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THIRD QUARTER 2011 RESULTS
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OPERATOR: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the GWR Global Water Resources Corp. 2011 Third Quarter Results conference call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press star, zero for Operator assistance at any time. I would like to remind everyone that this call is being recorded on Tuesday, November 8th, 2011 at 2:00 p.m. Eastern time. I would now like to turn the conference over to Carmel Rodriguez, Director of Communications and Client Administration for Global Water Resources Inc.

Please go ahead.

CARMEL RODRIGUEZ (Director of Communications and Client Administration): Good afternoon, everyone, and thank you for joining us on today's call. This morning we issued our 2011 third quarter financial results by press release, and a copy of those results is available on our website at www.gwresources.com.

Speaking today are Trevor Hill, President and Chief Executive Officer; and Cindy Liles, Executive Vice President and Chief Financial

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Officer. Mr. Hill will summarize the key events of the third quarter and provide his insight into the remainder of 2011, then the Ms. Liles will review our financial results for Q3 2011, then both Mr. Hill and Ms. Liles will be available for questions.

Before we begin, I'd like to remind you that certain information presented today may include forward-looking statements. Such statements reflect the company's current expectations, estimates, projections and assumptions. These forward-looking statements are not guarantees of future performance, and they are subject to certain risks, which could cause actual performance and financial results to vary materially from those contemplated in the forward-looking statements. For additional information on these risks, please read the company's March 25, 2011 Annual Information form under the heading "Risk Factors". Unless otherwise stated, all amounts discussed are in U.S. dollars.

As we discussed during last quarter's conference call, in 2010 Global Water Resources coordinated the formation of GWR Global Water Resources Corp., which we'll refer to today as the "Company", a Canadian company organized to hold an equity investment interest in the U.S.-based company Global Water Resources Inc., referred to today as "Global Water".

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I'll now turn the call over to Mr. Trevor Hill.

TREVOR HILL (President and Chief Executive Officer): Thank you, Carmel. Good afternoon, everyone. Let me start by saying that I'm very excited by our third-quarter results and continue to be extremely optimistic about our growth and expansion opportunities.

Management's focus for the third quarter was about expanding our reach through partnerships and penetrating the markets we are focused on more deeply. Solidifying our strategic relationships is imperative, and during the quarter we formalized partnerships with two critical suppliers to expand our reach nationally and to strengthen our leading role in Smart Grid for water.

The first of these is ESRI, where Global was selected as a silver partner for the ESRI Partner Network. ESRI is the market leader for GIS mapping for municipalities and controls greater than 70 percent of this market worldwide. In addition, we also signed a national distribution agreement with Aclara for municipalities with a less than 30,000 meters. Aclara is the dominant market leader with greater than 80 percent market share in water AMI. The partnership with Aclara signals their interest in accessing the smaller utility market, and FATHOM provides the vehicle for them to move more quickly. For Global, these new and material

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partnerships open up two very desirable channels to existing municipal relationships, and the opportunity to expand our reach nationally sooner than we had planned with both of these partners to pull us into new expansion markets.

During the quarter, we also launched our U₂You Customer Portal website and the first ever iPhone application for water utilities. In many ways, these customer-facing tools are revolutionary for the sector, not only greatly improving the customer's ability to manage and pay their bills but also giving them unprecedented access to their own water consumption. Now customers can see their daily water consumption in near real-time, and further, see their consumption benchmarked against their neighbours, their street and their community. In many areas where conservation is critical, it is this information that has proven to be very impactful on community water conservation.

Global's focus on customer-facing tools is unique in the sector. The platform, the FATHOM platform, not only provides municipalities with incremental revenue and decreased costs, it opens a unique opportunity for customers, which in time will have the opportunity to add incremental revenue from our municipal clients and end-user customers alike. Our continuous investment in FATHOM platform provides for more automation

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of business processes, more analytical capabilities, continuously improving customer service, and decreases costs over time.

