enercare™

Enercare Solutions Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Year Ended December 31, 2017

Dated March 5, 2018

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The consolidated financial statements of Enercare Solutions are prepared in accordance with IFRS. Enercare Solutions' basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the consolidated financial statements for the period ended December 31, 2017. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units and "per unit" amounts, Shares and "per Share" amounts, SE Subscription Receipts and percentages (except as otherwise noted). Unless otherwise specified, dollar amounts are expressed in Canadian dollars.

As at December 31, 2017, Enercare Solutions was a wholly-owned subsidiary of Enercare. Enercare Solutions operates its businesses in two segments: Enercare Home Services – provision of water heaters, furnaces, air conditioners and other HVAC rental products, protection plans and related services, and Service Experts – provision of sales, installation, maintenance, repair and rental of HVAC systems and water heater products through Enercare Solutions' Service Experts subsidiaries.

Certain definitions of key financial and operating terms used in this MD&A are located at the end of this MD&A under "Glossary of Terms".

FORWARD-LOOKING INFORMATION

This MD&A, dated March 5, 2018, contains certain forward-looking statements within the meaning of applicable Canadian securities laws ("forward-looking statements" or "forward-looking information") that involve various risks and uncertainties and should be read in conjunction with Enercare Solutions' 2017 audited consolidated financial statements. Additional information in respect of Enercare Solutions, including the AIF, can be found on SEDAR at www.sedar.com.

Statements other than statements of historical fact contained in this MD&A may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to Enercare Solutions, including Enercare Solutions' business operations, business strategy and financial condition. When used herein, the words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "goal", "intends", "may", "might", "outlook", "plans", "projects", "schedule", "should", "strive", "target", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. These forward-looking statements may reflect the internal projections, expectations, future growth, results of operations, performance, business prospects and opportunities of Enercare Solutions and are based on information currently available to Enercare Solutions and/or assumptions that Enercare Solutions believes are reasonable. Many factors could cause actual results to differ materially from the results and developments discussed in the forward-looking information.

In developing these forward-looking statements, certain material assumptions were made. These forward-looking statements are also subject to certain risks. These factors include, but are not limited to:

- actual future market conditions being different than anticipated by management;
- the risk that the roll out of rental HVAC offerings beyond the present seven states in the United States does not realize anticipated results as the rental model is a new concept in this industry in the United States; and
- the risks and uncertainties described under *"Risk Factors"* in this MD&A.

Material factors or assumptions that were applied to drawing a conclusion or making an estimate set out in forward-looking statements include:

- the view of management regarding current and anticipated market conditions;
- industry trends remaining unchanged;
- the financial and operating attributes of Enercare Solutions and Service Experts as at the date hereof and the anticipated future performance of Enercare Solutions and Service Experts;
- assumptions regarding the volume and mix of business activities remaining consistent with current trends;
- assumptions regarding the interest rate of the 2016 Term Loan, 2014 Revolver and foreign exchange rates; and
- the number of Shares outstanding increasing as a result of the DRIP.

There can be no assurance that the anticipated strategic benefits and operational and competitive synergies from the SE Transaction will be realized. There can be no assurance that recent results from the introduction of the rental model to Service Experts in Canada and the United States are indicative of future results. There can also be no assurance as to any potential outcome of the Bureau's inquiry and the effect on Enercare Solutions' business.

Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on such forward-looking statements and assumptions as management cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Enercare Solutions. All forward-looking information in this MD&A is made as of the date of this MD&A. These forward-looking statements are subject to change as a result of new information, future events or other circumstances, in which case they will only be updated by Enercare Solutions where required by law.

Please see the section entitled *"Risk Factors"* in this MD&A for a discussion in respect of the material risks relating to the business and structure of Enercare Solutions.

OVERVIEW

Enercare Solutions, primarily through acquisition, has become a multi-segment and product company since its origins in 2002 as the Trust, which primarily financed rental equipment originated and serviced by DE. On October 20, 2014, Enercare Solutions purchased the Ontario home and small commercial services business from DE and effectively reunited the business separated in 2002 with the creation of the Trust. Enercare Solutions, through its subsidiaries, operates the Enercare Home Services business.

On May 11, 2016, Enercare Solutions, through an indirect wholly-owned subsidiary, acquired, through a merger, SEHAC Holdings Corporation, now SEHAC Holdings LLC, which owned Service Experts. Enercare Solutions purchased 100% of the outstanding shares of SEHAC. Service Experts provides sales, installation, maintenance, repair and rental of HVAC systems and water heater products directly to residential and light commercial customers. As of March 5, 2018, there were 91 Service Experts locations in the United States and Canada.

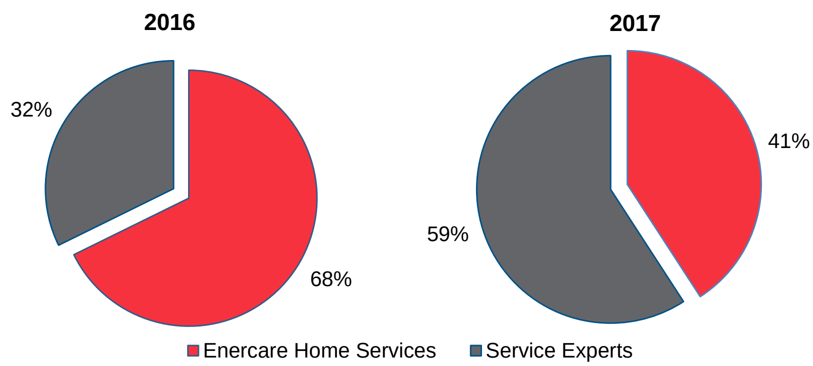
Through its Enercare Home Services and Service Experts businesses, Enercare Solutions provides intelligent and energy-efficient products, services, programs and solutions that enable homeowners and multi-unit owners to make a substantial contribution to North America's growing culture of energy conservation.

Enercare Solutions has grown revenues every year since its inception in 2002, generated stable cash flow and consistently maintained a high dividend yield. Enercare Solutions has investment grade ratings of BBB/stable from S&P and DBRS, respectively.

PORTFOLIO SUMMARY

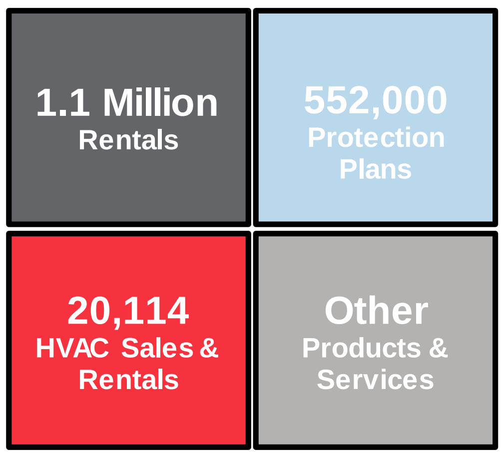
Enercare Solutions' primary businesses are comprised of Enercare Home Services and Service Experts. The primary business activities within each of the Enercare Home Services and Service Experts segments are discussed below. Service Experts revenues in 2016 accounted for only a partial year from May 11, 2016 to December 31, 2016, while Service Experts revenues in 2017 reflect a full year of results.

