May 12, 2015

To Our Shareholders:

GWR Global Water Resources Corp. ("**GWRC**") is pleased to present our financial statements, along with the financial statements of Global Water Resources, Inc. ("**GWRI**"), for the three months ended March 31, 2015. Because GWRI represents the sole asset of GWRC and is not consolidated into the financial statements of GWRC, the financial statements of GWRI for the three months ended March 31, 2015 are filed together with the financial statements 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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GWR GLOBAL WATER RESOURCES CORP.

UNAUDITED FINANCIAL STATEMENTS AS OF AND FOR
THE THREE MONTHS ENDED
MARCH 31, 2015

GWR GLOBAL WATER RESOURCES CORP.
UNAUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2015

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GWR GLOBAL WATER RESOURCES CORP.
BALANCE SHEETS
As of March 31, 2015 and December 31, 2014
(Unaudited)

	March 31, 2015	December 31, 2014
	(in thousands of US$, except share data)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,107	$ 189
Other current assets	55	18
Total current assets	1,162	207
Equity method investment	58,634	59,794
TOTAL ASSETS	$ 59,796	$ 60,001
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Dividends payable, accounts payable and accrued expenses	$ 247	$ 212
Due to related party	924	—
Other noncurrent liabilities	182	155
Deferred tax liability	1,554	1,666
Total liabilities	2,907	2,033
COMMITMENTS AND CONTINGENCIES (see Note 9)		
SHAREHOLDERS' EQUITY:		
Common stock, unlimited shares authorized, 8,754,612 shares issued and outstanding at March 31, 2015 and December 31, 2014	55,807	55,807
Retained earnings	1,082	2,161
Total shareholders' equity	56,889	57,968
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 59,796	$ 60,001

See accompanying notes to the financial statements

GWR GLOBAL WATER RESOURCES CORP.
STATEMENTS OF OPERATIONS
For the Three Months Ended March 31, 2015 and 2014
(Unaudited)

	Three Months Ended March 31,	
	2015	**2014**
	(in thousands of US$, except share and per share data)	
GAIN (LOSS) FROM EQUITY INVESTMENT	$ (440)	$ 31,876
OPERATING EXPENSES	234	146
OPERATING INCOME (LOSS)	(674)	31,730
INCOME (LOSS) BEFORE INCOME TAXES	(674)	31,730
INCOME TAX BENEFIT (EXPENSE)	113	(1,837)
NET INCOME (LOSS)	$ (561)	$ 29,893
WEIGHTED AVERAGE SHARES:		
Basic	8,754,612	8,754,612
Diluted	8,754,612	8,754,823
EARNINGS (LOSS) PER SHARE:		
Basic	$ (0.06)	$ 3.41
Diluted	$ (0.06)	$ 3.41

See accompanying notes to the financial statements

GWR GLOBAL WATER RESOURCES CORP.
STATEMENTS OF SHAREHOLDERS' EQUITY
For the Three Months Ended March 31, 2015 and 2014
(Unaudited)

	Shares	Common Stock	Retained Earnings (Accumulated Deficit)	Total Equity
		(in thousands of US$, except share amounts)		
BALANCE – December 31, 2013	8,754,612	$ 55,815	$ (24,935)	$ 30,880
Declared dividends paid or payable	—	—	(174)	(174)
Net income	—	—	29,893	29,893
BALANCE – March 31, 2014	8,754,612	55,815	4,784	60,599
BALANCE – December 31, 2014	8,754,612	$ 55,807	$ 2,161	$ 57,968
Declared dividends paid or payable	—	—	(518)	(518)
Net loss	—	—	(561)	(561)
BALANCE – March 31, 2015	8,754,612	$ 55,807	$ 1,082	$ 56,889

See accompanying notes to the financial statements

GWR GLOBAL WATER RESOURCES CORP.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2015 and 2014
(Unaudited)

	Three Months Ended March 31,	
	2015	**2014**
	(in thousands of US$)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (561)	$ 29,893
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
(Gain) loss from equity investment	440	(31,876)
Deferred income tax expense (benefit)	(113)	1,837
Deemed distribution from related party	176	—
Cash distributions received from related party	552	—
Other changes in assets and liabilities	67	20
Net cash provided by (used in) operating activities	561	(126)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Repayment of related party cash advance	(198)	—
Cash advance from related party	1,107	—
Deemed distribution from related party	—	126
Net cash provided by investing activities	909	126
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(552)	—
Net cash used in financing activities	(552)	—
INCREASE IN CASH AND CASH EQUIVALENTS	918	—
CASH AND CASH EQUIVALENTS – Beginning of period	189	—
CASH AND CASH EQUIVALENTS – End of period	$ 1,107	$ —
Supplementary disclosure:		
Income taxes paid	$ —	$ —
Interest paid	$ —	$ —

See accompanying notes to the financial statements

1. INTERIM FINANCIAL STATEMENTS

Basis of Presentation – The financial statements of GWR Global Water Resources Corp. (the "Company", "GWRC", "we", "us", or "our") and related disclosures as of March 31, 2015 and for the three months ended March 31, 2015 and 2014 are unaudited. The December 31, 2014 balance sheet data was derived from the Company's audited financial statements, but may not include all disclosures required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2014. In our opinion, these financial statements include all adjustments necessary for the fair statement of the results for the interim period. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the full year.

GWRC was incorporated under the *Business Corporations Act* (British Columbia) on March 23, 2010 to acquire shares of Global Water Resources, Inc. (''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 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.

GWRI historically operated an unregulated business through its subsidiary Global Water Management, LLC ("GWM"), whose services were marketed by GWRI as FATHOM Utility-to-Utility Solutions ("FATHOM"). FATHOM offers an integrated suite of advanced technology-enabled platforms to provide third party services to municipalities and private utilities. The services offered by FATHOM provide automation, cost savings and opportunities for increased revenues. On June 5, 2013, GWRI sold a majority interest in GWM to a third party investor group. As of March 31, 2015, GWRI owned approximately 8.0% of GMW's outstanding shares, which is recorded as an equity method investment at GWRI.

On December 30, 2010, the Company completed its initial public offering of 8,185,000 common shares (the "Offering") and raised gross proceeds totaling C$61,387,500. On January 28, 2011, the underwriters of the Offering exercised their over-allotment option for an additional 569,611 common shares resulting in additional gross proceeds of C$4,272,083. Net proceeds from the Offering, including from the exercise of the over-allotment option, were used to purchase 87,546 shares of GWRI's common stock, representing a total ownership interest in GWRI of approximately 48.1% (see Note 3).

Amounts are stated in U.S. dollars unless otherwise noted.

Conversion to U.S. GAAP – 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 conversion 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 the 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.

Use of accounting estimates – U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingent assets and liabilities in the financial statements. We use estimates for certain items such as income taxes, fair values of financial instruments and commitments and contingencies. By nature, these estimates and assumptions are subject to measurement uncertainty and as such, actual results could differ from estimates used in these financial statements.

Economic dependence – We are economically dependent on GWRI. Our ability to pay distributions is entirely dependent on the distributions received from GWRI. Significant events affecting or transactions involving GWRI could materially influence our ability to pay distributions. We also rely on GWRI for payment of our operating expenses (see Note 4).

Restatement - Subsequent to the issuance of the financial statements as of and for the three months ended March 31, 2014, GWRI determined that it had incorrectly calculated and classified certain components of GWRI's net deferred tax assets and related income tax benefit as of March 31, 2014. In total, the error resulted in GWRI's understatement of current deferred tax assets by $532,000, overstatement of noncurrent deferred tax assets by $2,559,000 and overstatement of income tax benefit and net income of $2,027,000, as of and for the three months ended March 31, 2014. As approximately 48.1% of GWRI's net income (losses) are recorded by GWRC as gain (loss) as a result of the Company's equity investment in GWRI, the Company's financial statements were also misstated. In total, the error resulted in an overstatement of GWRC's equity investment balance and deferred tax liability, as of March 31, 2014, by $975,000 and $254,000, respectively. Additionally, GWRC's gain on equity investment, income tax expense, and net income for the three months ended March 31, 2014 were overstated by $975,000, $254,000 and $721,000, respectively. The misstatements and the restated adjustments were disclosed in Note 1 of the consolidated financial statements as of and for the three and six months ended June 30, 2014.