Management has experienced a surge of interest in FATHOM in the second half of 2011. The deepening financial pressures coupled with intensifying water scarcity issues continue to incent municipalities to examine their alternatives, outsourcing among them. Our sales representatives visited dozens of municipalities this quarter, and the majority are exploring the cost-savings and revenue-creating opportunities that FATHOM presents. Management remained focused on the continuous refinement of the FATHOM selling process and motivating municipalities to adopt technology, improve their efficiencies and restructure their organizations for the 21st century economy. We continue our efforts in market making in the southwest states and continue to be reassured that the business model is gaining traction both through the RFP procurement process and through municipal engagement in a series of League of City conferences in California, Arizona, Oregon and Texas. In each of these events, FATHOM was met with tremendous interest, and we are pursuing opportunities in each of these regions.

We are seeing the benefits from the impact of FATHOM's business model on municipalities. The increased revenue associated with new

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meters, new technology and cleansing of data records is proving to be a very compelling element of the implementation. In fact, in some cases the incremental revenue generated from the implementation of FATHOM has been more than sufficient to fund the entire FATHOM offering. As a result, we've been able to strengthen our selling propositions and provide municipalities with better clarity on the immediacy of the economic benefits that FATHOM brings. Most notably, we are progressing with nine municipalities, representing 50,000 meters that we anticipate will make a decision sometime in the next two quarters. We expect approximately half of these municipalities will go direct and the other half will procure through some form of RFP process. In addition, we're working closely with another seven cities, representing 45,000 meters of which many we expect will go to direct procurement.

And now turning to our regulated business. Growth is continuing in Phoenix. Net in-migration and affordability continues to drive vacancy rates lower in our service territories, and this, as I mentioned in the past, is a good thing as it means a higher number of occupied homes. In fact, we have observed a steady decline in unoccupied homes since January 2009, with this quarter seeing our lowest vacancy rate since the summer of 2008.

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Job growth is also improving in Arizona, putting on jobs at greater than twice the national average.

Our regulated utilities grew organically in the third quarter at an annualized rate of 4.1 percent. We continue to believe Global service territories are positioned to attract a higher proportion of new service connections than other areas as a function of fitted infrastructure within which we can grow for some time. Additionally, we expect incremental revenue growth over the near term will be fuelled by the new rates provided by the 2010 Regulatory Rates Decision, the final increment of which -- of the phase-in will be in place on the 1st of January, 2012, and it is expected to generate approximately \$2 million of incremental annualized revenue.

During the three months ended September 30th, 2011, the ACC approved the performance of an audit of the company's ICFA funds and policies. The company viewed the ACC's approval to conduct this audit as a favourable sign that the ACC may be willing to consider ICFA fees as a reasonable source of financing for specified purposes and to not automatically consider ICFA fees as a reduction to the company's rates base used in rate making. The audit, to be performed by an independent third-party auditor will focus on determining the amounts of acquisition

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premiums paid for Global's past acquisitions as well as the sources and uses of ICA funds -- ICFA funds. We expect the audit to be completed in the first quarter of 2012. Should the audit reflect the company's position on ICFA's, an opportunity may exist to request a reversal of the 2010 rate case treatment of those funds, at least for that portion that was tied to acquisitions of certain utilities. To this end, the company is continuing to work with the ACC staff and the Commissioner's offices.

I will now turn the call over to Cindy, who will discuss our third-quarter offering results. Following Cindy's remarks, we will be available to answer any questions anyone may have.

Cindy?

CINDY LILES (Executive Vice President and Chief Financial Officer):

Thank you, Trevor. Since our financial information of the U.S. company is not consolidated with the public Canadian company, our discussion today refers to the consolidated financial information of the U.S. company, Global Water. As a reminder, unless otherwise stated, all amounts discussed are in U.S. dollars.

We're excited about our results for the third quarter. Revenues were up 45 percent year-over-year, including a 20 percent increase in the regulated business. FATHOM grew rapidly from only about \$242,000 in

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revenues last year to over \$1.7 million in revenue in this year's third quarter. EBITDA was up 32 percent for the quarter. We paired our net loss for the quarter to \$102,000 compared to last year's net loss of about 2.1 million excluding 2010's nonrecurring charges.

