November 12, 2015

To Our Shareholders:

GWR Global Water Resources Corp. (“**GWRC**”) is pleased to present our management’s discussion and analysis, along with management’s discussion and analysis of Global Water Resources, Inc. (“**GWRI**”), for the three and nine months ended September 30, 2015. Because GWRC's investment in GWRI represents the sole asset of GWRC and is not consolidated into the financial statements of GWRC, management’s discussion and analysis of GWRI for the three and nine months ended September 30, 2015 is filed together with management’s discussion and analysis of GWRC.

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

Best regards,

Mike Liebman
Chief Financial Officer and Corporate Secretary

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

The following management's discussion and analysis of GWR Global Water Resources Corp.'s (the "Company", "GWRC", "we", or "us") financial condition and results of operations dated November 12, 2015 relates to the three and nine months ended September 30, 2015 and 2014 and should be read together with our unaudited interim financial statements and related notes as of and for the three and nine months ended September 30, 2015 and 2014. Investors should also refer to the 2014 audited financial statements and the accompanying notes of GWRC as well as the consolidated financial statements and accompanying notes and the management's discussion and analysis of Global Water Resources, Inc. ("GWRI") and the Company's current annual information form, all of which are available on the Company's SEDAR profile at www.sedar.com. Financial information of GWRI is not consolidated in the financial statements of GWRC.

Basis of Presentation

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

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

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

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

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

Cautionary Statement Regarding Forward-Looking Statements

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

Executive Overview

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

On December 30, 2010, the Company completed its initial public offering of 8,185,000 common shares (the "Offering") at C$7.50 per share for gross proceeds totaling C$61,387,500. The Company used the net proceeds of the Offering to acquire 81,850 shares of GWRI common stock. On January 28, 2011, the underwriters of the Offering exercised their over-allotment option and purchased an additional 569,611 common shares at C$7.50 per share. Net proceeds from the exercise of the over-allotment option, after taking into account underwriters' commissions and issuance costs of C$262,000, were C$4,011,000. The net proceeds of the over-allotment were used to purchase 5,696 shares of GWRI's common stock, increasing the Company's ownership interest in GWRI to approximately 48.1% upon completion of the Offering and the over-allotment.

Other strategic opportunities — The Board has directed management to take steps to advance a series of transactions aimed at, among other things, simplifying the Company's capital structure and improving liquidity. These transactions, subject to all required approvals and final Board approval, would result in a merger of GWRC into GWRI, a listing on a US stock exchange, refinancing of outstanding debt and a potential issuance of equity. There can be no assurance that any or all of these transactions will be completed.

Results of operations for the three and nine months ended September 30, 2015 and 2014 –The following table summarizes GWRC's results of operations for the three and nine months ended September 30, 2015 and 2014 (in thousands of US$, except per share amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Gain (loss) from equity investment	$ 10,520	$ (13)	$ 10,274	$ 31,628
Operating expenses	829	131	1,325	539
Operating income (loss)	9,691	(144)	8,949	31,089
Income (loss) before income taxes	9,691	(144)	8,949	31,089
Income tax benefit (expense)	707	(250)	739	(1,776)
Net income (loss)	$ 10,398	$ (394)	$ 9,688	$ 29,313
Earnings (loss) per share	$ 1.19	$ (0.04)	$ 1.11	$ 3.35
Diluted earnings (loss) per share	$ 1.19	$ (0.04)	$ 1.11	$ 3.34
Loss per share, excluding the net gain on Sale of Valencia and gain on regulatory order and the reversal of GWRI's valuation allowance	$ (0.09)	$ (0.04)	$ (0.17)	$ (0.32)

Gain (loss) from Equity Investment – Gain (loss) from equity investment totaled a gain of $10.5 million and a loss of $13,000 for the three months ended September 30, 2015 and 2014, respectively, and totaled a gain of $10.3 million and a gain of $31.6 million for the nine months ended September 30, 2015 and 2014, respectively. The gain (loss) from equity investment represents the portion of GWRI's net income (loss) attributed to the equity method investment during the period. The amount is calculated based on GWRI's net income (loss) for the three and nine months ended September 30, 2015 and 2014, multiplied by GWRC's equity interest in GWRI, which was 47.9% as of September 30, 2015.

The gain from equity investment for the three and nine months ended September 30, 2015 primarily reflects the Company recording its proportionate share of GWRI's net gain on the Sale of Valencia (as defined below), which totaled $11.0 million. The gain from equity investment for the three and nine months ended September 30, 2014 primarily reflects the Company recording its proportionate share of GWRI's $50.7 million gain on regulatory order and GWRI's $16.1 million deferred tax asset valuation allowance reversal. For a discussion of GWRI's results of operations for the three and nine months ended September 30, 2015 and 2014, please see GWRI's management's discussion and analysis, which is available on the Company's SEDAR profile at www.sedar.com.

We evaluate our investment in GWRI for impairment whenever events or changes in circumstances indicate that the carrying value of our investment may have experienced an "other-than-temporary" decline in value. 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 a regulatory rate case 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. Due to the impact of the rate case decision, GWRI determined its net deferred tax assets would be utilized in the future, thus allowing for the reversal of its valuation allowance. With the exception of the phase-in of new rates to be charged to GWRI's utility customers, the impact of Rate Decision No. 74364 was effective for GWRI in the first quarter of 2014.

The impact of Rate Decision No. 74364, 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 nine months ended September 30, 2014. As a result of GWRC's then current 48.1% interest in GWRI, GWRC recorded $32.1 million of equity method earnings for the nine months ended September 30, 2014, which significantly increased the carrying value of GWRC's investment in GWRI. In response to the change in valuation, the Company performed an analysis comparing the carrying value of GWRC's investment in GWRI with the estimated fair value of the investment, and concluded that an impairment of the investment did not exist as of December 31, 2014.

On July 14, 2015, GWRI closed the stipulated condemnation to transfer the assets of Valencia Water Company, Inc. ("Valencia") to the City of Buckeye ("Buckeye") ("Sale of Valencia"). Terms of the asset transfer were agreed upon through a settlement agreement in March 2015, pursuant to which Buckeye acquired all the assets of Valencia and assumed operations of the utility upon close. Buckeye paid GWRI $55.0 million at close, plus an additional $108,000 in working capital adjustments. As a result of the transaction, GWRI recorded a gain of $43.1 million net of a tax liability of $20.2 million in the third quarter of 2015. The impact of the Sale of Valencia, combined with the associated tax liability resulted in approximately $22.9 million of additional income in GWRI's financial statements for the nine months ended September 30, 2015. As a result of GWRC's 48.1% interest in GWRI, GWRC recorded $11.0 million of equity method earnings for the nine months ended September 30, 2015, which had the effect of significantly increasing the carrying value of GWRC's investment in GWRI. This increase in investment was later offset by a special one-time dividend paid in August 2015, wherein $10.4 million was paid out to shareholders of record as of August 8, 2015. For the nine months ended September 30, 2015 the Company performed an analysis comparing the carrying value of GWRC's investment in GWRI with its estimated fair value, and concluded that an impairment of the investment did not exist as of September 30, 2015. However, this analysis is sensitive to management assumptions including forecasted results of GWRI and as a result, changes in these assumptions could have a material impact on the analysis.

Operating Expenses – Operating expenses for the three and nine months ended September 30, 2015 and 2014 consisted primarily of (i) compensation provided to the independent members of the Company's board of directors; (ii) accounting and legal fees; (iii) directors' and officers' insurance; (iv) listing fees; and (v) other costs directly associated with operating as a publicly traded company.

Net Income (Loss) – Net income (loss) was determined by deducting operating and income tax expenses from gain (loss) from equity investment income. For the three months ended September 30, 2015 and 2014, the Company recorded net income of $10.4 million and net loss of $394,000, respectively. For the nine months ended September 30, 2015 and 2014, the Company recorded net income of $9.7 million and $29.3 million, respectively.