Revenue By Segment



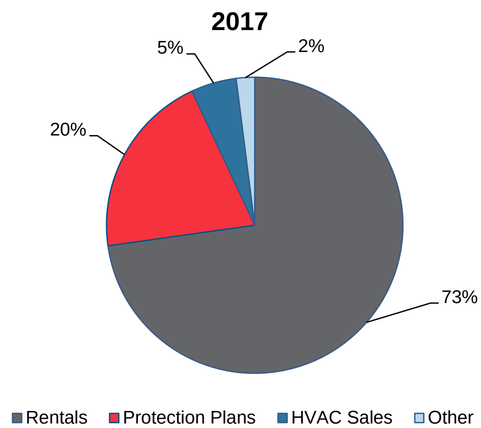
Enercare Home Services Business

There are four main business activities within Enercare Home Services: Rentals, Protection Plans, HVAC Sales and Other (which includes duct cleaning and chargeable services). The following diagram shows the breakdown of customer contracts for each such activity for the year ending December 31, 2017.



Of the four main business activities, the Rentals component produces the largest portion of revenue, followed by Protection Plans, HVAC Sales and Other, as illustrated in more detail by the following chart.

Home Services Revenue By Category



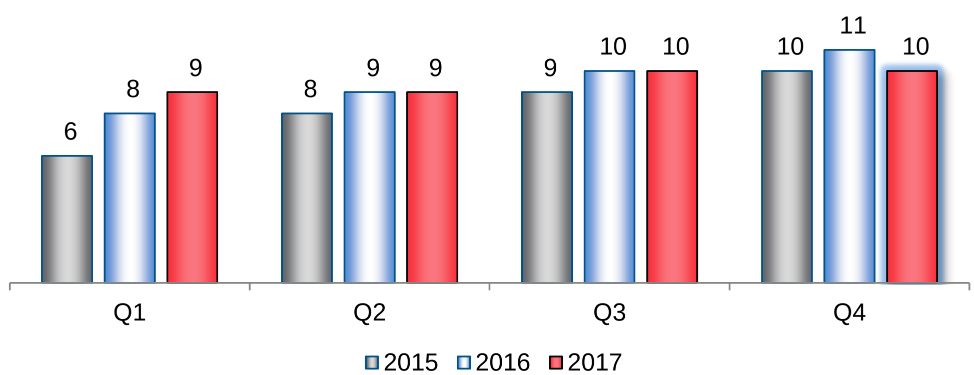
Rentals

Enercare Home Services is focused on growing its rental portfolio by increasing originations and reducing Attrition.

In 2017, Enercare Home Services successfully grew its rental portfolio by approximately 8,000 units. Rental unit additions have surpassed Attrition since the third quarter of 2015 by approximately 19,000 units in total. This represents the first ten consecutive quarters of net unit growth for Enercare Home Services in over a decade.

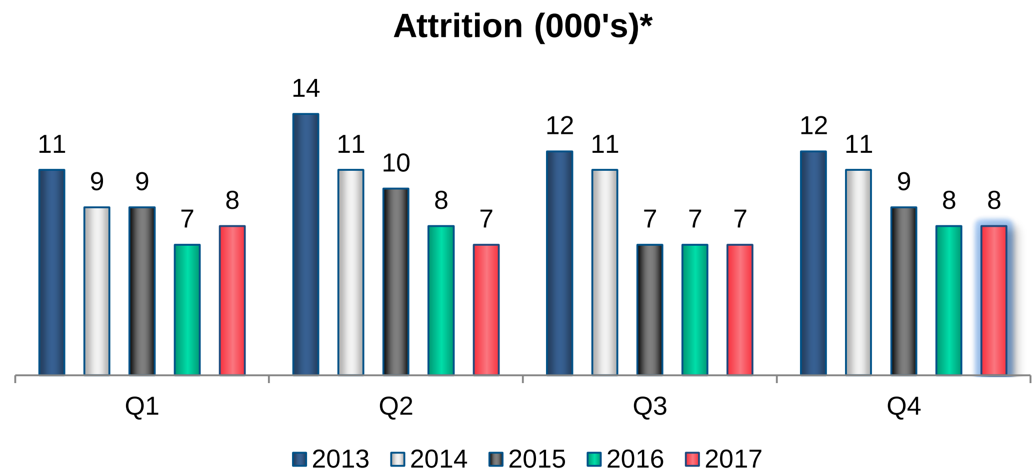
Originations are primarily obtained from the new home builder market and new customers identified through field technicians and dealers. New products, such as rental HVAC (discussed further below in the section entitled "HVAC Sales and Rentals"), have contributed significantly to increasing total originations. As seen in the graph below, additions were approximately 10,000 units in the fourth quarter of 2017 and 37,500 units for the year ended December 31, 2017, decreases of 9% and 1%, respectively, compared to the same periods in 2016.

Rental Additions (000's)*



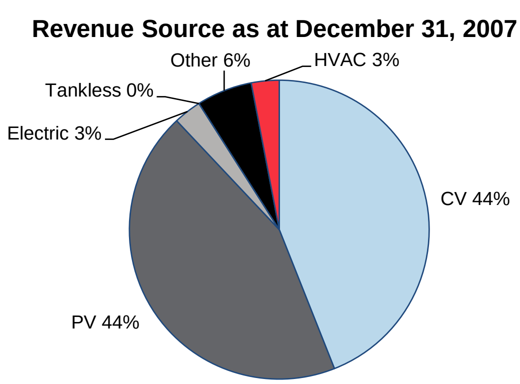
* Rental additions presented have been rounded in thousands of units and are consistent with the installed asset unit continuity presented in the "Liquidity and Capital Resources – Capital Expenditures" section in this MD&A. To ensure consistency with rounded year to date and period end balances, the rounded units presented in the chart above may vary by +1 or -1 in certain quarters from results rounded to the nearest hundred units elsewhere in this MD&A.

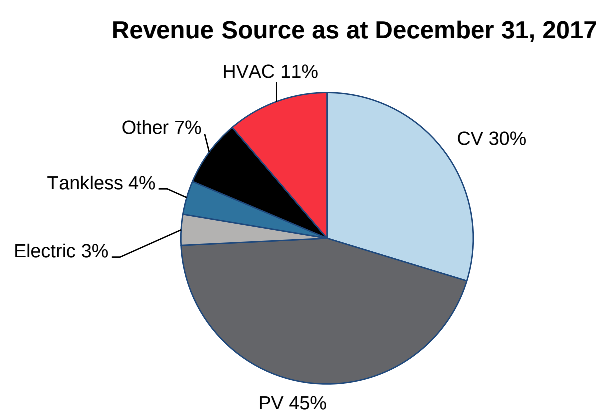
To aid in the reduction of Attrition, Enercare Home Services has implemented many programs, including continued consumer education campaigns and customer retention programs. Such initiatives, coupled with enhancements to our customer value proposition (for example, the "same day service campaign") and the coming into effect of Bill 55 on April 1, 2015, have helped to significantly reduce Attrition. Attrition of approximately 7,700 units in the fourth quarter of 2017 and approximately 29,500 units for the year ended December 31, 2017, improved by 7% or 600 units and approximately 2% or 500 units, respectively, compared to the same periods in 2016, which had Attrition of 8,300 and 30,000, respectively. The chart below illustrates Attrition trends since 2013.



