March 25, 2015

To Our Shareholders:

GWR Global Water Resources Corp. ("**GWRC**") is pleased to present our management's discussion and analysis, along with management's discussion and analysis of Global Water Resources, Inc. ("**GWRI**"), for the year ended December 31, 2014. Because GWRI represents the sole asset of GWRC and is not consolidated into the financial statements of GWRC, management's discussion and analysis of GWRI for the three and twelve months ended December 31, 2014 is filed together with management's discussion and analysis of GWRC.

On behalf of the Board of Directors, management and employees of GWRC and GWRI, I thank you for your ongoing support.

Warm regards,

Mike Liebman
Chief Financial Officer and Corporate Secretary

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
GWR GLOBAL WATER RESOURCES CORP.

The following management's discussion and analysis of GWR Global Water Resources Corp.'s (the "Company", "GWRC", "we", or "us") financial condition and results of operations dated March 25, 2015 relates to the years ended December 31, 2014 and 2013 and should be read together with our audited consolidated financial statements and related notes as of and for the years ended December 31, 2014 and 2013. Investors should also refer to the 2014 audited financial statements and the accompanying notes and the management's discussion and analysis of of Global Water Resources, Inc. ("GWRI") and the Company's current annual information form, all of which are available on the Company's SEDAR profile at www.sedar.com. Financial information of GWRI is not consolidated with the financial statements of GWRC.

Basis of Presentation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles of the United States ("U.S. GAAP") and, except where otherwise indicated, are presented in U.S. dollars. Unless otherwise indicated, the financial information contained in this management's discussion and analysis has been prepared in accordance with U.S. GAAP and is expressed in U.S. dollars. References to "C$" are to Canadian dollars.

In February 2008, the Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA) confirmed that publicly accountable enterprises would be required to convert to International Financial Reporting Standards (IFRS) in place of Canadian generally accepted accounting principles for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011.

In September 2010, the AcSB decided to offer an optional one year deferral for converting to IFRS for qualifying entities with rate regulated activities and permit such entities to continue to apply Part V – Pre-changeover accounting standards of the CICA Handbook during that period. The Company is a qualifying entity for purposes of this deferral which we elected.

During 2011, we applied for, and in July 2011 received, an exemption from the Ontario Securities Commission (OSC) allowing the Company and GWRI to adopt U.S. GAAP and defer their conversion to IFRS until financial years beginning on or after January 1, 2015. Accordingly, effective January 1, 2012, we converted to U.S. GAAP.

In June 2014, we were granted an extension of the exemption previously received from the OSC. The extended exemption allows the Company and GWRI to defer the conversion to IFRS until the earliest of: (a) January 1, 2019; (b) if GWRC or GWRI, as applicable, ceases to have activities subject to rate regulation, the first day of the financial year of GWRC or GWRI, respectively, that commences after GWRC or GWRI, respectively, ceases to have activities subject to rate regulation; and (c) the effective date prescribed by the International Accounting Standards Board for the mandatory application of a standard within IFRS specific to entities with rate-regulated activities.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this management's discussion and analysis are forward-looking in nature and may constitute "forward-looking information" within the meaning of applicable securities laws. Often, but not always, forward-looking statements can be identified by the words "believes", "anticipates", "plans", "expects", "intends", "projects", "estimates", "objective" and similar expressions. These forward-looking statements include expectations of earnings growth described in "Outlook". These forward-looking statements reflect management's current expectations regarding GWRC's and GWRI's future growth, results of operations, performance and business prospects and opportunities and other future events and speak only as of the date of this management's discussion and analysis. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. Investors are cautioned not to place undue reliance on forward-looking information. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors" in GWRC's most recent Annual Information Form, which is available on SEDAR at www.sedar.com. Although the forward-looking statements contained in this management's discussion and analysis are based upon what management believes to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. These forward-looking statements are made as of the date of this management's discussion and analysis and neither GWRC nor GWRI assume any obligation to update or revise them to reflect new events or circumstances, except as required by applicable law.

Executive Overview

General – The Company was incorporated under the *Business Corporations Act* (British Columbia) on March 23, 2010 to acquire shares of GWRI, a corporation incorporated in the State of Delaware of the United States of America, and to actively participate in the management, business and operations of GWRI through its representation on the board of GWRI and its shared management with GWRI. The formation of GWRI occurred on December 30, 2010 through a reorganization of Global Water Resources, LLC and its subsidiaries and Global Water Management, LLC (the predecessors of GWRI).

GWRI operates in the Western United States as a water resource management company that owns and operates regulated water, wastewater and recycled water utilities in strategically located communities, principally in metropolitan Phoenix, Arizona. GWRI's model focuses on the broad issues of water supply and scarcity and applies principles of water conservation through water reclamation and reuse. The basic premise of GWRI's business is that the world's water supply is limited and yet can be stretched significantly through effective planning, the use of recycled water and by providing individuals and communities resources that promote wise water usage practices. GWRI deploys its integrated approach, Total Water Management ("TWM"), a term which it uses to mean managing the entire water cycle, both to conserve water and to maximize its total economic and social value. GWRI uses TWM to promote sustainable communities in areas where GWRI expects growth to outpace the existing potable water supply.

Through its investment in technology, GWRI's utilities are some of the most automated and efficient operations in the U.S. water industry. Initially developed to support and optimize its own utilities, GWRI also had an unregulated business, whose services were marketed by GWRI as FATHOM™ Utility-to-Utility ("U_2U™") Solutions ("FATHOM"). FATHOM offered an integrated suite of advanced technology-enabled platforms to provide third party services to municipalities and private utilities. On June 5, 2013, GWRI sold a majority interest in the FATHOM business. Please see the accompanying management's discussion and analysis of GWRI for more details regarding the sale of the FATHOM business.

On December 30, 2010, the Company completed its initial public offering of 8,185,000 common shares (the "Offering") at C$7.50 per share for gross proceeds totaling C$61,387,500. The Company used the net proceeds of the Offering to acquire 81,850 shares of GWRI common stock. On January 28, 2011, the underwriters of the Offering exercised their over-allotment option and purchased an additional 569,611 common shares at C$7.50 per share. Net proceeds from the exercise of the over-allotment option, after taking into account underwriters' commissions and issuance costs of

$262,000, were $4,011,000. The net proceeds of the over-allotment were used to purchase 5,696 shares of GWRI's common stock on January 28, 2011, increasing the Company's ownership interest in GWRI to approximately 48.1%.

Outlook - Whereas the Company accounts for its investment in GWRI using the equity method of accounting, the carrying value of the investment is adjusted each period to include GWRC's proportionate share of the earnings or losses of the investee. Since the date of the Offering through December 31, 2013, GWRC recorded significant equity investment losses as a result of losses generated by GWRI. However, in February 2014, GWRI completed the regulatory rate case which was initiated by GWRI's utility companies in 2011. The regulatory rate case provided, among other things, additional revenues to GWRI which will be phased-in over time.

According to the ruling, for the GRWI's utilities, a collective revenue requirement increase was $4.3 million based on 2011 test year service connections, phased-in over time, with the first increase in January 2015 as follows (in thousands of US$):

	Incremental	Cumulative
2015	$ 1,416	$ 1,416
2016	1,219	2,635
2017	335	2,970
2018	336	3,306
2019	335	3,641
2020	335	3,976
2021	335	4,311

This phase-in of additional revenues was determined using a 2011 test year, to the extent that the number of active service connections increases from 2011 levels, the additional revenues may be greater than the amounts set forth above. We expect that the carrying value of GWRC's investment in GWRI will continue to increase.

Additionally, the impact of the rate decision, combined with the effect of reversing the income tax valuation allowance was approximately $32.1 million ($66.8 million multiplied by GWRC's 48.1% interest) of equity method earnings as a result of GWRI's gain in the first quarter ended March 31, 2014.

Please see the accompanying management discussion and analysis of GWRI for more details regarding the completion of the regulatory rate case.

Rate Decision No. 74364 is a public document and is posted on the Company's website and at the ACC's eDocket website, http://edocket.azcc.gov under the docket number 12-0309.

Results of operations for the years ended December 31, 2014 and 2013 –The following table summarizes GWRC's results of operations for the years ended December 31, 2014 and 2013 (in thousands of US$, except per share amounts).

	For the Years Ended December 31,	
	2014	2013
Gain (loss) from equity investment	$ 31,225	$ (3,628)
Operating expenses	666	320
Operating income (loss)	30,559	(3,948)
Income (loss) before income taxes	30,559	(3,948)
Income tax expense	(1,666)	—
Net income (loss)	$ 28,893	$ (3,948)
Earnings (loss) per share	$ 3.30	$ (0.45)
Diluted earnings (loss) per share	$ 3.30	$ (0.45)
Income/(Loss) per share, excluding the gain on the sale of GWRI contracts, loss on FATHOM, the gain on GWRI's regulatory order and the effect of the reversal of GWRI's valuation allowance	$ (0.37)	$ (0.53)

Gain (loss) from Equity Investment – Gain from equity investment totaled $31.2 million for the year ended December 31, 2014 compared to the loss of $3.6 million for the year ended December 31, 2013. The gain (loss) from equity investment represents the portion of GWRI's net income (loss) attributed to the equity method investment during the respective period. The amount is calculated based on GWRI's net income (loss) for the years ended December 31, 2014 and 2013, multiplied by GWRC's 48.1% equity interest in GWRI. The gain from equity investment for the year ended December 31, 2014 primarily reflects the Company recording its proportionate share of GWRI's $50.7 million gain on regulatory order relating to the ACC's February 2014 Rate Decision No. 74364 and GWRI's $16.1 million deferred tax valuation allowance reversal. For the year ended December 31, 2013, the loss on equity investment includes amortization of the difference between the cost of the investment and the underlying net assets of the investee at the date of investment, attributed to the intangible asset (see Note 3 of the Company's financial statements for the year ended December 31, 2014). For a discussion of GWRI's results of operations, please see GWRI's management's discussion and analysis, which is available on the Company's SEDAR profile at www.sedar.com.

We evaluate our investment in GWRI for impairment whenever events or changes in circumstances indicate that the carrying value of our investment may have experienced an "other-than-temporary" decline in value. Through December 31, 2013, GWRI's results of operations were below GWRI's previous forecasts, primarily due to slower than expected growth of the FATHOM business. This combined with the lower trading price of our stock relative to the price at the Offering warranted a review of the carrying value of our investment in GWRI for impairment. Accordingly, we performed a valuation assessment during 2013 and concluded that an impairment of the investment in GWRI did not exist as of December 31, 2013.

Since the date of the Offering through December 31, 2013, GWRC has recorded significant equity investment losses as a result of losses generated by GWRI. However, in February 2014, GWRI completed the regulatory rate case which was initiated by GWRI's utility companies in 2011. The regulatory rate case provides, among other things, additional revenues to GWRI which will be phased-in over time. As of December 31, 2014, GWRI evaluated the impact of the rate case decision, including whether sufficient evidence exists that GWRI's net deferred tax assets will be utilized in the future, thus allowing the reversal of the valuation allowance currently recorded at GWRI. With the exception of the phase-in of new rates to be charged to GWRI's utility customers, the impact of the rate decision was effective for GWRI in the first quarter of 2014. The impact of the rate decision, combined with the effect of reversing the valuation allowance, resulted in approximately $66.8 million of additional income in GWRI's financial statements for the year ended December 31, 2014. As a result of GWRC's 48.1% interest in GWRI, GWRC recorded $31.2 million of equity method earnings for the year ended December 31, 2014, which had the effect of significantly increasing the carrying value of GWRC's investment in GWRI. The Company performed an analysis comparing the carrying value of GWRC's investment in GWRI with its estimated fair value, and we concluded that an impairment of the investment did not exist as of December 31, 2014. However, this analysis is sensitive to management assumptions including forecasted results of GWRI and as a result, changes in these assumptions could have a material impact on the analysis.

Operating Expenses – Operating expenses for the years ended December 31, 2014 and 2013 consisted primarily of compensation provided to the independent members of the Company's board of directors, accounting and legal fees, directors' and officers' insurance, listing fees and other costs directly associated with operating as a publicly traded company.