Net income for the three months ended September 30, 2015 changed as compared to the net loss for the three months ended September 30, 2014 due to the recognition of an $11.0 million net gain from equity investment related to GWRI's Sale of Valencia, whereas no such gain occurred for the three months ended September 30, 2014.

Net income for the nine months ended September 30, 2015 declined $19.6 million to net income of $9.7 million for the nine months ended September 30, 2015 compared to net income of $29.3 million for the nine months ended September 30, 2014. This change primarily reflects GWRC's portion of (i) a nonrecurring gain of $50.7 million recognized by GWRI upon receipt of a regulatory order from GWRI's economic regulator, and (ii) GWRI's release of its deferred income tax asset valuation allowance of $16.1 million for the nine months ended September 30, 2014 compared to GWRC's portion of the $22.9 million gain on GWRI's Sale of Valencia for the nine months ended September 30, 2015.

The following table sets forth unaudited financial data for the last eight quarters ended September 30, 2015 (in thousands of US$). This financial information has been derived from the unaudited financial statements prepared by, and is the responsibility of, the Company's management.

	2015			2014				2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Gain (loss) from equity investment	$ 10,520	$ 194	$ (440)	$ (403)	$ (13)	$ (235)	$ 31,876	$ 66
Operating expenses	829	262	234	127	131	262	146	59
Operating income (loss)	9,691	(68)	(674)	(530)	(144)	(497)	31,730	7
Income (loss) before income taxes	9,691	(68)	(674)	(530)	(144)	(497)	31,730	7
Income tax benefit (expense)	707	(81)	113	110	(250)	311	(1,837)	—
Net income (loss)	$ 10,398	$ (149)	$ (561)	$ (420)	$ (394)	$ (186)	$ 29,893	$ 7
Earnings (loss) per share	$ 1.19	$ (0.02)	$ (0.06)	$ (0.05)	$ (0.04)	$ (0.02)	$ 3.41	$ —
Diluted earnings (loss) per share	$ 1.19	$ (0.02)	$ (0.06)	$ (0.05)	$ (0.04)	$ (0.02)	$ 3.41	$ —

Outstanding Share Data

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 commenced 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 represented 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. In connection with each repurchase by the Company under the NCIB, GWRI intends to purchase a corresponding dollar amount of its shares held by the Company. For the nine months ended September 30, 2015, GWRC repurchased for cancellation 60,300 of its common shares for a total of $320,000.

The share repurchase was mostly offset by the issuance of 59,636 shares in connection with the exercise of 59,636 options, which were exercised by two individuals in the third quarter of 2015. As of September 30, 2015, GWRC's ownership interest in GWRI remains at 47.9%.

Through November 12, 2015, the date of the report, GWRC continued to repurchase, for cancellation, common shares of the Company pursuant to the NCIB approved in May 2015. Subsequent to September 30, 2015 the Company repurchased an additional 22,300 shares on the open market, for a total of approximately CAD $155,000.

As of November 12, 2015, there were 8,731,648 common shares of the Company outstanding and options to acquire an additional 209,591 common shares of GWRC.

Liquidity and Capital Resources

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

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

To date, capital resources have been provided from equity financing, and there were no cash flows of the Company for the three and nine months ended September 30, 2015 and 2014, respectively, with the exception of certain cash advances from GWRI and dividends which are discussed below. GWRI funded the operating expenses incurred by the Company through September 30, 2015. See Notes 3 and 6 to GWRC's financial statements for the three and nine months ended September 30, 2015.

In March 2014, the Company initiated a dividend program wherein we declare and pay a monthly dividend. The initial monthly dividends were C$0.0220 per share. In November 2014, the Company increased the monthly dividend to C$0.0240 per share. In March 2015, the Company increased the monthly dividend to C$0.0260 per share. In July 2015, the Company further increased the monthly dividend to C$0.0283 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.

Insurance Coverage

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

Contractual Obligations and Commitments

GWRC had no significant contractual obligations or commitments with third parties as of September 30, 2015.

Quantitative and Qualitative Disclosure about Market Risk

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

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

Related Party Transactions

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

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

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

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

In the third quarter of 2015, 59,636 options were exercised by two individuals, with an exercise price of C$4.00 per option. As of September 30, 2015, 209,591 options were outstanding compared to 269,227 as of December 31, 2014. Total stock options forfeited due to attrition or the sale of GWM totaled 116,470.

Critical Accounting Policies and Estimates

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

A summary of GWRC's significant accounting policies used in the preparation of its financial statements appears in Note 2 of GWRC's financial statements for the three and nine months ended September 30, 2015. GWRC has identified policies related to the application of the equity method to its investment in GWRI and its assessment of impairment of such investment as critical to its business operations and the understanding of its results of operations. Management has reviewed those critical accounting policies and the associated estimates and assumptions.

Additionally, as indicated above, effective January 1, 2012, the Company and GWRI prepare their financial statements in accordance with U.S. GAAP. See also Note 1 to GWRC's financial statements for the three and nine months ended September 30, 2015.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period beginning on July 1, 2015 and ended on September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Other Required Disclosures

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

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

The following management's discussion and analysis of Global Water Resources, Inc.'s (the "Company", "GWRI", "we", or "us") financial condition and results of operations dated November 12, 2015 relates to the three and nine months ended September 30, 2015 and 2014 and should be read together with our unaudited interim consolidated financial statements and related notes as of and for the three and nine months ended September 30, 2015. Investors should also refer to the 2014 audited consolidated financial statements and accompanying notes of GWRI as well as GWR Global Water Resources Corp.'s ("GWRC") financial statements and associated management's discussion and analysis and current annual information form, all of which are available on GWRC's SEDAR profile at www.sedar.com. Financial information of GWRC is not consolidated with financial information of GWRI.

Basis of Presentation

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

Cautionary Statement Regarding Forward-Looking Statements

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

Cautionary Statement Regarding Non-GAAP Measures

This management's discussion and analysis contains references to "EBITDA". EBITDA is defined for the purposes of this management's discussion and analysis as net income or loss before interest, income taxes, depreciation and amortization. Management believes that EBITDA is a useful supplemental measure of GWRI's operating performance and provides a meaningful measure of overall corporate performance exclusive of GWRI's capital structure and the method and timing of expenditures associated with building and placing GWRI's systems. EBITDA is also presented because management believes that it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance.

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

Overview

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

The basic premise of GWRI's business is that the world's water supply is limited and yet can be stretched significantly through effective planning, the use of recycled water and by providing individuals and communities resources that promote wise water usage practices. GWRI deploys its integrated approach, Total Water Management ("TWM"), a term which it uses to mean managing the entire water cycle, both to conserve water and to maximize its total economic and social value. GWRI uses TWM to promote sustainable communities in areas where GWRI expects growth to outpace the existing potable water supply. 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 Company had 49 employees at September 30, 2015 compared to 61 employees at December 31, 2014 and 62 employees at September 30, 2014.

The Company provides drinking water, wastewater and other water related services to approximately 54,000 people in Arizona as of September 30, 2015. The Company owns water and wastewater utilities that provide water and wastewater services to residential, commercial and industrial customers. Our utilities that provide these services are subject to economic regulation by the state regulator, the Arizona Corporation Commission ("ACC"). The U.S. federal and state governments also regulate environmental, health and safety and water quality matters. GWRI's financial condition and results of operations are influenced by a variety of industry-wide factors, including but not limited to (i) economic and environmental utility regulation; (ii) economic environment; (iii) the need for infrastructure investment; (iv) an overall trend of declining water usage per customer; (v) weather and seasonality; and (vi) access to and quality of water supply.

