1934, as amended

Filer: SJW Group

Commission File No.: 1-08966

Subject Company: Connecticut Water Service, Inc.

Commission File No.: 0-08084

SJW GROUP ANNOUNCES 2018 FIRST QUARTER FINANCIAL RESULTS

SAN JOSE, CA, April 25, 2018 SJW Group (NYSE: SJW) today reported financial results for the first quarter ended March 31, 2018. SJW Group net income was $1.3 million for the quarter ended March 31, 2018, compared to $3.7 million for the same period in 2017. Diluted earnings per share were $0.06 and $0.18 for the quarters ended March 31, 2018 and 2017, respectively. Diluted earnings per share includes $0.19 per share from recurring operations offset by $0.13 per share related to the Company s proposed merger with Connecticut Water Company.

Operating revenue was $75.0 million for the quarter ended March 31, 2018 compared to $69.0 million in 2017. The $6.0 million increase in revenue was primarily attributable to $6.3 million in higher customer usage, $6.1 million in cumulative rate changes, and $377,000 in revenue from new customers. The increase was partially offset by a $2.7 million change in the net recognition of certain other balancing and memorandum accounts primarily due to $1.2 million related to the outcome of our cost of capital proceeding and $933,000 related to the implementation of the Tax Act, $2.5 million in lower revenue recorded in our Water Conservation Memorandum Account, $1.4 million related to a redistribution of certain customer accounts between residential and business customers for the year ended December 31, 2016 recorded in the first quarter of 2017, and $221,000 in lower revenue from our real estate operations.

Water production expenses for the quarter ended March 31, 2018 were $30.4 million compared to $26.5 million in 2017, an increase of $3.9 million. The increase in water production expenses was attributable to $2.5 million in higher customer water usage, $2.3 million in higher per unit costs for purchased water, groundwater extraction and energy charges, and $482,000 related to cost-recovery balancing and memorandum accounts, partially offset by $1.4 million due to an increase in the use of available surface water supplies. Operating expenses, excluding water production costs, increased $6.4 million to $37.3 million from $30.9 million. The increase was primarily due to $3.8 million in various costs related to our proposed merger of equals with Connecticut Water Service, Inc., $1.5 million of higher depreciation expenses due to assets placed in service in 2017, $733,000 in higher maintenance and property taxes and other non-income taxes, and $419,000 of higher administrative and general expenses, net of cost-recovery balancing and memorandum accounts.

Other expense and income for the quarter ended March 31, 2018 included a pre-tax unrealized loss of $667,000 related to the change in investment value of California Water Service group stock that was previously recognized in other comprehensive income and now is recognized as part of net income in accordance with Accounting Standards

Update 2016-01, Financial Instruments - Overall.

The effective consolidated income tax rates were approximately (82%) and 30% for the quarters ended March 31, 2018 and 2017, respectively. The negative effective tax rate for the quarter was primarily due to low income before income taxes generating a tax expense of $159,000, offset by recognition of excess tax benefits of $747,000 relating to share-based payment awards. The Company does not reasonably expect that the recognition of excess tax benefits will have a material impact on the anticipated effective consolidated income tax rate for the year ended December 31, 2018. In addition, the effective tax rate decreased due to the change in the statutory federal income tax rate from 35% to 21% as a result of the Tax Act.

SJW Group is a publicly traded holding company headquartered in San Jose, California. SJW Group is the parent company of San Jose Water Company, SJWTX, Inc., and SJW Land Company. Together, San Jose Water Company and SJWTX, Inc. provide water service to more than one million people in San Jose, California and nearby communities and in Canyon Lake, Texas and nearby communities. SJW Land Company owns and operates commercial real estate investments.

Forward Looking Statements

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

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

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

Additional Information and Where to Find It

In connection with the proposed transaction between SJW Group and Connecticut Water, on April 25, 2018, SJW Group filed with the SEC a Registration Statement on Form S-4 that includes a joint proxy statement of SJW Group and Connecticut Water that also constitutes a prospectus of SJW Group. These materials are not yet final and will be amended. SJW Group and Connecticut Water may also file other documents with the SEC regarding the proposed transaction. This document is not a substitute for the joint proxy statement/prospectus, Form S-4 or any other document which SJW Group or Connecticut Water may file with the SEC. **INVESTORS AND SECURITY HOLDERS OF SJW GROUP AND CONNECTICUT WATER ARE URGED TO READ THE REGISTRATION STATEMENT, THE JOINT PROXY STATEMENT/PROSPECTUS AND ALL OTHER RELEVANT DOCUMENTS THAT ARE FILED OR WILL BE FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT**