The following condensed table summarizes the impact of the misstatements on the Company's balance sheet as of March 31, 2014 (in thousands of US$):

	March 31, 2014 (as Reported)	Restatement Adjustments	March 31, 2014 (as Restated)
ASSETS:			
Total current assets	$ 208	$ —	$ 208
Equity method investment	63,504	(975)	62,529
Total Assets	$ 63,712	$ (975)	$ 62,737
LIABILITIES:			
Accounts payable and accrued liabilities	$ 214	$ —	$ 214
Other noncurrent liabilities	87	—	87
Deferred tax liability	2,091	(254)	1,837
Total Liabilities	2,392	(254)	2,138
SHAREHOLDERS' EQUITY	61,320	(721)	60,599
Total Liabilities and Shareholders' Equity	$ 63,712	$ (975)	$ 62,737

The following condensed table summarizes the impact of the misstatement on the Company's statement of operations for the three months ended March 31, 2014 (in thousands of US$):

	Three Months Ended March 31, 2014 (as Reported)	Restatement Adjustments	Three Months Ended March 31, 2014 (as Restated)
Gain (Loss) from Equity Investment	$ 32,851	$ (975)	$ 31,876
Operating expenses	146	—	146
Operating income (loss)	32,705	(975)	31,730
Income (loss) before income taxes	32,705	(975)	31,730
Income tax benefit (expense)	(2,091)	254	(1,837)
Net income (loss)	$ 30,614	$ (721)	$ 29,893
Earnings (loss) per share:			
Basic	$ 3.50	$ (0.09)	$ 3.41
Diluted	$ 3.50	$ (0.09)	$ 3.41

The following condensed table summarizes the impact of the misstatement on the Company's statement of cash flows for the three months ended March 31, 2014 (in thousands of US$):

	Three Months Ended March 31, 2014 (as Reported)	Restatement Adjustments	Three Months Ended March 31, 2014 (as Restated)
Net income (loss)	$ 30,614	$ (721)	$ 29,893
Deferred compensation	—	—	—
(Gain) loss from equity investment	(32,851)	975	(31,876)
Deferred income tax expense (benefit)	2,091	(254)	1,837
Changes in assets and liabilities	20	—	20
Net cash used in operating activities	(126)	—	(126)
Net cash provided by investing activities	126	—	126
Net cash provided by financing activities	—	—	—
Increase in cash and cash equivalents	—	—	—
Cash and cash equivalents - Beginning of period	—	—	—
Cash and cash equivalents - End of period	$ —	$ —	$ —

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Equity method investments – We account for our investment in GWRI using the equity method of accounting because we exercise significant influence over GWRI's operating, investing and financial policies but such rights do not result in a controlling financial interest. Under the equity method of accounting, an investment is initially recorded at cost. Any excess of the cost of the acquisition over our share of the net fair value of identifiable assets and liabilities of an equity accounted investee at the date of the acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

When there is a loss in value of an equity accounted investment that is other than temporary, the carrying amount of the investment is written down to reflect the loss. The amount of the write down is recorded in net income and is not reversed even if there is a subsequent increase in value (see Note 3).

The carrying value is adjusted thereafter to include the investor's pro rata share of post-acquisition earnings of the investee. The amount of the adjustment is included in the determination of net income by the investor, and the investment account of the investor is also increased or decreased to reflect the investor's share of capital transactions and changes in accounting policies and corrections of errors relating to prior period financial statements applicable to post-acquisition periods. Profit distributions received or receivable from an investee reduce the carrying value of the investment.

Gains or losses from equity investment is recorded based on our percentage ownership in the net earnings of investments over which we exercise significant influence over operating, investing and financial policies but over which we do not have control.

Distributions – Distributions receivable from GWRI are recorded when declared by GWRI. To the extent that distributions received are in excess of equity earnings from GWRI, the distributions are considered a return of investment and are reflected within cash flows from investing activities in the Company's statement of cash flows. Otherwise distributions received are considered return on investment and reflected within cash flows from operating activities in the statement of cash flows.

Distributions payable to our shareholders are recorded when declared.

Income taxes – We utilize the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

We evaluate uncertain tax positions using a two-step approach. Recognition (step one) occurs when we conclude that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when we subsequently determine that a tax position no longer meets the more-likely-than-not threshold of being sustained.

The Company is incorporated in Canada and, as such, is subject to income tax provisions in Canada. Furthermore, the Company was formed to acquire shares in a U.S. corporation, GWRI. The U.S. Internal Revenue Code has provisions dealing with the ''inversion'' of a U.S. corporation, which provide that a non-U.S. corporation may be treated as a U.S. corporation for U.S. federal income tax purposes in certain circumstances. Management believes that the Company should not be treated as a U.S. corporation for U.S. federal income tax purposes pursuant to the inversion rules because the Company has not acquired and should not be deemed to have acquired substantially all of the stock or assets of GWRI, as provided for under current U.S. income tax guidelines, which is generally more than fifty percent. Additionally, any investment in the Company by historical shareholders of GWRI will bear no relationship to their respective historical ownership of GWRI and will be on the same terms made available to the public.

However, there is a risk that the U.S. Internal Revenue Service could take a contrary position and assert that the Company should be treated as a U.S. corporation under the inversion rules as a result of the transactions which took place under the investment agreement between the Company and GWRI dated December 30, 2010 under which the Company acquired its interest in GWRI (the "Investment Agreement"). As a result, if the Company were subsequently determined to be a U.S. corporation for U.S. federal income tax purposes under the inversion rules, the Company could owe U.S. corporate income tax, withholding tax, penalties and interest, which could be significant. Such treatment may be retroactive to the Company's initial acquisition of shares of GWRI if a subsequent acquisition is considered to be part of a plan or series of related transactions that includes the transactions contemplated under the Investment Agreement.

Earnings per share – Basic earnings per share is based on the weighted-average number of shares outstanding during the period. Diluted earnings per share is computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents (see Note 7).

3. ACQUISITION OF INVESTMENTS

From its inception through the date of the Offering, the Company did not make any investments.

The Company completed its initial public offering on December 30, 2010, with gross Offering proceeds totaling C $61,387,500. On December 30, 2010, the Company used the net proceeds of the Offering in the amount of $55,363,000 for (i) the payment of approximately $51,659,000 for 81,850 shares of GWRI common stock (an approximate 46.4% interest in GWRI), and (ii) reimbursement of approximately $3,704,000 of Offering expenses incurred by GWRI on our behalf (see Note 6).

During 2010, all legal, professional and other costs incurred in connection with the Offering had been capitalized as deferred financing costs on GWRI's balance sheet. All such amounts were charged to the Company upon consummation of the Offering on December 30, 2010 and are netted against equity in our balance sheet.

On January 28, 2011, the underwriters of the Offering exercised their over-allotment option and with the related net proceeds of $4,011,000, we purchased an additional 5,696 shares of GWRI's common stock, resulting in the Company owning an approximate 48.1% of GWRI (see Note 6).

The Company completed the process of determining the allocation of the amount invested in GWRI common stock to the underlying fair value of the net assets of GWRI. The allocation of the amount invested in GWRI is set forth as follows (in thousands of US$):

Net assets of GWRI	$	(19,976)
Intangible asset - FATHOM contracts		1,242
Goodwill		74,733
Deferred tax liability		(329)
Total	$	55,670

The components of the allocation are aggregated in the carrying value of the equity method investment in the Company's balance sheet. The portion of the allocation attributed to the intangible asset would be amortized over the contractual lives of the underlying FATHOM contracts. As indicated above, a deferred tax liability was established as a result of the book versus tax basis difference created by the intangible asset. Prior to the sale of the FATHOM business (See Note 1), amortization of the intangible asset and the reversal of the deferred tax liability was recorded each period as a component of the Company's gain (loss) from equity investment. However, as a result of the sale of the FATHOM business, we determined that it was appropriate to fully amortize the intangible asset as GWRI no longer owned the FATHOM contracts.

The Company's loss on equity investment totaled approximately $440,000 compared to a gain of approximately $31.9 million for the three months ended March 31, 2015 and 2014, respectively. The $31.9 million gain recorded in 2014 was driven by (i) a nonrecurring gain recognized by GWRI upon receipt of a regulatory order from GWRI's economic regulator, and (ii) by GWRI's release of its deferred income tax valuation allowance during the 2014 period.

The following contains summarized financial data of GWRI's financial position as of March 31, 2015 and December 31, 2014 (in thousands of US$):

		March 31, 2015		December 31, 2014
ASSETS:				
Net property, plant and equipment	$	235,598	$	240,424
Current assets		14,361		12,293
Other assets		54,795		54,884
TOTAL ASSETS	$	304,754	$	307,601
LIABILITIES:				
Current liabilities	$	13,962	$	13,630
Noncurrent liabilities		265,347		266,291
TOTAL LIABILITIES		279,309		279,921
SHAREHOLDERS' EQUITY (DEFICIT)		25,445		27,680
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	$	304,754	$	307,601

The following contains summarized financial data of GWRI's results of operations for the three months ended March 31, 2015 and 2014 (U.S. GAAP in thousands of US$):

	Three Months Ended March 31,	
	2015	2014
Revenues	$ 7,622	$ 6,996
Operating expenses	6,847	(43,448)
Operating income	775	50,444
Total other expense, net	(2,218)	(284)
Income (loss) before income taxes	(1,443)	50,160
Income tax benefit (expense)	528	16,125
Net income (loss)	$ (915)	$ 66,285

The Company evaluates its 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, 2014, GWRI's results of operations were below GWRI's previous forecasts, primarily due to slower than expected growth. 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 2014 and concluded that an impairment of the investment in GWRI did not exist as of December 31, 2014.