Now I'll turn to the details. Consolidated revenues for the three months ended September 30th, 2011 totalled 10.4 million compared to 7.1 million for the same period in 2010, an increase of 45 percent. For the nine months ended September 30th, 2011, consolidated revenues totalled 29.7 million compared to 19.3 million for the same period in 2010, an increase of 54 percent. Excluding nonrecurring charges that occurred in 2010, consolidated net loss for the three months ended September 30th, 2011 totalled \$102,000 compared with a net loss of 2.1 million for the same period last year. And for the nine months ended September 30th, 2011, consolidated net loss totalled 1.9 million compared to 6.2 million for last year.

We use a non-GAAP measure adjusted EBITDA to analyze operating performance, which is based on operating income less depreciation, amortization, other nonrecurring items. Reconciliation details are included in the press release. Adjusted EBITDA for the three months ended September 30th, 2011 was 4.6 million, up 32 percent from

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3.5 million for the same period in 2010. This is a record quarter for the company since our inception. For the nine months ended September 30th, 2011, adjusted EBITDA totalled 11.4 million, up 59 percent from 7.2 million for the same period in 2010. The improvements in profitability stem from both higher utility rates in our regulated division and strong growth in the FATHOM business.

I will now discuss some specifics of our two businesses, starting with our unregulated business. Unregulated revenue, which comes mainly from our FATHOM customers totalled 2.1 million in the three months ended September 30th, 2011. This is an impressive increase from \$259,000 in the three months ended September 30th, 2010. Approximately 1.1 million of the increase in unregulated revenues is attributable to FATHOM product implementation fees compared to \$96,000 last year. Recurring FATHOM revenues increased \$352,000 or 240 percent to \$499,000 for the three months ended September 30th, 2011, compared to last year. For the nine months ended September 30th, 2011, unregulated revenues totalled 7.8 million, an impressive increase from \$552,000 in the nine months ended September 30th, 2010. Approximately 4.4 million of the increase is attributable to FATHOM's product implementation fees compared to \$146,000 last year. Recurring FATHOM revenues increased \$904,000 or

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287 percent to 1.2 million for the nine months ended September 30th, 2011, compared to last year. Additionally, as part of unregulated revenues, we recognized \$371,000 and \$2 million revenue in the three and the nine months ended September 30th, 2011, respectively, related to the sale of certain contractual rights compared to zero that we sold in 2010. We have purchased these contractual rights from certain developers and then sold the rights to a third-party investor. We intend to pursue more opportunities for similar transactions.

Moving over to the regulated business, revenues from the water utilities business for the three months ending September 30th, 2011 increased 1.4 million or 20 percent to 8.3 million in 2011 compared to the same period in 2010. For the nine months ended September 30th, 2011, regulated revenues increased 5.2 million or 31 percent to 21.8 million in 2011 compared to the same period in 2010. You will note that revenue growth in our water utility business is a function of both the rates we can charge customers and increases in active service connections. We report utility service connections by total service connections and active service connections, which excludes the vacant homes. Total service connections increased by 262 to 42,940 since the beginning of the year. Active service connections increased by 1,185 to 39,644 connections, representing an

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annual growth rate of approximately 4.1 percent. This indicates a steady improvement in the market as Trevor had noted earlier.

I will now pass the call back to Trevor.

TREVOR HILL: Thank you, Cindy. So in conclusion, the third quarter was extremely fulfilling, strategically. We locked down two critical partnerships, expanded our selling process and launched two market-changing technologies in our U₂You website and iPhone applications. We have already seen rapid adoption of our tools by customers, and over the next quarters, we will be educating and incenting customers to use them more frequently, ultimately decreasing our costs of operation and potentially increasing revenue in those third-party contracts.