THE PROPOSED TRANSACTION AND RELATED MATTERS. Investors and security holders may obtain free copies of the Form S-4 and the joint proxy statement/prospectus and other documents filed with the SEC by

SJW Group and Connecticut Water through the website maintained by the SEC at www.sec.gov. Copies of documents filed with the SEC by SJW Group are available free of charge on SJW Group s investor relations website at https://sjwgroup.com/investor_relations. Copies of documents filed with the SEC by Connecticut Water are available free of charge on Connecticut Water s investor relations website at https://ir.ctwater.com/.

No Offer or Solicitation

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

Participants in the Solicitation

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

SJW Group

Suzy Papazian, 408-279-7961

General Counsel and Corporate Secretary

SJW Group

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(in thousands, except per share data)

	Three months ended March 31, 2018	2017
REVENUE	$ 75,042	69,045
OPERATING EXPENSE:		
Production Expenses:		
Purchased water	15,416	13,924
Power	1,268	1,287
Groundwater extraction charges	9,532	7,410
Other production expenses	4,212	3,859
Total production expenses	30,428	26,480
Administrative and general	11,568	11,149
Maintenance	4,460	3,898
Property taxes and other non-income taxes	3,866	3,695
Depreciation and amortization	13,583	12,119
Merger related cost	3,806	
Total operating expense	67,711	57,341
OPERATING INCOME	7,331	11,704
OTHER (EXPENSE) INCOME:		
Interest expense	(6,052)	(6,057)
Unrealized loss on California Water Service Group stock	(667)	
Pension non-service cost	(583)	(871)
Other, net	676	463
Income before income taxes	705	5,239
Provision for income taxes	(580)	1,568
SJW GROUP NET INCOME	1,285	3,671
Other comprehensive income, net		116
SJW GROUP COMPREHENSIVE INCOME	$ 1,285	3,787
SJW GROUP EARNINGS PER SHARE:		
Basic	$ 0.06	0.18
Diluted	$ 0.06	0.18
DIVIDENDS PER SHARE	$ 0.28	0.22
WEIGHTED AVERAGE SHARES OUTSTANDING:		

Basic	20,561	20,486
Diluted	20,701	20,655

SJW Group

Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands)

	March 31, 2018	December 31, 2017
ASSETS		
Utility plant:		
Land	$ 17,831	17,831
Depreciable plant and equipment	1,733,449	1,714,228
Construction in progress	54,933	45,851
Intangible assets	15,567	14,413
Total utility plant	1,821,780	1,792,323
Less accumulated depreciation and amortization	566,844	553,059
Net utility plant	1,254,936	1,239,264
Real estate investments	56,213	56,213
Less accumulated depreciation and amortization	11,431	11,132
Net real estate investments	44,782	45,081
CURRENT ASSETS:		
Cash and cash equivalents	6,954	7,799
Accounts receivable and accrued unbilled utility revenue	49,584	54,309
Other current assets	4,522	4,750
Total current assets	61,060	66,858
OTHER ASSETS:		
Investment in California Water Service Group	3,067	4,535
Regulatory assets, net	97,293	99,554
Other	2,736	2,709
	103,096	106,798
	$ 1,463,874	1,458,001

SJW Group

Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands)

	March 31, 2018	December 31, 2017
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Common stock	$ 21	21
Additional paid-in capital	83,986	84,866
Retained earnings	373,823	376,119
Accumulated other comprehensive income		2,203
Total stockholders equity	457,830	463,209
Long-term debt, less current portion	431,175	431,092
Total capitalization	889,005	894,301
CURRENT LIABILITIES:		
Line of credit	39,000	25,000
Accrued groundwater extraction charge, purchased water and purchased power	11,692	14,382
Accounts payable	22,482	22,960
Accrued interest	7,400	6,869
Accrued payroll	3,620	6,011
Other current liabilities	11,166	9,830
Total current liabilities	95,360	85,052
DEFERRED INCOME TAXES	84,442	85,795
ADVANCES FOR CONSTRUCTION AND CONTRIBUTIONS IN AID OF CONSTRUCTION	245,054	244,525
POSTRETIREMENT BENEFIT PLANS	74,735	72,841
REGULATORY LIABILITY	62,205	62,476
OTHER NONCURRENT LIABILITIES	13,073	13,011
	$ 1,463,874	1,458,001

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This strong cash flow will allow us to accelerate reinvestment into the educational experience for students of both universities while also returning capital to shareholders through an attractive dividend. And our current expectation is for the combined company to pay an annual dividend of $2 per share.