Net Income (Loss) – Net income (loss) was determined by deducting operating and income tax expenses from gain (loss) from equity investment income. For the years ended December 31, 2014 and 2013, the Company experienced net income of $28.9 million and a net loss of $3.9 million, respectively. Net income for the year ended December 31, 2014 primarily reflects GWRC's 48.1% portion of (i) a nonrecurring gain of $50.7 million recognized by GWRI upon receipt of a regulatory order from GWRI's economic regulator, and (ii) GWRI's release of its deferred income tax valuation allowance of $16.1 million during the 2014 period. Excluding these items, the Company experienced a loss of $3.2 million, or a loss of $0.37 per share, for the year ended December 31, 2014. The reduction in the Company's loss was primarily driven by the impact of the sale of the FATHOM business and the transfer of its operating losses. Net loss on equity investment for the year ended December 31, 2013 was particularly affected by GWRC's 48.1% portion of the $3.3 million gain recorded by GWRI upon selling certain contracts during the year ended December 31, 2013, together with the $1.9 million loss recorded by GWRI related to the sale of GWRI's FATHOM business during the year ended December 31, 2013. Excluding the impact of the gain on the the contracts sale and the loss on the sale of the FATHOM business, the Company's net loss totaled $4.6 million, or a loss of $0.53 per share, for the year ended December 31, 2013.

The following table sets forth audited financial data for the last eight quarters ended December 31, 2014 (in thousands of US$). This financial information has been derived from the audited financial statements prepared by, and is the responsibility of, the Company's management.

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
GAIN (LOSS) FROM EQUITY INVESTMENT	$ (403)	$ (13)	$ (235)	$ 31,876	$ 66	$ 318	$ (2,399)	$ (1,613)
OPERATING EXPENSES	127	131	262	146	59	113	17	131
OPERATING INCOME (LOSS)	(530)	(144)	(497)	31,730	7	205	(2,416)	(1,744)
INCOME (LOSS) BEFORE INCOME TAXES	(530)	(144)	(497)	31,730	7	205	(2,416)	(1,744)
INCOME TAX BENEFIT (EXPENSE)	110	(250)	311	(1,837)	-	-	-	-
NET INCOME (LOSS)	$ (420)	$ (394)	$ (186)	$ 29,893	$ 7	$ 205	$ (2,416)	$ (1,744)
EARNINGS (LOSS) PER SHARE	$ (0.05)	$ (0.04)	$ (0.02)	$ 3.41	$ 0.00	$ 0.03	$ (0.28)	$ (0.20)
DILUTED EARNINGS (LOSS) PER SHARE	$ (0.05)	$ (0.04)	$ (0.02)	$ 3.41	$ 0.00	$ 0.03	$ (0.28)	$ (0.20)
Loss per share, excluding gain on the sale of GWRI contracts, loss on sale of FATHOM, gain on GWRI's regulatory order and the effect of GWRI's valuation allowance	$ (0.05)	$ (0.04)	$ (0.02)	$ (0.26)	$ (0.07)	$ (0.09)	$ (0.17)	$ (0.20)

Outstanding Share Data

As of March 25, 2015, there were 8,754,612 common shares of the Company outstanding and options to acquire an additional 269,227 common shares of GWRC.

Liquidity and Capital Resources

We are economically dependent on GWRI. Our ability to service operating costs and pay distributions (if any) is entirely dependent on the receipt of distributions, or loans, from GWRI. Significant events affecting or transactions involving GWRI could materially influence our ability to make such payments.

We do not carry on any active business operations as our activities are generally restricted to holding securities of our equity investee, GWRI. To date, we have not incurred debt to finance our investments. Therefore, our capital structure is composed solely of our shareholders' equity.

To date, capital resources have been provided from equity financing, and there were no cash flows of the Company for the years ended December 31, 2014 and 2013, respectively, with the exception of dividends discussed below. GWRI has funded the Company's operating expenses incurred through December 31, 2014. See Notes 3 and 6 to GWRC's financial statements for the years ended December 31, 2014 and 2013.

In March 2014, the Company initiated a dividend program wherein we have declared and paid a monthly dividend of approximately C$0.022 per share per month. In November 2014 the Company increased the monthly dividend to C$0.024 per share per month. The Company expects that monthly dividends of similar amounts will be declared and paid for the foreseeable future. Nevertheless, the ability of the Company to maintain its dividend program is dependent upon GWRI making distributions to the Company. Declaration of dividends is at the discretion of the Company's board of directors.

Insurance Coverage

As we do not carry on any active business operation, the Company does not carry insurance coverage other than a $15,000,000 Directors' and Officers' Liability insurance policy. GWRI carries financial insurance policies with limits, deductibles and exclusions consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims.

Contractual Obligations and Commitments

GWRC had no significant contractual obligations or commitments with third parties as of December 31, 2014.

Quantitative and Qualitative Disclosure about Market Risk

Through its equity interest in GWRI, the Company is indirectly exposed to market risk associated with changes in interest rates and with price increases for chemicals, electricity and labor that affect the business of GWRI. However, the potential for an increase is mitigated by GWRI's ability to recover its costs through rate increases to its customers as well as the fact that it holds fixed-rate debt.

The Company's future performance and financial condition involves a number of risks and uncertainties. Any of these risks and uncertainties could have a material adverse effect on the results of operations, business prospects and financial condition of GWRI, the Company or the market price or value of the Company's common shares. These risks are discussed in the Company's most recent Annual Information Form, which is available on SEDAR at www.sedar.com.

Related Party Transactions

Except for the Chief Executive Officer and Chief Financial Officer (who serve in the same roles at GWRI and who receive no compensation from the Company in connection with their roles), we have no employees and the management and general administration services for our business and affairs are provided by GWRI pursuant to a management agreement. Services provided by GWRI are provided at no charge to the Company.

The management agreement may be terminated (i) by the Company, in its sole discretion, by notice in writing to GWRI at least 30 days prior to the effective date of termination; (ii) by either party in the event of the termination of the existence of the Company or the insolvency, receivership or bankruptcy of GWRI, or in the case of default by the other party in the performance of a material obligation under the management agreement which is not remedied within 30 days after notice thereof has been delivered to the defaulting party; and (iii) if the Company no longer holds voting securities of GWRI.

For a description of the specific services provided by GWRI to the Company under the management agreement, please refer to the management agreement, a copy of which has been filed on SEDAR at www.sedar.com.

Stock option grant to employees of GWRI – In January 2012, the Company's Board of Directors granted 385,697 options to acquire GWRC common stock to nine employees of GWRI pursuant to the GWR Global Water Resources Corp. Stock Option Plan (the "Option Plan"). The options vested in equal installments over the eight quarters of 2012 and 2013 and expire four years after the date of issuance. We account for the option grant in accordance with FASB's Accounting Standards Codification (ASC) 323, *Investment-Equity Method & Joint Ventures.* At December 31, 2012, the estimated fair value of the unvested options was $33,000 based on a Black-Scholes pricing model. The options were initially measured on June 30, 2012, the first period-end following the date when the Option Plan received shareholder approval. The Company remeasured the fair value of the award at the end of each period until the options became fully vested on December 31, 2013.

Due to attrition and the sale of FATHOM, certain former employees of GWRI forfeited their stock options during the years ended December 31, 2013 and 2014. The number of stock options forfeited totaled 116,470, resulting in stock options of 269,227 and 278,511 outstanding at December 31, 2014 and December 31, 2013, respectively.

Critical Accounting Policies and Estimates

The application of critical accounting policies is particularly important to GWRC's financial condition and results of operations and provides a framework for management to make significant estimates, assumptions and other judgments. Additionally, GWRC's financial condition, results of operations and cash flow are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. Although GWRC's management believes that these estimates, assumptions and other judgments are appropriate, they relate to matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and other judgments applied to these accounting policies could have a significant impact on GWRC's financial condition and results of operations as reflected in GWRC's financial statements.

A summary of GWRC's significant accounting policies used in the preparation of its financial statements appears in Note 2 of GWRC's financial statements for years ended December 31, 2014 and 2013. GWRC has identified policies related to the application of the equity method to its investment in GWRI and its assessment of impairment of such investment as critical to its business operations and the understanding of its results of operations. Management has reviewed those critical accounting policies and the associated estimates and assumptions.

Additionally, as indicated above, effective January 1, 2012, the Company and GWRI prepare their financial statements in accordance with U.S. GAAP. See also Note 1 to GWRC's financial statements for the year ended December 31, 2014.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have reviewed and evaluated our disclosure controls and procedures. Based on that evaluation, they have concluded that our disclosure controls and procedures are effective in providing them with timely material information relating to the Company.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, and has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with U.S and Canadian GAAP.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls and procedures over financial reporting will prevent all error and all fraud. A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of the consolidated financial statements for the three months ended June 30, 2014, GWRI determined that it had incorrectly calculated and classified certain components of its net deferred tax assets and related income tax benefit in GWRI's financial statements as of and for the three months ended March 31, 2014. As approximately 48.1% of GWRI's net income (losses) is recorded by GWRC as a gain (loss) related to the Company's equity investment in GWRI, the Company's financial states for the three months ended March 31, 2014 were also misstated. The misstatement was determined to be immaterial; however, as GWRC's internal controls are similar to those of GWRI, we performed an evaluation and concluded based on the Company's tax accounting resources and processes currently in place, it was reasonably possible that a material misstatement to the annual or interim financial statements might not have been prevented or detected in a timely manner. Accordingly, as of March 31, 2014, we determined that the Company had a material weakness in internal control over financial reporting with respect to its accounting for income taxes process.

To remediate the material weakness and improve our control over financial reporting with respect to accounting for income taxes, the Company, with oversight from our Audit Committee, implemented certain measures to increase the level of control in our income tax processes. Specifically, the Company subjected our income tax provision to an increased level of scrutiny and review by Company personnel, as well as increased the involvement of external accounting advisors in the preparation and review of our income tax provision. As a result of these measures, Management evaluated the design and operation of our internal control over financial reporting, using criteria for effective internal control over financial reporting described in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992), as of December 31, 2014, and concluded that it has remediated the material weakness over financial reporting for taxes and that internal control over financial reporting is effective as of December 31, 2014.

Changes in Internal Control over Financial Reporting

Other than the remediation of the previously-identified material weakness discussed above, there were no changes in our internal control over financial reporting that occurred during the fiscal year ended on December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Other Required Disclosures

Additional information relating to GWRC, including the Company's Annual Information Form, has been filed on SEDAR at www.sedar.com.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
GLOBAL WATER RESOURCES, INC.

The following management's discussion and analysis of Global Water Resources, Inc.'s (the "Company", "GWRI", "we", or "us") financial condition and results of operations dated March 25, 2015 relates to the years ended December 31, 2014 and 2013 and should be read together with the consolidated financial statements and accompanying notes of GWRI as well as GWR Global Water Resources Corp.'s ("GWRC") financial statements and associated management's discussion and analysis and current annual information form, all of which are available on GWRC's SEDAR profile at www.sedar.com. Financial information of GWRC is not consolidated with financial information of GWRI.

Basis of Presentation

The financial statements of Global Water Resources, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and, except where otherwise indicated, are presented in U.S. dollars. Unless otherwise indicated, the financial information contained in this management's discussion and analysis has been prepared in accordance with U.S. GAAP and is expressed in U.S. dollars and references to "$", "US$" and "dollars" are to U.S. dollars. References to "C$" are to Canadian dollars.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this management's discussion and analysis are forward-looking in nature and may constitute "forward-looking information" within the meaning of applicable securities laws. Often, but not always, forward-looking statements can be identified by the words "believes", "anticipates", "plans", "expects", "intends", "projects", "estimates", "objective", "goal", "focus", "aim" and similar expressions. These forward-looking statements include future estimates described in "Regulated Division", and expectations of future liquidity in "Liquidity and Capital Resources", and of future market risk in "Quantitative and Qualitative Disclosure about Market Risk". These forward-looking statements reflect management's current expectations regarding the GWRC's and GWRI's future growth, results of operations, performance and business prospects and opportunities and other future events and speak only as of the date of this management's discussion and analysis. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. Investors are cautioned not to place undue reliance on forward-looking information. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors" in GWRC's most recent Annual Information Form, which is available on GWRC's SEDAR profile at www.sedar.com. Although the forward-looking statements contained in this management's discussion and analysis are based upon what management believes to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. These forward-looking statements are made as of the date of this management's discussion and analysis and neither GWRI nor GWRC assumes any obligation to update or revise them to reflect new events or circumstances, except as required by applicable law.