Our presence in the national and international arena on Smart Grid for water has also dramatically increased. Global representatives are being showcased virtually everywhere in the world in every water symposium, and already for 2012 we expect more than a dozen appearances on Smart Grid for water forums. It's heartening to see both our operating divisions growing rapidly in this economy and to have our thesis proven that Global will grow as a function of our strategic locations and that this new normal economy, coupled with increasing water scarcity, are in fact driving the market toward our platform offerings.

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That concludes our prepared remarks. Cindy and I are now available for any questions that anyone may have.

OPERATOR: Ladies and gentlemen, if you would like to ask a question at this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. We'll pause for just a moment to compile the Q&A roster.

So our first question comes from the line of Khurram Malik with Jacob Securities. Your line is open.

KHURRAM MALIK: Thank you. Good afternoon.

TREVOR HILL: Hi, Khurram.

KHURRAM MALIK: Hi. How are you? Just a couple --

TREVOR HILL: Good. You?

KHURRAM MALIK: I'm very well, thank you. Just a few questions. First of all, would the two partnerships that you announced for the quarter, could you just walk us through how they sort of work? Just the nuts and bolts of it. Let's take Aclara, for example. So they're a leader in AMI, and if I heard correctly, they don't have a strong presence with small water utilities. How will the pull actually work there?

TREVOR HILL: Yes, so you've heard me talk about technology adoption before, and what's unusual about the water AMI technology

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adoption in particular is that we seek—we saw it get its foothold in bigger municipalities, so Toronto, New York, San Francisco have Aclara AMI for water already. But what they have had less success in is penetrating the smaller municipalities of which, as everyone knows, there are 25 or 30,000 municipalities with less than 50,000 people in the United States. And so, this partnership does two things: it first gives Aclara an opportunity to access that—those smaller municipalities through FATHOM, and for Global, it gives us an opportunity to help Aclara with those opportunities that come to them where the cities are looking for IT hosting or finance or our presentment tools or AMI in conjunction with billing, and so it really is a nice partnership. Both parties receive something significant, I think, going in both directions.

KHURRAM MALIK: Okay. Is there any exclusivity there?

TREVOR HILL: No, it's a non-exclusive arrangement because it's national, but the way that we've structured it, I think it's quite specific around the strengths that each partner has.

KHURRAM MALIK: Okay. Then on the ESRI Partner Network, how does the sales process there work? What exactly is ESRI's role in the landscape, and how do you marry up with that?

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TREVOR HILL: Yes, it's a great question. It's a slightly different kind of partnership. ESRI is really the market leader in every municipality of virtually every size. They actually have much more presence in the larger municipalities also. Any city that wants to map by GIS their infrastructure, be it lines in the ground or streets or parks or street signs, or anything that municipalities are interested in keeping track of and managing geospatially, ESRI is the dominant platform in the landscape.

And ESRI has a program where companies partner or team with them to build products around a geospatial reference. And our customer information system is geospatially referenced, and so it's a partnership we've been growing for a long time. We formalized it this quarter. What it means is that ESRI has a stated interest also, like Aclara, of accessing smaller municipalities, and right now ESRI doesn't host in the cloud their offerings. Global was one of the first to pioneer cloud-based ESRI offerings for small municipalities, and so we are, together through the FATHOM platform, bringing cloud-based services to smaller municipalities. So they're excited about that piece, having a means of accessing smaller municipalities through FATHOM. Of course, they also have customers in other municipalities, in other regions that have an interest in the broader

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FATHOM offering. So again, an opportunity that helps both of us achieve a greater market share.

KHURRAM MALIK: Okay. Great. Thanks for that. Moving on to your regulated business, obviously it was a very strong quarter for that, and part of it was the increased (inaudible) connections. Could you talk about the revenue for connections there? That seems to be quite high as well, unusually so in the quarter.

TREVOR HILL: Yes. So, you know that about two-thirds of our connections are water, and a third are wastewater. And the seasonality that comes with water connections, particularly in the Southwestern United States is quite material. So you typically see the third quarter as being the strongest revenue quarter as a function of consumption as it relates to temperature for that quarter. Now, that combined with our 4 percent growth and the impact on rates is why you see that dramatic increase.

