



## 2019 Issuance of Common Stock to Shareholders

### General Information About Common Stock and Scheduling

- California Domestic Water Company's ("Cal Domestic") Board of Directors authorized the issuance of 300 shares of Common Stock to the three major shareholders—Suburban Water Systems ("Suburban"), City of La Habra ("La Habra"), and City of Brea ("Brea"), and one individual shareholder—based on their current respective ownership percentages at a price of \$15,250 per share.
- Capital generated from the issuance of Common Stock shares is not restricted and can be used for appropriate corporate purposes of providing, supplying, and delivering water service to shareholders.
- Cal Domestic received executed agreements from the individual shareholder, Suburban, La Habra, and Brea on or before December 16, 2019.
- Payment from and issuance of Common Stock certificates to shareholders for the acquisition was completed on January 21, 2020.
- Common Stock certificates for the acquired shares were issued on January 27, 2020.

### Benefits of Common Stock Shares

#### 1. Reduces Shareholder's Cost of Supply by Avoiding Excess Water Charges:

- Acquiring additional shares of Common Stock expands the shareholder's entitlement to water from Cal Domestic, thereby reducing the amount of Excess Water Charges assessed at year-end.
- Currently, one share of Common Stock results in a savings to shareholders of \$823 compared to Excess Water Charges.

#### 2. Less Expensive Long-Term Water Supply:

- Buying additional shares of Common Stock entitles shareholders to purchase water supplies at less than half the current cost of purchasing water from Northern California and the Colorado River through the Metropolitan Water District of Southern California ("MWD") and its member agencies, such as the Municipal Water District of Orange County ("MWDOC").
- Currently, one share of Common Stock results in a savings to shareholders of \$856 compared to purchasing water from MWDOC.

#### 3. Options to Lease Shares and Entitlements to Other Shareholders:

- Unused water entitlements from Common Stock shares may be leased to other shareholders for a year or multiple years.

- This allows shareholders to recover costs over the long-term and invest revenues from the lease in local infrastructure and/or to stabilize water rates for residents if there is a reduced demand for water deliveries.

#### **4. Shareholders Avoid Paying a Share of Cal Domestic Debt Service:**

- Issuing Common Stock helps Cal Domestic generate capital without having to acquire debt, ultimately saving shareholders money. When Cal Domestic acquires debt, it must make long-term debt service payments that ultimately must be passed on to shareholders.

#### **5. Secure Local Water Supplies:**

- Suburban, La Habra and Brea primarily use local supplies from their own wells or from Cal Domestic's well, although they still have access to the more expensive supplemental supplies from MWD.
- Many other communities around the region are primarily dependent on imported supplies from Northern California and the Colorado River through MWD. Recent droughts and climate change have shown that these communities face a future of unpredictable water deliveries and allocation restrictions unless they can develop new water sources as Cal Domestic shareholders have.