Cautionary Statement Regarding Non-GAAP Measures

This management's discussion and analysis contains references to "EBITDA". EBITDA is defined for the purposes of this management's discussion and analysis as net income or loss before interest, income taxes, depreciation and amortization. Management believes that EBITDA is a useful supplemental measure of GWRI's operating performance and that the use of EBITDA facilitates operating performance comparisons from period to period and company to company by removing potential differences caused by variations in capital structures (affecting primarily relative interest expense), the book amortization of intangibles (affecting relative amortization expense), the age and book depreciation of facilities and equipment (affecting relative depreciation expense), other non-cash charges and non-recurring items. Management believes that, by eliminating such effects, EBITDA provides a meaningful measure of overall corporate performance exclusive of GWRI's capital structure and the method and timing of expenditures associated with building and placing GWRI's systems. EBITDA is also presented because management believes that it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance.

However, EBITDA is not a recognized earnings measure under U.S. GAAP and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss or other income statement data (which are determined in accordance with U.S. GAAP) as an indicator of the performance of GWRI or as a measure of liquidity and cash flows. Management's method of calculating EBITDA may differ materially from the method used by other public companies and accordingly, may not be comparable to similarly titled measures used by other public companies. See "EBITDA" for a reconciliation of EBITDA to net loss, the nearest comparable U.S. GAAP measure.

Overview

General – GWRI is a leading water resource management company, co-founded in Phoenix in 2003 by Chairman Trevor T. Hill and investor and Board member, William S. Levine. GWRI recognized that population growth and shrinking water supplies had the potential to overwhelm small, undercapitalized and under-engineered water utilities and that the Company's unique water management approach could have the potential to achieve local conservation objectives and maximize the economic value of water.

The basic premise of GWRI's business is that the world's water supply is limited and yet can be stretched significantly through effective planning, the use of recycled water and by providing individuals and communities resources that promote wise water usage practices. GWRI deploys its integrated approach, Total Water Management ("TWM"), a term which it uses to mean managing the entire water cycle, both to conserve water and to maximize its total economic and social value. GWRI uses TWM to promote sustainable communities in areas where GWRI expects growth to outpace the existing potable water supply. Until the sale of GWM (defined below) in June of 2013, GWRI's business had been comprised of two principal divisions: the Regulated business consisting of the Company's regulated utilities, and the Unregulated business consisting primarily of FATHOM™ Utility-to-Utility ("U_2U™") Solutions ("FATHOM") operations. Through its Regulated division, GWRI operates in the Western United States as a water resource management company that owns and operates regulated water, wastewater and recycled water utilities in strategically located communities, principally in metropolitan Phoenix, Arizona. GWRI's model focuses on the broad issues of water supply and scarcity and applies principles of water conservation through water reclamation and reuse.

Leveraging its investment in technology that was initially developed to support and optimize its own utilities, GWRI also historically operated an Unregulated business, whose services were marketed by GWRI's wholly-owned subsidiary Global Water Management, LLC ("GWM") as FATHOM. FATHOM offers an integrated suite of cloud-based geo-spatial advanced technology-enabled platforms to provide third party services to municipalities and private utilities of any size. The services offered by FATHOM provide automation, cost savings and opportunities for increased revenues to GWM's municipal and private utility clients. On June 5, 2013, GWRI sold GWM and now owns a minority interest in the FATHOM business. See further discussion regarding the sale of GWM below.

The Company had 61 employees at December 31, 2014 compared to 65 employees at December 31, 2013.

Our Regulated division provides drinking water, wastewater and other water related services to approximately 70,000 people in Arizona as of December 31, 2014. Our Regulated business involves the ownership of water and wastewater utilities that provide water and wastewater services to residential, commercial and industrial customers. Our utilities that provide these services are subject to economic regulation by the state regulator, the Arizona Corporation Commission ("ACC"). The U.S. federal and state governments also regulate environmental, health and safety and water quality matters. GWRI's financial condition and results of operations for the Regulated division are influenced by a variety of industry-wide factors, including but not limited to (i) economic and environmental utility regulation; (ii) economic environment; (iii) the need for infrastructure investment; (iv) an overall trend of declining water usage per customer; (v) weather and seasonality; and (vi) access to and quality of water supply.

Through December 31, 2014, we continued to execute on our strategy to optimize and focus the Company in order to provide greater value to our customers and shareholders by aiming to deliver predictable financial results, making prudent capital investments and focusing our efforts on earning an appropriate rate of return on our investments.

UNREGULATED DIVISION

Background and Divestiture of FATHOM business

The Company developed and operated its FATHOM business to provide utility customer support and billing services, and automated metering infrastructure and asset management solutions to municipal and private utility clients, as well as to the Company's own regulated utilities. The Company began commercializing FATHOM in 2009 and since then the business experienced significant growth, both from the perspective of revenue generated for the Company and the number of customer accounts being serviced.

The FATHOM platform provided clients with the opportunity for increased revenue and decreased costs, and also provided them with customer facing tools, not only to improve the customer's ability to manage and pay their bills, but also providing them useful information about their own water consumption. Our prior investment in the FATHOM platform provided for more automation in business processes and more analytical capabilities, improving customer service metrics and lowering costs of operations.

However, despite the significant market interest in FATHOM, the adoption through contracting was often a lengthy process which was difficult to reliably predict. Formal contracting of new clients for FATHOM was below expectations and required significant amounts of capital to fund investments, operations and business development efforts. Notwithstanding our continued belief in the FATHOM business and its long-term growth opportunities, we believed that it was in the best interests of GWRI's core Regulated Utilities business, as well as of the FATHOM business, that FATHOM be owned, financed, managed and operated separately from GWRI. Accordingly, during the second quarter of 2013, GWRI made the decision to divest itself of GWM, the former GWRI subsidiary that directly owns the FATHOM business.

On June 5, 2013, the Company sold GWM to an investor group led by a private equity firm that specializes in the water industry. The transaction was effected through the sale of all of the outstanding membership interests of GWM to a wholly-owned subsidiary of Fathom Water Management Holdings, LLP (the "Fathom Partnership"). The Company received the following consideration for the sale of GWM: (a) a cash payment of $4.25 million (subject to a post-closing working capital adjustment resulting in a $1.7 million liability for the Company, which the Company paid as of December 31, 2013); and (b) the issuance to the Company of common and preferred units of the Fathom Partnership with a deemed initial value of $0.8 million. In addition, the Company is entitled to quarterly royalty payments based on a percentage of certain of GWM's recurring revenues for a 10-year period, up to a maximum of $15.0 million.

Concurrent with the closing, $750,000 of the cash portion of the purchase price was reinvested by the Company in a promissory note issued by GWM's parent. The promissory note had an original maturity of December 31, 2014 and bore interest at a rate of 10% per annum. In November 2014, the convertible promissory note was converted into shares of preferred stock in the FATHOM partnership.

The Company continues to hold an indirect interest in GWM through its ownership of the common and preferred units of the Fathom Partnership received in consideration for the sale of GWM. Together, these units represent an approximate 8.0% ownership interest in the Fathom Partnership (on a fully diluted basis) at December 31, 2014. Our ownership interest in GWM was diluted from 12.7% in 2014 as part of a qualified financing.

In conjunction with the qualified financing, our equity interest in the Series A and Series B preferred shares was revalued in accordance with ASC 323, wherein we recorded a net gain of $1.0 as a result of the recapitalization. The adjustment to the carrying value of our investments was calculated using our proportionate share of FATHOM's adjusted net equity. The gain from dilution was recorded within other income and expense in our consolidated statement of operations.

GWM has historically provided billing, customer service and other support services to the Company. The Company has entered into a services agreement with GWM whereby the Company has agreed to use the FATHOM platform for all of its regulated utility services for an initial term of 10 years. The services agreement is automatically renewable thereafter for successive 10-year periods, unless notice of termination is given prior to any renewal period. The services agreement may be terminated by either party for default only and the termination of the services agreement will also result in the termination of the royalty payments payable to the Company. The sale of GWM has resulted in changes to the recurring costs to be recorded by the Company. Based on current connections, we estimate that costs to be paid to GWM for FATHOM services will be $7.69 per water account/month, an annual rate of approximately $2.4 million.

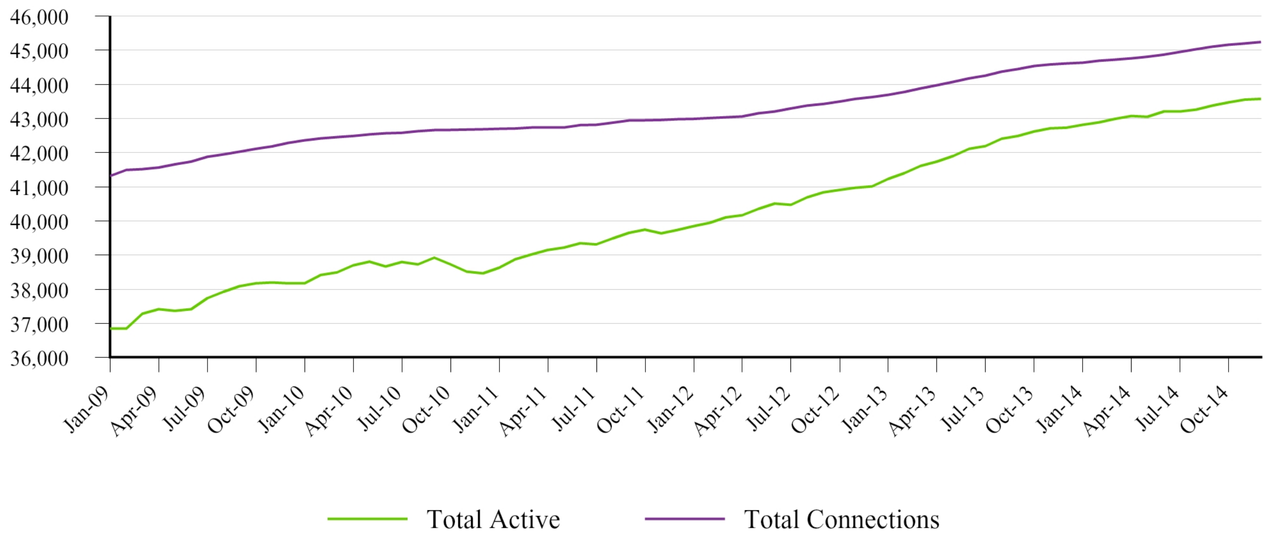
REGULATED DIVISION

Population and Community Growth

Population and community growth in the metropolitan Phoenix area served by GWRI's utilities have a direct impact on the Company's earnings. An increase or decrease in GWRI's active service connections will affect its revenues and variable expenses in a corresponding manner.

As illustrated in the graph below, GWRI's total service connections, which include active service connections and connections to vacant homes, increased to 45,235 as of December 31, 2014 from 44,608 as of December 31, 2013. GWRI's active service connections increased to 43,568 as of December 31, 2014 compared to 42,726 as of December 31, 2013, representing an annual increase of 2.0%.

Total Active vs. Total Connections



During the economic downturn beginning in 2008, GWRI's utilities experienced an increase in the number of vacant homes, reaching a peak of 4,647 vacant connections as of February 28, 2009, approximately 11.2% of our total connections at the time; however, the negative trend began to reverse thereafter. Vacant connections represented approximately 3.7% of total connections at December 31, 2014.

Regulated Business Outlook – 2014 continued the trend of positive growth in new connections and re-establishing service on existing previously vacant homes. According to the 2010 U.S. Census Data, the Phoenix metropolitan statistical area ("MSA") had a population of 4.2 million in 2010 and is the 14th largest MSA in the U.S., an increase of 29% over the 3.25 million people in the 2000 Census. Metropolitan Phoenix's growth data continues to improve due to its low-cost housing, excellent weather, large and growing universities, a diverse employment base and low taxes. Employment and Population Statistics department of State of Arizona (ADOA-EPS) predicts that Maricopa County will have a population of 4.5 million by 2020. Over the course of 2014, Arizona's employment improved 2.1 percent, ranking the state in the top 13 nationally for job growth. Among major metropolitan areas/cities, Phoenix ranked number eleven with year to date job gains of 2.4 percent. According to University of Arizona Economic & Business Research Center, ADOA-EPS, and other statistical projections, employment, personal income and population will continue to grow in 2015.