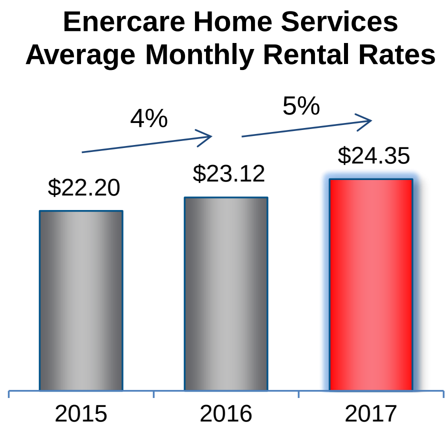
* Attrition units presented have been rounded in thousands of units and are consistent with the installed asset unit continuity presented in the "Liquidity and Capital Resources – Capital Expenditures" section in this MD&A. To ensure consistency with rounded year to date and period end balances, the rounded units presented in the chart above may vary by +1 or -1 in certain quarters from results rounded to the nearest hundred units elsewhere in this MD&A.

In recent years, changes in water heater technology, regulatory requirements relating to energy efficiency and consumer trends have led to an increase in the origination of higher value products. One of Enercare Home Services' growth platforms has been to focus on single family and multi-residential HVAC rental units. Although the results have a small impact on the unit continuity, HVAC units provide three to five times more rental revenue than that of a water heater. A comparison of the asset mix ten years ago to that of today reveals that the portfolio contains a higher percentage of power vent ("PV"), HVAC and tankless rental units, all of which provide a higher revenue than conventional vent ("CV") units.





Enercare Home Services is also able to grow revenue through rental rate increases each year. In January of 2016 and 2017, Enercare Home Services increased its weighted average rental rate by 2.74% and 3.10%, respectively, with respect to the rental water heater portfolio. This, in combination with asset mix changes and the focus on adding rental HVACs, led to an increase in the average portfolio rental rate of 4% from 2015 to 2016 and 5% from 2016 to 2017. The weighted average rental rate increase for the HVAC rental portfolio was 5% from 2016 to 2017.



Protection Plans

Enercare Home Services sells a variety of plans covering such items as furnaces, air conditioning, plumbing, fireplaces, electrical components and appliances. There are two types of protection plans: maintenance protection plans and full service protection plans. Maintenance protection plans essentially only provide for annual maintenance services, whereas full service protection plans provide a broader suite of protections, such as parts and labour. The plans are typically one year in length with monthly or annual payment options. Due to the annual nature of the contract, the protection plans tend to have a higher churn rate.

Protection plans are strategically important to generate future sales opportunities. Maintenance protection plans allow technicians to engage with homeowners to identify opportunities to drive additional customer value through expanded protection plan coverage or equipment replacement. Full service protection plans become increasingly attractive to homeowners as their equipment ages. Service calls for older furnaces and air conditioners are a significant source of leads for both new HVAC rental additions and outright sales.

Enercare Home Services also sells an extended protection plan program on heating and air conditioning sales. These plans not only allow Enercare Home Services to retain the customer relationship, but also provide for on-going maintenance. The plans augment the customer value proposition when a customer chooses to purchase rather than rent. Since inception, approximately 82% of residential HVAC unit sales included an extended protection plan.

Enercare Home Services' protection plan portfolio increased by approximately 10,000 plans in 2017 to 552,000 plans as a result of improvements in both additions and retention. Compared to 2016, protection plan additions of approximately 77,000 plans increased by 8%, while attrition of approximately 67,000 plans improved by 9%, in part due to new plan offers and competitive pricing, compared to 2016. Attrition includes approximately 9,100 (2016 – 9,300) protection plans cancelled as a result of those plans being replaced by rentals as part of the Enercare Home Services growth strategy.

In 2017, HVAC unit originations continued to be more through rentals than sales. As a result, the opportunities for protection plan sales were fewer as rentals already include a service component. The execution of our HVAC rental strategy is a key component of the long-term growth of the business, as we continue to grow our recurring revenue base, including service offerings that allow us to provide a valuable experience for customers while positioning ourselves for future cross selling opportunities.

The following table illustrates the protection plan contract continuity for the year ended December 31, 2017 and 2016.

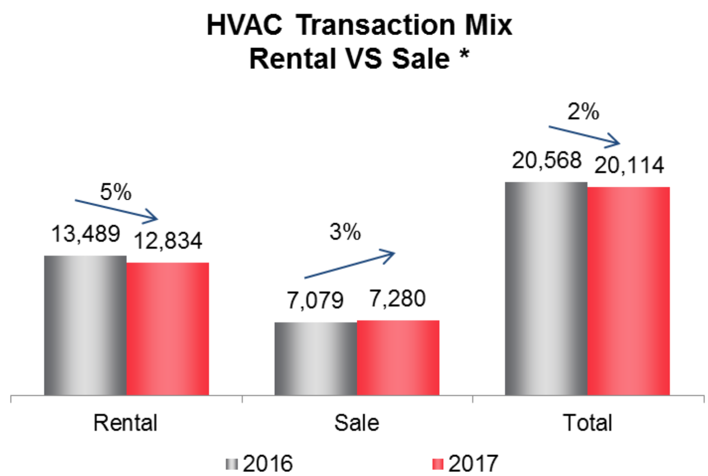
	For the year ended December 31,	
Protection Plan Unit Continuity (000's)	**2017**	2016
Contracts - start of the period	**542**	545
Portfolio additions	**77**	71
Protection plan attrition	**(67)**	(74)
Contracts - end of the period	**552**	542
% change in units during the period	**1.8%**	(0.6%)

HVAC Sales and Rentals

A customer can acquire an HVAC asset through a sale, comprised of an outright purchase or through financing, or a rental. Typically, most HVAC originations occur during the heating and cooling seasons of the year.

As part of Enercare Home Services' strategy to grow its recurring revenue customer base, Enercare Home Services re-launched its HVAC rental program in 2013. Converting a customer from an outright sale to a long-term rental product is capital intensive and creates a short-term reduction in the income statement, as opposed to in year sales margin. However, rental HVAC creates a long-term customer revenue stream and the rental relationship provides greater cross-selling opportunities and is therefore more valuable than a one-time sale. Enercare Home Services estimates that a rental unit is worth approximately 2.5 times that of a sale on a discounted cash flow basis over the life of the asset.

A comparison between 2017 and 2016 is outlined in the chart below.



* HVAC rental and sales units presented include residential, commercial and multi-residential rental additions and sales.

During 2017, Enercare Home Services rented 12,834 new units, a decrease of 5% over the prior year, and sold approximately 7,280 units for a total of 20,114 HVAC units, compared to 20,568 units in the prior year, a decrease of 2%. During the fourth quarter of 2017, Enercare Home Services adjusted its HVAC rental product offers, rebalancing good, better and best heating and cooling systems, which shifted originations slightly more toward sales.