KHURRAM MALIK: Okay, but in terms of gallons consumed and all that, where there's sort of an in-between in normal sort of balance.

TREVOR HILL: Yes. Within the band of expectation, these revenues were in line with our projections.

KHURRAM MALIK: Okay, great. So moving on to the unregulated business where a lot of the focus is, if I'm looking at your MD&A and sort

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of—your D is always disclosed in the previous quarter, which was around 145,000 meters, and in the current sort of MD&A, you're talking about nine municipalities representing 60,000 meters, another seven cities representing 45,000 meters, that's roughly—when you net out the El Cajon contract and the 19,000 meter RFP, which decided not to go forward, it roughly works out to about 105/110,000 meters. So it's roughly the same number. Is it roughly the same number of the same guys at the table? Or is that number of prospects switched in and out?

TREVOR HILL: Yes, it's—yes. I think that the easiest way—and I know that we have continued to work on better ways to talk about this growing funnel, but the best way to think about it, I think is that yes, we had a few—you're right. Last time we reported about 145,000 meters in various processes, and through a couple of change-outs or guys who have not yet made a selection or decided not to make a selection, less the one that we won, but then coupled with new additions to that list, we're actually sitting now at about 182,000 meters in that activity band at the end of the quarter. So even though it's a little difficult to decipher that from the MD&A, that list has actually grown fairly materially over that quarter again.

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KHURRAM MALIK: But sort of the hot or white-hot prospect was that—you know, using previous terminology, is it the 105,000 meters that are looking to go over the next two quarters?

KHURRAM MALIK: I would think a little higher than that. That probably sits at about 121 right now.

KHURRAM MALIK: Okay. And since we're further down the process now and you've got probably more clarity on some of these RFP processes and some of the more—or the sole source tax that you're going after, is this—are these the ones you're—how would you characterize there? These are the—is that number something you're comfortable with at this stage? Or is it—is there some ambiguity there in terms of timing? Or—and what can we expect before the end of the year versus what may happen in Q1 next year?

TREVOR HILL: Yes, well, I—there's no accounting for the fickle nature of these municipalities. They come on strong one week and then they get into a different financial crisis the next. Some places in West Texas are incredibly bullish as a function of their current water situation, so it's difficult, Khurram, to say with any certainty.

What I expect is that these municipalities in every case are going to do something. We know that. Now, whether it is through a formal RFP

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process, whether they decide to go directly, whether they buy a portion or all of FATHOM are things that seem to be changing in the minds of the decision-makers right up until the last moment, and—but the whole process is moving forward. Some guys who I thought for sure would have gone to an RFP process have come back and said, no, our counsel just wants to get it done. Now, “get it done” on a municipal scale can be frustratingly slow for us, but the truth is, is that the internal decision-makers, as we've always defined the white-hot list as being those non-elected municipal decision-makers are—in their minds have determined that this is a cost-saving, revenue-generating customer-improving process, and the way in which they procure it is the part that we're discussing here. So I am bullish on these guys making decisions through one process or another, and I think that you will see El Cajon is the first of those, but there's a lot of activity around here right now, and I think you'll see that accelerating through the end of the year and into the first quarter.

KHURRAM MALIK: Okay. And how many of those, sort of—for this year anyway, how many RFPs are you currently active in? And the reason the I'm bringing that up is I'm assuming once you get into an RFP, it's fairly well structured and predictable to a relative degree. Now, there's a whole

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different issue of actually signing a contract at the end of an RFP if you win it, but at least, you know, getting through the RFP.