Also, according to the W.P. Carey School of Business Greater Phoenix Blue Chip Real Estate Consensus panel, most sectors of real estate are expected to continue to improve. After a decline to fewer than 6,800 units in 2011, single family housing permits bounced back to 11,615 units in 2012, and continued to climb in 2013 to 12,785 units. The Blue Chip consensus forecast indicate permits for 2014 declined to approximately 11,800 units, down from a forecast of 14,100 units for the year. However, the forecast for 2015 and 2016 remains positive at approximately 14,900 and 19,500 units, respectively. From there, growth in the region is expected to steadily return to its normal historical rate of greater than 30,000 Single Family Dwelling permits. Additionally, multifamily, office, retail, and industrial market vacancy rates continued to decline in 2014 compared to year 2013 and are expected to continue to decline through 2016. Phoenix was one of the worst performing housing markets during the housing downturn, but home prices have risen on average approximately 13.45% per year over the past three years ending November 2014, according to the S&P/Case-Shiller Phoenix Home Price Index.

GWRI believes that its acquired utilities and monopolistic service territories are directly in the anticipated path of growth primarily in the metropolitan Phoenix area. Market data indicates that the Company's service areas currently incorporate a large portion of the final platted lots, partially finished lots and finished lots in metropolitan Phoenix. Management believes that GWRI is well-positioned to benefit from the near-term growth in metropolitan Phoenix due to the availability of lots and existing infrastructure in place within GWRI's services areas.

In September 2013, the Company sold all contracts entered into by a subsidiary of the Company related to the Loop 303 Project, wherein we provided certain water utility coordination, permitting and engineering design work for certain developers/landowners in the City of Glendale, Arizona ("303 Sale"). The company has no further obligations under the Loop 303 project. In 2013, the Company received $2.8 million of proceeds and recognized income of approximately $3.3 million within other income (expense) in the statement of operations for the period ended December 31, 2013. Receipt of the remaining $1.3 million of proceeds will occur and be recorded as additional income over time as certain milestones are met between the third party acquirer and the developers/landowners.

Economic Utility Regulation

The ACC is charged with establishing rates based on the provision of reliable service at reasonable cost while also providing an opportunity to earn a fair rate of return on rate base for investors of utilities. The ACC uses a historical test year to evaluate whether the plant in service is used and useful, to assess whether costs were prudently incurred and to set "just and reasonable" rates. Rate base is the depreciated original cost of the plant in service (net of contributions in aid of construction ("CIAC") and advances in aid of construction ("AIAC")), that has been determined to have been "prudently invested" and "used and useful". The ACC also decides on an applicable capital structure based on actual or hypothetical analyses. The ACC determines a "fair rate of return" on that rate base which includes the actual cost of debt and an established return on equity. The overall revenue requirement for rate making purposes is established by multiplying the rate of return on rate base by the rate base, and adding "prudently" incurred operating expenses for the test year, depreciation and any applicable pro forma adjustments.

To ensure an optimal combination of access to water and water conservation balanced with a fair rate of return for investors, GWRI's water utility operating revenue is based on two components: a fixed fee and a consumption or volumetric fee. For GWRI's water utilities, the fixed fee, or "basic service charge", provides access to water for residential usage and has generally been set at a level to produce 47% to 60% of total revenue. The volumetric fee is based on the total volume of water supplied to a given customer after the minimum number of gallons, if any, covered by the basic service charge, multiplied by a price per gallon set by a tariff approved by the ACC. For all investor-owned water utilities, the ACC requires the establishment of inverted tier conservation oriented rates, meaning that the price of water increases as consumption increases. For wastewater utilities, wastewater collection and treatment can be based on volumetric or fixed fees. GWRI's wastewater utility services are billed based solely on a fixed fee, determined by the size of the water meter installed. Recycled water is sold on a volumetric basis with no fixed fee component.

To obtain approval for a change in rates, GWRI's utilities must file rate cases with the ACC. Rate cases and other rate-related proceedings can take a year or more to complete. As a result, there is frequently a delay, or regulatory lag, between the time of a capital investment or incurrence of an operating expense increase and when those costs are reflected in rates. GWRI's rate case management program includes a proactive approach to rate design and management of rate case applications to mitigate the risk of regulatory lag. The Company routinely updates a rate model that reviews changes in current connection growth and expense structure combined with capital invested to determine the appropriate timing of filing for a rate increase. In normal conditions, it would not be uncommon to see the Company file for a rate increase every three years based on year one being the test year, year two being the rate case filing year and year three being the rate case award year. However, based on the recent settlement with the ACC (see next section for further details) and extended new rate phase-in period, the Company will not be initiating the next rate case on such a timeline.

Recent Rate Case Activities

On September 15, 2010, the ACC issued its rate decision (the "2010 Regulatory Rate Decision") for the rate cases filed in February 2009 for the following GWRI utilities: Santa Cruz Water Company ("Santa Cruz"), Palo Verde Utilities Company ("Palo Verde"), Valencia Water Company, Inc. ("Valencia"), Water Utility of Greater Buckeye ("Greater Buckeye"), Water Utility of Greater Tonopah ("Greater Tonopah") and Willow Valley Water Company ("Willow Valley"). The ACC established new rates for the utilities resulting in approximately $9.6 million of additional annual revenues retroactive to August 1, 2010, including a phase-in of rates for Palo Verde on January 1, 2011 and January 1, 2012. The ACC established new rates based on connections during the 2008 test year for the recovery of reasonable costs incurred by the utilities. Such rate changes increased rates for water and wastewater services for all but one of GWRI's utilities, Greater Tonopah (for which rates were reduced), resulting in an overall 47% increase over previous rates. For a discussion of the impacts of 2010 Regulatory Rate Decision, refer to Note 3 to GWRI's audited consolidated financial statements for the year ended December 31, 2011.

On July 11, 2012, we filed rate applications with the ACC to adjust the revenue requirements for seven utilities representing a collective rate increase of approximately 28% over 2011's revenue. In August 2013, the Company entered into a settlement agreement with ACC Staff, the Residential Utility Consumers Office, the City of Maricopa, and other parties to the rate case. The settlement required approval by the ACC's Commissioners before it could take effect. In February 2014, the rate case proceedings were completed and the ACC issued Rate Decision No. 74364, effectively approving the settlement agreement. The rulings of the decision include, but are not limited to, the following:

- For the Company's utilities, a collective revenue requirement increase of $4.3 million based on 2011 test year service connections, phased-in over time, with the first increase in January 2015 as follows (in thousands of US$):

	Incremental	Cumulative
2015	$ 1,416	$ 1,416
2016	1,219	2,635
2017	335	2,970
2018	336	3,306
2019	335	3,641
2020	335	3,976
2021	335	4,311

  Whereas this phase-in of additional revenues was determined using a 2011 test year, to the extent that the number of active service connections increases from 2011 levels, the additional revenues may be greater than the amounts set forth above.

- Full reversal of the imputation of Contributions in Aid of Construction ("CIAC") associated with funds previously received under Infrastructure Coordination and Financing Agreements ("ICFA"), as required in the Company's last rate case.
- The Company has agreed to not enter into any new ICFA agreements. Existing ICFAs will remain in place, but a portion (approximately 70%) of future payments to be received under the ICFAs will be considered as hook-up fees, which are accounted for as CIAC once expended on plant (i.e., hook-up fees will be recorded as a liability, but will only reduce rate base once such funds are expended on plant). The remaining approximate 30% of future ICFA payments will be recognized using the same income recognition accounting applied to ICFA funds already received, wherein such funds will be recorded as revenue or deferred revenue.
- A 9.5% return on common equity is adopted for rate making.
- None of the Company's utilities will file another rate application before May 31, 2016. GWRI's subsidiaries, Santa Cruz and Palo Verde may not file for another rate increase before May 31, 2017.

Rate Decision No. 74364 is a public document and is posted on the Company's website and at the ACC's eDocket website, http://edocket.azcc.gov under the docket number 12-0309.

Infrastructure Investment

Capital expenditures for infrastructure investment are a component of the rate base on which GWRI's regulated utility subsidiaries are allowed to earn an equity return. Capital expenditures for infrastructure provide a basis for earnings growth by expanding GWRI's "used and useful" rate base, which is a component of its permitted return on investment and revenue requirement. GWRI is generally able to recover a rate of return on these capital expenditures (return on equity and debt), together with debt service and certain operating costs, through the rates it charges.

GWRI has made significant capital investments in its territories within the last ten years and because the infrastructure is new, significant capital, either for growth or to maintain the existing infrastructure, is not expected to be required in the near term. GWRI estimates that capital expenditures of the Regulated business will total approximately $2.5 to $3.0 million annually in the near term. Nevertheless, GWRI will repair and replace existing infrastructure as needed. Non-growth capital investments are needed on an ongoing basis to comply with existing and new regulations, to renew treatment and network assets as they age, to enhance system reliability, and to provide security and quality of service. The need for continuous investment can present a challenge due to the potential for regulatory lag described above.

Production and Treatment Costs

GWRI's water and wastewater services require significant production resources and therefore result in significant production costs. Although GWRI is permitted to recover these costs through the rates it charges, regulatory lag can decrease GWRI's margins and earnings if production costs or other operating expenses increase significantly before GWRI is able to recover them through increased rates. GWRI's most significant costs include labor, chemicals used to treat water and wastewater, and power used to operate pumps and other equipment. Power and chemical costs can be volatile. However, GWRI employs a variety of technologies and methodologies to minimize costs and maximize operational efficiencies. For power alone, GWRI has been successful in offsetting the rise in power costs by vigilantly focusing on timing and duration of power requirements. Additionally, with GWRI's unique resources management approach, TWM, whereby we maximize the direct beneficial reuse of recycled water, there are significant treatment costs and power savings that can be realized due to the fact that smaller volumes of water are required for potable use. The old paradigm requires that all water be treated to potable standards irrespective of use. TWM focuses on the right water for the right use. Potable water is needed for consumption and recycled water is acceptable for non-potable uses such as irrigation and toilet flushing. Non-potable water does not need to be treated for commonly occurring and regulated constituents such as arsenic, or for other current or future human consumption health-based contaminant.

Weather and Seasonality

GWRI's water systems generally experience higher demand in the summer due to the warmer temperatures and increased usage by customers for irrigation and other outdoor uses. However, summer weather that is cooler or wetter than average generally suppresses customer water demand and can have a downward effect on GWRI's operating revenue and operating income. The limited geographic diversity of GWRI's service areas could make the results of GWRI's operations more sensitive to the effect of local weather extremes.

The second and third quarters of the year are generally those in which water services revenue and wastewater services revenue are highest. Accordingly, interim results should not be considered representative of the results of a full year.

Selected Financial Information

The following contains selected audited financial information of GWRI's financial position as of December 31, 2014, December 31, 2013, and December 31, 2012 (in thousands of US$):

	December 31, 2014	December 31, 2013	December 31, 2012
ASSETS:			
Net property, plant and equipment	$ 240,424	$ 249,010	$ 260,236
Current assets	12,293	7,010	8,750
Other assets	54,884	41,917	42,386
Total Assets	$ 307,601	$ 297,937	$ 311,372
LIABILITIES:			
Current liabilities	$ 13,630	$ 12,338	$ 14,707
Noncurrent liabilities	266,291	318,441	323,229
Total Liabilities	279,921	330,779	337,936
SHAREHOLDERS' EQUITY (DEFICIT)	27,680	(32,842)	(26,564)
Total Liabilities and Shareholders' Equity	$ 307,601	$ 297,937	$ 311,372

The following contains selected audited financial information of GWRI's results of operations for the years ended December 31, 2014, 2013, and 2012 (in thousands of US$):

	Years Ended December 31,		
	2014	2013	2012
Revenues	$ 32,559	$ 33,434	$ 33,538
Operating expenses	(22,232)	31,419	32,550
Operating income	54,791	2,015	988
Total other income (expense)	(6,855)	(8,039)	(8,802)
Income (loss) before income taxes	47,936	(6,024)	(7,814)
Income tax benefit (expense)	16,995	(16)	(30,667)
Net income (loss)	$ 64,931	$ (6,040)	$ (38,481)

Comparison of Results of Operations for the Years Ended December 31, 2014 and 2013

Revenues – The following table summarizes GWRI's revenues for the years ended December 31, 2014 and 2013 (in thousands of US$).

	Years Ended December 31,	
	2014	2013
Water services	$ 18,076	$ 18,200
Wastewater and recycled water services	14,112	13,829
Unregulated revenues	371	1,405
Total revenues	$ 32,559	$ 33,434

Total revenues decreased $0.9 million, or 2.6%, for the year ended December 31, 2014 compared with the year ended December 31, 2013, primarily from the decrease in unregulated revenues due to the absence of FATHOM-related revenues, which are no longer recorded by the Company subsequent to the sale of GWM on June 5, 2013.