HVAC sales and rentals in 2017 were impacted by unfavourable weather trends throughout the year. The unseasonably warmer temperatures, as measured by heating degree days[1], experienced in the first quarter of 2017 led to fewer furnace breakdowns and lower demand for HVAC unit rentals and sales to start the year. Weather conditions during the second quarter of 2017 continued to be less favourable compared to the same period in 2016, despite a return to more seasonable temperatures. During the second quarter, these less favourable conditions were offset by increased marketing and promotional offers coupled with customers taking advantage of Ontario air conditioning rebate offers, which led to a 16% increase in rentals and sales during the quarter. Softer demand for air conditioning rentals and sales continued in the third quarter of 2017 as a result of 40% fewer cooling degree days[1] compared to the same period in 2016. Although this led to lower HVAC rentals and sales during the quarter, this was partly offset by strong sales execution, driving higher ticket prices and closing rates. During the fourth quarter of 2017, demand for HVAC rentals and sales continued to be lower than anticipated as warm weather trends combined with fewer discounts and promotional offers than in the prior year contributed to lower demand.

The strategy to convert HVAC sales into rentals has resulted in increases to our recurring revenue. Nevertheless, Enercare Home Services continues to be financially impacted by this strategy in the short-term. For example, had all 12,834 new HVAC rental additions in 2017 been sales as opposed to rentals, revenues and EBITDA would have increased by approximately $40,700 and $17,400, respectively. These estimates take into account the impact of lost one-time sales revenues from corporate sales and royalty revenues earned on franchisee sales, both net of rental revenues earned, and capitalized costs which would have otherwise been included in cost of goods sold had these new HVAC rental additions been sales as opposed to rentals.

Other

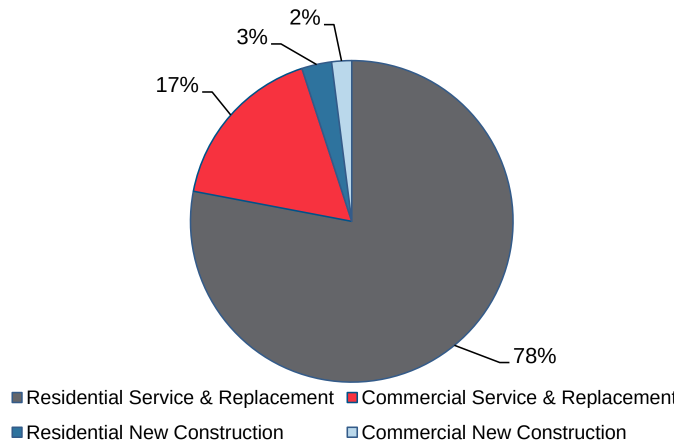
The Other category includes ancillary services such as duct cleaning, plumbing and electrical work and other non-contracted chargeable services provided by Enercare Home Services.

Service Experts Business

Enercare Solutions expanded into the U.S. marketplace through its acquisition of Service Experts in May 2016. Service Experts is a leading provider of HVAC equipment and servicing to residential and light commercial customers and, as of March 5, 2018, operated 91 centers in 29 states in the United States and three provinces in Canada.

[1] Heating/cooling degree days for a given day represent the number of Celsius degrees that the mean temperature is above or below a given base temperature, in this case 18°C. If the temperature is equal to 18°C, then the number will be zero. Values above or below the base of 18°C are used primarily to estimate the heating and cooling requirements of buildings. Temperatures below 18°C result in higher heating degree days (lower cooling degree days), while those above 18°C result in lower heating degree days (higher cooling degree days).

Service Experts Revenue Mix 2017



As illustrated in the chart above, residential service and replacement made up 78% of revenues, while commercial service and replacement made up 17%. Commercial service and replacement is comprised of both services to commercial customers at Service Experts' local centers as well as commercial services to its national account customers that are managed through Service Experts' national accounts group. The major business activities within both the residential and commercial businesses consist of HVAC and water heater sales, servicing and rentals, and maintenance contracts.

HVAC and Water Heater Sales, Servicing and Rentals

HVAC and water heater sales and servicing includes service and replacement, which consists of demand, tune-up and HVAC unit replacements and upgrades, commercial HVAC service and replacement, and HVAC installations in commercial and residential new construction. Water heater sales and rentals consist primarily of on-demand residential water heater unit replacements and upgrades.

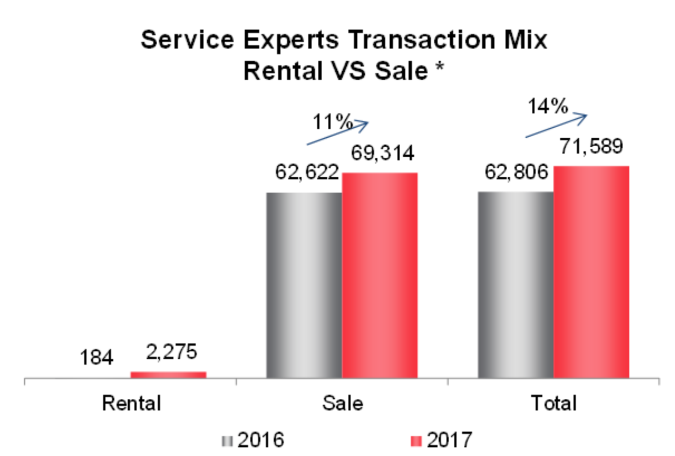
HVAC repair and replacement activities comprise the majority of the Service Experts business and are considered essential services to both residential and commercial customers. This revenue stream has minimal exposure to new construction and in recent years has been positively affected by the housing stock growth and significant pent-up demand from residential recession-era replacement deferrals in the United States. Additionally, Service Experts has focused on various growth initiatives, including expanding outbound calling and online marketing to increase the number of customer contacts which convert to booked calls and ultimately result in a larger recurring customer base.

As part of Service Experts' strategy to grow its recurring revenues, in October 2016, Service Experts introduced a rental program for HVAC and water heater products in Canada. The program rollout was completed at all 15 centers in Canada in February 2017, and while the program is still in the very early stages, Enercare Solutions is encouraged by the initial results, which show an initial rental mix for 2017 of approximately 15% (ranging from 8% to 36% depending on the center) in Ontario and 10% (ranging from 6% to 13% depending on the center) in Western Canada, where the rental model is relatively new to the marketplace. The successful introduction of the rental model in Canada is part of Enercare Solutions' plan to integrate rentals throughout the vast majority of the Service Experts' residential heating and cooling operations, by the end of 2018 to create recurring revenue.