And with that, let me turn the call back over to Rob.

Robert S. Silberman: Thank you, Karl. As you can see, Karl, Kevin and I all believe that this is a tremendous opportunity to allow shareholders of both companies to jointly participate in the value creation potential of this exciting platform. Our accredited institutions will continue to operate separately and continue to deliver successful academic and employment outcomes while having access to even greater resources and the ability to share best practices. Together, our single corporate platform will facilitate greater investment to provide an enhanced and more affordable student experience.

By capturing the efficiencies of bringing our 2 corporate level functions together, we will have the ability to invest more in the academic and employment outcomes for students, which will ultimately deliver the real increase in value for our shareholders.

We're excited about this opportunity. We're looking forward to the process of finalizing it. And with that, operator, we'd be pleased to take any questions.

Operator: At this time I would like to remind everyone in order to ask a question please press star one on your telephone keypad. Again, to ask a question, please press star one.

And our first question comes from the line of Jeff Silber with BMO Capital Markets.

Jeffrey Marc Silber: Congratulations to both of you for what to be an exciting combination. I don't have the slides in front of me and I know in your filings to discuss a little bit more, can you give us a little bit of background in terms of what precipitated these discussions and the combination?

Robert S. Silberman: Sure, Jeff. Thank you. I just tell you from my perspective and then ask Kevin. And as I said, we have long admired Capella and particularly their expertise in their online platform. And my view over the last couple of years has been that scale is actually going to be of increased importance in our sector.

But more importantly, when we have the opportunity to find academic excellence, that's always something that we're on the hunt for. And so, we will provide more detail on the proxies, but I think I first contacted Kevin about 18 months ago and we took it from there.

J. Kevin Gilligan: Yes. Good morning, Jeff. I would just add to that. We certainly agree with the comments on scale that ultimately, in this industry, the key to value creation and the key to long-term sustainable growth is student success. And while both Strayer and Capella excel on this area, the prospects of putting our combined capabilities together really got us excited. It's going to allow us to serve learners in ways beyond what we could do as independent companies, and I think it just creates that much more opportunity for the long term.

Jeffrey Marc Silber: OK, great. And in terms of the structure by keeping the university separate, would you consider the 2 universities complementary? Obviously, you do, but have you ever been somewhat competitive in terms of either the students you go after or the type of programs that you both have?

Robert S. Silberman: As we started to get deeper into the study, I was actually surprised at how little actual competitive overlap there was. And from our standpoint, the thing that we saw as most complementary was the opportunity to have within our organization the doctoral and a higher percentage of graduate level programs.

We haven't offered anything in any of the health, sociology, psychology kinds of areas before. We just have a nascent nursing program. We were very impressed with Capella's nursing program. So clearly, from our standpoint, it's very complementary. Those areas where we do overlap, we think we can just add more benefits to students.

Karl McDonnell:	Yes, I would just add to that. The portfolio is far more complementary than overlapping, and that's going to be good for learners because we can offer learners more choices and more -- a different alternatives for career development and career advancement. And for me, it's going to be exciting the prospects of being able to take our graduate portfolio to Strayer graduates and into the employers that Strayer works with, create some exciting revenue synergy opportunities.
Jeffrey Marc Silber:	OK, great. One more for me and then I'll jump back into the queue and forgive me if these are in the slides. Can you give us an overview in terms of the legal and regulatory hurdles you have to overcome before getting the deal close?
Robert S. Silberman:	Well, we'll have all of those details, obviously, in the various proxies. But in general, Jeff, it's Department of Education, regional accreditors, some state licensing agencies. We spent a lot of time looking at this, and we're well prepared and actually eager to tell our story to these important stakeholders in the process.
Jeffrey Marc Silber:	OK, great. And I'm assuming you'll be notifying us when some of the major regulatory hurdles had been overcome?
Robert S. Silberman:	Absolutely. We'll keep the investment community up to speed.
Operator:	Your next question comes from the line of Peter Appert from Piper Jaffray.
Peter Perry Appert:	Just speaking on the regulatory process for a second, have you had any preliminary discussions at this point with accreditors or BOE to get a sense of their temperature on a potential transaction?
Robert S. Silberman:	Well, first off, Peter, I would say that even from our own standpoint, the thing that what most important to us was that quality of the academic offerings because I think that that more than anything will else affect that accreditors and regulators' view of the potential transaction.