Water Services – Water services revenues decreased $124,000, or 0.7%, to $18.1 million for the year ended December 31, 2014 compared with $18.2 million in the same period of 2013.

Active water connections increased 1.9% to 26,188 as of December 31, 2014 from 25,688 as of December 31, 2013. Water consumption decreased 5.0% to a total of 2.9 billion gallons for the year ended December 31, 2014 from a total of 3.0 billion gallons for the year ended December 31, 2013. Consumption decreased due to the unusually high levels of precipitation, wherein we received approximately 17 inches of rain during the final two quarters of 2014 compared to approximately 3 inches of rain during the final two quarters of 2013. Water services revenue based on consumption decreased 2.9% to $7.8 million for the year ended December 31, 2014 compared to $8.0 million for the year ended December 31, 2013.

Water services revenue associated with the basic service charge (excluding miscellaneous charges) increased 2.3% to $9.9 million for the year ended December 31, 2014 compared to $9.6 million for the year ended December 31, 2013, reflecting growth in total active connections.

Wastewater and Recycled Water Services – Wastewater and recycled water services revenues increased $283,000, or 2.0%, to $14.1 million for the year ended December 31, 2014 compared to $13.8 million for the year ended December 31, 2013. The increase was primarily due to the number of active connections, which increased 2.0% to 17,380 as of December 31, 2014 from 17,038 as of December 31, 2013.

Wastewater revenue (excluding miscellaneous charges) which is billed and recognized at a flat rate per connection, totaled $13.5 million for the year ended December 31, 2014 compared to $13.2 million for the year ended December 31, 2013. The 2.4% increase in revenue reflects the growth of active connections mentioned above.

Recycled water revenue, which is based on gallons delivered remained relatively flat at approximately $330,000 for the year ended December 31, 2014 compared to $328,000 for the year ended December 31, 2013. The volume of recycled water delivered also remained relatively flat at approximately 576 million gallons for both years ended December 31, 2014 and 2013.

Unregulated Revenues – Unregulated revenues totaled $371,000 for the year ended December 31, 2014 compared to $1.4 million for the year ended December 31, 2013. Historically, unregulated revenues primarily consisted of revenues generated from customers of GWRI's FATHOM business. Subsequent to the June 5, 2013 sale of GWM, unregulated revenues for the period have been limited to rental revenue and imputed revenues resulting from ICFA arrangements, thus the decline compared to the prior year period.

Operating Expenses – The following table summarizes GWRI's operating expenses for the years ended December 31, 2014 and 2013 (in thousands of US$):

	Years Ended December 31, 2014	Years Ended December 31, 2013
Operations and maintenance	$ 10,418	$ 11,995
General and administrative	8,809	9,623
Gain on regulatory order	(50,664)	—
Depreciation	9,205	9,801
Total operating expenses	$ (22,232)	$ 31,419

Operations and Maintenance **–** Operations and maintenance costs, consisting of personnel costs, production costs (primarily chemicals and purchased power), maintenance costs, contract services, and property tax, decreased $1.6 million, or 13.1%, for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Total personnel costs decreased $1.3 million, or 34.3%, for the year ending December 31, 2014 compared to the year ending December 31, 2013. The decrease is primarily attributed to the June 5, 2013 sale of FATHOM whereby GWRI's total employee headcount was reduced from an average of 149 for the five months ended May 31, 2013 to 65 as of December 31, 2013, and further reduced from 61 as of December 31, 2014. Total FATHOM personnel costs recorded for the year ending December 31, 2013 were $1.2 million, whereas no such expenses were recorded in 2014.

As a result of the June 5, 2013 sale of GWM, the costs in several operating expense categories associated with the FATHOM business decreased. The Company experienced a decrease of approximately $816,000 in operating expenses for the year ended December 31, 2014 compared to the year ended December 31, 2013 due to lower costs in expense categories such as meals and travel, phone and communication expense, computer repairs and maintenance, bank fees, and postage.

By contrast, GWRI's contract services increased $503,000 for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase is primarily driven by the sale of GWM on June 5, 2013. Historically, all FATHOM service fees charged by FATHOM to GWRI's regulated utilities would eliminate upon consolidation. As a result of the sale, this service fee no longer eliminates; thus resulting in charges totaling $2.4 million for the year ended December 31, 2014 compared to charges totaling $1.3 million for the year ended December 31, 2013. The impact of the FATHOM service fee was partially offset by a $455,000 reduction of costs associated with contractors used during 2013 for non-development work in support of FATHOM operations, that did not occur in 2014. Contract services were further reduced by the reduction of disposal expenses as we began direct land application of bio-solids in July 2014. Total disposal expenses decreased $103,000 for the final two quarters of 2014 compared to the same periods in 2013.

General and Administrative – General and administrative costs include the day-to-day expenses of office operation: personnel costs, legal and other professional fees, insurance, rent and regulatory fees. These costs decreased $814,000, or 8.5%, during the year ended December 31, 2014 compared to the year ended December 31, 2013.

For the year ended December 31, 2014, personnel costs increased $182,000, or 3.7%, compared to the year ended December 31, 2013. For the year ended December 31, 2014 personnel expenses exclusive of deferred compensation decreased $592,000 as compared to the year ended December 31, 2013. The decrease in personnel costs is driven by the reduction in personnel costs associated with the FATHOM business due to the sale of GWM on June 5, 2013. Deferred compensation included within personnel expenses increased $774,000, or 152% to $1.3 million for the year ended December 31, 2014 compared to $508,000 for the year ended December 31, 2013. The increase in deferred compensation expense is attributable to GWRC's rising stock price in relation to the Company's Phantom Stock Unit ("PSU") deferred compensation program.

For the year ended December 31, 2014, contract service costs decreased $233,000, or 83.2%, rent expense decreased $278,000, or 79.9%, promotion and marketing expense decreased $126,000, or 83.4%, and meals, travel and entertainment decreased $155,000, or 64.6% as compared to the year ended December 31, 2013. These decreases were driven by the June 5, 2013 sale of GWM.

For the year ended December 31, 2014, regulatory expense decreased $529,000, or 87.6% as compared to the year ended December 31, 2013. The decrease in regulatory expense related to a regulatory settlement in 2013, wherein $442,000 of previously deferred rate case expenses were written off as they were no longer expected to be recoverable through future rates to be charged to customers. Additionally, the 2010 Rate Case Decision became fully amortized in July 2013, leading to an additional $66,000 in amortization expense in 2013 that did not occur in 2014.

These decreases were partially offset by a $275,000, or 23.7%, increase in professional fees for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase in professional fees relates to accounting fees related to Rate Decision No. 74364 along with higher legal fees related to various strategic initiatives.

Gain on regulatory order – The $50.7 million gain on regulatory order recorded during the year ended December 31, 2014 represents the benefit to the Company's current period earnings as a result of the ACC's February 2014 Rate Decision No. 74364 which concluded that ICFA funds received historically would no longer be recorded as CIAC.

Depreciation – Depreciation expense decreased by $596,000, or 6.1%, to $9.2 million for the year ended December 31, 2014 compared to $9.8 million for the year ended December 31, 2013. The decrease primarily reflects the impact of the reduction of assets on GWRI's balance sheet as a result of the sale of GWM. For reference, for the year ended December 31, 2013, GWM's depreciation expense totaled $1.0 million. The reduction in depreciation due to the absence of GWM was partially offset by increased depreciation expense at the regulated utilities due to the Rate Decision No. 74364, whereby ICFA funds are no longer recorded as CIAC, and therefore, ICFA-related CIAC amortization will no longer be recorded as a reduction to depreciation expense.

Other Income (Expense) – Other income (expense) totaled $6.9 million of net expense for the year ended December 31, 2014 compared to $8.0 million of net expense for the year ended December 31, 2013. Other income (expense) primarily consists of interest expense, which increased $577,000 to $9.5 million for the year ended December 31, 2014 compared to $8.9 million of net expense for the year ended December 31, 2013. The increase in interest expense reflects certain cancellation fees and the write-off of certain deferred loan and bond fees associated with the Regions Bank debt facilities, which were retired in November of 2014, as discussed in Note 1 to GWRI's consolidated financial statements.

In addition to the increase in interest expense, other income (expense) was also impacted by irregular gains (losses) incurred during the years ended December 31, 2013 and 2014, such as a $2.0 million of interest income related to the SNR litigation (as discussed in Note 13 to GWRI's consolidated financial statements) recorded during the year ended December 31, 2014, a $3.3 million of gain related to the 303 Sale recorded during the year ending December 31, 2013, and a loss of $1.9 million on the sale of GWM recorded during the year ending December 31, 2013. Furthermore, during the year ended December 31, 2014, the Company also recorded income of $144,000 on its equity method investment in FATHOM compared to a loss of $707,000 for the year ending December 31, 2013. Equity method income of $144,000 for the year ended December 31, 2014 is inclusive of the $1.0 million gain on the revaluation of our ownership interest in FATHOM. Additionally, the Company recorded earn-out royalties totaling $272,000 and $112,000 for the years ending December 31, 2014 and 2013, respectively.

Income Tax Benefit (Expense) – Effective June 2012 and through December 31, 2013, the Company maintained a full income tax valuation allowance against its net deferred tax assets. As a result of the valuation allowance, effectively no income tax expense or benefit was recorded during that period. Accordingly, income tax expense for the year ended December 31, 2013 was minimal.

During the year ended December 31, 2014, as a result of the additional revenues expected to be provided by Rate Decision No. 74364, as well as other factors, the Company performed an evaluation of its deferred income taxes and determined that sufficient evidence now exists that the majority of the Company's net deferred tax assets will be utilized in the future. Accordingly, the Company reversed substantially all of the deferred tax valuation allowance previously recorded, resulting in a $16.1 million income tax benefit. For the year ended December 31, 2014 we recorded a $868,000 income tax benefit related to current year losses.

Net Income (Loss) – The Company's income totaled $64.9 million for the year ended December 31, 2014 compared to a net loss of $6.0 million for the year ended December 31, 2013. This difference was due to several factors as mentioned above, but was primarily attributed to the $50.7 million gain on regulatory order and the $17.0 million income tax benefit recognized in the current year in connection with the release of the deferred income tax valuation allowance.

EBITDA and Adjusted EBITDA – EBITDA totaled $66.6 million for the year ended December 31, 2014 compared to $12.7 million for the year ended December 31, 2013. This increase was due to several factors as mentioned above, but was primarily attributed to the $50.7 million gain on regulatory order recorded in the current year. For additional discussion, refer to the sections *Revenues* and *Operating Expenses* above.

Adjusted EBITDA totaled $13.7 million for the year ended December 31, 2014 compared to $12.0 million for the year ended December 31, 2013. The increase in Adjusted EBITDA was primarily related to the sale of GWM and the transfer of its operating losses recorded in 2013.

A reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA in the years ended December 31, 2014 and 2013 is as follows (in thousands of US$):

	Years Ended December 31,	
	2014	2013
Net Income (Loss)	**$ 64,931**	**$ (6,040)**
Income tax expense (benefit)	(16,995)	16
Interest income	(79)	(47)
Interest expense	9,512	8,935
Depreciation	9,205	9,801
EBITDA[(1)]	**$ 66,574**	**$ 12,665**
EBITDA Adjustments	$ (52,829)	$ (648)
Adjusted EBITDA[(2)]	**$ 13,745**	**$ 12,017**

(1) EBITDA is defined as net income or loss before interest, income taxes, depreciation and amortization. EBITDA is not a recognized measure under U.S. GAAP and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other companies. The table above reconciles EBITDA to net income (loss). See "Cautionary Statements Regarding Non-GAAP Measures" for further information regarding EBITDA.

(2) Adjusted EBITDA is defined as EBITDA less the gain or loss related to non-recurring events, and includes an adjustment for the regulatory gain related to Rate Decision No. 74364 of $50.7 million, interest income related to the SNR litigation of $2.0 million and income of $144,000 on equity method investment (inclusive of a $1.0 million gain on our ownership interest in FATHOM) for the year ended December 31, 2014. Adjustments for the year ended December 31, 2013 include the $3.3 million gain on the 303 Sale the $1.9 million loss on the sale of GWM and $707,000 loss on equity method investment. Adjusted EBITDA is not a recognized measure under U.S. GAAP and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other companies. The table above reconciles EBITDA to net income (loss). See "Cautionary Statements Regarding Non-GAAP Measures" for further information regarding EBITDA.