Service Experts rolled-out its U.S. HVAC rental program throughout 2017; it is currently offered in seven states. The U.S. rental program is similar to the existing Canadian rental program, except that due to U.S. regulations, the rental contracts in the United States will be for a definitive term, which in the current states offering the program is 10 years. Enercare Solutions anticipates that the form of the contract, as driven by the U.S. regulatory environment, will result in a slower adoption of the rental program in the U.S. The preliminary rental mix of total HVAC origination in the United States for 2017 was approximately 3% (ranging from 0.2% to 12% depending on the center). While the initial results in a number of these U.S. centers have been encouraging, Service Experts continues to review its U.S. rental program to identify opportunities to improve its customer offerings and related rental execution processes. During the fourth quarter of 2017, Service Experts enhanced certain aspects of the rental program, which led to modest improvements. These enhancements will be incorporated in 2018 into the future centers that introduce the rental program.

During 2017, Service Experts sold approximately 69,314 HVAC and water heater units, and rented approximately 2,275 new units for a total of 71,589 HVAC and water heater unit installations, an increase of 14% compared to 2016. The increase in total HVAC and water heater unit installations was despite generally unfavourable weather trends[2] throughout the first three quarters of 2017, including the negative impact in the third quarter, particularly in Florida, during the days leading up to and after Hurricane Irma. During the first three quarters of the year, higher revenues were driven by marketing and other initiatives to shift sales towards higher value products, which contributed to improvements in the average selling prices of installed units. Although temperatures in the fourth quarter were considered to be one of the warmest in the past 25 years in the Southern, Western and Central regions of United States, average temperatures were nevertheless cooler compared to 2016, resulting in higher demand for HVAC sales, service and repairs during the quarter. Service Experts' sales and rentals in Eastern Canada were also similarly impacted by the same unfavourable weather trends experienced by the Enercare Home Services segment during 2017.

Furthermore, in 2017 had the 1,276 HVAC and 999 water heater rental additions been sales, as opposed to rentals, Service Experts' revenues and EBITDA would have increased by approximately $9,644 and $3,615, respectively. These estimates take into account the impact of lost one-time sales revenues, net of rental revenues earned during the quarter, and capitalized costs which would have otherwise been included in cost of goods sold had these new HVAC and water heater rental additions been sales as opposed to rentals. A comparison of HVAC and water heater sales and rentals for 2017 and 2016 is outlined in the chart below:



* Historical HVAC sales information is provided for the full year in 2016 as an illustration of the improvement in Service Experts' HVAC sales. Enercare Solutions was not party to Service Experts' HVAC sales before the closing of the SE Transaction on May 11, 2016.

Maintenance Contracts

Maintenance contracts generally consist of annual or semi-annual maintenance contracts predominantly to a recurring customer base. These maintenance plans not only generate recurring revenue but also promote the development of customer loyalty and provide the opportunity for cross-marketing of Service Experts' other products and services to such customers.

[2] Weather trends from Weather Trends International.

Service Experts currently has two types of maintenance contracts in respect of HVAC equipment. The first is a maintenance only contract where semi-annual or annual maintenance visits are conducted to perform diagnostics over HVAC equipment, while the second is a full service plan that includes repair services along with certain parts and labour. Approximately 200,000 customers have ongoing maintenance contracts covering approximately 217,000 pieces of equipment. Although the total number of maintenance contracts can fluctuate from quarter to quarter as a result of the timing of contract renewals and the number of new HVAC unit installations initiated by customers with maintenance contracts, in recent years, maintenance contracts have remained stable for Service Experts. The following table illustrates the maintenance contracts continuity for the year ended December 31, 2017.

Maintenance Contract Unit Continuity	For the year ended December 31,	
(000's)	**2017**	2016
Contracts - start of period	**216**	218
Portfolio additions	**107**	68
Portfolio attrition	**(106)**	(70)
Contracts - end of period	**217**	216
% change in units during the period	**0.5%**	(1%)

2017 HIGHLIGHTS

(000's)	**2017**	2016	Change	Percent Change
Enercare Home Services	**$ 457,204**	$438,618	$ 18,586	4%
Service Experts	**662,346**	410,735	251,611	61%
Dividend income	**3,451**	3,452	(1)	-%
Investment income	**1,349**	377	972	258%
Total revenues	**$1,124,350**	$853,182	$271,168	32%
EBITDA Excluding Intercompany Income[3]	**$ 283,314**	$267,475	$ 15,839	6%
Adjusted EBITDA[3]	**291,386**	271,958	19,428	7%
Acquisition Adjusted EBITDA[3]	**292,493**	286,836	5,657	2%
Earnings before income taxes	**$ 62,719**	$ 74,031	$ (11,312)	(15)%
Current tax (expense)	**(19,564)**	(51,358)	31,794	(62)%
Deferred income tax recovery	**3,567**	31,318	(27,751)	(89)%
Net earnings	**$ 46,722**	$ 53,991	$ (7,269)	(13)%

The following highlights compare results for 2017 with those of 2016.

- Total revenues of $1,124,350 increased by $271,168 or 32% in 2017. Revenues in the Enercare Home Services business were $457,204, increasing by $18,586 or 4%, primarily as a result of rental rate increases, asset mix changes and growth in rental HVAC units. Revenues in the Service Experts business increased by $251,611 or 61%, primarily due to the inclusion of a full year of results in 2017 compared to a partial year in 2016, higher sales volumes, and acquisitions completed during the year. Dividend income relates to an investment in ECI preferred shares of $50,000.
- EBITDA Excluding Intercompany Income increased by $15,839 to $283,314 in 2017, driven principally by improved total revenues partly offset by higher cost of goods sold and SG&A costs, comprised of higher wages and benefits, and sales and marketing expenditures.
- Enercare Home Services EBITDA Excluding Intercompany Income in 2017 increased by $10,342 or 4% to $255,449, primarily driven by rental rate increases and asset mix changes within the rental HVAC portfolio, partly offset by higher cost of goods sold and SG&A costs, primarily from higher wages and benefits and marketing expenditures.

[3] EBITDA excluding Intercompany Income, Adjusted EBITDA and Acquisition Adjusted EBITDA are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

- Service Experts EBITDA Excluding Intercompany Income of $45,265 in 2017 was $6,275 or 16% higher than that reported in 2016. The increase to Service Experts EBITDA is primarily the result of higher sales volumes, shifts towards higher value product sales and acquisitions completed during the year. These impacts were partly offset by higher cost of goods sold and SG&A costs, primarily from higher wages and benefits and sales and marketing expenditures, partly offset by lower professional fees comprised of acquisition and integration costs of $11,485 incurred during 2016 associated with the SE Transaction. Additionally, had the 1,276 HVAC and 999 water heater rental additions in 2017 been sales as opposed to rentals, Service Experts revenues and EBITDA Excluding Intercompany Income would have increased by approximately $9,644 and $3,615, respectively.
- Adjusted EBITDA of $291,386 in 2017 was $19,428 higher, after removing from EBITDA the impact of the net loss on disposal of equipment and other assets. After removing $1,107 of acquisition related expenditures primarily associated with the acquisition of Church Services, Hammond and Aramendia, Acquisition Adjusted EBITDA was $292,493 in 2017, an increase of $5,657, which excluded $14,878 of both acquisition costs related to the SE Transaction and integration costs resulting from the DE Acquisition. The increase in Acquisition Adjusted EBITDA was despite the following notable items:
    - $4,083 of higher stock based compensation costs resulting from an increase in the Share price of Enercare, and
    - approximately $3,500 of higher employee practices, workers' compensation and automobile insurance costs in the Service Experts business, driven by higher claims volumes and settlement costs, of which approximately $2,200 of these higher costs were incurred during the fourth quarter of 2017.