We spent an awful lot of time in preparation, and we have had some preliminary discussions. And as I said, we are -- we couldn't be more excited about the prospects of the transaction and particularly because of the tremendous benefit we think it brings to students and faculty, and we're eager to essentially share that with people that have a very significant oversight responsibility, which we both appreciate and are looking forward to dealing with.

Peter Perry Appert: OK. And the regional accreditation for each school is unchanged, right? There's no thought of accreditation?

Robert S. Silberman: Correct.

Karl McDonnell: The universities will remain separate and independent.

Peter Perry Appert: Got it. You mentioned the possibility of -- I don't know you mentioned this, the credit transfer between the 2 universities. And then so does that imply potential for joint programs? And is that a source of synergy in this combination?

Robert S. Silberman: Peter, we haven't contemplated joint programs at this stage, although as Kevin said earlier, we certainly willing to promote various programs to students, for example, Strayer graduates continuing perhaps at a master's or doctorate level under Capella side. And I apologize, what was the first...

Male: Transferability.

Peter Perry Appert: Transferability.

Karl McDonnell:	Yes, that's as simple as an articulation agreement between the 2 institutions, which I expect we would be able to have in place on day 1 of the close, which would allow students of both Capella and Strayer to transfer their credits from one institution to the other, which is just convenience on their part. I would say in response to your latter comment, we're not anticipating any synergies within the universities. So none of the instructional elements are contemplated in our synergies planned, meaning not the faculty, not the academic advisors and so forth.
Robert S. Silberman:	And Peter, you weren't hallucination. It was a key concept of the transactions that the universities will be able to articulate credit towards each other.
Peter Perry Appert:	Understood. So the combined entity will have an extraordinary balance sheet, significant cash balances. I mean, any preliminary thoughts in terms of capital structure priorities, uses of cash balances beyond the dividend that you've already announced?
Robert S. Silberman:	Yes. Again, that was clearly one of the greatest attractions to us, and capital allocation is a topic that our board and I spend a lot of time on each quarter. We're fortunate to have an opportunity where you have an entity that have such strong academic outcomes but also bring such a strong balance sheet. What -- our view is that going forward, as it has been in the past with Strayer, the priorities of capital allocation is first and foremost, within the academic programs on the institution because over them, that has shown us to have the highest return on capital. If you help your students succeed, you will, in the long run, create the greatest return on the invested capital. We need enough cash and free cash to both support that and deal with contingencies. We have not been the most acquisitive entity over the last 17 years. We waited for the pitch that we really liked. But capital could be used for acquisitions when it makes the most sense. And then after that, capital which is truly extra to our needs, we want to return to owners in the most value enhancing way.

We think, given the fortunate circumstance of having the kind of cash position that the entities have on a combined basis, that it made sense to at least on a notional basis, increase the dividend and then beyond that, look at it each quarter and each year as we have in the past.

Peter Perry Appert: OK. Understood. And then in terms of the the individual plans for program rollouts, pricing decisions, et cetera, does the pending combination have any impact on those decisions?

Karl McDonnell: Not really, Peter. Obviously, that's something that we would share broadly with the respective management teams. But from a program standpoint, our thinking so far has been the programs are very complementary, not overlapping, and this would not in any way slow down, disrupt or change our plans on new programs.

Peter Perry Appert: Understood. Thank you. And then last thing, Kevin can you talk a lot about the momentum in the FlexPath in the current quarter and what the numbers are looking like?

J. Kevin Gilligan: Sure. You're talking about new enrollment, Peter?

Peter Perry Appert: New enrollments, yes.

J. Kevin Gilligan: As you know, we had an issue in the second quarter related to some marketing execution. We made some changes with the expectation that new enrollment we were targeting to get back to flat in Q3, we felt just a little bit short of that. I think we're down 2 percent, but we also had an impact from the hurricanes. I think without the hurricanes, we would have been at that flat level. And momentum continues and our new enrollment trend is strengthening into the fourth quarter.