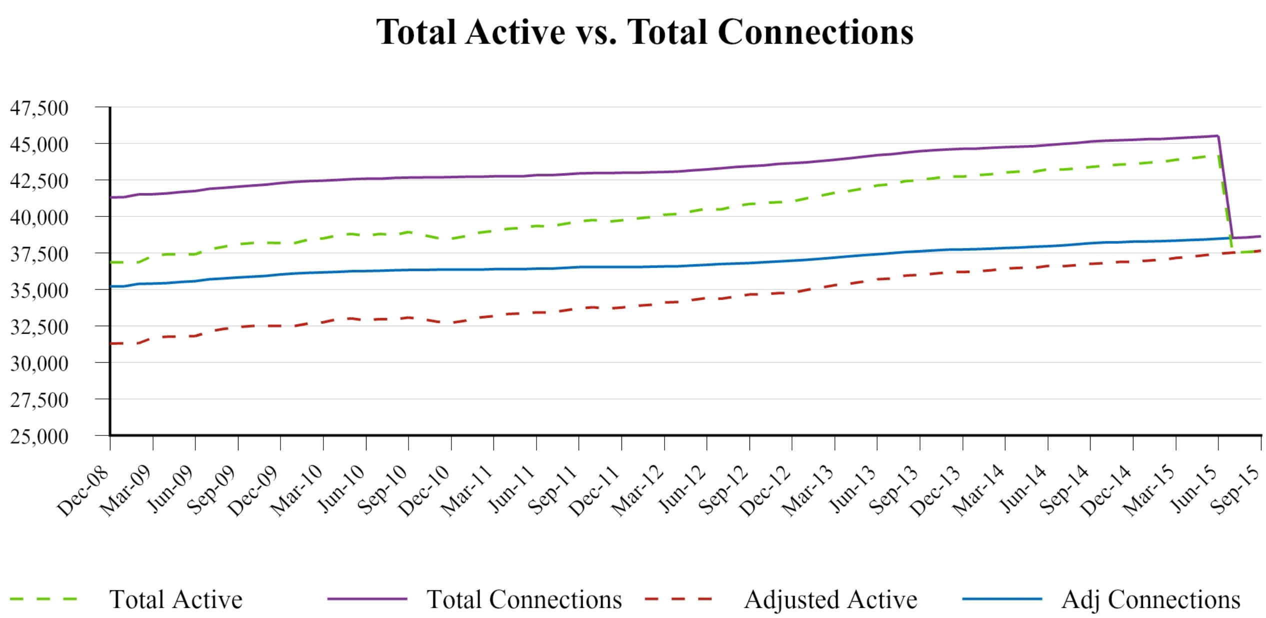
Through September 30, 2015, we continued to execute on our strategy to optimize and focus the Company in order to provide greater value to our customers and shareholders by aiming to deliver predictable financial results, making prudent capital investments and focusing our efforts on earning an appropriate rate of return on our investments.

Population and Community Growth

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

As illustrated in the graph below, GWRI's total service connections and active connections declined as compared to prior periods solely due to the Sale of Valencia, which closed in July 2015. Due to the Sale of Valencia (as defined below), total connections, including active service connections and connections to vacant homes, decreased to 38,620 as of September 30, 2015 from 45,104 as of September 30, 2014. GWRI's active service connections decreased to 37,638 as of September 30, 2015 compared to 43,374 as of September 30, 2014.

Adjusting for the Sale of Valencia, we continue to see a positive trend in new connections combined with re-establishing service to existing homes. As illustrated in the graph below, total adjusted connections totaled 38,620 as of September 30, 2015 compared to 38,156 as of September 30, 2014, which represents an increase of 464 connections, or an annualized increase of approximately 1.2%. Adjusted active connections totaled 37,638 as of September 30, 2015 compared to 36,746 as of September 30, 2014, which represents an increase of 892 connections, or an annualized increase of approximately 2.4%.



During the economic downturn beginning in 2008, GWRI's utilities experienced an increase in the number of vacant homes, reaching a peak of 4,647 vacant connections as of February 28, 2009, approximately 11.2% of our total connections at the time; however, the negative trend began to reverse thereafter with the number of vacant homes decreasing to 982 or 2.5% of total connections at September 30, 2015.

Business Outlook – 2014 and year-to-date 2015 continued the trend of positive growth in new connections as well as re-establishing service on existing previously vacant homes. According to the 2010 U.S. Census Data, the Phoenix metropolitan statistical area ("MSA") had a population of 4.2 million in 2010 and is the 14th largest MSA in the U.S., an increase of 29% over the 3.25 million people in the 2000 Census. Metropolitan Phoenix's growth data continues to improve due to its low-cost housing, excellent weather, large and growing universities, a diverse employment base and low taxes. The Office of Employment and Population Statistics of the Arizona Department of Administration (ADOA-

EPS) predicts that Maricopa County will have a population of 4.5 million by 2020. During the first nine months of 2015, Arizona's employment rate improved by 2.4%, ranking Arizona in the top thirteen states nationally for job growth. Over the past twelve months Arizona's employment improved 2.3%. Among major metropolitan areas/cities, as of September 2015 , Phoenix ranked number thirteen with 12-month job gains of 2.7%. According to the University of Arizona's Economic & Business Research Center, ADOA-EPS, and other statistical projections, employment, personal income and population will continue to grow in 2015.

Also, according to the W.P. Carey School of Business' Greater Phoenix Blue Chip Real Estate Consensus panel, most sectors of real estate are expected to continue to improve. After a decline to fewer than 6,800 units in 2011, single family housing permits bounced back to 11,615 units in 2012, and continued to climb in 2013 to 12,785 units. The Blue Chip consensus forecast indicated that permits for 2014 declined to approximately 11,800 units, down from a forecast of 14,100 units for the year 2014. However, the forecast for 2015 and 2016 remains positive at approximately 14,200 and 18,500 units, respectively. From there, growth in the region is expected to steadily return to its normal historical rate of greater than 30,000 Single Family Dwelling permits. Additionally, multifamily, office, retail, and industrial market vacancy rates continued to decline in 2014 compared to 2013 and are expected to continue to decline through 2016. Phoenix was one of the worst performing housing markets during the housing downturn, but home prices have risen on average approximately 9.1% per year over the past three years ending August 2015, according to the S&P/ Case-Shiller Phoenix Home Price Index.

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

Economic Utility Regulation

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

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

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

Recent Rate Case Activities

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

On July 11, 2012, we filed rate applications with the ACC to adjust the revenue requirements for seven utilities representing a collective rate increase of approximately 28% over 2011's revenue. In August 2013, the Company entered into a settlement agreement with ACC Staff, the Residential Utility Consumers Office, the City of Maricopa, and other parties to the rate case. The settlement required approval by the ACC's Commissioners before it could take effect. In February 2014, the rate case proceedings were completed and the ACC issued Rate Decision No. 74364, effectively approving the settlement agreement ("Rate Decision No. 74364").

The rulings of the decision include, but are not limited to, the following:

- For the Company's utilities, adjusting for the Sale of Valencia, a collective revenue requirement increase of $4.0 million for the Company's utilities based on 2011 test year service connections, phased in over time, with the first increase in January 2015 as follows (in thousands of US$):

	Incremental	Cumulative
2015	$ 1,285	$ 1,285
2016	1,089	2,374
2017	335	2,709
2018	335	3,044
2019	335	3,379
2020	335	3,714
2021	335	4,049

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

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

Infrastructure Investment

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

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

Production and Treatment Costs

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

Weather and Seasonality

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

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

Corporate Transactions

Stipulated condemnation — On July 14, 2015, the Company closed the stipulated condemnation to transfer the assets of Valencia Water Company, Inc. ("Valencia") to the City of Buckeye ("Buckeye") ("Sale of Valencia"). Terms of the asset transfer were agreed upon through a settlement agreement in March 2015, pursuant to which Buckeye acquired all the assets of Valencia and assumed operations of the utility upon close. Buckeye paid the Company $55.0 million at close, plus an additional $108,000 in working capital adjustments. 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 December 31, 2034, subject to a maximum payout of $45.0 million over the term of the agreement.

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 $2.4 million, subject to current rate base calculations and certain post-closing adjustments. The transaction is subject to final approval from the Arizona Corporate Commission (the "Commission" or "ACC").