  Partly offsetting the above items, Service Experts experienced year over year improvements in purchase price accounting from the SE Transaction of approximately $1,800. Without the impact of these items, Acquisition Adjusted EBITDA would have increased by 4% in 2017.
- Net earnings of $46,722 in 2017 decreased by $7,269 or 13%, reflecting higher amortization and interest expense, partly offset by higher EBITDA and lower total taxes.

RECENT DEVELOPMENTS – 2017 AND 2018 TO DATE

Enercare Solutions Introduces Rental HVAC and Water Heater Offerings to Service Experts Centres in Canada

On February 13, 2017, Enercare and Enercare Solutions announced the completed rollout of rental HVAC products and rental water heaters at all 15 residential heating and air conditioning Service Experts locations in Canada.

In addition to rolling out rental HVAC and water heater products at Service Experts locations in Canada, throughout 2017 rental HVAC offerings were introduced in seven U.S. states.

Issuance of 2017 Notes and Redemption of Series 2012-1 Notes

On February 21, 2017, Enercare Solutions completed its offering of $500,000 aggregate principal amount of 2017 Notes, consisting of $275,000 (the "2017-1 Notes") and $225,000 (the "2017-2 Notes"). The 2017-1 Notes were sold at a price of 99.982% of the principal amount, with an effective yield of 3.384% per annum if held to maturity and the 2017-2 Notes were sold at 99.982% of the principal amount, with an effective yield of 3.993% per annum if held to maturity.

The 2017 Notes received ratings of "BBB", with a "stable" trend from DBRS and "BBB", with a "stable" outlook from S&P.

The proceeds of the offering were used by Enercare Solutions to redeem all of its outstanding 2012 Notes on March 23, 2017, repayment of the 2014 Term Loan, partial repayment of the 2014 Revolver and obligations under finance leases. The principal amount of 2012 Notes redeemed was $250,000. Holders of the 2012 Notes received an aggregate redemption price of approximately $258,377, which includes interest and the applicable make-whole payment.

Retirement of Scott Boxer and Appointment of Scott Boose as President and Chief Executive Officer, Service Experts

On March 20, 2017, Enercare Solutions announced the retirement of Scott Boxer and the appointment of Scott Boose as President and Chief Executive Officer of Service Experts.

The Putting Consumers First Act, 2016

On April 13, 2017, the *Putting Consumers First Act (Consumer Protection Statute Law Amendment), 2017* ("Bill 59") received royal assent. The government has stated that Bill 59 is intended to protect consumers against high-pressure tactics used by "aggressive door-to-door sales marketers to sell certain products and services."

On July 5, 2017, the Ministry of Government and Consumer Services posted a consultation paper seeking industry and other interested parties' input on the regulations to implement Bill 59 and invited public submissions. Enercare Solutions submitted its comments on August 21, 2017.

On December 18, 2017 the implementing regulations in respect of Bill 59 were published and on January 26, 2018, regulations with new disclosure requirements in connection with Bill 59 were also published. The requirements in these regulations become effective on March 1, 2018, except certain disclosure requirements which will come into effect on May 1, 2018.

Among other things, Bill 59 and its related regulations:

- Ban unsolicited door-to-door sales of prescribed appliances such as water heaters, furnaces, air conditioners and water filters;
- Void all contracts resulting from unsolicited door-to-door sales of the prescribed appliances;
- Enable consumers to demand a refund from the supplier up to one year after the payment was made under the void contract;
- Enhance disclosure in contracts related to prescribed appliances signed in the home; and
- Provides consumers with a 10-day cooling off period to reconsider their decision in respect of contracts related to prescribed appliances signed in the home.

The new rules for water heater door-to-door sales that came into effect on April 1, 2015, coupled with various Enercare Solutions initiatives to educate consumers and enhance its customer value proposition, have helped to significantly reduce Attrition in its rental water heater business. Enercare Solutions supports Bill 59 and the protection it affords consumers from door-to-door and outbound marketing abuses. The impact, if any, of additional disclosure requirements resulting from Bill 59 have yet to be assessed.

Enercare Annual and Special Meeting of Shareholders

On May 1, 2017, Enercare held its Annual and Special Meeting of shareholders. Each of the resolutions put forth to shareholders received overwhelming support, greatly exceeding the majority approval needed to pass. Accordingly, Enercare's amended and restated shareholder rights plan was approved, the nominated directors were re-elected, and Enercare's external auditor was re-appointed. The directors and external auditors of Enercare are also the directors and external auditors of Enercare Solutions.

Enercare Home Services Receives Accreditation by the Better Business Bureau

On May 1, 2017, Enercare Solutions announced that Enercare Home Services was accredited by the Better Business Bureau ("BBB") serving Central Ontario and holds a BBB rating of A.

Service Experts Acquires Hammond

On May 24, 2017, Service Experts acquired Hammond Plumbing & Heating Inc., a full-service residential and commercial plumbing and heating company, for consideration of $5,300. Service Experts acquired certain assets plus assumed warranty liabilities and paid the purchase price using cash on hand.

Service Experts Acquires Aramendia

On August 15, 2017, Service Experts acquired Aramendia Plumbing, Heating & Air Ltd., an HVAC and plumbing services business, with locations in San Antonio and McKinney, Texas, for consideration of US $24,000. The acquisition complements Service Experts' industry-leading heating and air conditioning services and solutions already offered in the San Antonio and McKinney markets and introduces full-service residential plumbing.

Service Experts Acquires Additional Operations in Texas

On January 4, 2018, Service Experts completed the acquisition of certain assets of CS Newco, LLC and Finch Newco, LLC, which offer residential and commercial HVAC, plumbing and other related services in certain Texas markets. The cash consideration for the acquisition was US $15,000 or $18,818, plus limited assumed warranty and other liabilities. Enercare Solutions funded a portion of the purchase price by drawing $15,000 on the 2014 Revolver.

Resignation of Evelyn Sutherland and Appointment of Brian Schmitt as Chief Financial Officer

On January 5, 2018 Enercare and Enercare Solutions announced that Evelyn Sutherland, Enercare's Chief Financial Officer, resigned and Brian Schmitt assumed the role of Acting Chief Financial Officer, effective January 29, 2018.

Service Experts Canada Sells the Assets of Four Centers in Ontario

On January 16, 2018, Service Experts Canada, Inc. completed the sale of certain assets and liabilities related to its residential HVAC operations in four centers located in Whitby, Scarborough, Brampton and Ottawa, Ontario to Right Time GTA Inc. for cash consideration of approximately $13,422. The sale of these assets was completed to address Enercare Solutions' Ontario market overlap, resulting from the SE Transaction, between the service territory of Service Experts business locations with that of certain Enercare Solutions franchisees.