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 provides, among other things, additional revenues to GWRI which will be phased-in over time. As of March 31, 2014, GWRI evaluated the impact of the rate case decision, including whether sufficient evidence exists that GWRI's net deferred tax assets would 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 three months ended March 31, 2014. As a result of GWRC's 48.1% interest in GWRI, GWRC recorded $32.1 million of equity method earnings for the three months ended March 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.

4. RELATED PARTY TRANSACTIONS

Except for the Chief Executive Officer and Chief Financial Officer (who receive no compensation from the Company in connection with their roles), we have no employees and the management and general administration services of our business and affairs are provided by GWRI pursuant to a management agreement. Significant terms of, and the services provided by GWRI under, the management agreement are summarized in the notes to our 2014 audited financial statements. A copy of the management agreement is available on the Company's SEDAR profile at www.sedar.com.

Services provided by GWRI are provided at no charge to the Company.

Notwithstanding the foregoing, the Company is solely responsible for the selection of accountants, lawyers, consultants, investment bankers and other such professional advisors, as well as other service providers from time to time, to provide advice and other administrative services directly to the Company. Further, the Company is responsible for certain costs including the fees paid to members of our board of directors. Since the Company has no cash and does not expect to have cash flows from operating activities, the operating costs incurred by the Company are paid by GWRI. Amounts

paid by GWRI on the Company's behalf during the three months ended March 31, 2015 and 2014 totaled $176,000 and $126,000, respectively, and total approximately $1.5 million since the Company's incorporation in 2010. The Company accounts for the amounts paid by GWRI on its behalf as distributions from GWRI. As such, the amounts paid by GWRI reduce the carrying value of the Company's equity method investment.

In March 2015, GWRI provided a cash advance of $1.1 million to satisfy the Company's short term cash obligations. The amount advanced will be utilized to fund the Company's monthly dividend and other cash requirements, as needed. The residual balance of the cash advance is presented on the Company's March 31, 2015 balance sheet as due to related party. The related party balance will be reduced upon dividend declaration, when the amount declared is presented as a dividend payable. As of March 31, 2015, the due to related party balance was $924,000.

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.

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.* 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. The number of stock options forfeited totaled 116,470, resulting in stock options of 269,227 outstanding at March 31, 2015 and December 31, 2014.

5. INCOME TAXES

The Company purchased an equity investment in GWRI on December 30, 2010. Distributions from GWRI and income or loss generated by GWRI will result in outside basis differences between the carrying value of the investment compared to the tax basis of the investment. Outside basis differences between the carrying value and the tax basis of the investment in GWRI were evaluated for the tax consequences of the potential realization of an equity investment (e.g., disposition, dividends, return of capital, etc.) to determine the proper accounting for the reversal of any temporary differences in the tax basis and carrying value of the investment. As of March 31, 2015, the carrying value of the equity investment exceeded the tax basis in the investment by approximately $6.0 million and a deferred tax liability was recorded in the amount of $1.6 million based on a combined statutory tax rate of 26%. At December 31, 2014, the carrying value of the equity investment exceeded the tax basis in the investment by approximately $6.4 million and a deferred tax liability was recorded in the amount of $1.7 million based on a combined statutory tax rate of 26%. The decrease in deferred tax liability was recorded as a reduction to income tax expense.

6. SHAREHOLDERS' EQUITY

The Company has a single class of common shares authorized for issuance and each share entitles the holder thereof to one vote per share.

Prior to the Offering, no capital had been contributed into the Company and no shares of the Company had been issued, with the exception of a single common share in connection with the initial organization of the Company.

As discussed in Note 1, on December 30, 2010, the Company completed its Offering of 8,185,000 common shares at C $7.50 per share for gross proceeds totaling C$61,387,500, or approximately US$61,189,000. The costs incurred in connection with the Offering have been netted against equity in our balance sheet as of December 31, 2010. Net proceeds from the Offering, after taking into consideration underwriters' commissions of approximately $3,671,000 and legal, professional and other Offering costs of approximately $5,859,000, totaled approximately $51,659,000.

On January 28, 2011, the underwriters of the Offering exercised their over-allotment option for 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. Such net proceeds 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%.

7. EARNINGS PER SHARE

Basic earnings (loss) per share ("EPS") is computed by dividing net income (loss) attributable to GWRC's common stockholders by the weighted-average number of common shares outstanding during the period. Diluted EPS is computed on the basis of the weighted-average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period, reduced for treasury stock. Dilutive potential common shares include outstanding stock options. The following table summarizes the computation of basic and diluted EPS (in thousands, except share data):

	Three Months Ended March 31,	
	2015	2014
Net income (loss) available to GWRC common shareholders - basic	$ (561)	$ 29,893
Net income (loss) available to GWRC common shareholders - diluted	$ (561)	$ 29,893
Weighted-average shares outstanding - basic	8,754,612	8,754,612
Effect of dilutive securities:		
Incremental shares from stock options	—	211
Weighted-average shares outstanding - diluted	8,754,612	8,754,823
Earnings (loss) per common share - basic	$ (0.06)	$ 3.41
Earnings (loss) per common share - diluted	$ (0.06)	$ 3.41

The following table summarizes the potential shares of common stock that were excluded from diluted EPS, because the effect of including these potential shares was antidilutive:

	Three Months Ended March 31,	
	2015	2014
Stock options	269,227	209,561

8. CAPITAL MANAGEMENT AND LIQUIDITY MATTERS

As discussed in Note 1, 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.

In March 2014, the Company initiated a dividend program wherein we declare and pay a monthly dividend. The initial monthly dividends were approximately C$0.022 per share. In November 2014, the Company increased the monthly dividend to approximately C$0.024 per share. In March 2015, the Company further increased the monthly dividend to approximately C$0.026 per share. 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

9. COMMITMENTS AND CONTINGENCIES

Commitments – As discussed in Note 4, the Company uses the services of GWRI for the management and general administration of our business and affairs. The Company does not pay a fee for these services. We currently have no commitments expected to result in future minimum payments.

Contingencies – From time to time, we may become involved in proceedings arising in the ordinary course of business of which the ultimate resolution of such matters could materially affect our financial position, results of operations, or cash flows. Since inception, the Company has not identified any contingencies which we believe could materially affect our financial statements.

10. SUBSEQUENT EVENTS

On May 11, 2015, GWRC received approval from the Toronto Stock Exchange ("TSX") to repurchase, for cancellation, common shares of the Company pursuant to a normal course issuer bid ("NCIB"). The NCIB enables GWRC to repurchase up to 87,500 common shares, representing approximately 1% of the Company's 8,754,612 issued and outstanding common shares as of May 5, 2015. The NCIB will commence on May 13, 2015 and will terminate on May 12, 2016. Except as permitted under TSX rules, daily purchases will be limited to a maximum of 3,239 common shares other than block purchase exemptions, which represents 25% of the average daily trading volume on the TSX for the six months ended April 30, 2015. All purchases under the NCIB will be made on the open market through the facilities of the TSX by a participating organization. The actual number of shares to be purchased and the timing of such purchases will be determined by the Company considering market conditions, stock prices, its cash position and other factors.

Subsequent events have been evaluated up to and including May 12, 2015, the date of report.

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GLOBAL WATER RESOURCES, INC.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTHS ENDED
MARCH 31, 2015

GLOBAL WATER RESOURCES, INC.
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2015

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GLOBAL WATER RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
As of March 31, 2015 and December 31, 2014
(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS	(in thousands of US$, except share data)	
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment	$ 314,122	$ 318,995
Less accumulated depreciation	(78,524)	(78,571)
Net property, plant and equipment	235,598	240,424
CURRENT ASSETS:		
Cash and cash equivalents	4,707	6,577
Accounts receivable – net	1,188	1,365
Due from related party	586	457
Accrued revenue	1,892	1,762
Prepaid expenses and other current assets	1,354	541
Deferred tax assets - current	1,663	1,591
Assets held for sale	2,971	—
Total current assets	14,361	12,293
OTHER ASSETS:		
Goodwill	12,683	13,082
Intangible assets – net	12,772	12,772
Regulatory assets	367	400
Deposits	19	25
Bond service fund and other restricted cash	9,932	9,927
Debt issuance costs - net	2,654	2,722
Equity method investment	1,106	1,150
Deferred tax assets	15,262	14,806
Total other assets	54,795	54,884
TOTAL	$ 304,754	$ 307,601
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 1,687	$ 1,531
Accrued expenses	6,627	6,832
Deferred revenue – current portion	14	13
Customer and meter deposits	2,437	2,601
Long-term debt – current portion	2,676	2,653
Liabilities held for sale	521	—
Total current liabilities	13,962	13,630
NONCURRENT LIABILITIES:		
Long-term debt	127,329	127,491
Deferred regulatory gain	19,730	19,730
Regulatory liability	7,859	7,859
Advances in aid of construction	89,172	89,206
Contributions in aid of construction – net	16,438	17,096
Acquisition liability	4,688	4,688
Other noncurrent liabilities	131	221
Total noncurrent liabilities	265,347	266,291
Total liabilities	279,309	279,921
Commitments and contingencies (see Note 12)		
EQUITY (DEFICIT):		
Common stock, $0.01 par value, 1,000,000 shares authorized, 182,050 shares issued and outstanding at March 31, 2015 and December 31, 2014	2	2
Paid in capital	49,319	50,639
Accumulated deficit	(23,876)	(22,961)
Total equity	25,445	27,680
TOTAL	$ 304,754	$ 307,601