Other strategic opportunities — The Board has directed management to take steps to advance a series of transactions aimed at, among other things, simplifying the Company's capital structure and improving liquidity. These transactions, subject to all required approvals and final Board approval, would result in a merger of GWRC into GWRI, a listing on a US stock exchange, refinancing of outstanding debt and a potential issuance of equity. There can be no assurance that any or all of these transactions will be completed.

Selected Financial Information

The following contains selected unaudited financial information of GWRI's financial position as of September 30, 2015 and December 31, 2014 (in thousands of US$):

	September 30, 2015		December 31, 2014	
ASSETS:				
Net property, plant and equipment	$	193,611	$	240,424
Current assets		26,001		12,293
Other assets		25,296		54,884
Total Assets	$	244,908	$	307,601
LIABILITIES:				
Current liabilities	$	13,486	$	13,630
Noncurrent liabilities		209,571		266,291
Total Liabilities		223,057		279,921
SHAREHOLDERS' EQUITY		21,851		27,680
Total Liabilities and Shareholders' Equity	$	244,908	$	307,601

The following contains selected unaudited financial information of GWRI's results of operations for the three and nine months ended September 30, 2015 and 2014 (in thousands of US$):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	$ 8,143	$ 8,795	$ 24,847	$ 24,646
Operating expenses	6,087	6,773	19,736	(29,273)
Operating income	2,056	2,022	5,111	53,919
Total other income (expense)	41,082	(2,065)	37,179	(4,626)
Income (loss) before income taxes	43,138	(43)	42,290	49,293
Income tax benefit (expense)	(21,233)	17	(20,897)	16,477
Net income (loss)	$ 21,905	$ (26)	$ 21,393	$ 65,770

Comparison of Results of Operations for the three months ended September 30, 2015 and 2014

Revenues – The following table summarizes GWRI's revenues for the three months ended September 30, 2015 and 2014 (in thousands of US$).

	Three Months Ended September 30,	
	2015	2014
Water services	$ 4,131	$ 5,087
Wastewater and recycled water services	3,848	3,584
Unregulated revenues	164	124
Total revenues	$ 8,143	$ 8,795

Total revenues decreased $652,000, or 7.4%, for the three months ended September 30, 2015 compared with the three months ended September 30, 2014. This decrease is primarily driven by a $1.3 million decrease related to the Sale of Valencia. This decrease was partially offset by an increase in rates due to the February 2014 Rate Decision No. 74364 combined with customer growth of approximately 2.4% for the remaining utilities quarter over quarter.

Water Services – Water services revenues decreased $956,000, or 18.8%, to $4.1 million for the three months ended September 30, 2015 compared with the three months ended September 30, 2014.

Water service revenue based on consumption decreased $601,000, or 24.4% to $1.9 million from $2.5 million for the three months ended September 30, 2015 and September 30, 2014, respectively. The decrease in revenue was primarily driven by a decrease in active water connections related to the Sale of Valencia, which was partially offset by an increase in consumption for the three months ended September 30, 2015 compared to the three months ended September 30, 2014 as the result of a decrease in precipitation and higher average temperatures when compared to the third quarter of 2014, as well as the rate increases due to Rate Decision No. 74364 in February 2014. Rainfall for the three months ended September 30, 2015 totaled 1.95 inches compared to 12.83 inches for the three months ended September 30, 2014.

Active water connections decreased 23.7% to 19,890 as of September 30, 2015 from 26,064 as of September 30, 2014 as the result of the Sale of Valencia. Water consumption decreased 11.1% to 740 million gallons for the three months ended September 30, 2015 from 833 million gallons for the three months ended September 30, 2014. Adjusting for the Sale of Valencia, consumption increased 107 million gallons to 713 million gallons from 606 million gallons for the three months ended September 30, 2015 and September 30, 2014, respectively.

Water services revenue, excluding miscellaneous charges, associated with the basic service charge decreased $399,000, or 16.0%, for total revenue of $2.1 million for the three months ended September 30, 2015 compared to $2.5 million for the three months ended September 30, 2014 due to the Sale of Valencia. Adjusting for the Sale of Valencia, basic revenue increased $226,000, or 13.0%, reflecting a growth in total active connections as well as an increase in rates due to rate case decision No. 74364 in February 2014.

Wastewater and Recycled Water Services – Wastewater and recycled water services revenues increased $264,000, or 7.4% to $3.8 million for the three months ended September 30, 2015 from $3.6 million for the three months ended September 30, 2014. The increase was primarily due to rate increases combined with an increase in number of active connections, which increased 2.5% to 17,748 as of September 30, 2015 from 17,310 as of September 30, 2014.

Recycled water revenue, which is based on the number of gallons delivered, increased $69,000, or 68.2%, to $170,000 for the three months ended September 30, 2015 compared to $101,000 for the three months ended September 30, 2014. The increase in recycled water revenue is a function of an increase in consumption combined with a 40% rate increase effective January 1, 2015 when compared to 2014 rates. The volume of recycled water delivered increased 19.9% to 212 million gallons for the three months ended September 30, 2015 from 177 million gallons for the three months ended September 30, 2014.

Unregulated Revenues – Unregulated revenues totaled $164,000 for the three months ended September 30, 2015 compared to $124,000 for the three months ended September 30, 2014, representing an increase of $40,000. The increase in revenue was driven by an increase in ICFA-related imputed revenue resulting from our Memorandum of Understanding with the City of Maricopa starting April 2014.

Operating Expenses – Operating expenses decreased $686,000 for the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

The following table summarizes GWRI's operating expenses for the three months ended September 30, 2015 and 2014 (in thousands of US$):

	Three Months Ended September 30,	
	2015	2014
Operations and maintenance	$ 2,173	$ 2,677
General and administrative	2,020	1,841
Depreciation	1,894	2,255
Total operating expenses	$ 6,087	$ 6,773

Operations and Maintenance – Operations and maintenance costs, consisting of personnel costs, production costs (primarily chemicals and purchased power), maintenance costs, contract services, and property tax, decreased by $504,000, or 18.8%, for the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

Personnel and related expenses decreased $169,000, or 28.2%, during the three months ended September 30, 2015 compared to the three months ended September 30, 2014. The decrease in personnel expenses was driven by the Sale of Valencia, which led to a decline of $174,000 for the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

Utilities and power expenses decreased $140,000, or 26.0%, during the three months ended September 30, 2015 compared to the three months ended September 30, 2014. Utilities and power decreased as a result of the Sale of Valencia, which led to a decline of $155,000 for the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

Contract Services decreased $125,000, or 19.0%, during the three months ended September 30, 2015 compared to the three months ended September 30, 2014. The decrease in contract services is due to the Sale of Valencia, which led to a decrease of $147,000 for the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

Chemicals and supplies decreased $35,000, or 21.1%, during the three months ended September 30, 2015 compared to the three months ended September 30, 2014. The decrease in chemicals and supplies is due to the Sale of Valencia, which led to a decrease of $41,000 for the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

General and Administrative – General and administrative costs include the day-to-day expenses of office operation: personnel costs, legal and other professional fees, insurance, rent and regulatory fees. These costs increased $179,000, or 9.7%, during the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

Personnel costs decreased $365,000, or 36.6%, to $0.6 million for the three months ended September 30, 2015 from $1.0 million for the three months ended September 30, 2014. Personnel expenses do not include a one-time bonus of $591,000 for members of management holding stock appreciation rights at the time of the special dividend paid out in August 2015. This increase was partially offset by a $133,000 decrease in wage and bonus expense for the three months ended September 30, 2015 compared to the three months ended September 30, 2014 in relation to the completion of the executive transition plan, wherein we no longer accrue and pay a salary and bonus to Mr. Hill and Ms. Bowers. The increase in personnel costs was further reduced by a decrease in deferred compensation.

Deferred compensation decreased $159,000 for the three months ended September 30, 2015 compared to the three months ended September 30, 2014. Deferred compensation primarily decreased as a result of the reduction in total Phantom Stock Units (“PSUs”) outstanding for the three months ended September 30, 2015 compared to the three months ended September 30, 2014. Deferred compensation is calculated based upon the current period change in share price, multiplied by the number of outstanding units. In addition to the decrease in PSUs outstanding, the USD adjusted share price decreased $0.85 in the third quarter of 2015, compared to a decrease of $0.75 in the third quarter of 2014, which also contributed to the reduction in deferred compensation.