Net Income (Loss) and EBITDA Per Share Information – The common stock of GWRI is not publicly traded and reporting per share information is not a required disclosure. However, management believes that net earnings (loss) per share and EBITDA per share data may be useful to some users of the financial statements as those users make decisions related to GWRC, which holds an approximate 48.1% interest in GWRI. The following table summarizes such information for the years ended December 31, 2014 and 2013 (amounts in thousands of US$, except share and per share data):

	Net Income	EBITDA
Amount for the year ended December 31, 2014	$ 64,931	$ 66,574
Weighted average number of GWRI shares outstanding during the year ended December 31, 2014	$ 182,050	$ 182,050
GWRI per share amount [(1)]	356.67	365.69
GWRI per share, excluding SNR interest income, the gain on regulatory order, income on equity method investment and the release of the income tax valuation allowance [(2)]	(22.11)	75.50

	Net Loss	EBITDA
Amount for the year ended December 31, 2013	$ (6,040)	$ 12,665
Weighted average number of GWRI shares outstanding during the year ended December 31, 2013	$ 182,050	$ 182,050
GWRI per share amount [(1)]	$ (33.18)	$ 69.57
GWRI per share, excluding loss on sale of GWM, gain on 303 Sale and loss on equity method investment [(3)]	$ (36.74)	$ 66.01

(1) Each share of GWRI is approximately equivalent to 100 common shares of GWRC. Therefore, GWRI's net income (loss) per share and EBITDA per share amounts in terms of GWRC's common shares is approximately $3.57 and $3.66 for the year ended December 31, 2014,

respectively, and approximately $(0.33) and $0.70 for the year ended December 31, 2013, respectively. EBITDA and EBITDA per share data are not U.S. GAAP measures.

(2) Excluding the gain on regulatory order, interest income related to the SNR litigation, income on equity method investment and the release of the income tax valuation allowance, the Company's net loss and EBITDA would total $4.0 million and $13.7 million, respectively, for the year ended December 31, 2014.

(3) Excluding the loss on sale of GWM, gain on the 303 Sale and loss on equity method investment, GWRI's net loss and EBITDA would total $6.7 million and $12.0 million, respectively, for the year ended December 31, 2013.

Comparison of Results of Operations for the Fourth Quarter of 2014 versus the Fourth Quarter of 2013

Revenues – The following table summarizes GWRI's revenues for the three months ended December 31, 2014 and 2013 (in thousands of US$).

	Three Months Ended December 31,	
	2014	2013
Water services	$ 4,245	$ 4,223
Wastewater and recycled water services	3,551	3,498
Unregulated revenues	117	45
Total revenues	$ 7,913	$ 7,766

Total revenues increased $147,000, or 1.9%, for the three months ended December 31, 2014 compared with the three months ended December 31, 2013. The increase in revenues is primarily due to an increase in active service connections compared to prior year. This increase was partially offset by a decrease in consumption during the fourth quarter of 2014 compared to the fourth quarter of 2013. The decrease in consumption was primarily driven by unusually high levels of precipitation during the quarter.

Water Services – Water services revenues increased $22,000, or 0.5%, to remain relatively constant at $4.2 million for the three months ended December 31, 2014 and December 31, 2013, respectively.

Active water connections increased 1.9% to 26,188 as of December 31, 2014 from 25,688 as of December 31, 2013. Water consumption decreased 2.6% to 621 million gallons for the three months ended December 31, 2014 from 637 million gallons for the three months ended December 31, 2013. Despite decreased consumption, water services revenue based on consumption increased 0.4% to $1.7 million from $1.6 million for the three months ended December 31, 2014 and 2013, respectively. Revenue growth occurred despite a decline in total consumption due to an increase in consumption by customers within our highest billing tiers.

Water services revenue (excluding miscellaneous charges) associated with the basic service charge remained relatively constant at $2.5 million for the three months ended December 31, 2014 and December 31, 2013, with a slight $9,000 increase reflecting growth in total active connections.

Wastewater and Recycled Water Services – Wastewater and recycled water services revenues increased 1.5% to $3.6 million for the three months ended December 31, 2014 from $3.5 million for the three months ended December 31, 2013. The increase was primarily due to the number of active connections, which increased 2.0% to 17,380 as of December 31, 2014 from 17,038 as of December 31, 2013.

Wastewater revenue (excluding miscellaneous charges) which is billed and recognized at a flat rate per connection increased $64,000, or 1.9%, to a total of $3.4 million for the three months ended December 31, 2014 compared to $3.3 million for the three months ended December 31, 2014. This increase is consistent with the increase in active connections.

Recycled water revenue, which is based on the number of gallons delivered, decreased $3,000, or 3.2%, to $76,000 for the three months ended December 31, 2014 compared to $79,000 for the three months ended December 31, 2013. The volume of recycled water delivered decreased to 134 million gallons for the three months ended December 31, 2014 from 139 million gallons for the three months ended December 31, 2013.

Unregulated Revenues – Unregulated revenues totaled $117,000 for the three months ended December 31, 2014 compared to $45,000 for the three months ended December 31, 2013, representing an increase of $72,000. The increase was driven by an increase in revenues imputed from ICFA arrangements.

Operating Expenses – Operating expenses increased $776,000, or 12.4% for the three months ended December 31, 2014 compared to the three months ended December 31, 2013.

The following table summarizes GWRI's operating expenses for the three months ended December 31, 2014 and 2013 (in thousands of US$):

	Three Months Ended December 31,	
	2014	2013
Operations and maintenance	$ 2,563	$ 2,460
General and administrative	2,199	1,671
Depreciation	2,279	2,134
Total operating expenses	$ 7,041	$ 6,265

Operations and Maintenance – Operations and maintenance costs, consisting of personnel costs, production costs (primarily chemicals and purchased power), maintenance costs, contract services, and property tax, increased $103,000, or 4.2%, for the three months ended December 31, 2014 compared to the three months ended December 31, 2013.

The majority of the increase is attributed to increase in personnel expense of approximately $134,000. Personnel costs increased for the three months ended December 31, 2014 compared to the three months ended December 31, 2013 due to an increase in medical claims, which led to an increase in medical expense.

General and Administrative – General and administrative costs include the day-to-day expenses of office operation; personnel costs, legal and other professional fees, insurance, rent and regulatory fees. These costs increased $528,000, or 31.6%, during the three months ended December 31, 2014 compared to the three months ended December 31, 2013.

Personnel costs increased $314,000 or 32.6% to $1.3 million for the three months ended December 31, 2014 from $1.0 million for the three months ended December 31, 2013. This increase is primarily driven by an increase of $106,000 in deferred compensation as a result of the ongoing vesting of certain deferred compensation agreements, an increase of $98,000 in medical expense driven by an increase in claims compared to prior year, and an increase of $86,000 in salary and wages related to certain personnel changes.

GWRI's professional fees, which include legal and accounting costs, increased $164,000, or 90.6%, to $345,000 for the three months ended December 31, 2014, compared to $181,000 for the three months ended December 31, 2013. Professional fees increased primarily due to an increase in audit and legal fees, which were driven by a change in timing of certain audit procedures and certain ongoing corporate initiatives.

Depreciation – Depreciation expense increased by $145,000, or 6.8%, to $2.3 million for the three months ended December 31, 2014. The increase primarily reflects increase in depreciation at the regulated utilities due to the Rate Decision No. 74364, whereby ICFA funds are no longer recorded as CIAC, and therefore, ICFA-related CIAC amortization will no longer be recorded as a reduction to depreciation expense.

Other Income (Expense) – Other income (expense) totaled $2.2 million of net expense for the three months ended December 31, 2014 compared to $1.4 million of net expense for the three months ended December 31, 2013. Total other income (expense) primarily consists of interest expense and other miscellaneous gains and losses. Interest expense increased by $674,000 compared to the three months ended December 31, 2013 primarily due to the write-off of certain deferred loan fees and bond fees which occurred at the time of refinancing during the last quarter of fiscal year 2014. During the three months ended December 31, 2014, the Company recorded income of $618,000 on its equity method investment in FATHOM compared to a loss of $308,000 for the three months ending December 31, 2013. Equity method income of $618,000 for the three months ended December 31, 2014 is inclusive of the $1.0 million gain on revaluation of our ownership interest in FATHOM. Additionally, a gain of $1.1 million was recorded on the 303 Sale during the three months ended December 31, 2013 which did not occur during the same period in fiscal year 2014.

Income Tax Benefit (Expense) – Effective June 2012 and through December 31, 2013, the Company maintained a full income tax valuation allowance against its net deferred tax assets. As a result of the valuation allowance, effectively no income tax expense or benefit was recorded during that period. Accordingly, income tax expense for the three months ended December 31, 2013 was minimal.

In early 2014, we reversed substantially all of the valuation allowance, and for the three months ended December 31, 2014, we recorded a $518,000 income tax benefit related to our current period losses.

Net Income (Loss) – The Company's net loss totaled $839,000 for the three months ended December 31, 2014 compared to net income of $137,000 for the three months ended December 31, 2013. This difference was due to the variety of factors discussed above, but was primarily driven by the $1.1 million gain on the 303 Sale in the fourth quarter of 2013. For additional discussion, refer to the sections *Revenues* and *Operating Expenses* above.

EBITDA and Adjusted EBITDA – EBITDA totaled $3.9 million for the three months ended December 31, 2014 compared to $4.6 million for the three months ended December 31, 2013. This difference was primarily due to the one-time $1.1 million gain related to the 303 Sale in the third quarter of 2013.

Adjusted EBTIDA totaled $3.3 million for the three months ended December 31, 2014 compared to $3.8 million for the three months ended December 31, 2013. The decrease in Adjusted EBITDA was primarily due to higher operating and maintenance and general and administrative expenses in the fourth quarter of 2014 as discussed above.

A reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA in the three months ended December 31, 2014 and 2013 is as follows (in thousands of US$):

	Three Months Ended December 31,	
	2014	**2013**
Net income (loss)	**$ (839)**	**$ 137**
Income tax expense (benefit)	(518)	11
Interest income	(15)	(20)
Interest expense	3,025	2,351
Depreciation	2,279	2,134
EBITDA[(1)]	**$ 3,932**	**$ 4,613**
EBITDA Adjustments	(618)	(846)
Adjusted EBITDA[(2)]	**$ 3,314**	**$ 3,767**

(1) EBITDA is defined as income or loss before interest, income taxes, depreciation and amortization. EBITDA is not a recognized measure under U.S. GAAP and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other companies. The table above reconciles EBITDA to net income (loss). See "Cautionary Statements Regarding Non-GAAP Measures" for further information regarding EBITDA.

(2) Adjusted EBITDA is defined as EBITDA less the gain or loss related to non-recurring events, and includes an adjustment for the income (loss) on equity method investment, the gain on the 303 Sale and for the loss on sale of GWM in the fourth quarter of 2013. Adjusted EBITDA is not a recognized measure under U.S. GAAP and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other companies. The table above reconciles EBITDA to net income (loss). See "Cautionary Statements Regarding Non-GAAP Measures" for further information regarding EBITDA.

Net Income (Loss) and EBITDA Per Share Information – The common stock of GWRI is not publicly traded and reporting per share information is not a required disclosure. However, management believes that net earnings (loss) per share and EBITDA per share data may be useful to some users of the financial statements as those users make decisions related to GWRC, which holds an approximate 48.1% interest in GWRI. The following table summarizes such information for the three months ended December 31, 2014 and 2013 (amounts in thousands of US$, except share and per share data):

	Net Loss	EBITDA
Amount for the three months ended December 31, 2014	$ (839)	$ 3,932
Weighted average number of GWRI shares outstanding during the three months ended December 31, 2014	182,050	182,050
GWRI per share amount (1)	$ (4.61)	$ 21.60
GWRI per share, excluding income on equity method investment (2)	$ (8.00)	$ 18.20

	Net Income	EBITDA
Amount for the three months ended December 31, 2013	$ 137	$ 4,613
Weighted average number of GWRI shares outstanding during the three months ended December 31, 2013	182,050	182,050
GWRI per share amount (1)	$ 0.75	$ 25.34
GWRI per share, excluding the loss on sale of GWM, gain on 303 Sale and loss on equity method investment (3)	$ (3.89)	$ 20.69

(1) Each share of GWRI is approximately equivalent to 100 common shares of GWRC. Therefore, GWRI's net loss per share and EBITDA per share amounts in terms of GWRC's common shares is approximately $(0.05) and $0.22 for three months ended December 31, 2014, respectively, and net income per share and EBITDA per share of approximately $0.01 and $0.25 for the three months ended December 31, 2013, respectively. EBITDA and EBITDA per share data are not U.S. GAAP measures.