See accompanying notes to the consolidated financial statements

GLOBAL WATER RESOURCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended March 31, 2015 and 2014
(Unaudited)

	Three Months Ended March 31,	
	2015	**2014**
	(in thousands of US$)	
REVENUES:		
Water services	$ 3,893	$ 3,617
Wastewater and recycled water services	3,602	3,365
Unregulated revenues	127	14
Total revenues	7,622	6,996
OPERATING EXPENSES:		
Operations and maintenance	2,471	2,483
General and administrative	2,064	2,489
Gain on regulatory order	—	(50,664)
Depreciation	2,312	2,244
Total operating expenses	6,847	(43,448)
OPERATING INCOME	775	50,444
OTHER INCOME (EXPENSE):		
Interest income	2	19
Interest expense	(2,079)	(2,224)
Other	(141)	1,921
Total other income (expense)	(2,218)	(284)
INCOME (LOSS) BEFORE INCOME TAXES	(1,443)	50,160
INCOME TAX BENEFIT (EXPENSE)	528	16,125
NET INCOME (LOSS)	$ (915)	$ 66,285

See accompanying notes to the consolidated financial statements

GLOBAL WATER RESOURCES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
For the Three Months Ended March 31, 2015 and 2014
(Unaudited)

	Common Stock	Paid-in Capital	Accumulated Deficit	Total Equity (Deficit)
		(in thousands of US$)		
BALANCE – December 31, 2013	$ 2	$ 55,048	$ (87,892)	$ (32,842)
Stock-based compensation	—	(379)	—	(379)
Deemed distribution to related party	—	(126)	—	(126)
Net income	—	—	66,285	66,285
BALANCE – March 31, 2014	$ 2	$ 54,543	$ (21,607)	$ 32,938
BALANCE – December 31, 2014	$ 2	$ 50,639	$ (22,961)	$ 27,680
Dividend declared	—	(1,134)	—	(1,134)
Deemed distribution to related party	—	(186)	—	(186)
Net loss	—	—	(915)	(915)
BALANCE – March 31, 2015	$ 2	$ 49,319	$ (23,876)	$ 25,445

See accompanying notes to the consolidated financial statements

GLOBAL WATER RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2015 and 2014
(Unaudited)

	Three Months Ended March 31,	
	2015	**2014**
	(in thousands of US$)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (915)	$ 66,285
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Deferred compensation	187	300
Depreciation	2,312	2,244
Amortization of deferred debt issuance costs and discounts	56	87
Loss on equity method investment	44	174
Gain on regulatory order	—	(50,664)
Other gains and losses	176	—
Provision for doubtful accounts receivable	16	15
Deferred income tax benefit	(528)	(16,125)
Changes in assets and liabilities:		
Accounts receivable	161	71
Other current assets	(332)	227
Accounts payable and other current liabilities	(463)	2,585
Other noncurrent assets	50	9
Other noncurrent liabilities	—	2,802
Net cash provided by operating activities	764	8,010
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(419)	(106)
(Deposits) withdrawals of restricted cash	(4)	197
Cash advance to related party	(1,107)	—
Repayment of related party cash advance	182	—
Deposits received	6	1
Net cash provided by (used in) investing activities	(1,342)	92
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan repayments	(196)	(1,001)
Principal payments under capital leases	(22)	(45)
Advances in aid of construction	50	61
Dividends paid	(1,112)	—
Refunds of advances for construction	(12)	—
Net cash used in financing activities	(1,292)	(985)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,870)	7,117
CASH AND CASH EQUIVALENTS – Beginning of period	6,577	1,960
CASH AND CASH EQUIVALENTS – End of period	$ 4,707	$ 9,077

See accompanying notes to the consolidated financial statements

1. INTERIM FINANCIAL STATEMENTS

Basis of Presentation and Principles of Consolidation – The consolidated financial statements of Global Water Resources, Inc. (the "Company", "GWRI", "we", "us", or "our") and related disclosures as of March 31, 2015 and for the three months ended March 31, 2015 and 2014 are unaudited. The December 31, 2014 consolidated balance sheet data was derived from the Company's audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These financial statements follow the same accounting policies and methods of their application as the Company's most recent annual consolidated financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014. In our opinion, these financial statements include all adjustments necessary for the fair statement of the results for the interim period. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the full year. Further, due to the seasonality of our business, the results for the three months ended March 31, 2015 may not be consistent with results of operations for the full year.

The consolidated financial statements include the accounts of GWRI and all of its subsidiaries. All intercompany account balances and transactions between GWRI and its subsidiaries have been eliminated.

We prepare our financial statements in accordance with U.S. GAAP. The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The U.S. dollar is our reporting currency and the Company's functional currency.

Corporate Transactions

Sale of certain MXA and WMA contracts — In September 2013, the Company sold its Wastewater Facilities Main Extension Agreements ("MXA") and Offsite Water Management Agreements ("WMA") along with their related rights and obligations to a third party. These agreements were between the Company's subsidiary, 303 Utilities Company, Inc., and the City of Glendale. Pursuant to the Transfer of Project Agreement, GWRI will receive total proceeds of approximately $4.1 million over a multi-year period. As part of the consideration, GWRI agreed to complete certain engineering work required in the WMAs, which work had been completed as of December 31, 2013. Since this engineering work has been completed, the Company has no further obligations under the WMAs or the MXAs. Through May 12, 2015, the Company has received $3.1 million of the total proceeds and has recognized income of approximately $3.6 million within other income (expense) in the statement of operations. Receipt of the remaining $1.0 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.

Stipulated condemnation — On March 17, 2015, the Company reached a settlement agreement for a stipulated condemnation to transfer the assets of Valencia Water Company, Inc. ("Valencia") to the City of Buckeye ("Buckeye"), which was subsequently approved by Buckeye's City Council on March 19, 2015. The terms of the settlement are that Buckeye will acquire all the assets of Valencia and assume operations of the utility upon close. Buckeye will pay the Company $55.0 million at close, subject to certain post-closing entries. Buckeye will also pay a growth premium equal to $3,000 for each new water meter installed within Valencia's prior service areas, for a 20-year period ending January 1, 2035, subject to a maximum payout of $45.0 million over the term of the agreement. The transaction is subject to Buckeye receiving sufficient financing, approval by the Maricopa County Superior Court and certain other customary closing conditions.

Pending sale of Willow Water Valley Co., Inc. — On March 23, 2015 the Company reached an agreement to sell the assets of Willow Water Valley Co., Inc. ("Willow Valley") to EPCOR Water Arizona Inc. ("EPCOR"). The terms of the agreement are that EPCOR will purchase all the assets and rights used by Willow Valley to operate the utility system for approximately

$2.5 million, subject to certain post-closing adjustments. The transaction is subject to final approval from the Arizona Corporate Commission ("ACC").

Per ASC 360-10-45-9 the assets and liabilities considered in the sale to EPCOR were determined to meet the criteria to be classified as held for sale. The criteria utilized to make this determination are: (i) management has the authority and has entered into an agreement to sell the assets of Willow Valley; (ii) the assets and liabilities are available for immediate sale in their present condition; (iii) the approval from the ACC is probable within the next year; (iv) a reasonable price has been agreed upon; and (v) it is unlikely that significant changes to the agreement will be made prior to approval.