Board compensation increased $40,000, or 98.7%, to $82,000 for the three months ended September 30, 2015, compared to $42,000 for the three months ended September 30, 2014. Board compensation primarily increased as a result of the completion of the executive transition plan, wherein Mr. Hill's and Ms. Bowers' compensation is now recorded as board compensation rather than as salary.

Depreciation – Depreciation expense decreased by $361,000, or 16%, to $1.9 million for the three months ended September 30, 2015 compared to $2.3 million for the three months ended September 30, 2014. The reduction in depreciation expense is due the Sale of Valencia transaction combined with certain assets reaching their full useful life.

Other Income (Expense) – Other income changed $43.1 million, to $41.1 million of income for the three months ended September 30, 2015 compared to $2.1 million of net expense for the three months ended September 30, 2014. The change in other income is primarily attributed to a $43.1 million gain recorded with the Sale of Valencia, combined with $399,000 of income attributed to the Sale of Valencia earn out, wherein we receive $3,000 for each new meter installed within our prior service areas. The change in other income was partially offset by a $256,000 increase in interest expense and a $45,000 increase in losses from the equity investment losses from Global Water Management, LLC ("GWM" or "FATHOM") for the three months ended September 30, 2015 compared to the three months ended September 30, 2014, respectively.

Interest expenses increased primarily due to the write off of $282,000 in deferred loan fees associated with the pay down of the MidFirst term loan in July 2015 with proceeds received from the Sale of Valencia. Equity investment losses increased due to an increase in FATHOM's periodic losses, despite a reduction in the percentage of losses attributable to GWRI, which declined in relation to FATHOM's November 2014 recapitalization.

Income Tax Benefit (Expense) – Income tax expense changed $21.3 million, to an expense of $21.2 million for the three months ended September 30, 2015 compared to an income tax benefit of $17,000 for the three months ended September 30, 2014. The change in income tax expense is driven by income tax expense of $20.2 million related to the Sale of Valencia for the three months ended September 30, 2015 which did not occur for the three months ended September 30, 2014.

Net Income (Loss) – The Company's net income totaled $21.9 million for the three months ended September 30, 2015 compared to net loss of $26,000 for the three months ended September 30, 2014. The change in net income for the three months ending September 30, 2015 compared to net loss as of September 30, 2014 is primarily attributed to the gain of $43.1 million on the Sale of Valencia combined with the associated $20.2 million of tax expense on the gain.

EBITDA and Adjusted EBITDA – EBITDA totaled $47.4 million for the three months ended September 30, 2015 compared to $4.3 million for the three months ended September 30, 2014. The change in EBITDA for the three months ending September 30, 2015 compared to September 30, 2014 is primarily attributed the gain of $43.1 million recorded in relation to the Sale of Valencia.

Adjusted EBITDA totaled $4.4 million for the three months ended September 30, 2015 compared to $4.4 million for the three months ended September 30, 2014. The change in Adjusted EBITDA was primarily due to the impact of the Sale of Valencia, offset by rate increases and organic growth.

A reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA for the three months ended September 30, 2015 and 2014 is as follows (in thousands of US$):

	Three Months Ended September 30,	
	2015	**2014**
Net income (loss)	$ 21,905	$ (26)
Income tax expense (benefit)	21,233	(17)
Interest income	(4)	(23)
Interest expense	2,367	2,111
Depreciation	1,894	2,255
EBITDA[(1)]	**47,395**	**4,300**
EBITDA Adjustments	(42,962)	67
Adjusted EBITDA[(2)]	**$ 4,433**	**$ 4,367**

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

(2) Adjusted EBITDA is defined as EBITDA less the gain or loss related to non-recurring events, and includes an adjustment for the gain on Sale of Valencia and the loss on equity investment for the three months ended September 30, 2015. Adjustments for the three months ended September 30, 2014 include an adjustment for loss on equity investment. Adjusted EBITDA is not a recognized measure under U.S. GAAP and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other companies. The table above reconciles EBITDA to Adjusted EBITDA. See "Cautionary Statements Regarding Non-GAAP Measures" for further information regarding EBITDA.

Net Income (Loss) and EBITDA Per Share Information – The common stock of GWRI is not publicly traded and reporting per share information is not a required disclosure. However, management believes that net income (loss) per share and EBITDA per share data may be useful to some users of the financial statements as those users make decisions related to GWRC, which holds an approximate 47.9% interest in GWRI as of September 30, 2015. The following table summarizes such information for the three months ended September 30, 2015 and 2014 (amounts in thousands of US $, except share and per share data):

	Net Income (Loss)	EBITDA
Amount for the three months ended September 30, 2015 (in thousands)	$ 21,905	$ 47,395
Weighted average number of GWRI shares outstanding during the three months ended September 30, 2015	181,629	181,629
GWRI per share amount [1]	$ 120.60	$ 260.94
GWRI per share, excluding gain from Sale of Valencia and loss on equity investment [2]	$ (4.87)	$ 24.41
	Net Income	**EBITDA**
Amount for the three months ended September 30, 2014	$ (26)	$ 4,300
Weighted average number of GWRI shares outstanding during the three months ended September 30, 2014	182,050	182,050
GWRI per share amount [1]	$ (0.14)	$ 23.62
GWRI per share, excluding loss on equity method investment [3]	$ 0.23	$ 23.99

(1) Each share of GWRI is approximately equivalent to 100 common shares of GWRC. Therefore, GWRI's net loss per share and EBITDA per share amounts in terms of GWRC's common shares is approximately $1.20 and $2.59 for the three months ended September 30, 2015, respectively, and net income per share and EBITDA per share of approximately $0.00 and $0.24 for the three months ended September 30, 2014, respectively. EBITDA and EBITDA per share data are not U.S. GAAP measures.

(2) Excluding the adjustments listed above, the Company's net loss and EBITDA would total $884,000 and $4.4 million, respectively, for the three months ending September 30, 2015.

(3) Excluding the adjustments listed above, the Company's net loss and EBITDA would total $41,000 and $4.4 million, respectively, for the three months ending September 30, 2014.

Comparison of Results of Operations for the nine months ended September 30, 2015 and 2014

Revenues – The following table summarizes GWRI's revenues for the nine months ended September 30, 2015 and 2014 (in thousands of US$).

	Nine Months Ended September 30,	
	2015	2014
Water services	$ 13,138	$ 13,831
Wastewater and recycled water services	11,243	10,561
Unregulated revenues	466	254
Total revenues	$ 24,847	$ 24,646

Total revenues increased $201,000, or 0.8%, for the nine months ended September 30, 2015 compared with the nine months ended September 30, 2014. This increase is primarily the result of rate increases due to the February 2014 Rate Decision No. 74364 combined with continued connection growth, despite the revenue reduction associated with the Sale of Valencia. Adjusting for the Sale of Valencia, revenue increased $1.4 million, or 6.9%, primarily from a decrease in precipitation for the nine months ended September 30, 2015 compared to 2014 combined with the increase in rates due to Rate Decision No. 74364.

Water Services – Water services revenues decreased $693,000, or 5.0%, to $13.1 million for the nine months ended September 30, 2015 compared with $13.8 million in the same period of 2014.

Water service revenue based on consumption decreased $621,000, or 10.2%, to $5.5 million from $6.1 million for the nine months ended September 30, 2015 and September 30, 2014, respectively. The decrease in revenue was primarily driven by a decrease in active water connections as a result of the Sale of Valencia and consumption for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

Active water connections decreased 23.7% to 19,890 as of September 30, 2015 from 26,064 as of September 30, 2014. Water consumption decreased 14.0% to a total of 1.9 billion gallons for the nine months ended September 30, 2015 from a total of 2.2 billion gallons for the nine months ended September 30, 2014. The decreased in active connections and consumption was primarily driven by the Sale of Valencia in the third quarter of 2015. Adjusting for the sale of Valencia, consumption revenue remained relatively constant at $4.0 million for the nine months ended September 30, 2015 and September 30, 2014, respectively.