TREVOR HILL: I'm going to give you that number exactly here in one second, but let me answer the second part first. I think—it's interesting. We've seen a couple RFPs out where they have finished the process but not made a selection, so that can be a bit frustrating. We saw a few RFPs come out that were incredibly narrow as to reduce the value of the FATHOM platform. Now, most times when we get to someone before that, it comes out in a way that makes sense to us, but it's a discipline to not respond to RFPs that in fact start to decompose the value proposition of FATHOM. But right now, there are about four RFPs that we are currently active with, and we expect another four or so by the end of the year.

KHURRAM MALIK: Okay, great. Thank you.

OPERATOR: Our next question comes from the line of Dave Taylor with GMP Securities. Your line is open.

DAVE TAYLOR: Hi there.

TREVOR HILL: Hello.

DAVE TAYLOR: I just have two questions. On Page 12 of your MD&A under the operating expenses, you comment on, I think it was

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almost 500,000 of nonrecurring material labour and other costs associated with the project implementation of FATHOM. So my question is, are these not costs that would be associated with every implementation?

CINDY LILES: Hi David. It's Cindy. Thanks for the question. The reason we isolate it is these particular costs are specific to a certain implementation, so they do not recur. So in this instance, this was our finalizing the AMI implementation for Grass Valley and some final meters for Covina as well. So when you see the nonrecurring material, it's actually—a big component of that is the cost of meters themselves and the implementation charges. So it relates specifically to a revenue line item, if that helps.

DAVE TAYLOR: Thanks for that. And can you comment on your expectations for the revised terms of the 11.9 million, the third acquisition payment due in March?

TREVOR HILL: Yes, well, we are—we have commenced discussions with the party that holds that obligation—we hold the obligation with. I am not at a stage in those negotiations yet to disclose terms, but I can tell you that the discussions have been positive, and I expect to have more clarity by the end of the year.

DAVE TAYLOR: Okay. That's it for me. I'll get back in queue.

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OPERATOR: And again, to ask a question, please press star then the number one on your telephone keypad.

Your next question comes from the line of Ian Thorpe with CIBC World Markets. Your line is open.

IAN THORPE: Thanks, and good afternoon.

TREVOR HILL: Hello, Ian.

IAN THORPE: Hi. So I'll pick up where the last questioner left off on the 11.9 million. You spent some time talking about liquidating your MD&A. I wonder if you can talk about some of the alternatives potentially, Trevor, to refinancing with your counterparty there, I guess available to you now. And then also, you've got some payments coming up in December. So just a bit more clarity, I guess, on liquidity in general.

TREVOR HILL: Sure. Well, let's start with the \$11.9 million liability. We're really working on three independent strategies currently. I mentioned the first one already, which was just to renegotiate the terms of that payment and spread it over some period of time with some interest component. And I don't want to make any representation that that's a done deal, but we've had—started some dialogue and I'm optimistic. I also have two other options I'm pursuing. One is a re-funding of our existing bonds, which goes in concert with the credit rating, which we're pursuing

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with SMP. The world is—appears to be deal hungry, and there appears to be an opportunity to re-fund those bonds, let's say, on favourable terms. And through that process, it appears that with the cash coverage we currently show, we could increase the face value of that re-funding to provide some additional liquidity for the company, primarily to be able to manage that note at the end of March. And thirdly, I'm pursuing an alternative with an institution called East West Bank, and again, without making any representations on that, there does appear to be an interest in some very low cost bond-like financing that can be done fairly rapidly at a very good rate. And we are pursuing all three of those courses simultaneously; they are not mutually exclusive. I may be able to do one or all of those, but I do expect to be able to do them in concert sufficient to clear that obligation, and I'll have good visibility on that by the end of this year.

IAN THORPE: Okay, so that was going to be my next question. In terms of timing, do you think by the end of 2011 you could have resolution on one or more of those?

TREVOR HILL: That's my plan, Ian.

IAN THORPE: Okay. Best-laid plans.

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TREVOR HILL: Well, I feel good about it, actually. We're working on it for a few months now; it's—you know, we're doing work on all three of these right now, so, like I say, I'm optimistic that we'll get there, at least have visibility into what the options are by then.