Additionally, as the carrying value of the assets and liabilities in question were greater than the agreed upon sales price, a loss of $176,000 was recorded in other expense for the three months ended March 31, 2015 to adjust the carrying value of the asset group to the agreed upon fair value less cost to sell. The assets and liabilities included within agreement are as follows:

	March 31, 2015
Property, plant and equipment	5,188
Less Accumulated Depreciation	(2,440)
Net property, plant and equipment	2,748
Goodwill	223
Total assets	2,971
Advances in aid of construction	71
Contributions in aid of construction — net	450
Total liabilities	521

Restatement - Subsequent to the issuance of the consolidated financial statements as of and for the three months ended March 31, 2014, management determined that we had incorrectly calculated and classified certain components of our net deferred tax assets and related income tax benefit as of March 31, 2014. The required corrections were as follows: (i) a reduction in certain noncurrent deferred tax assets and additional income tax expense of $1,690,000 was necessary to correctly record the impact of Rate Decision No. 74364; (ii) the state income tax rate applied to measure deferred tax assets and liabilities should have been reduced due to the reduction of the State of Arizona income tax rate based on the years in which the temporary book versus tax differences were expected to be recovered or settled (note, the corporate income tax rate for the State of Arizona reduced from 6.5% for tax year 2014 to 4.9% for tax year 2017 and thereafter). This correction resulted in a reduction in noncurrent deferred tax assets and additional income tax expense of $386,000; and (iii) certain deferred tax assets associated with deferred compensation arrangements should have been classified as current rather than noncurrent. As a portion of the related deferred compensation was to be paid within the subsequent twelve months, the associated deferred tax assets should have been reflected within current assets which required a reclassification of $532,000 from noncurrent deferred tax assets to current deferred tax assets. In total, these errors resulted in the understatement of the Company's deferred tax assets by $532,000, the overstatement of noncurrent deferred tax assets by $2,559,000 and the overstatement of income tax benefit and net income by $2,027,000, as of and for the three months ended March 31, 2014. The misstatements and the restated adjustments were disclosed in Note 1 of the consolidated financial statements as of and for the three and six months ended June 30, 2014.

The following condensed table summarizes the impact of the misstatements on the Company's consolidated balance sheet as of March 31, 2014 (in thousands of US$):

	March 31, 2014 (as Reported)	Restatement Adjustments	March 31, 2014 (as Restated)
ASSETS:			
Net property, plant and equipment	$ 246,547	$ —	$ 246,547
Cash and cash equivalents	9,077	—	9,077
Deferred tax assets - current	61	532	593
Other current assets	5,130	—	5,130
Total current assets	14,268	532	14,800
Deferred tax assets	17,495	(2,559)	14,936
Other noncurrent assets	40,994	—	40,994
Total other assets	58,489	(2,559)	55,930
Total Assets	$ 319,304	$ (2,027)	$ 317,277
LIABILITIES:			
Current liabilities	$ 15,654	$ —	$ 15,654
Noncurrent liabilities	268,685	—	268,685
Total Liabilities	284,339	—	284,339
SHAREHOLDERS' EQUITY (DEFICIT)	34,965	(2,027)	32,938
Total Liabilities and Shareholders' Equity (Deficit)	$ 319,304	$ (2,027)	$ 317,277

The following condensed table summarizes the impact of the misstatement on the Company's consolidated statement of operations for the three months ended March 31, 2014 (in thousands of US$):

	Three Months Ended March 31, 2014 (as Reported)	Restatement Adjustment	Three Months Ended March 31, 2014 (as Restated)
Revenues	$ 6,996	$ —	$ 6,996
Operating expenses	(43,448)	—	(43,448)
Total operating income	50,444	—	50,444
Total other expenses, net	(284)	—	(284)
Income before income taxes	50,160	—	50,160
Income tax benefit (expense)	18,152	(2,027)	16,125
Net income (loss)	$ 68,312	$ (2,027)	$ 66,285

The following condensed table summarizes the impact of the misstatement on the Company's consolidated statement of cash flows for the three months ended March 31, 2014 (in thousands of US$):

	Three Months Ended March 31, 2014 (as Reported)	Restatement Adjustments	Three Months Ended March 31, 2014 (as Restated)
Net income (loss)	$ 68,312	$ (2,027)	$ 66,285
Deferred income tax expense (benefit)	(18,152)	2,027	(16,125)
Other operating activities	(42,150)	—	(42,150)
Net cash provided by operating activities	8,010	—	8,010
Net cash provided by investing activities	92	—	92
Net cash used in financing activities	(985)	—	(985)
Increase in cash and cash equivalents	7,117	—	7,117
Cash and cash equivalents - Beginning of period	1,960	—	1,960
Cash and cash equivalents - End of period	$ 9,077	$ —	$ 9,077

2. REGULATORY DECISION AND RELATED ACCOUNTING AND POLICY CHANGES

Our regulated utilities are subject to regulation by the Arizona Corporation Commission (the "Commission" or "ACC") and are therefore subject to Accounting Standards Codification ("ASC") Topic 980, *Regulated Operations* ("ASC Topic 980").

In accordance with ASC Topic 980, rates charged to utility customers are intended to recover the costs of the provision of service plus a reasonable return in the same period. Initial rates are set by the ACC at the time the Certificate of Convenience and Necessity ("CC&N") is established for an area granting the utility the exclusive right to serve. The initial rates are determined based on an application submitted by us that includes anticipated customer counts and required infrastructure with rates set to achieve a rate of return on equity invested in the utility. Changes in rates, if any, are made through further formal rate applications.

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 $4.3 million based on 2011 test year service connections, phased-in over time, with the first increase implemented in January 2015 as follows (in thousands of US$):

	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 ("ICFAs"), as required in the Company's last rate case. The reversal restores rate base or future rate base, and has a significant impact of restoring shareholder equity on the balance sheet.
- The Company has agreed to not enter into any new ICFAs. Existing ICFAs will remain in place, but a portion 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.
- A 9.5% return on common equity will be adopted.
- None of the Company's utilities will file another rate application before May 31, 2016. GWRI's subsidiaries, Santa Cruz Water Company ("Santa Cruz") and Palo Verde Utilities Company ("Palo Verde") may not file for another rate increase before May 31, 2017.

The following provides additional discussion on accounting and policy changes resulting from Rate Decision No. 74364.

Infrastructure Coordination and Financing Agreements – ICFAs are agreements with developers and homebuilders whereby the GWRI parent company, which owns the operating utilities, provides services to plan, coordinate and finance the water and wastewater infrastructure that would otherwise be required to be performed or subcontracted by the developer or homebuilder.

Under the ICFAs, GWRI has a contractual obligation to ensure physical capacity exists through its regulated utilities for water and wastewater to the landowner/developer when needed. This obligation persists regardless of connection growth. Fees for these services are typically a negotiated amount per equivalent dwelling unit for the specified development or portion of land. Payments are generally due in installments, with a portion due upon signing of the agreement, a portion due upon completion of certain milestones, and the final payment due upon final plat approval or sale of the subdivision. The payments are non-refundable. The agreements are generally recorded as a lien against the land and must be assumed in the event of a sale or transfer. The regional planning and coordination of the infrastructure in the various service areas has been an important part of GWRI's business model.

Prior to January 1, 2010, GWRI accounted for funds received under ICFAs as revenue once the obligations specified in the ICFA were met. As these arrangements are with developers and not with the end water or wastewater customer, the timing of revenue recognition coincided with the completion of GWRI's performance obligations under the agreement with the developer and with GWRI's ability to provide fitted capacity for water and wastewater service through its regulated subsidiaries.

The 2010 Regulatory Rate Decision established new rates for the recovery of reasonable costs incurred by the utilities and a return on invested capital. In determining the new annual revenue requirement, the ACC imputed a reduction to rate base for all amounts related to ICFA funds collected by the Company that the ACC deemed to be CIAC for rate making purposes. As a result of the decision by the ACC, GWRI changed its accounting policy for the accounting of ICFA funds. Effective January 1, 2010, GWRI recorded ICFA funds received as CIAC. Thereafter, the ICFA-related CIAC was amortized as a reduction of depreciation expense over the estimated depreciable life of the utility plant at the related utilities. The balance of ICFA-related CIAC, net of accumulated amortization, totaled approximately $64.1 million as of December 31, 2013.

With the issuance of Rate Decision No. 74364, in February 2014, the ACC changed how ICFA funds would be characterized and accounted for going forward. Most notably, ICFA funds would no longer be CIAC. ICFA funds which were already received or which had become due prior to the date of Rate Decision No. 74364 would be accounted for in accordance with the Company's ICFA revenue recognition policy that had been in place prior to the 2010 Regulatory Rate Decision. For ICFA funds to be received in the future, Rate Decision No. 74364 prescribes that 70% of ICFA funds to be received

by the Company will be recorded in the associated utility subsidiary as a HUF liability, with the remaining 30% to be recorded as deferred revenue, to be accounted for in accordance with the Company's ICFA revenue recognition policy.

The Company intends to account for the portion allocated to the HUF as a contribution, similar to CIAC. However, from the regulator's perspective, the HUF is not technically CIAC and does not impact rate base until the related funds are expended. Such funds will be segregated in a separate bank account and used for plant. A HUF liability will be established and will be relieved once the HUF funds are utilized for the construction of plant. For facilities required under a HUF or ICFA, the utilities must first use the HUF moneys received, after which, it may use debt or equity financing for the remainder of construction. The Company will record the 30% as deferred revenue, which is to be recognized as revenue once the obligations specified within the ICFA are met.