Water services revenue, excluding miscellaneous charges, associated with the basic service charge decreased 1.1% to $7.3 million for the nine months ended September 30, 2015 compared to $7.4 million for the nine months ended September 30, 2014, due to the Sale of Valencia. Adjusting for the Sale of Valencia, basic revenue increased $478,000 or, 9.2%, reflecting growth in total active connections as well as an increase in rates due to Rate Decision No. 74364.

Wastewater and Recycled Water Services – Wastewater and recycled water services revenues increased $682,000, or 6.5%, for the nine months ended September 30, 2015 to $11.2 million compared to $10.6 million for the nine months ended September 30, 2014. The increase was primarily due to the number of active connections, which increased 2.5% to 17,748, as of September 30, 2015 from 17,310 as of September 30, 2014 as well as an increase in rates due to Rate Decision No. 74364.

Recycled water revenue, which is based on gallons delivered, increased 55.0% to approximately $392,000 for the nine months ended September 30, 2015 compared to $253,000 for the nine months ended September 30, 2014. The increase was primarily driven by an increase in volume of recycled water delivered combined with a rate increase due to Rate Decision No. 74364. For the nine months ended September 30, 2015, total volume of water delivered increased 11.3% to 491 million gallons compared to 442 million gallons for the nine months ended September 30, 2014.

Unregulated Revenues – Unregulated revenues increased $212,000, or 83.5%, to $466,000 for the nine months ended September 30, 2015 compared to $254,000 in the nine months ended September 30, 2014. The increase in revenue was driven by an increase in ICFA-related imputed revenue resulting from our Memorandum of Understanding with the City of Maricopa starting April 2014.

Operating Expenses – The following table summarizes GWRI's operating expenses for the nine months ended September 30, 2015 and 2014 (in thousands of US$):

	Nine Months Ended September 30,	
	2015	2014
Operations and maintenance	$ 7,319	$ 7,855
General and administrative	5,891	6,610
Gain on regulatory order	—	(50,664)
Depreciation	6,526	6,926
Total operating expenses	$ 19,736	$ (29,273)

Operations and Maintenance **–** Operations and maintenance costs, consisting of personnel costs, production costs (primarily chemicals and purchased power), maintenance costs, contract services, and property tax, decreased $536,000, or 6.8%, in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

Personnel expense decreased $192,000, or 10.7%, due to a decrease in personnel related the Sale of Valencia for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. As a result of the Sale of Valencia, personnel expenses declined $201,000 for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

Utilities and power expense decreased $183,000, or 12.3%, during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. Utilities and power expense decreased as a result of the Sale of Valencia. As a result of the Sale of Valencia, utilities and power expenses declined $186,000 for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

Contract services decreased $153,000, or 7.5%, during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. Contract services decreased as a result of the Sale of Valencia combined with a reduction in disposal expenses. As a result of the Sale of Valencia, fees paid to FATHOM were reduced $125,000 for nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

Disposal fees decreased $81,000, or 77.6%, during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. Residual disposal declined due to the elimination of third party transportation expenses related to the transfer of certain disposal activities in-house combined with the elimination of bio-solid disposal fees as we initiated direct land application of bio-solids in July 2014.

Property taxes increased $69,000, or 4.3%, in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. Property taxes are calculated using a centrally valued property calculation, which derives property values based upon three-year historical average revenues of GWRI. As revenues increase, property taxes will continue to increase.

General and Administrative – General and administrative costs include the day-to-day expenses of office operation; personnel costs, legal and other professional fees, insurance, rent and regulatory fees. These costs decreased $719,000, or 10.9%, during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

Personnel costs decreased $844,000, or 21.9%, to $3.0 million for the nine months ended September 30, 2015 compared to $3.9 million for the nine months ended September 30, 2014. Personnel expenses decreased in relation to a decline in wage and bonus expense combined with a decrease in deferred compensation. Wage and bonus expense decreased $471,000 in relation to the completion of the executive transition plan, wherein we no longer accrue and pay a salary and bonus to Mr. Hill and Ms. Bowers combined with $300,000 of cash bonus payments made in lieu of PSUs in 2014 that did not occur in 2015. These payments were made to reduce the potential exposure to increased deferred compensation expense resulting from PSU remeasurement corresponding to an increase in share price offset by $591,000 in one-time bonus payouts in 2015.

Deferred compensation decreased $605,000 primarily as a result of the reduction in total PSUs outstanding for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. Deferred compensation is calculated based upon the current period change in share price, multiplied by the number of outstanding PSUs. In addition to the decrease in units outstanding, the USD adjusted share price increased $0.42 for the nine months ended September 30, 2015 compared to an increase of $1.02 for the nine months ended September 30, 2014, which also contributed to the reduction in deferred compensation.

Regulatory expenses increased $121,000, or 224.1%, for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. The increase in regulatory expense was due to amortization of deferred rate case costs incurred during the latest rate case that resulted in Rate Decision No. 74364. Amortization of the deferred rate case costs began in January 2015 in conjunction with the onset of new rates.

Professional fees decreased $48,000, or 4.4%, for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. Professional fees decreased for the nine months ended September 30, 2015, as certain accounting and legal fees related to Rate Decision No. 74364 were incurred during the nine months ended September 30, 2014 that did not occur in 2015.

Board compensation increased $168,000, or 152.8% to $279,000 for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. Board compensation primarily increased as a result of the completion of the executive transition plan, wherein Mr. Hill's and Ms. Bowers' compensation is now recorded as board compensation rather than as salary. Additionally, compensation increased due to an increase in the number of outstanding DPUs combined with appreciation related to an increase in share price.

Gain on regulatory order – The $50.7 million gain on regulatory order recorded during the nine months ended September 30, 2014 represents the benefit to the Company's periodic earnings as a result of the Rate Decision No. 74364 which concluded that ICFA funds received historically would no longer be recorded as CIAC.

Depreciation **–** Depreciation expense decreased by $400,000, or 5.8%, to $6.5 million for the nine months ended September 30, 2015 compared to $6.9 million for the nine months ended September 30, 2014. The decrease of depreciation expense is primarily due to the Sale of Valencia combined with certain assets reaching their full useful life.

Other Income (Expense) – Other income totaled $37.2 million for the nine months ended September 30, 2015 compared to $4.6 million of net expense for the nine months ended September 30, 2014. Other income (expense) primarily consists of the gain on Sale of Valencia, interest expense, loss on equity method investment and other income. The $41.9 million change in other income is primarily attributed to the $43.1 million gain recorded with the Sale of Valencia combined, with $399,000 of income attributed to the Valencia earn out, wherein we receive $3,000 for each new meter installed within our prior service area. The gain on Sale of Valencia was partially offset by $2.0 million of interest income related to the Sierra Negra Ranch, LLC ("SNR") litigation recorded during the nine months ended September 30, 2014, which was partially not recorded in 2015.

Loss on equity method investment decreased by $262,000 for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 due to the reduction in the Company's share of ongoing losses, which declined as a result of FATHOM's November 2014 recapitalization.

Income Tax Benefit (Expense) – Income tax expense increased to $20.9 million for the nine months ended September 30, 2015 compared to a benefit of $16.5 million for the nine months ended September 30, 2014. The change in income tax expense is driven by the $20.2 million tax expense related to the Sale of Valencia for the nine months ended September 30, 2015 compared to a $16.1 million tax benefit related to the reversal of substantially all the deferred tax asset valuation allowance for the nine months ended September 30, 2014 as a result of Rate Decision No. 74364.