(2) Excluding income on equity method investment, net loss and EBITDA would total $1.5 million and $3.3 million, respectively, for the three months ending December 31, 2014.

(3) Excluding the loss on sale of GWM and gain on 303 Sale, net loss and EBITDA would total $0.7 million and $3.8 million, respectively, for the three months ending December 31, 2013.

Quarterly Results – Our results of operations have varied and may continue to vary from quarter to quarter and are not necessarily indicative of the results of any future period. We believe that we have included all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of our quarterly data. You should read our quarterly data in conjunction with our consolidated financial statements and the related notes.

Operating results of our Regulated business are subject to significant seasonality. GWRI's water systems generally experience higher demand in the summer due to the warmer temperatures and increased usage by customers for irrigation and other outdoor uses. Accordingly, the second and third quarters of the year are generally those in which water services revenue and recycled water revenue are highest. Nevertheless, cooler or wetter weather can have a downward effect on our operating results.

The following table sets forth audited consolidated financial data for the last eight quarters ended December 31, 2014 (in thousands of US$). This financial information has been derived from the audited interim financial statements prepared by and is the responsibility of the Company's management.

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
REVENUES:								
Water services	$ 4,245	$ 5,087	$ 5,127	$ 3,617	$ 4,223	$ 5,405	$ 4,973	$ 3,599
Wastewater and recycled water services	3,551	3,584	3,612	3,365	3,498	3,536	3,482	3,313
Unregulated revenues	117	124	116	14	45	49	634	677
Total revenues	7,913	8,795	8,855	6,996	7,766	8,990	9,089	7,589
OPERATING EXPENSES:								
Operations and maintenance	2,563	2,677	2,695	2,483	2,460	3,043	3,338	3,154
General and administrative	2,199	1,841	2,280	2,489	1,671	2,608	2,535	2,809
Gain on regulatory order	—	—	—	(50,664)	—	—	—	—
Depreciation	2,279	2,255	2,427	2,244	2,134	2,306	2,664	2,697
Total operating expenses	7,041	6,773	7,402	(43,448)	6,265	7,957	8,537	8,660
OPERATING INCOME (LOSS)	872	2,022	1,453	50,444	1,501	1,033	552	(1,071)
OTHER INCOME (EXPENSE):								
Interest income	15	23	22	19	20	20	6	1
Interest expense	(3,025)	(2,111)	(2,152)	(2,224)	(2,351)	(2,209)	(2,136)	(2,239)
Other	781	23	(147)	1,921	978	1,818	(1,964)	17
Total other income (expense)	(2,229)	(2,065)	(2,277)	(284)	(1,353)	(371)	(4,094)	(2,221)
INCOME (LOSS) BEFORE INCOME TAXES	(1,357)	(43)	(824)	50,160	148	662	(3,542)	(3,292)
INCOME TAX BENEFIT (EXPENSE)	518	17	335	16,125	(11)	(2)	(1)	(2)
NET INCOME (LOSS)	$ (839)	$ (26)	$ (489)	$ 66,285	$ 137	$ 660	$ (3,543)	$ (3,294)
GAIN (LOSS), EXCLUDING GAIN ON REGULATORY ORDER, (INCOME) LOSS ON EQUITY METHOD INVESTMENT, GAIN ON 303 SALE, LOSS ON THE SALE OF GWM AND TAX VALUATION ALLOWANCE	(1,456)	41	(256)	(332)	(709)	(1,151)	(1,534)	(3,294)
EBITDA, ADJUSTED TO EXCLUDE GAIN ON REGULATORY ORDER, GAIN ON 303 SALE, LOSS ON THE SALE OF GWM, (GAIN) LOSS ON EQUITY METHOD INVESTMENT, AND DEFERRED COMPENSATION	3,563	4,575	4,497	4,414	3,909	3,720	3,146	1,750

Business Divisions

The following table summarizes GWRI's operating results by business division for the three months ended and years ended December 31, 2014 and 2013 (in thousands of US$).

	Regulated	Unregulated	Other	Eliminations	Total
Three months ended December 31, 2014					
Revenues	$ 7,811	$ —	$ 102	$ —	$ 7,913
Operations and maintenance	2,563	—	—	—	2,563
General and administrative	1,555	—	644	—	2,199
Gain on regulatory order	—	—	—	—	—
Depreciation	2,279	—	—	—	2,279
Operating income (loss)	1,414	—	(542)	—	872
Other income (expense)	(63)	—	(2,166)	—	(2,229)
Income (loss) before income taxes	1,351	—	(2,708)	—	(1,357)
Income tax (expense) benefit	(1,145)	—	1,663	—	518
Net Income (Loss)	$ 206	$ —	$ (1,045)	$ —	$ (839)
EBITDA[1]	$ 3,782	$ —	$ 150	$ —	$ 3,932
EBITDA, adjusted to exclude deferred compensation and equity loss	$ 3,579	$ —	$ (265)	$ —	$ 3,314

	Regulated	Unregulated	Other	Eliminations	Total
Three months ended December 31, 2013					
Revenues					
Recurring	$ 7,734	$ —	$ —	$ —	$ 7,734
Non recurring	32	—	—	—	32
Operations and maintenance					
Recurring	2,440	—	—	—	2,440
Non recurring	20	—	—	—	20
General and administrative	1,671	—	—	—	1,671
Depreciation	2,134	—	—	—	2,134
Operating income (loss)	1,501	—	—	—	1,501
Other income (expense)	1,111	—	(2,464)	—	(1,353)
Income (loss) before income taxes	2,612	—	(2,464)	—	148
Income tax expense	—	—	(11)	—	(11)
Net Income (Loss)	$ 2,612	$ —	$ (2,475)	$ —	$ 137
EBITDA[1]	$ 4,788	$ —	$ (175)	$ —	$ 4,613
EBITDA, adjusted to exclude deferred compensation, equity loss and gain on 303 sale.	$ 3,658	$ —	$ 109	$ —	$ 3,767

	Regulated	Unregulated	Other	Eliminations	Total
Year ended December 31, 2014					
Revenues	$ 32,246	$ —	$ 313	$ —	$ 32,559
Operations and maintenance	10,418	—	—	—	10,418
General and administrative	6,307	—	2,502	—	8,809
Gain on regulatory order	—	—	(50,664)	—	(50,664)
Depreciation	9,205	—	—	—	9,205
Operating income (loss)	6,316	—	48,475	—	54,791
Other income (expense)	(140)	—	(6,715)	—	(6,855)
Income (loss) before income taxes	6,176	—	41,760	—	47,936
Income tax (expense) benefit	24,349	—	(7,354)	—	16,995
Net Income (Loss)	$ 30,525	$ —	$ 34,406	$ —	$ 64,931
EBITDA(1)	$ 15,670	$ —	$ 50,904	$ —	$ 66,574
EBITDA, adjusted to exclude gain on regulatory order, equity loss and deferred compensation	$ 12,653	$ —	$ 1,092	$ —	$ 13,745

	Regulated	Unregulated	Other	Eliminations	Total
Year ended December 31, 2013					
Revenues					
Recurring	$ 32,084	$ 1,942	$ —	$ (752)	$ 33,274
Non recurring	160	—	—	—	160
Operations and maintenance					
Recurring	9,404	2,486	—	—	11,890
Non recurring	92	13	—	—	105
General and administrative	8,384	1,991	—	(752)	9,623
Depreciation	8,776	1,025	—	—	9,801
Operating income (loss)	5,588	(3,573)	—	—	2,015
Other income (expense)	3,197	(12)	(11,224)	—	(8,039)
Income (loss) before income taxes	8,785	(3,585)	(11,224)	—	(6,024)
Income tax expense	—	(3)	(13)	—	(16)
Net Income (Loss)	$ 8,785	$ (3,588)	$ (11,237)	$ —	$ (6,040)
EBITDA(1)	$ 17,720	$ (2,550)	$ (2,505)	$ —	$ 12,665
EBITDA, adjusted to exclude deferred compensation, equity loss, loss on sale of GWM and gain on 303 sale.	$ 14,455	$ (2,550)	$ 112	$ —	$ 12,017

(1) EBITDA data are not U.S. GAAP measures. See "Cautionary Statements Regarding Non-GAAP Measures" for further information regarding EBITDA.

Regulated – Our Regulated division primarily consists of our water, wastewater and recycled water utilities which are regulated by the ACC. Revenues from our Regulated division increased $45,000, or 0.6%, for the three months ended December 31, 2014 compared with the three months ended December 31, 2013. The increase in revenue for the three months ended December 31, 2014 compared to 2013, was primarily driven by an increase in the number of active connections.

Revenues from our Regulated division increased $2,000, or less than 0.1%, for the year ended December 31, 2014 compared with the year ended December 31, 2013. As discussed above, we experienced an exceptionally rainy season in the latter half of 2014. Despite the negative revenue effect driven by the abnormal weather conditions, the decline in consumption revenue was more than offset by the positive effects of our continued growth in active connections, which led to the slight increase in 2014 revenues compared to 2013.

Unregulated – Our Unregulated division, which consisted of the FATHOM business, was sold on June 5, 2013, and therefore there were no Unregulated revenues and or expenses recorded for the three months and year ended December 31, 2014 or for the three months ended December 31, 2013. For the year ended December 31, 2013, before intercompany eliminations, revenues of our Unregulated division totaled $1.9 million.

The Company's Unregulated division historically considered the Regulated division as a FATHOM client. GWM has provided the same or similar services to the Regulated division as it provides to third-party FATHOM clients. For the year ended December 31, 2013, fees charged by FATHOM to the Regulated division totaled $752,000, and were included in revenues of the Unregulated division and in expenses of the Regulated division in the table above, and prior to the sale of GWM, these amounts were eliminated in consolidation.

Other – The Company's "Other" category consists of all activities not classified under the Regulated and Unregulated divisions. During the periods presented, activities of this category included interest on parent company debt, which is not allocated to the other divisions.

For the three months ended December 31, 2014, this category also includes $102,000 of imputed revenues resulting from ICFA arrangements, $618,000 of income from equity method investment as a result of the remeasurement of the value of our investments in FATHOM related to the qualified refinancing in 2014, net of losses incurred by FATHOM, approximately $14,000 of interest income related to our convertible promissory notes, and approximately $75,000 of earn-out royalties received from FATHOM. For the year ended December 31, 2014, this category also includes the $50.7 million gain on regulatory order resulting from the ACC's Rate Decision No. 74364, $144,000 of income from equity method investment recorded as a result of the remeasurement of our investments net of current year losses incurred by FATHOM, approximately $78,000 of interest income related to our convertible promissory notes, and approximately $272,000 of earn-out royalties received from FATHOM.

The Company periodically reviews its overhead allocation methodology to ensure business divisions are being allocated a reasonable share of corporate costs. These reviews take into consideration changes in the operations and environmental circumstances of the actual business units and attempt to allocate indirect costs of the Company to those business units in an equitable manner. There is no impact on the consolidated financial statements when the Company updates its overhead allocation. Prior to the sale of GWM, substantially all operating costs were allocated between the Regulated utilities division and the Unregulated division. In 2013 following the sale of GWM, corporate overhead costs were no longer allocated to the Unregulated division due to the absence of the FATHOM business, and accordingly, the overhead costs which remained following the sale of GWM were absorbed entirely by the Regulated utilities division. Effective January 1, 2014, the Company made changes to the allocation of specific overhead costs primarily as a result of the sale of GWM as well as recent changes in management duties and responsibilities. As a result of the changes, certain general and administrative costs will be held at the parent company level and will not be allocated to the Regulated utilities.

Outstanding Share Data

As of March 25, 2015, there were 182,050 shares of common stock of GWRI outstanding and options to acquire an additional 431 shares of common stock of GWRI.

Liquidity and Capital Resources

The Company's capital resources are provided by internally generated cash flows from operations, as well as debt and equity financing. Additionally, GWRI's regulated utility subsidiaries receive advances and contributions from customers, home builders and real estate developers to partially fund construction necessary to extend service to new areas. GWRI uses its capital resources to (i) fund operating costs, (ii) fund capital requirements, including construction expenditures, (iii) make debt and interest payments, and (iv) invest in new and existing ventures. GWRI's utility subsidiaries operate in rate-regulated environments in which the amount of new investment recovery may be limited, and where such recovery takes place over an extended period of time, as recovery through rate increases is subject to regulatory lag. As a result of these factors, GWRI's working capital, defined as current assets less current liabilities, as of December 31, 2014, is in a net deficit position, which is typical for rate regulated water utilities.