Appointment of Director

On January 30, 2018, Enercare and Enercare Solutions announced that John W. Chandler was appointed to its board of directors.

Order for Production of Information in respect of Enercare's Residential Water Heater Business

On February 2, 2018, as anticipated, an order for production of information was issued in connection with the Competition Bureau's inquiry into whether Enercare has a dominant market position supplying residential water heaters in the former Enbridge Gas distribution territory and has engaged in anti-competitive acts through its water heater return procedures and its buyout form of contract. Known as a so-called "Section 11 order" under the Competition Act (Canada) (the "Competition Act"), this is a routine procedural step in a

Bureau inquiry. Enercare has been voluntarily cooperating with the Bureau in its process and expects that it will satisfy the information requests within required timelines. As disclosed previously, Enercare provided the Bureau with its voluntary assurance in November 2014 regarding return procedures when it completed the DE Acquisition. That voluntary assurance did not address the buyout form of contract – a form of contract that the Bureau approved in 2010. Enercare believes that it has complied in all material respects with the voluntary assurance. Furthermore, Enercare believes that it does not have a dominant market position and, in any event, has not engaged in anti-competitive acts. Enercare strives to conduct its business in compliance with all applicable laws, including the Competition Act and the voluntary assurance provided to the Bureau. Although it is not possible to predict the outcome of the Bureau's inquiry at this stage in the process, Enercare Solutions expects that Enercare will continue to work cooperatively with the Bureau to address its concerns and hopes to arrive at a mutually satisfactory resolution.

Service Experts Acquires Additional Operations in Florida

On March 5, 2018, Service Experts completed the acquisition of certain assets of Midway Services, LLC and MSICORP, LLC, which provide HVAC, plumbing and electrical, sales and service as well as residential interior kitchen, bath and general remodeling in Tampa, Florida. The cash consideration for the acquisition was USD $8,000 or $10,382, subject to post-closing adjustments. Service Experts funded the purchase price through Enercare Solutions drawing $10,000 on the 2014 Revolver.

RESULTS OF OPERATIONS

Overview

Consolidated Financial Highlights (000's)	**2017**	2016	2015
Total revenues	**$1,124,350**	$ 853,182	$ 430,109
Earnings before income taxes	**62,719**	74,031	49,188
Current tax (expense)	**(19,564)**	(51,358)	(7,006)
Deferred income tax recovery	**3,567**	31,318	(5,414)
Net earnings	**$ 46,722**	$ 53,991	$ 36,768
EBITDA Excluding Intercompany Income	**283,314**	267,475	217,184
Adjusted EBITDA	**291,386**	271,958	222,538
Acquisition adjusted EBITDA	**292,493**	286,836	231,706
Total assets	**1,907,819**	1,898,710	1,322,556
Total debt	**1,775,135**	1,724,653	1,291,085
Cash provided by operating activities	**$ 164,832**	$ 148,114	$ 139,056

2017 vs. 2016

Total revenues increased by approximately 24% or $271,168 to $1,124,350 in 2017. Service Experts revenues, excluding investment income, contributed $662,346 for 2017, increasing by $251,611 compared to 2016, primarily due to the inclusion of a full year of Service Experts revenues in 2017. Enercare Home Services revenues, excluding investment income, increased during the year by $18,586 to $457,204, compared to 2016, primarily as a result of a rental rate increase implemented in January 2017 and changes in asset mix and growth in rental HVAC units. Net earnings were $46,722 in 2017, $7,269 lower than 2016, primarily from higher amortization expenses and interest expense, partially offset by lower total taxes.

EBITDA Excluding Intercompany Income increased by $15,839 or 6% as a result of higher revenues, offset by an increase in cost of goods sold and selling, general and administrative costs. Adjusted EBITDA increased by $19,428 or 7% after removing from EBITDA the impact of a higher loss on disposal of equipment which was driven by a write-off of the Service Experts customer relationship management ("CRM") and enterprise resource planning ("ERP") systems of $5,165. After removing net expenditures of

$1,107 associated with the Church Services, Hammond and Aramendia acquisitions, Acquisition Adjusted EBITDA was $292,493 in 2017, an increase of $5,657 over 2016.

Total assets increased by approximately $9,109 in 2017, primarily due to an increase in rental assets and acquisitions. Total debt increased by $50,482 to $1,775,135 primarily from an increase in the amount drawn on the 2014 Revolver. Cash flow from operating activities increased by $16,718 in 2017, primarily as a result of improved EBITDA and lower current tax expense.

2016 vs. 2015

Total revenues increased by approximately 98% or $423,073 to $853,182 in 2016. Service Experts revenues, excluding investment income, contributed $410,763 for 2016 since the May 11, 2016 acquisition date. Enercare Home Services revenues, excluding investment income, increased during the year by $12,147 to $438,618, compared to 2015, primarily as a result of a rental rate increase implemented in January 2016 and changes in asset mix and growth in rental HVAC units. Net earnings were $53,991 in 2016, $17,223 higher than 2015, primarily from the SE Transaction, partly offset by higher amortization expenses and total taxes.

EBITDA increased by 23% or $50,291 as a result of the SE Transaction. Adjusted EBITDA increased by $49,420 or 22% after removing from EBITDA the impact of a reduced loss on disposal of equipment and including other income. After removing net expenditures of $14,878 associated with the SE Transaction and DE Acquisition, Acquisition Adjusted EBITDA was $286,836 in 2016, an increase of $55,130 over 2015.

Total assets increased by approximately $586,733 in 2016, primarily due to the SE Transaction. Total debt increased by $433,568 to $1,724,653 primarily from the 2016 Term Loan and the $227,504 issuance of the Subordinated Promissory Notes in the second quarter, partially offset by a $7,000 repayment. Cash flow from operating activities increased by $9,058 in 2016, primarily as a result of improved EBITDA.

Earnings Statement

Year ended December 31,			**2017**					2016
(000's)	**Enercare Home Services**	**Service Experts**	**Corporate**	**Total**	Enercare Home Services	Service Experts	Corporate	Total
Revenues:								
Contracted revenue	**$426,430**	**$ 56,299**	**$ -**	**$ 482,729**	$410,018	$22,574	$ -	$432,592
Sales and other services	**30,774**	**606,047**	**-**	**636,821**	28,600	388,161	-	416,761
Dividend income	**-**	**-**	**3,451**	**3,451**	-	-	3,452	3,452
Investment income	**1,289**	**60**	**-**	**1,349**	349	28	-	377
Total revenue	**$458,493**	**$662,406**	**$3,451**	**$1,124,350**	$438,967	$410,763	$3,452	$853,182
Expenses:								
Cost of goods sold:								
Maintenance & servicing costs	**68,780**	**44,653**	**-**	**113,433**	66,994	17,711	-	84,705
Sales and other services	**24,346**	**395,619**	**-**	**419,965**	22,274	246,348	-	268,622
Total cost of goods sold	**93,126**	**440,272**	**-**	**533,398**	89,268	264,059	-	353,327
SG&A expenses	**106,611**	**172,687**	**17,400**	**296,698**	100,343	107,660	16,622	224,625
Foreign exchange	**(164)**	**(419)**	**-**	**(583)**	(215)	35	-	(180)
Amortization expense	**126,188**	**20,577**	**-**	**146,765**	122,194	13,825	-	136,019
Net loss on disposal of equipment and other assets	**3,471**	**4,601**	**-**	**8,072**	4,464	19	-	4,483
Interest expense				**77,281**				60,877
Total expenses				**1,061,631**				779,151
Earnings before income taxes				**62,719**				74,031
Current tax (expense)				**(19,564)**				(51,358)
Deferred tax recovery				**3,567**				31,318
Net earnings				**$46,722**				$53,991
EBITDA Excluding Intercompany Income	**$255,449**	**$ 45,265**	**$(17,400)**	**$283,314**	$245,107	$ 38,990	$(16,622)	$267,475
Adjusted EBITDA	**$258,920**	**$ 49,866**	**$(17,400)**	**$291,386**	$249,571	$ 39,009	$(16,622)	$271,958
Acquisition Adjusted EBITDA	**$258,920**	**$ 50,973**	**$(17,400)**	**$292,493**	$252,964	$ 50,494	$(16,622)	$286,836