Net Income (Loss) – The Company's net income totaled $21.4 million for the nine months ended September 30, 2015 compared to net income of $65.8 million for the nine months ended September 30, 2014. The change in net loss for the nine months ended September 30, 2015 compared to net income as of September 30, 2014 is primarily attributed to a $50.7 million gain on regulatory order, $16.1 million release of income tax asset valuation allowance and interest income of $2.0 million related to the SNR litigation recorded in 2014 that did not occur in 2015. Whereas, for the nine months ended September 30, 2015, the Company recorded a gain of $43.1 million in relation to the Sale of Valencia net of a $20.2 million tax liability associated with the transaction. Additionally, the Company recognized approximately $300,000 of income for proceeds related to the sale of Loop 303 Contracts along with a $176,000 loss in conjunction with the classification of Willow Valley's assets as held for sale, which did not occur in 2014.

EBITDA and Adjusted EBITDA – EBITDA totaled $55.3 million for the nine months ended September 30, 2015 compared to $62.6 million for the nine months ended September 30, 2014. The change in EBITDA for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 is primarily attributed to the $50.7 million gain on regulatory order recorded in the nine months ended September 30, 2014 and the $43.1 million gain on the Sale of Valencia recorded in the nine months ended September 30, 2015.

Adjusted EBITDA totaled $12.3 million for the nine months ended September 30, 2015 compared to $10.4 million for the nine months ended September 30, 2014. The increase in Adjusted EBITDA was due to the rate increase and a general reduction in general and administrative expenses, as discussed above.

A reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA in the nine months ended September 30, 2015 and 2014 is as follows (in thousands of US$):

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net Income (Loss)	$ 21,393	$ 65,770
Income tax expense (benefit)	20,897	(16,477)
Interest income	(8)	(64)
Interest expense	6,496	6,487
Depreciation	6,526	6,926
EBITDA[(1)]	**55,304**	**62,642**
EBITDA Adjustments	(42,982)	(52,211)
Adjusted EBITDA[(2)]	**$ 12,322**	**$ 10,431**

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

(2) Adjusted EBITDA is defined as EBITDA less the gain or loss related to non-recurring events, and includes an adjustment for the gain on Sale of Valencia, loss on assets held for sale, gain on sale of Loop 303 Contracts and loss on equity investment for the nine months ended September 30, 2015. Adjustments for the nine months ended September 30, 2014 include an adjustment for the gain on regulatory order, gain on SNR litigation proceeds and loss on equity investment. Adjusted EBITDA is not a recognized measure under U.S. GAAP and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other companies. The table above reconciles EBITDA to Adjusted EBITDA. See "Cautionary Statements Regarding Non-GAAP Measures" for further information regarding EBITDA.

Net Income (Loss) and EBITDA Per Share Information – The common stock of GWRI is not publically traded and reporting per share information is not a required disclosure. However, management believes that net income (loss) per share and EBITDA per share data may be useful to some users of the financial statements as those users make decisions related to GWRC, which holds an approximate 47.9% interest in GWRI as of September 30, 2015. The following table summarizes such information for the nine months ended September 30, 2015 and 2014 (amounts in thousands of US $, except share and per share data):

	Net Income	EBITDA
Amount for the nine months ended September 30, 2015	$ 21,393	$ 55,304
Weighted average number of GWRI shares outstanding during the nine months ended September 30, 2015	$ 181,860	$ 181,860
GWRI per share amount [(1)]	117.63	304.10
GWRI per share, excluding gain on Sale of Valencia loss on assets held for sale, gain on sale of Loop 303 Contracts and loss on equity investment [(2)]	(7.79)	67.76
	Net Income	**EBITDA**
Amount for the nine months ended September 30, 2014	$ 65,770	$ 62,642
Weighted average number of GWRI shares outstanding during the nine months ended September 30, 2014	182,050	182,050
GWRI per share amount [(1)]	$ 361.27	$ 344.09
GWRI per share, excluding gain on regulatory order, gain on SNR litigation proceeds and loss on equity investment [(3)]	$ (14.10)	$ 57.30

(1) Each share of GWRI is approximately equivalent to 100 common shares of GWRC. Therefore, GWRI's net income per share and EBITDA per share amounts in terms of GWRC's common shares is approximately $1.17 and $3.02 for the nine months ended September 30, 2015, respectively, and approximately $3.61 and $3.44 for the nine months ended September 30, 2014, respectively. EBITDA and EBITDA per share data are not U.S. GAAP measures.

(2) Excluding the adjustments listed above, the Company's net loss and EBITDA would total $1.4 million and $12.3 million, respectively, for the nine months ended September 30, 2015.

(3) Excluding the adjustments listed above, the Company's net loss and EBITDA would total $2.6 million and $10.4 million, respectively, for the nine months ended September 30, 2014.

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

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

The following table sets forth unaudited consolidated financial data for the last eight quarters ended September 30, 2015 (in thousands of US$). This financial information has been derived from the unaudited interim financial statements prepared by and is the responsibility of the Company's management.

	2015			2014				2013
REVENUES:	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Water services	$ 4,131	$ 5,114	$ 3,893	$ 4,245	$ 5,087	$ 5,127	$ 3,617	$ 4,223
Wastewater and recycled water	3,848	3,793	3,602	3,551	3,584	3,612	3,365	3,498
Unregulated revenues	164	175	127	117	124	116	14	45
Total revenues	8,143	9,082	7,622	7,913	8,795	8,855	6,996	7,766
OPERATING EXPENSES:								
Operations and maintenance	2,173	2,675	2,471	2,563	2,677	2,695	2,483	2,460
General and administrative	2,020	1,807	2,064	2,199	1,841	2,280	2,489	1,671
Gain on regulatory order	—	—	—	—	—	—	(50,664)	—
Depreciation	1,894	2,320	2,312	2,279	2,255	2,427	2,244	2,134
Total operating expenses	6,087	6,802	6,847	7,041	6,773	7,402	(43,448)	6,265
OPERATING INCOME (LOSS)	2,056	2,280	775	872	2,022	1,453	50,444	1,501
OTHER INCOME (EXPENSE):								
Interest income	4	2	2	15	23	22	19	20
Interest expense	(2,367)	(2,050)	(2,079)	(3,025)	(2,111)	(2,152)	(2,224)	(2,351)
Other	43,445	363	(141)	781	23	(147)	1,921	978
Total other income (expense)	41,082	(1,685)	(2,218)	(2,229)	(2,065)	(2,277)	(284)	(1,353)
INCOME (LOSS) BEFORE INCOME TAXES	43,138	595	(1,443)	(1,357)	(43)	(824)	50,160	148
INCOME TAX BENEFIT (EXPENSE)	(21,233)	(192)	528	518	17	335	16,125	(11)
NET INCOME (LOSS)	$ 21,905	$ 403	$ (915)	$ (839)	$ (26)	$ (489)	$ 66,285	$ 137
Adjusted EBITDA [(1)]	4,433	4,723	3,166	3,314	4,367	3,966	2,098	3,767

(1) Adjustments exclude the gain on Sale of Valencia, the loss on assets held for sale, gain on sale of Loop 303 Contracts, loss on equity investment, gain on regulatory order, gain on SNR litigation proceeds and loss on sale of GWM.

Business Divisions

The Company operates as one reportable business division, which consists of our water, wastewater and recycled water utilities, which are regulated by the ACC.

Outstanding Share Data

Through November 12, 2015, the date of the report, GWRC continued to repurchase, for cancellation, common shares of the Company pursuant to the NCIB approved in May 2015. Subsequent to September 30, 2015 the GWRC repurchased an additional 22,300 shares on the open market, for a total of approximately CAD $155,000. The Company repurchased 221 common shares held by GWRC in connection with GWRC's repurchases under its NCIB susequent to September 30, 2015.

As of November 12, 2015, there were 181,228 shares of common stock of GWRI outstanding and options to acquire an additional 431 shares of common stock of GWRI.

Liquidity and Capital Resources

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

As of September 30, 2015, GWRI had notable near-term cash expenditure obligations. Most significantly, the Company has approximately $8.9 million of debt interest and principal payments due within the next year. While specific facts and circumstances could change, we believe that, together with cash on hand combined with proceeds from the sale of Valencia in July 2015, 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 dividend was C$0.0220 per share. In November 2014, the Company increased the monthly dividend to C$0.0240 per share. In March 2015, the Company increased the monthly dividend to C$0.0260 per share. In July 2015, the Company increased the monthly dividend C$0.0283 per share. 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.