As discussed in Note 9 to GWRI's consolidated financial statements, in November 2014 we refinanced the 2012A Series and 2012B Series bonds along with the Regions term loan. As part of the transaction, we entered into the MidFirst Term Loan, wherein we were able to secure a note of $21.8 million to replace the $21.8 million outstanding balance of the previous three debt facilities. By entering into the MidFirst Term Loan, we were able to consolidate our debt at a more attractive interest rate, as well as reduce the yearly principal amortization, which reduces our interest costs and improves our cash flow.

As of December 31, 2014, GWRI had significant notable near-term cash expenditure obligations. Most significantly, the Company has approximately $10.4 million of debt interest and principal payments due within the next year. While specific facts and circumstances could change, we believe that, together with cash on hand, we will be able to generate sufficient cash flows to meet our required debt service and operating cash flow requirements as well as remain in compliance with our debt covenants for at least the next twelve months.

In March 2014, the Company initiated a dividend program wherein we have declared and paid a monthly dividend since the inception of the program. The initial monthly dividends were approximately $379,000 (or approximately $0.021 per share). In November 2014 the Company increased the monthly dividend to approximately $403,000 (or approximately $0.023 per share). The Company expects that monthly dividends of similar amounts will be declared and paid for the foreseeable future. Declaration of any dividends is at the discretion of the Company's board of directors.

Cash Flows from Operating Activities – Cash flows from operating activities are used for operating needs and to meet capital expenditure requirements. GWRI's future cash flows from operating activities will be affected by economic utility regulation, infrastructure investment, growth in service connections, customer usage of water, compliance with environmental health and safety standards, production costs, and weather and seasonality.

The following table provides a summary of the major items affecting GWRI's cash flows from operating activities for the years ended December 31, 2014 and 2013 (in thousands of US$):

	Years Ended December 31, 2014	Years Ended December 31, 2013
Net income (loss)	$ 65,302	$ (6,040)
Add (subtract):		
Non-cash operating activities[1]	(56,545)	10,305
Changes in working capital[2]	(201)	(2,442)
Changes in noncurrent assets and liabilities	3,090	246
Net cash provided by operating activities	$ 11,646	$ 2,069

(1) Includes deferred compensation, depreciation and amortization, gains and losses, write-off of debt issuance costs, gain (loss) on equity investment, income tax expense (benefit), and provision for losses on accounts receivable, as well as the $50.7 million gain on regulatory order recorded during the year ended December 31, 2014.

(2) Changes in working capital include changes to accounts receivable and accrued revenue, other current assets, accounts payable, accrued expenses and other current liabilities.

For the years ended December 31, 2014 and 2013, GWRI's net cash provided by operating activities totaled $11.6 million and $2.1 million, respectively. The $9.6 million increase in cash provided from operating activities was primarily driven by $2.8 million of ICFA funds and approximately $2.0 million of interest received in the first quarter of 2014 in connection with the settlement of the SNR litigation. In addition, the Company has experienced an improvement in earnings and operating cash flows as a result of the sale of GWM as GWRI is no longer financing the losses generated by the FATHOM business.

Cash Flows Used in Investing Activities – Cash flows used in investing activities for the years ended December 31, 2014 and 2013 were as follows (in thousands of US$):

	Years Ended December 31,	
	2014	2013
Capital expenditures	$ (1,655)	$ (5,294)
Other investing activities, net(1)	224	4,732
Net cash used in investing activities	$ (1,431)	$ (562)

(1) Includes proceeds from the disposal of assets, and deposits and withdrawals of restricted cash.

For the years ended December 31, 2014 and 2013, GWRI's net cash used in investing activities totaled $1.4 million and $0.6 million, respectively. The $0.9 million increase in net cash used in investing activities was primarily driven by the $3.1 million in proceeds received from the 303 Sale and $1.8 million in proceeds from the sale of GWM in 2013 that were not received in 2014. These proceeds were partially offset by a $3.6 million decrease in cash used to fund capital expenditures. The decrease in cash used to fund capital expenditures is primarily attributable to the sale of GWM in 2013, wherein $2.7 million of capital expenditures were incurred in 2013 for GWM that did not occur in 2014, in addition to certain GWRI IT infrastructure expenditures at the end of 2013 resulting from the divestiture.

GWRI continues to invest capital prudently in its existing, core service areas where GWRI is able to deploy its TWM model and as service connections grow. This includes any required maintenance capital expenditures and the construction of new water and wastewater treatment and delivery facilities. GWRI's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Cash Flows from Financing Activities – For the years ended December 31, 2014 and 2013, GWRI's cash used in financing activities totaled $5.6 million and $3.4 million, respectively. The $2.2 million increase in cash used for financing activities was primarily due to the $3.5 million of dividend payments made in 2014 that were not paid in 2013. The increase in cash used for dividends was partially offset by a reduction in principal paid on debt facilities related to the refinancing of our Regions debt facilities, wherein $1.8 million of funds held within the bond reserve fund were utilized to pay down our debt service requirements, thus reducing the amount of cash required to be used in financing activities.

Regulatory Restrictions

The issuance of long-term debt securities by GWRI does not require authorization of the ACC if no guarantee or pledge of the assets of the regulated subsidiaries of GWRI is utilized. However, ACC authorization is required for the issuance of long-term debt by GWRI's regulated subsidiaries. GWRI's regulated subsidiaries normally obtain the required approvals on a periodic basis to cover their anticipated financing needs for a period of time or in connection with a specific financing.

Under applicable law, GWRI is limited to remitting distributions to the amount of current year earnings until a surplus in equity exists. A significant loss recorded within GWRI or at a subsidiary may limit the payment of distributions and dividends.

Insurance Coverage

GWRI carries various property, casualty and financial insurance policies with limits, deductibles and exclusions consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. GWRI is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on GWRI's short-term and long-term financial condition and the results of operations and cash flows.

Contractual Obligations and Commitments

GWRI enters into obligations with third parties in the ordinary course of business. The amounts of these obligations, as of December 31, 2014 are set forth in the table below (in thousands of US$):

Contractual obligations (1)	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years	More than 5 Years
Long term debt obligations (2)	$ 130,187	$ 2,563	$ 5,537	$ 6,369	$ 115,718
Interest on long term debt (3)	121,241	8,411	16,253	15,734	80,843
Capital lease obligation	317	91	175	51	—
Interest on capital lease	45	22	22	1	—
Total	$ 251,790	$ 11,087	$ 21,987	$ 22,155	$ 196,561

(1) In addition to these obligations, GWRI pays annual refunds on AIAC over a specific period of time based on operating revenues generated from developer-installed infrastructure. The refund amounts are considered an investment in infrastructure and eligible for inclusion in future rate base. These refund amounts are not included in the above table because the refund amounts and timing are dependent upon several variables, including new customer connections, customer consumption levels and future rate increases, which cannot be accurately estimated. Portions of these refund amounts are payable annually over the next two decades, and amounts not paid by the contract expiration dates become non-refundable and are transferred to CIAC.

(2) The long-term debt obligations reflected in the table above exclude the debt discount related to the Series 2007 bonds. The debt discount at December 31, 2014 totaled $359,000 and is netted within the bonds payable balance on GWRI's balance sheet. The debt discount is being amortized over the term of the Series 2007 bonds.

(3) Interest on GWRI's Series 2006, 2007 and 2008 bonds is based on the fixed rates. Interest on MidFirst term loan is variable based on the LIBOR.

Quantitative and Qualitative Disclosure about Market Risk

GWRI is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. GWRI uses a combination of fixed-rate and variable-rate debt to reduce interest rate exposure. A hypothetical 10% increase in interest rates associated with variable rate debt would result in a $51,000 reduction in GWRI's pre-tax income for the year ended December 31, 2014 and a $61,000 increase in GWRI's pre-tax loss for the year ended December 31, 2013. To reduce the risk from interest rate fluctuations, we have entered into two five-year interest rate cap transaction agreements for the majority of our variable-rate bond debt. Under the interest rate cap agreements, the Company will be reimbursed for the interest costs that may occur in excess of the interest rate cap levels.

Other than interest-related risks, we believe the risks associated with price increases for chemicals, electricity and other commodities are mitigated by GWRI's ability over the long-term to recover its costs through rate increases to its customers, though such recovery is subject to regulatory lag.

Risk Factors

The Company's future performance and financial condition involves a number of risks and uncertainties. Any of these risks and uncertainties could have a material adverse effect on its results of operations, business prospects and financial condition. These risks are discussed in GWRC's most recent Annual Information Form, which is available on GWRC's SEDAR profile at www.sedar.com.

Related Party Transactions

See Note 8 to GWRI's audited consolidated financial statements for the year ended December 31, 2014.

Critical Accounting Policies and Estimates

The application of critical accounting policies is particularly important to GWRI's financial condition and results of operations and provides a framework for management to make significant estimates, assumptions and other judgments. Additionally, GWRI's financial condition, results of operations and cash flow are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. Although GWRI's management believes that these estimates, assumptions and other judgments are appropriate, they relate to matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and other judgments applied to these accounting policies could have a significant impact on GWRI's financial condition and results of operations as reflected in GWRI's financial statements.

The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

Estimation of income taxes includes an evaluation of the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire. The Company's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changes, the Company would be required to recognize fewer of the tax deductions as assets, which would increase the income tax expense in the period in which the determination is made.

Evaluation of investments for other-than-temporary decline in value

Goodwill - Goodwill is evaluated for impairment at least annually. For the purposes of this evaluation, management must make an estimate of a weighted-average cost of capital to be used as a company-specific discount rate, which takes into account certain risk and size premiums, risk-free yields, and the capital structure of the industry. We also consider other qualitative and quantitative factors including the regulatory environment that can significantly impact future earnings and cash flows and the effects of the volatile current economic environment. Changes in these projections or estimates could result in a reporting unit either passing or failing the first step in the goodwill impairment model. (See Note 1).

Equity investment in FATHOM - We evaluate our investment in FATHOM Partnership/GWM for impairment whenever events or changes in circumstances indicate that the carrying value of our investment may have experienced an "other-than-temporary" decline in value. The evaluation is sensitive to management assumptions including forecasted results of GWRI and as a result, changes in these assumptions could have a material impact on the analysis. (See Note 6).

For further discussion of the Company's accounting policies and estimates, refer to GWRI's 2014 audited consolidated financial statements.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer reviewed and evaluated our disclosure controls and procedures. Based on that evaluation, they have concluded that our disclosure controls and procedures are effective in providing them with timely material information relating to the Company.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, and has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with U.S. GAAP.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls and procedures over financial reporting will prevent all error and all fraud. A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of the consolidated financial statements for the three months ended June 30, 2014, we determined that we had incorrectly calculated and classified certain components of our net deferred tax assets and related income tax benefit as of and for the three months ended March 31, 2014. These misstatements resulted in the need to record adjustments that were determined to be immaterial individually and in the aggregate; however, based on our evaluation of our tax resources and processes, management determined that there was a reasonable possibility that a material misstatement to the annual or interim financial statements might not have been prevented or detected in a timely manner. Accordingly, as of March 31, 2014, we determined that the Company had a material weakness in internal control over financial reporting with respect to its accounting for income taxes process.

To remediate the material weakness and improve our control over financial reporting with respect to accounting for income taxes, the Company, with oversight from our Audit Committee, implemented certain measures to increase the level of control in our income tax processes. Specifically, the Company subjected our income tax provision to an increased level of scrutiny and review by Company personnel, as well as increased the involvement of external accounting advisors in the preparation and review of our income tax provision. As a result of these measures, Management evaluated the design and operation of our internal control over financial reporting, using criteria for effective internal control over financial reporting described in Internal Control - Integrated Framework issued by the

Committee of Sponsoring Organizations of the Treadway Commission (1992), as of December 31, 2014, and concluded that it has remediated the material weakness over financial reporting for taxes and that internal control over financial reporting is effective as of December 31, 2014.

Changes in Internal Controls over Financial Reporting

Other than the remediation of the previously-identified material weakness discussed above, there were no changes in internal control over financial reporting that occurred during the last fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Other Required Disclosures

Additional information relating to GWRI, including GWRC's Annual Information Form, has been filed on GWRC's profile on SEDAR at www.sedar.com.

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