Operator: And your next question comes from the line of Corey Greendale with First Analysis.

Corey Adam Greendale: Congratulations, everyone. First, I have a super mundane question, which is just I haven't had the chance to look at the earnings release. I'm assuming you're canceling the calls for later this week.

Karl McDonnell: Yes, that's correct, unless Dan wants to come out and talk out some more.

Corey Adam Greendale: So if we have questions, can we contact the respected folks?

Karl McDonnell: We're happy to take questions this morning as well. But if you need some time to take a look at it, just give us a call separately. That's fine.

Corey Adam Greendale: Thank you. Then I just wanted to go back to a couple of kind of detail points one question suggesting and Peter yes. So Rob, you've commented, I think you said, you were increasingly aware or something like that of the benefit of scale in this business.

So maybe, you answered Peter's questions about capital allocation, but there are a lot of companies or schools out there that are debatably struggling more and can probably be gotten for a lower valuation. Once you get past this, do you see being more maybe systematic, not going through and looking out there that you can get sort of less -- a lower multiple that may be of interest?

Robert S. Silberman: I think that analyzing opportunities education space on the basis of multiples is a mistake. There's really only one thing that matters for long-term value, and that is the successful generation of academic outcomes. Universities are built over a long period of time and they are essentially less or their value is created by an intangible, which is the ability of their students to succeed both achieved the learning outcomes to graduate and then succeed in their careers.

So our view, in terms of acquisitions in this space has always been informed by first and foremost, is the institution a credible and valuable academic institution. And then we kind of work backwards from there in terms of whether a multiple or a price makes sense. So it's not the space in which my view is that you can create long-term value for owners by essentially looking for lower prices. I think what you need to start with is quality, and then the price will either take care of self or it won't.

No I would readily admit that, as I said, we haven't been the most prolific acquirers over the last 17 years. You got to think that with a grain of salt. But it is how we think about it and so I think will inform our decisions going forward.

Corey Adam Greendale: Great. Thank you for that. And then on the $50 million synergies, could (inaudible) appropriate answer is just elaborate on how much of that is -- it sounds like it will take up to 18 months, but how much of that is mostly just kind of cost synergies that you can get relatively easily? And how much of it is on the (inaudible) you think there's a higher level that -- how much of a stretch is the $50 million? And is there a higher level that could be achieved?

Karl McDonnell: Sure, Cory. Let me tackle that at a high level and maybe ask Kevin to comment on some of the specifics. I just want to reiterate again that I our synergies plan does not contemplate anything that impacts instruction. So again, no faculty, no academic advisors and so forth.

What we have contemplated is essentially combining the overlapping corporate functions, so you can think about finance, HR, legal, perhaps marketing, IT as well as the migration to a single IT infrastructure. So today, we each have our separate IT infrastructures. obviously, that's something we want to combine into one.

Although if the corporate headquarters will be based in Herndon, we expect to have a significant presence in Minneapolis. And the reality is that it's likely that we'll both have some jobs impacted through the combination of these functions, but it's also true that we'll be adding positions both in Minneapolis and Herndon. Kevin, anything you want to add?

J. Kevin Gilligan: Yes. I would just say in terms of timing, nearly following close, we expect some consolidation of executive and corporate functions. We're going to do that in a very orderly way. I'm very confident in both organizations' ability to manage these back-office integrations, and I think it really -- it makes it a much more straightforward and lower risk approach because we're not really touching the university. So I'd say, we're very confident in the ability to achieve the synergies in the 18 month timeframe.

Robert S. Silberman: Yes. I would just add, Corey, because of the timing of regulatory approval that actually facilitates this process, we're going to have about 8 months for Steve and Dan and Karl and their teams to sort of look at this, and I would expect that we'll hit the ground running on close in the third quarter of next year.

Corey Adam Greendale: So I'm not hearing that in the back of your head, it could $75 million, that you're just putting this number on to begin when you think about the $50 million?

Robert S. Silberman: Well, we think $50 million is a very achievable number. And our view is that you saw first for maintaining academic quality and then you're sufficient as possible in shareholders capital. And we'll see what we come up with.