IAN THORPE: Okay. Thank you. So turning back to the sales pipeline if I will—or if I may. So you've come down, I guess, with the numbers in this quarter: 16 in total, 105,000 as broken down by a previous caller. I wonder if you can talk a bit about the split this quarter in terms of AMI versus no. You've given that split in prior quarters.

TREVOR HILL: Yes, just—Ian, just to rephrase your question, are you talking about the split of CIS versus AMI prospects in the pipeline?

IAN THORPE: Right. I think you talked a lot about AMI and the percentage that we're looking for AMI, but any type of delineation of split that you could give would be helpful.

TREVOR HILL: I would say right now—and one of the reasons that the Aclara partnership is so important and timely is that probably 80 percent of our current list has an AMI element to it. The El Cajon was an RFP that we won that was specifically geared to a CIS application, but I think it's a bit of an outlier as far as what the main thrust of our selling and discussions have been with municipalities. And to be honest, the more we

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move this platform into the market we see cities starting to understand the benefit of coupling CIS and AMI and the asset management platform which ties to the ESRI piece for their work order management processes, particularly as it relates to the CIS day-to-day blocking and tackling.

IAN THORPE: Okay. And I believe in the last quarter, you had mentioned kind of a top-level sales prospect number of 314,000, and you previously mentioned 182,000 meters, so that's—are those the equivalent numbers in terms of the total interest that you have in engagement with clients?

TREVOR HILL: Well, like I say, we're—we have—in an effort to try to make this clearer for analysts, we've been honing the way in which we report on this, but one thing that we did tell the market, but I'll reiterate, we had—we were pursuing one large CIS only, what we call Blue Burg (phon). It came out of nowhere—opportunity for us; it was 150,000 meters. We bid at a competitive price. An outsource billing only company did win that at probably \$0.25 a bill less than us, which was fairly material in that one. And that represented a fairly big chunk, so you back out of that 150—like I say, which had come in out of nowhere, we actually have increased the pipeline with just our standard-size deals since the last time we reported.

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IAN THORPE: Okay. That's helpful. And so you touched on my next question, which is any type of details on RFPs or processes that you may have lost? Though it sounds like in that case it was a function of price, perhaps some kind of capabilities, but what kind of push-back are you getting? And how many have you actually formally lost, if you will?

TREVOR HILL: You know, we—two things. On the previous—on the large one, what we didn't know was that the company who won that did have a foot in the door with the company prior and was already on their—the company was using that platform, so it put us at a bit of a disadvantage. But as far as RFPs, we haven't lost any yet. What we're finding is that they either are unproductive at the end of the day or the cities have yet to make a final decision. So we still—you know, in some cases our fees have yet to be issued, in some cases they've been issued and we responded and haven't heard a response, in some cases they have yet to make a final decision. So guys who are writing our fees now in this economy, I think—although they remain a bit fickle, our track record is still strong for winning these things, Ian, and I expect—because our offering is so unique that the biggest challenge is to make sure that the RFPs are written in a way that highlights our sustainable competitive advantages in the marketplace.

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IAN THORPE: Okay. And then finally, Trevor, you've talked about rolling into new markets. I believe you've had larger pushes into Southern California. I wonder if you can talk about some of the efforts to roll into other states. Is it going to be opportunistically? Or are there going to be, kind of stated marketing campaigns? What are your plans at this point in time?

TREVOR HILL: Yes, it's a great question. Obviously what you're learning and what we're learning is that to grow this business fast, which is our intention, you need to have a phenomenally massive pipeline, and—to help offset some of the uncertainty associated with the length of the sales cycle. So even though our focus has been and continues in California where the growth—where the drivers for FATHOM are very strong, budget issues have coupled with water scarcity and we see that. We've got a full-time sales guy over there and a dedicated inside sales guy, and that pipeline's strengthening.