Regulatory asset – Under ASC Topic 980, rate regulated entities defer costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that these costs and credits will be recognized in the rate making process in a period different from the period in which they would have been reflected in income by an unregulated company. Certain costs associated with our rate cases have been deferred on our balance sheet as regulatory assets as approved by the ACC. At March 31, 2015 and December 31, 2014, the balance of our deferred regulatory asset was $367,000 and $400,000, respectively, related to costs incurred in connection with our most recent rate case. This amount began to amortize in January 2015, and will be amortized over a three year life, which period is aligned with the phase-in of the new rates provided by Rate Decision No. 74364.

Intangible assets / Regulatory liability – The Company had previously recorded certain intangible assets related to ICFA contracts obtained in connection with our Santa Cruz, Palo Verde and Sonoran Utility Services (''Sonoran'') acquisitions. The intangible assets represented the benefits to be received over time by virtue of having those contracts. Prior to January 1, 2010, the ICFA-related intangibles were amortized when ICFA funds were recognized as revenue. Effective January 1, 2010, in connection with the 2010 Regulatory Rate Decision, these assets became fully offset by a regulatory liability since the imputation of ICFA funds as CIAC effectively resulted in the Company not being able to benefit (through rates) from the acquired ICFA contracts.

Effective January 1, 2010, the gross ICFAs intangibles began to be amortized when cash was received in proportion to the amount of total cash expected to be received under the underlying agreements. However, such amortization expense was offset by a corresponding reduction of the regulatory liability in the same amount.

As a result of Rate Decision No. 74364, the Company changed its policy around the ICFA related intangible assets. As discussed above, pursuant to Rate Decision No. 74364, approximately 70% of ICFA funds to be received in the future will be recorded as a HUF at the Company's applicable utility subsidiary. The remaining approximate 30% of future ICFA funds will be recorded at the parent company level and will be subject to the Company's ICFA revenue recognition accounting policy. As the Company now expects to experience an economic benefit from the 30% portion of future ICFA funds, 30% of the regulatory liability, or $3.4 million, was reversed during the first quarter of 2014. The remaining 70% of the regulatory liability, or $7.9 million, will continue to be recorded on the balance sheet. Subsequent to Rate Decision No. 74364, the ICFA-related intangibles will once again be amortized when ICFA funds are recognized as revenue.

The intangible assets will continue to amortize when the corresponding ICFA funds are received in proportion to the amount of total cash expected to be received under the underlying agreements. Nevertheless, whereas 70% of the regulatory liability remains recorded, the recognition of amortization expense will be reduced since the intangible assets amortization expense will be partially offset by a corresponding reduction of the regulatory liability.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 2015 and December 31, 2014 consist of the following (in thousands of US $):

	March 31, 2015	December 31, 2014	Average Depreciation Life (in years)
PROPERTY, PLANT AND EQUIPMENT:			
Mains/lines/sewers	$ 137,408	$ 138,116	47
Plant	77,695	79,983	25
Equipment	42,984	44,286	10
Meters	5,820	6,336	12
Furniture, fixture and leasehold improvements	415	430	8
Computer and office equipment	960	1,006	5
Software	166	163	3
Land and land rights	968	986	
Other	139	139	
Construction work-in-process	47,567	47,550	
Total property, plant and equipment	314,122	318,995	
Less accumulated depreciation	(78,524)	(78,571)	
Net property, plant and equipment	$ 235,598	$ 240,424	

4. ACCOUNTS RECEIVABLE

Accounts receivable at March 31, 2015 and December 31, 2014 consist of the following (in thousands of US$):

	March 31, 2015	December 31, 2014
Billed receivables	$ 1,367	$ 1,523
Less allowance for doubtful accounts	(179)	(158)
Accounts receivable – net	$ 1,188	$ 1,365

5. EQUITY METHOD INVESTMENT AND CONVERTIBLE NOTE

On June 5, 2013, the Company sold Global Water Management, LLC ("GWM") to an investor group led by a private equity firm that specializes in the water industry. GWR was a wholly-owned subsidiary of GWRI that owned and operated the FATHOM business. In connection with the sale of GWM, the Company made an investment in the FATHOM Partnership. This investment is accounted for under the equity method and consisted of a balance of $1.1 million as of March 31, 2015 and $1.2 million as of December 31, 2014.

The original investment in FATHOM consisted of an investment of $750,000 in the Series A preferred units and $98,000 of common units. Additionally, GWRI invested $750,000 in a 10% convertible promissory note of GWM with an original maturity of December 31, 2014. In May 2014, the maturity date of the note was extended to June 30, 2014. We accounted for this investment in accordance with relevant accounting guidance for debt and equity securities which requires the fair value measurement of the investment pursuant to ASC Topic 820, *Fair Value Measurement*. The fair value of the investment in the convertible notes at initial recognition was determined using the transaction price, of which the price paid by the Company was consistent with the price paid by third party investors for comparable convertible notes. On an ongoing basis the fair value of the convertible notes was determined using market data for comparable market instruments and transactions.

In November 2014, FATHOM experienced a qualified financing event (qualified financing was defined as an equity financing by FATHOM Partnership in which FATHOM Partnership sells its units for at least $1.75 per unit and the aggregate proceeds from such financing is at least $15 million, exclusive of convertible note amounts converted). At the

time of the qualified financing, the convertible promissory note was converted into Series B preferred units, and accounted for under the equity method.

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

We have evaluated whether GWM qualifies as a variable interest entity ("VIE") pursuant to the accounting guidance of ASC 810, *Consolidations*. Considering the potential that the total equity investment in FATHOM Partnership/GWM may not be sufficient to absorb the losses of FATHOM, we believe it is currently appropriate to view GWM as a VIE. However, considering GWRI's minority interest and limited involvement with the FATHOM business, the Company would not be required to consolidate the financial statements of GWM. Rather, we have accounted for our investment under the equity method.

6. GOODWILL AND INTANGIBLE ASSETS

The carrying value of goodwill totaled $12.7 million as of March 31, 2015 and $13.1 million as of December 31, 2014.

Intangible assets at March 31, 2015 and December 31, 2014 consisted of the following (in thousands of US$):

	March 31, 2015			December 31, 2014		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
INDEFINITE LIVED INTANGIBLE ASSETS:						
CP Water CC&N service area	$ 1,532	$ —	$ 1,532	$ 1,532	$ —	$ 1,532
Intangible trademark	13	—	13	13	—	13
	1,545	—	1,545	1,545	—	1,545
AMORTIZED INTANGIBLE ASSETS:						
Acquired ICFAs	17,978	(12,154)	5,824	17,978	(12,154)	5,824
Sonoran contract rights	7,406	(2,003)	5,403	7,406	(2,003)	5,403
	25,384	(14,157)	11,227	25,384	(14,157)	11,227
Total intangible assets	$ 26,929	$ (14,157)	$ 12,772	$ 26,929	$ (14,157)	$ 12,772

Acquired ICFAs and Sonoran contract rights are amortized when cash is received in proportion to the amount of total cash expected to be received under the underlying agreements. Due to the uncertainty of the timing of when cash will be received under ICFA agreements, we cannot reliably estimate when the remaining intangible assets amortization will be recorded.

7. TRANSACTIONS WITH RELATED PARTIES

We provide medical benefits to our employees through our participation in a pooled plan sponsored by an affiliate of a shareholder and director of the Company. Medical claims paid to the plan were approximately $56,000 and $168,000 during the three months ended March 31, 2015 and 2014, respectively.

GWR Global Water Resources Corp. ("GWRC") was organized in 2010 and holds an approximate 48.1% interest in the Company. GWRI provides for the ongoing management and general administration of GWRC's business affairs pursuant to a management agreement between GWRC and GWRI to provide such services. Accordingly, GWRC is economically dependent on the Company. Services provided by the Company under the management agreement are provided at no charge to GWRC, and are not monetarily significant. However, GWRC does incur certain costs not covered by the management agreement. These include GWRC's accounting fees, listing fees and other costs directly associated with operating as a publicly traded company. Whereas GWRC has no cash and does not expect to generate cash flows from

operating activities, the operating costs incurred by GWRC are paid by the Company. Amounts paid by GWRI on GWRC's behalf during the three months ended March 31, 2015 and 2014 totaled $186,000 and $126,000, respectively. The Company accounts for such payments as equity distributions to GWRC.

In March 2015, the Company provided a cash advance of $1.1 million to satisfy the GWRC's short term cash obligations. The amount advanced will be utilized to fund GWRC's monthly dividend and other cash requirements, as needed. The residual balance of the cash advance is presented on the Company's March 31, 2015 balance sheet in other current assets. The related party balance will be reduced upon dividend declaration, when the amount declared is presented as a reduction in equity. As of March 31, 2015, the balance of the advance was $924,000.