J. Kevin Gilligan: And this is Kevin. I would add, in addition to cost synergies, I think we all believe there's going to be revenue synergies. Just the ability to offer a broader portfolio through each other's channels is one small example. Sharing best practices through marketing is another example. And so I would be, if you're looking for upside, that's where I think the upside could be.

Operator: Your next question comes from the line of Henry Chien of BMO.

Sou Chien: Just a quick question how you see the impact of the merger on your student growth? Are you -- do have any expectations of combining marketing or anything that may impact growth in student starts?

Robert S. Silberman: Henry, we don't anticipate any adverse impact on growth. Again, both institutions will continue to operate as they do today, which means they're going to continue to have the programs that they offer. To what Kevin was just saying, we do see that there probably is a lot of opportunity when our marketing teams can share best practices, insights, advanced analytics about what works from an advertising standpoint, what doesn't.

We've also said that we would heavily promote one another's programs within our respective institutions. I can't foresee any adverse impact on the growth, other than something related to integration. And to Rob's point, given the fact that our management teams will have 8 months preparation for this, I think that's a very low risk.

J. Kevin Gilligan: And I would just imprecise, both organizations today, we receive a lot of inquiries that don't result in enrollment. And I have to believe within there, there's opportunities. Let me just take FlexPath as an example. There may be students that are inquiring at Strayer but are not enrolling where FlexPath might be a great solution for them. That would be an opportunity. And on the employer's side, we might have some employer relationships with history at work. Value proposition can be compelling. All that needs to.

(Inaudible)

Sou Chien: OK, that's great. And in terms of the expected accretion to EPS, can you just clarify what base you're using based off 2017 or 2018 for the 20 percent to 25 percent accretion?

Robert S. Silberman: It would be off of 2019. 2018 will actually be a little bit choppy because we'll have deal cost and one-time synergy cost implementation of the synergies. But against our plan for 2019, it's pretty simple to math. I mean, our company is roughly a $90 million EBITDA company and Capella, similar size.

So you're putting the 2 entities together on a pro forma basis, and you've got $180 million to $200 million of EBITDA and you've got $50 million of synergies, which is going to be split by both shareholders. So that gets you to half of $50 million is $25 million, and that's roughly 25 percent on $100 million of EBITDA.

Sou Chien: Got it. Just to be clear, it's from a -- starting from 2017, the (inaudible)?

Robert S. Silberman: No, the accretion would be based on 2019 EPS.

Sou Chien: Got it. And the $25 million or the 20 percent to 25 percent increase is from 2018 then? 2018 and 2019?

Robert S. Silberman: It is against what would otherwise be on a stand-alone basis our 2019 EPS.

Sou Chien: Got it. OK. And in terms of the share count, are you planning any changes to that or in terms of share repurchases or...

Robert S. Silberman: We're planning a larger large increase in shares because we're issuing 0.875 shares for each Capella share, which will roughly double the number of shares we have outstanding. And for that, we're getting all of the value of Capella Education. On an ongoing basis, any share repurchases will be based on that capital allocation waterfall that I just went through with Peter.

Operator: This ends our live conference for questions answered. Mr. Silberman, do you have further -- anything further to add before joining the call?

Robert S. Silberman: No, thank you. We're looking forward to describing this transaction to all the interested parties. And for anybody that does have questions, please give us a call directly. Kevin and I have spent an awful lot of time together over the last few months finalizing this, and I can tell you that as you get farther along in a transaction like this, you either get more excited or more worn out.

And in this case, it was definitely an example of getting more excited, which I think the results of which will be made apparent to everybody over the next couple of years. So thank you very much for participating. We look forward to talking to you over the next several weeks and including all this information in our proxy and filings associated with the transaction.

Thank you, operator.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

END

Forward Looking Statements

This communication contains certain forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995 (the “Reform Act”). Such statements may be identified by the use of words such as “expect,” “estimate,” “assume,” “believe,” “anticipate,” “will,” “forecast,” “outlook,” “plan,” “project,” or similar words and may includ statements with respect to, among other things, the proposed merger of a wholly-owned subsidiary of Strayer with and into Capella, including the expected timing of completion of the merger; the anticipated benefits of the merger, including estimated synergies; the combined company’s plans, objectives and expectations; future financial and operating results; and other statements that are not historical facts. The statements are based on Strayer’s and Capella’s current expectations and are subject to a number of assumptions, uncertainties and risks. In connection with the safe-harbor provisions of the Reform Act, Strayer has identified important factors that could cause Strayer’s or Capella’s actual results to differ materially from those expressed in or implied by such statements. The assumptions, uncertainties and risks include:

· the risk that the merger may not be completed in a timely manner or at all due to the failure to obtain the approval of Strayer’s or Capella’s stockholders or the failure to satisfy other conditions (including obtaining required regulatory and educational agency approvals) to completion of the merger;
· the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement;
· the outcome of any legal proceeding that may be instituted against Strayer, Capella and others following the announcement of the merger;
· the amount of the costs, fees, expenses and charges related to the merger;
· the risk that the benefits of the merger, including expected synergies, may not be fully realized or may take longer to realize than expected;
· the risk that the merger may not advance the combined company’s business strategy and growth strategy;
· the risk that the combined company may experience difficulty integrating Strayer’s and Capella’s employees or operations;
· the potential diversion of Strayer’s and Capella’s management’s attention resulting from the proposed merger; and
· other risks and uncertainties identified in Strayer’s and Capella’s filings with the Securities and Exchange Commission.

Actual results may differ materially from those projected in the forward-looking statements. Strayer and Capella undertake no obligation to update or revise forward-looking statements.

Additional Information and Where to Find It

Investors and security holders are urged to carefully review and consider each of Strayer’s and Capella’s public filings with the Securities and Exchange Commission (the “SEC”), including but not limited to their Annual Reports on Form 10-K, their proxy statements, their Current Reports on Form 8-K and their Quarterly Reports on Form 10-Q. The documents filed by Strayer with the SEC may be obtained free of charge at Strayer’s website at www.strayereducation.com, in the “Investor Relations” tab at the top of the page, or at the SEC’s website at www.sec.gov. These documents may also be obtained free of charge from Strayer by requesting them in writing to 2303 Dulles Station Boulevard, Herndon, VA 20171. The documents filed by Capella with the SEC may be obtained free of charge at Capella’s website at www.capellaeducation.com, in the “Investor Relations” tab at the top of the page, or at the SEC’s website at www.sec.gov. These documents may also be obtained free of charge from Capella by requesting them in writing to 225 South 6th Street, 9th Floor, Minneapolis, Minnesota 55402.

In connection with the proposed transaction, Strayer intends to file a registration statement on Form S-4 with the SEC which will include a joint proxy statement of Strayer and Capella and a prospectus of Strayer, and each party will file other documents regarding the proposed transaction with the SEC. BEFORE MAKING ANY VOTING OR INVESTMENT DECISION, INVESTORS AND SECURITY HOLDERS OF STRAYER AND CAPELLA ARE URGED TO CAREFULLY READ THE ENTIRE REGISTRATION STATEMENT AND JOINT PROXY

STATEMENT/PROSPECTUS, WHEN THEY BECOME AVAILABLE, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. A definitive joint proxy statement/prospectus will be sent to the stockholders of each party seeking the required shareholder approval. Investors and security holders will be able to obtain the registration statement and the joint proxy statement/prospectus free of charge from the SEC’s website or from Strayer or Capella as described above. The contents of the websites referenced above are not deemed to be incorporated by reference into the registration statement or the joint proxy statement/prospectus.

Certain Information Regarding Participants

Strayer, Capella and their respective directors and executive officers may be deemed participants in the solicitation of proxies in connection with the proposed transaction. You can find information about Strayer’s directors and executive officers in its definitive proxy statement for the 2017 Annual Meeting of Stockholders, which was filed with the SEC on March 16, 2017, and in other documents filed with the SEC by Strayer and its directors and executive officers. You can find information about Capella’s directors and executive officers in its definitive proxy statement for the 2017 Annual Meeting of Stockholders, which was filed with the SEC on March 23, 2017, and in other documents filed with the SEC by Capella and its directors and executive officers. Additional information regarding the interests of these directors and executive officers in the proposed transaction will be included in the registration statement, joint proxy statement/prospectus or other documents filed with the SEC, if any, when they become available. You may obtain these documents (when they become available) free of charge at the SEC’s web site at www.sec.gov and from Strayer or Capella as described above.

No Offer or Solicitations

This document shall not constitute an offer to sell or buy or the solicitation of an offer to buy or sell any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933.