But in addition, the market drivers in Texas just in the last two quarters are phenomenal. You'll appreciate that much of Western Texas is in a crisis for water, and when you look at some of their water sources, which are primarily surface water, lakes and rivers, these are at record low levels. And so this year, we made a commitment to attend four League of

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City conferences in a big way with California, Arizona, Texas and Oregon state, and—as our introduction to those market places, and we were met with phenomenal interest to the extent that we've put one full-time sales guy in Texas with an inside sales guy. They've literally had dozens of meetings in Texas and real interest there. It's really new interest; they're trying to get their hands around their existing crisis; Global can help a lot as well as Oregon state. Then what we're seeing is that through these partnerships that have been brewing for some time, we are getting pulled into other areas where they have presence already, maybe at a bigger level but have interest from smaller utilities. So you see that from a push perspective, we are focused on California, Arizona, Texas and a little bit of Oregon. From a pull perspective, you can imagine we're getting pulled toward Colorado and Florida and a couple of other key areas where budget crisis plus water scarcity are present. And that—that's nice for us because it really comes at very low marketing and sales costs in those pull regions.

IAN THORPE: That's it for me. I'll get back in queue. Thank you.

TREVOR HILL: Thanks, Ian.

OPERATOR: Again, to ask a question, please press star, one on your telephone keypad.

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And you have another question from the line of Ian Thorpe with CIBC World Markets. Your line is open.

IAN THORPE: I guess I am the queue. So we'll go in a different direction. Trevor, you disclosed the U₂You and iPhone applications and talked about those, so I wonder—and I know it's going to relate to rate making, but if you're giving real-time use data, you're comparing people to their peers, their neighbourhood, et cetera, theoretically you're driving behaviour and potentially consumption patterns could drop, so how do non-related FATHOM clients reconcile this to the fact that they charge typically on a volumetric basis? So are you—do you get push-back? Or is this only applicable to certain types of clients that aren't as volumetrically driven?

TREVOR HILL: I love this question.

IAN THORPE: Oh, thank you.

TREVOR HILL: So thank you for the insightful question. And the reason that it's an important question is this. This issue of demand destruction as a function of price signals is a big issue. Okay? No question. Right? If you incent customers to use less water, it does mean less revenue for cities. Now, as you know, in Global we are a pioneer in revenue decoupling, and last rate case we had a revenue-decoupling-type

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rate structure put in place; six tiers, what we call volumetric rebate threshold rates. This is a way of helping municipalities or cities or companies like ours manage the certainty of demand destruction, or to manage the certainty of revenue destruction as a function of conservation principles, and you see that in Global, even though we've incented certain behaviours amongst high users, revenues are quite predictable in our utility, and that's a function of higher base rates and lower impact of consumptive tiers, et cetera.

Now, the truth is unlike the Smart Grid for power where really, that's about load shifting and load shaping, in the Smart Grid for water, it is about using less water. Make no mistake. Right? You look at Texas, and when the Mayors of those cities call me, they're like, help me understand how to have my customers use less water; a lot less. And they're doing that irrespective of the revenue problem because some of their wells are going dry. They—and some of their service water sources are no longer viable. So Smart Grid for water is about drastically reducing consumption. So it's not just visibility to consumption that drives consumer behaviour, it's a combination of visibility to consumption plus appropriate price signals. You can imagine if your water bill is \$15 a month, not only would you spend less time on our website but you would have a relatively minimal impact on

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elasticity. But at \$200 a month, you can see an elastic correlation between consumption and price. So this is something that everyone's trying to get their arms around. I think Global really has a leadership role in this revenue decoupling piece, and our tools are designed so that when cities start to implement these rate structures that incent conservation, they do it knowing that it's going to reduce overall demand for water.

IAN THORPE: Well, that's an evolving story. I appreciate the information, Trevor.

TREVOR HILL: My pleasure.

OPERATOR: There are no further questions in the queue at this time. I'll turn the call back over to Mr. Trevor Hill for closing remarks.

TREVOR HILL: Thank you, everyone. I would like to thank everyone who jumped on the call today. We remain excited here at Global, and we look forward to talking about the fourth quarter with you early in the new year. Thanks, everyone.

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