GWM has historically provided billing, customer service and other support services for the Company's regulated utilities. Amounts collected by GWM from the Company's customers that GWM has not yet remitted to the Company are included within the 'due from related party' caption on the Company's consolidated balance sheet. Notwithstanding the sale of GWM on June 5, 2013, FATHOM will continue to provide these services to the Company's regulated utilities under a long-term service agreement. Based on current service connections, we estimate that fees to be paid to GWM for FATHOM services will be $7.69 per water account/month, which is an annual rate of approximately $2.4 million. For the three months ended March 31, 2015 and 2014, the Company incurred FATHOM service fees of approximately $611,000 and $595,000, respectively.

As part of the sale of GWM on June 5, 2013, the Company is entitled to quarterly royalty payments based on a percentage of certain of GWM's recurring revenues. These royalty payments will continue over a 10-year period subsequent to the sale of GWM, up to a maximum of $15 million. The Company made the election to record these quarterly royalty payments prospectively in income as the amounts are earned. Royalties recorded within other income totaled approximately $79,000 and $62,000 for the three months ended March 31, 2015 and 2014, respectively.

8. DEBT

The outstanding balances and maturity dates for short-term (including the current portion of long-term debt) and long-term debt as of March 31, 2015 and December 31, 2014 are as follows (in thousands of US$):

	March 31, 2015		December 31, 2014	
	Short-term	Long-term	Short-term	Long-term
BONDS PAYABLE –				
5.450% Series 2006, maturing December 1, 2017	$ 930	$ 2,025	$ 930	$ 2,025
5.600% Series 2006, maturing December 1, 2022	—	6,215	—	6,215
5.750% Series 2006, maturing December 1, 2032	—	23,370	—	23,370
6.550% Series 2007, maturing December 1, 2037 – net of unamortized discount of $353 and $359 at March 31, 2015 and December 31, 2014, respectively	660	50,862	660	50,856
6.375% Series 2008, maturing December 1, 2018	185	635	185	635
7.500% Series 2008, maturing December 1, 2038	—	23,235	—	23,235
	1,775	106,342	1,775	106,336
TERM LOAN –				
LIBOR plus 3.00% MidFirst Term Loan, maturing November 10, 2024	797	20,725	788	20,929
OTHER LOANS –				
Capital lease obligations	104	262	90	226
Total debt	$ 2,676	$ 127,329	$ 2,653	$ 127,491

Tax Exempt Bonds – We issued tax exempt bonds through The Industrial Development Authority of the County of Pima in the amount of $36,495,000 on December 28, 2006; $53,624,000, net of a discount of $511,000, on November 19, 2007; and $24,550,000 on October 1, 2008. The Series 2006, 2007 and 2008 bonds have interest payable semiannually on the first of June and December. Recurring annual payments of principal are payable annually on the first of December for the Series 2006, 2007 and 2008 Bonds. Proceeds from these bonds were used for qualifying costs of constructing and equipping the water and wastewater treatment facilities of our subsidiaries, Palo Verde and Santa Cruz. The Company

has not granted any deed of trust, mortgage, or other lien on property of Santa Cruz or Palo Verde. These bonds are secured by a security agreement that gives the trustee rights to the net operating income generated by our Santa Cruz and Palo Verde utilities. The tax exempt bonds require we maintain a minimum debt service coverage ratio of 1.10:1.00, tested annually based on the combined operating results of our Santa Cruz and Palo Verde utilities.

MidFirst Term Loan – In November 2014, we secured a $21,800,000 term loan from MidFirst bank ("MidFirst Term Loan"). Principal and interest are paid monthly with payments calculated using a 20 year amortization schedule. The note matures in November 2024. The MidFirst Term Loan accrues interest at a variable rate of LIBOR plus 300 basis points. The note is collateralized with a security interest from customer payments for the remaining utilities included within WMC.

The MidFirst Term Loan has financial covenants requiring the Company to maintain (a) a Fixed Charge Coverage Ratio of no less than 1.10:1.00 as of December 31, 2014, 1.20:1.00 as of December 31, 2015 and 1.20:1.00 measured on a rolling four quarter basis beginning with the quarter ended March 31, 2016; and (b) a debt service reserve fund in a controlled account in the amount of $1.0 million. The Fixed Charge Coverage Ratio is calculated as the ratio of the sum of consolidated net income plus interest expense, taxes, non-cash charges, real property rent expense, extraordinary losses, depreciation and amortization, less extraordinary and/or unusual non-recurring gains, non-cash gains and distributions, to the sum of cash paid for interest expense plus scheduled debt principal payments, real property rent expense and schedule capital lease payments.

As of March 31, 2015, the Company was in compliance with its financial debt covenants.

At March 31, 2015, the remaining aggregate annual maturities of our debt and minimum lease payments under capital lease obligations for the years ended December 31 are as follows (in thousands of US$):

	Debt	Capital Lease Obligations
2015	$ 2,370	$ 97
2016	2,699	127
2017	2,838	103
2018	2,990	68
2019	3,379	21
Thereafter	115,716	—
Subtotal	$ 129,992	$ 416
Less: amount representing interest	—	(50)
Total	$ 129,992	$ 366

At March 31, 2015, the carrying value of the non-current portion of long-term debt was $127.3 million, with an estimated fair value of $146.0 million. At December 31, 2014, the carrying value of the non-current portion of long-term debt was $127.5 million, with an estimated fair value of $143.1 million. The fair value of our debt was estimated based on interest rates considered available for instruments of similar terms and remaining maturities.

9. INCOME TAXES

The Company utilizes the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

ASC Topic 740, *Income Taxes*, prescribes the method to determine whether a deferred tax asset is realizable and significant weight is given to evidence that can be objectively verified. During 2012, as a result of the cumulative losses experienced over the prior three years, which under the accounting standard represented significant objective negative evidence and prohibited the Company from considering projected income, we concluded that a full valuation allowance should be recorded against our net deferred tax assets. As mentioned in Note 2 above, as a result of the additional revenues expected to be provided by Rate Decision No. 74364, as well as other factors, the Company reevaluated 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, during 2014, the Company reversed substantially all of the deferred tax valuation allowance of $35.8 million recorded as of December 31, 2013. As of March 31, 2015 and December 31, 2014, the valuation allowance totaled $9,000, which relates to state net operating loss carryforwards expected to expire prior to utilization.

The following table summarizes the Company's temporary differences between book and tax accounting that give rise to the deferred tax assets and deferred tax liabilities, including the valuation allowance, as of March 31, 2015 and December 31, 2014 (in thousands of US$):

	March 31, 2015	December 31, 2014
DEFERRED TAX ASSETS:		
Taxable meter deposits	$ 718	$ 711
Net operating loss carry forwards	5,404	4,785
Balterra intangible asset acquisition	336	336
Deferred gain on Sale of GWM	920	921
Contributions in aid of construction	—	—
Deferred gain on ICFA funds received	7,364	7,364
Regulatory liability related to intangible assets	2,933	2,933
Equity investment loss	226	210
Property, plant and equipment	1,874	1,669
Other	355	761
Total deferred tax assets	20,130	19,690
DEFERRED TAX LIABILITIES:		
CP Water intangible asset acquisition	(572)	(572)
ICFA intangible asset	(2,624)	(2,712)
Total deferred tax liabilities	(3,196)	(3,284)
Valuation allowance	(9)	(9)
Net deferred tax asset (liability)	$ 16,925	$ 16,397

As of March 31, 2015, we have approximately $14.9 million in federal net operating loss ("NOL") carry forwards and $11.4 million in state NOLs available to offset future taxable income, with the NOLs expiring in 2029-2033 for the federal return and expiring in 2014-2033 for the state return (effective for the 2012 tax year and thereafter, state NOLs for the state of Arizona expire after 20 years).

10. DEFERRED COMPENSATION AWARDS

Stock-based compensation — Stock-based compensation related to option awards is measured based on the fair value of the award. The fair value of stock option awards is determined using a Black-Scholes option-pricing model. We recognize compensation expense associated with the options over the vesting period.

At March 31, 2015 and December 31, 2014, there were options to acquire 431 shares of common stock of GWRI outstanding. The options were all vested and exercisable at December 31, 2014. The stock options have a remaining contractual life of approximately 3.25 years and have an exercise price of $870.66 per share.

GWRC stock option grant – In January 2012, GWRC's Board of Directors granted options to acquire 385,697 GWRC common shares to nine employees of GWRI in lieu of paying cash bonuses for 2011. The options vested in equal installments over the eight quarters of 2012 and 2013, with exercise prices of C$7.50 and C$4.00 per share and expire four years after the date of issuance. We account for the GWRC stock option grant in accordance with ASC 323, *Investment-Equity Method & Joint Ventures.* 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 GWM, certain former employees of the Company forfeited their stock options. The number of stock options forfeited total 116,470, resulting in total outstanding stock options of 269,227 as of March 31, 2015 and December 31, 2014.