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

The following table provides a summary of the major items affecting GWRI's cash flows from operating activities for the three and nine months ended September 30, 2015 and 2014 (in thousands of US$):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income (loss)	$ 21,905	$ (26)	$ 21,393	$ 65,770
Add (subtract):				
Non-cash operating activities[1]	(19,458)	2,638	(14,599)	(58,323)
Changes in working capital[2]	1,997	2,767	(1,673)	1,951
Changes in noncurrent assets and liabilities	33	(4)	118	2,880
Net cash provided by (used in) operating activities	$ 4,477	$ 5,375	$ 5,239	$ 12,278

(1) Includes deferred compensation, depreciation, amortization, gains and losses, income tax expense (benefit), and provision for losses on accounts receivable, as well as the $43.1 million gain on the Sale of Valencia during the nine months ended September 30, 2015 and the $50.7 million gain on regulatory order recorded during the nine months ended September 30, 2014.

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

For the three months ended September 30, 2015, GWRI's net cash used in operating activities totaled $4.5 million compared to $5.4 million for the three months ended September 30, 2014. The $898,000 change in cash from operating activities was primarily due to the timing of payments on accounts payable and accrued liabilities combined with a general increase in deferred compensation and accrued revenue for the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

For the nine months ended September 30, 2015, GWRI's net cash provided by operating activities totaled $5.2 million compared to $12.3 million for the nine months ended September 30, 2014. The $7.0 million change in cash from operating activities was primarily driven by $2.8 million of ICFA funds and $2.0 million of interest received in the nine months ended September 30, 2014 in connection with the settlement of the SNR litigation. Additionally, cash from operations was affected by a $1.4 million payout of accrued PSU expense for the nine months ended September 30, 2015. Further, operating cash flows are affected by the timing of the recording and settlement of accounts payable and other accrued liabilities.

Cash Flows Used in Investing Activities – Cash flows provided by (used in) investing activities for the three and nine months ended September 30, 2015 and 2014 were as follows (in thousands of US$):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Capital expenditures	$ (1,168)	$ (388)	$ (2,177)	$ (1,054)
Proceeds from the sale of Valencia	55,198	—	55,198	—
Cash received from the sale of Loop 303 Contracts	—	—	296	—
Cash advance to related party	(11,638)	—	(12,745)	—
Repayment of related party cash advance	11,394	—	12,227	—
(Deposits) withdrawals of restricted cash	3	—	(77)	197
Other investing activities, net(1)	—	(2)	7	—
Net cash provided by (used in) investing activities	$ 53,789	$ (390)	$ 52,729	$ (857)

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

For the three months ended September 30, 2015, GWRI's net cash provided by investing activities totaled $53.8 million compared to net cash used in investing activities of $390,000 in the same period in 2014. The $54.2 million change was primarily driven by the $55.2 million in proceeds received in relation to the Sale of Valencia offset by a $780,000 increase in capital expenditures for the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

For the nine months ended September 30, 2015, GWRI's net cash used in investing activities totaled $52.7 million compared to $857,000 for the nine months ended September 30, 2014. The $53.6 million change was primarily driven by a the $55.2 million in proceeds received in relation to the Sale of Valencia and $296,000 in proceeds from the sale of Loop 303 Contracts received during the nine months ended September 30, 2015. These increases were partially offset by a $1.1 million increase in capital expenditures combined with the $518,000 net change in related party cash advance for the nine months ended September 30, 2015 compared to zero for the same period in 2014.

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

Cash Flows from Financing Activities – Cash flows provided by (used in) financing activities for the three and nine months ended September 30, 2015 and 2014 were as follows (in thousands of US$):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Loan repayments	$ (21,326)	$ (5)	$ (21,719)	$ (1,007)
Proceeds withdrawn from (deposited in) bond service fund	1,001	—	1,001	—
Principal payments under capital leases	(24)	(20)	(72)	(85)
Debt issuance costs paid	—	(46)	—	(46)
Advances in aid of construction	138	107	282	301
Dividends paid	(24,228)	(1,164)	(26,521)	(2,314)
Share repurchase	(231)	—	(327)	—
Refunds of advances for construction	(393)	(736)	(422)	(736)
Net cash used in financing activities	$ (45,063)	$ (1,864)	$ (47,778)	$ (3,887)

GWRI's net cash used in financing activities totaled $45.1 million for the three months ended September 30, 2015 compared to $1.9 million for the same period in 2014. The $43.2 million increase in cash used for financing activities was principally driven by $21.3 million in cash used to retire the MidFirst term loan combined with an increase of $23.1 million in dividends paid for the three months ended September 30, 2015 compared to the three months ended September 30, 2014. The increase in cash used was partially offset by $1.0 million in restricted cash made available with the retirement of the MidFirst loan.

GWRI's net cash used in financing activities totaled $47.8 million for the nine months ended September 30, 2015 compared to $3.9 million for the same period in 2014. The $43.9 million increase in cash used for financing activities was principally driven by $21.3 million in cash used to retire the MidFirst term loan combined with an increase of $24.2 million in the amount of dividends paid during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

Regulatory Restrictions

The issuance of long-term debt securities by GWRI does not require authorization of the ACC if no guarantee or pledge of the assets of the regulated subsidiaries of GWRI is utilized. However, ACC authorization is required for the issuance of long-term debt by GWRI's regulated subsidiaries.

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

Insurance Coverage

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

Contractual Obligations and Commitments

GWRI enters into obligations with third parties in the ordinary course of business. The amounts of these obligations, as of September 30, 2015 are set forth in the table below (in thousands of US$):

Contractual obligations [1]	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years	More than 5 Years
Long term debt obligations [2]	$ 108,470	$ 1,775	$ 3,880	$ 4,600	$ 98,215
Interest on long term debt [3]	108,429	6,993	13,652	13,147	74,637
Capital lease obligation	314	108	174	32	—
Interest on capital lease	36	20	15	1	—
Total	$ 217,249	$ 8,896	$ 17,721	$ 17,780	$ 172,852

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

(2) The long-term debt obligations reflected in the table above exclude the debt discount related to the Series 2007 bonds. The debt discount at September 30, 2015 totaled $348,000 and is netted within the bonds payable balance on GWRI's balance sheet. The debt discount is being amortized over the term of the Series 2007 bonds.

(3) Interest on GWRI's Series 2006, 2007 and 2008 bonds is based on the fixed rates. See Note 8 in financial statements for more details.

Quantitative and Qualitative Disclosure about Market Risk

GWRI is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. GWRI uses a combination of fixed-rate and variable-rate debt to reduce interest rate exposure. A hypothetical 10% increase in interest rates associated with variable rate debt would result in a $4,000 and $7,000 increase in GWRI's pre-tax loss for three months ended September 30, 2015 and September 30, 2014, and a $41,000 and $36,000 increase in GWRI's pre-tax loss for the nine months ended September 30, 2015 and September 30, 2014, respectively. With the retirement of the MidFirst term loan, the Company no longer carries any significant debt at a variable rate.

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

Risk Factors

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

Related Party Transactions

See Note 7 to GWRI's unaudited consolidated financial statements for the three and nine months ended September 30, 2015.

Critical Accounting Policies and Estimates

The application of critical accounting policies is particularly important to GWRI's financial condition and results of operations and provides a framework for management to make significant estimates, assumptions and other judgments. Additionally, GWRI's financial condition, results of operations and cash flow are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. Although GWRI's management believes that these estimates, assumptions and other judgments are appropriate, they relate to matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and other judgments applied to these accounting policies could have a significant impact on GWRI's financial condition and results of operations as reflected in GWRI's financial statements. For further discussion of the Company's accounting policies and estimates, refer to GWRI's 2014 audited consolidated financial statements.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period beginning on July 1, 2015 and ended on September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Other Required Disclosures

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

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