No stock-based compensation expense was recorded during the three months ended March 31, 2015 or March 31, 2014.

Phantom stock compensation – On December 30, 2010, we adopted a phantom stock unit plan (the ''PSU Plan'') authorizing the directors of the Company to issue phantom stock units (''PSUs'') to our employees. The value of the PSUs issued under the plan tracks the performance of GWRC's shares and gives rise to a right of the holder to receive a cash payment the value of which, on a particular date, will be the market value of the equivalent number of shares of GWRC at that date. The issuance of PSUs as a core component of employee compensation is intended to strengthen the alignment of interests between the employees of the Company and the shareholders of GWRC by linking their holdings and a portion of their compensation to the future value of the common shares of GWRC.

On December 30, 2010, 350,000 PSUs were issued to members of management, with an initial value of approximately $2.6 million. The PSUs were accounted for as liability compensatory awards under ASC 710, *Compensation – General*, rather than as equity awards. The PSU awards were remeasured each period based on the present value of the benefits expected to be provided to the employee upon vesting, which benefits are based on GWRC's share price multiplied by the number of units. The present value of the benefits was recorded as expense in the Company's financial statements over the related vesting period. The December 30, 2010 PSUs vested at the end of four years from the date of their issuance. There is no exercise price attached to PSU awards. The value of the PSUs, $1.3 million, was paid to the holders in January 2015.

In January 2012, 135,079 additional PSUs were issued to nine members of management as a reward for performance in 2011. The PSUs issued to management vested ratably over 12 consecutive quarters beginning January 1, 2012 and were accounted for as liability compensatory awards similar to the PSUs issued in December 2010. These PSUs were remeasured each period and a liability was recorded equal to GWRC's closing share price on the period end date multiplied by the number of units vested. The remaining value of the PSUs, $38,000, was paid to the holders in January 2015.

During the first quarter of 2013, 76,492 PSUs were issued to nine members of management as a reward for performance in 2012. The PSUs issued to management vest ratably over 12 consecutive quarters beginning January 1, 2013 and are accounted for as liability compensatory awards similar to the PSUs issued in December 2010 and January 2012. These PSUs will be remeasured each period and a liability will be recorded equal to GWRC's closing share price on the period end date multiplied by the number of units vested. As of March 31, 2015, 21,914 of these PSUs remain outstanding. In January 2015, $25,000, was paid to holders for PSUs which vested in the prior quarter.

During the first quarter of 2014, 8,775 PSUs were issued to three members of management as a reward for performance in 2013. These PSUs vest ratably over 12 consecutive quarters beginning January 1, 2014. As of March 31, 2015, 2,970 of these PSUs remain outstanding. In January 2015, $2,000, was paid to holders for PSUs which vested in the prior quarter.

During the first quarter of 2015, 28,828 PSUs were issued to two members of management as a reward for performance in 2014. These PSUs vest ratably over 12 consecutive quarters beginning January 1, 2015. As of March 31, 2015, 28,828 of these PSUs remain outstanding.

Stock appreciation rights compensation – In January 2012, in an effort to reward employees for their performance in 2011 as well as to recognize performance since 2007, the last year the Company paid bonuses, we adopted a stock appreciation rights plan (the ‘‘SAR Plan’’) authorizing the directors of the Company to issue stock appreciation rights (‘‘SARs’’) to our employees. The value of the SARs issued under the plan track the performance of GWRC’s shares. Each holder of the January 2012 award has the right to receive a cash payment amounting to the difference between C $4.00 per share (the “exercise price”) and the closing price of GWRC’s common shares on the exercise date, provided that the closing price is in excess of C$4.00 per share. In total, 152,091 SARs were issued to employees below the senior management level, and 20,464 remained outstanding as of March 31, 2015. The SARs vested in equal installments over the four quarters of 2012 and will expire four years after the date of issuance. Holders of SARs may exercise their awards once they have vested. Individuals who voluntarily or involuntarily leave the Company forfeit their rights under the awards.

SARs are accounted for as liability compensatory awards under ASC 710, Compensation – General, rather than as equity awards. The 2012 SAR awards will be remeasured each period based on GWRC’s share price relative to the C$4.00 per share exercise price. To the extent that GWRC’s share price exceeds C$4.00 per share, a liability will be recorded in other accrued liabilities in the Company’s financial statements representing the present value of the benefits expected to be provided to the employee upon exercise.

In the third quarter of 2013, the Company granted 100,000 SARs to a key executive of the Company. These SARs vest ratably over 16 quarters from the grant date and give the employee the right to receive a cash payment amounting to the difference between C$2.00 per share (the “exercise price”) and the closing price of GWRC’s common shares on the exercise date, provided that the closing price is in excess of C$2.00 per share. The exercise price was determined by taking the weighted average share price of the five days prior to July 1, 2013.

In the fourth quarter of 2013, the Company granted 100,000 SARs to a newly hired officer of the Company. These SARs vest ratably over 16 quarters from the grant date and give the employee the right to receive a cash payment amounting to the difference between C$3.38 per share (the “exercise price”) and the closing price of GWRC’s common shares on the exercise date, provided that the closing price is in excess of C$3.38 per share. The exercise price was determined by taking the weighted average share price of the 30 days prior to November 14, 2013.

In the first quarter of 2015, the Company granted 399,000 SARs to seven members of management. These SARs vest ratably over 16 quarters from the grant date and give the employee the right to receive a cash payment amounting to the difference between C$5.35 per share (the “exercise price”) and the closing price of GWRC’s common shares on the exercise date, provided that the closing price is in excess of C$5.35 per share. The exercise price was determined to be the fair market value of one share of stock on the grant date of February 11, 2015.

The Company recorded approximately $163,000 and $295,000 of compensation expense related to the PSUs and SARs for the three months ended March 31, 2015 and March 31, 2014, respectively. Based on GWRC’s closing share price on March 31, 2015 deferred compensation expense to be recognized over future periods is estimated for the years ending December 31 as follows (in thousands of US$):

	PSU	SARs
2015	$ 122	$ 143
2016	55	191
2017	47	136
2018	—	52
2019	—	4
Total	$ 224	$ 526

11. SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental cash flow information for the three months ended March 31, 2015 and 2014 (in thousands of US$):

	Three Months Ended March 31,	
	2015	2014
Cash paid for interest	$ 181	$ 7
Capital expenditures included in accounts payable and accrued liabilities	88	220

12. COMMITMENTS AND CONTINGENCIES

Commitments – The Company leases certain office space from GWM for approximately $5,000 per month. Rent expense arising from the operating leases totaled approximately $17,000 and $19,000 for the three months ended March 31, 2015 and 2014, respectively.

See also Note 7 regarding our commitment to provide services to GWRC.

Contingencies – From time to time, we may become involved in proceedings arising in the ordinary course of business. Management believes the ultimate resolution of such matters will not materially affect our financial position, results of operations, or cash flows.

13. 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 of March 31, 2015, 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 twelve months. 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 declare and pay a monthly dividend. The initial monthly dividends were approximately $379,000 or approximately C$0.022 per share. In November 2014 the Company increased the monthly dividend to approximately C$0.024 per share. In March 2015, the Company further increased the monthly dividend to approximately $399,000, or approximately C$0.026 per share, subject to fluctuations in the foreign exchange rate between the Canadian Dollar and the U.S. Dollar. The Company expects 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.

14. SUBSEQUENT EVENTS

On May 11, 2015, GWRC received approval from the Toronto Stock Exchange ("TSX") to repurchase, for cancellation, common shares of the Company pursuant to a normal course issuer bid ("NCIB"). The NCIB enables GWRC to repurchase up to 87,500 common shares, representing approximately 1% of the Company's 8,754,612 issued and outstanding common shares as of May 5, 2015. The NCIB will commence on May 13, 2015 and will terminate on May 12, 2016. Except as permitted under TSX rules, daily purchases will be limited to a maximum of 3,239 common shares other than block purchase exemptions, which represents 25% of the average daily trading volume on the TSX for the six months ended April 30, 2015. All purchases under the NCIB will be made on the open market through the facilities of the TSX by a

participating organization. The actual number of shares to be purchased and the timing of such purchases will be determined by GWRC considering market conditions, stock prices, its cash position and other factors.

In May 2015, 300,000 SARs were granted to two key executives of the Company. These awards are part of a plan to align the interest of employees with those of the shareholders of the Company, as well as to attract and retain employees who will contribute to the long-range success of the Company. The SARs issued vest over the course of a four year period, vesting 20% per year for the first three years, with the remainder vesting in year four. Vesting begins April 1, 2015 with the SARs accounted for as liability compensatory awards similar to previously issued SARs. The SARs will be remeasured each period based on GWRC's share price relative to the C$6.44 per share exercise price. The exercise price was determined to be the fair market value of one share of stock on the grant date of May 8, 2015.

Subsequent events have been evaluated up to and including May 12, 2015, the date of report.

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