Average Foreign Exchange

Enercare Solutions' results of operations may be affected by the impact of movements in foreign exchange rates from operations whose functional currency is not in Canadian dollars. The results of these foreign operations are translated into Canadian dollars using the average exchange rates shown in the table below for the corresponding periods. Such translations predominantly relate to Service Experts' U.S. operations whose functional currency is U.S. dollars. Where relevant throughout the "Results of Operations" discussion in this MD&A, reference is made to any material impacts resulting from movements in foreign exchange rates on reported amounts. The following table illustrates the approximate impact of foreign exchange on Enercare Solutions' results for the year ending December 31, 2017 assuming average exchange rates during the current periods were held constant to those in 2016.

(in $000's)	**2017**	2016	Year ended December 31, Difference
Average exchange rate (CDN$/US$1.00)	**$ 0.7708**	$ 0.7614	$0.0094

	2017	2017 Constant Currency*	Year ended December 31, Impact of Foreign Exchange
Revenue	**$552,144**	$558,615	$ (6,471)
Cost of goods sold	**361,033**	365,514	(4,481)
SG&A expenses	**151,967**	153,688	(1,721)
Loss on disposal	**3,489**	3,437	52
EBITDA	**-**	-	$ (321)

* Constant currency is a non-IFRS presentation that other companies may calculate differently. It approximates the impact of foreign exchange on Enercare Solutions' results to improve comparability, assuming average exchange rates during the current periods were held constant to those in the prior year.

Revenues

Total revenues of $1,124,350 for 2017 increased by $271,168 or 32% compared to 2016, primarily as a result of the inclusion of a full year of Service Experts revenues in 2017.

Enercare Home Services revenues, excluding investment income, of $457,204 for 2017 increased by $18,586 or 4%, compared to 2016, primarily driven by rental rate increases and asset mix changes within the rental HVAC portfolio, partly offset by lower protection plan revenues. Contracted revenue in Enercare Home Services represents revenue generated by the Rentals portfolio and protection plan contracts, while sales and other services revenue mainly pertains to sales and installations of residential furnaces, boilers and air conditioners, as well as plumbing, duct cleaning and other services.

Service Experts revenues, excluding investment income, were $662,346 for 2017, increasing by $251,611 or 61% compared to 2016, primarily due to the inclusion of a full year of results in 2017 compared to a partial year in 2016, higher sales volumes and acquisitions completed during the year. In constant currency, revenue growth would have been 63% in 2017, compared to the prior year. The increase in sales and rentals activity during 2017 was despite unfavourably milder weather trends throughout the first three quarters of 2017 and a lower demand, particularly in Florida, as a result of Hurricane Irma. Service Experts revenues were lower by $11,740 for 2017 as a result of purchase accounting adjustments for deferred revenue associated with the SE Transaction, compared to $20,833 in 2016.

Dividend income for 2017 was $3,451, which was consistent with 2016.

Investment income was $1,349 in 2017, an increase of $972 when compared to 2016. The increase in investment income is primarily attributable to higher interest income earned from financing receivables relating to loans to customers resulting from HVAC sales.

Cost of Goods Sold

Total cost of goods sold for 2017 was $533,398, an increase of $180,071 or 51%, compared to 2016. The increase was primarily as a result of the inclusion of a full year of Service Experts cost of goods sold in 2017.

Enercare Home Services cost of goods sold increased by $3,858 or 4% in 2017, compared to 2016, as a result of the growth in HVAC sales and higher maintenance and servicing costs associated with growth in the rentals and protection plan portfolios. Maintenance and servicing costs in Enercare Home Services primarily consist of protection plan expenses and servicing costs related to the Rentals portfolio, while sales and other services expenses mainly pertain to sales and installations of residential furnaces, boilers, air conditioners and small commercial products as well as plumbing, duct cleaning and other chargeable services.

Service Experts cost of goods sold amounted to $440,272 in 2017, an increase of $176,213 or 67% in 2017, compared to 2016. Service Experts cost of goods sold was reduced by $9,206 as a result of purchase accounting adjustments for the service obligation associated with the SE Transaction, compared to $16,549 in 2016. Changes in foreign exchange rates in 2017 accounted for a decrease of $4,481 in cost of goods sold compared to 2016. The increase in cost of goods sold was primarily due to increases in originations over the year and the inclusion of a full year of Service Experts cost of goods sold.

Selling, General & Administrative Expenses

Total SG&A expenses were $296,698 in 2017, an increase of $72,073 or 32%, compared to 2016. The increase was primarily as a result of the inclusion of a full year of Service Experts SG&A expenses in 2017.

Enercare Home Services SG&A expenses of $106,611 in the year, increased by $6,268 or 6%, compared to 2016. The $6,268 increase was primarily as a result of increases of approximately $5,300 in sales and marketing expenses, $4,000 in higher wages and benefits, driven partly by $2,000 of higher stock based compensation costs resulting from an increase in the Share price, and $1,700 of billing and support costs, partly offset by a reduction in office expenses of $4,100, primarily due to Enercare's ownership of its corporate office, and professional fees of $470. The higher sales and marketing expenses were mainly driven by costs related to the development of localized webpages to drive improvements in both search engine optimization and search engine marketing activities, a branding refresh for our fleet of installation vehicles to promote new product offerings and marketing initiatives to drive brand awareness, as well as tests associated with a 100-person smarter home pilot initiated during the fourth quarter of 2017.

Enercare Home Services SG&A expenses in 2016 included $2,312 of integration and business transformation costs related to the DE Acquisition, primarily from information technology integration activities to optimize the information technology platforms and marketing spend related to continued rebranding.

Service Experts SG&A expenses in 2017 of $172,687, increased by $65,027 or 60%, compared to 2016. The increase of $65,027 was primarily the result of the inclusion of a full year of Service Experts SG&A expenses in 2017. Service Experts SG&A expenses included expenses relating to prepaid software maintenance costs of approximately $1,000, which were expensed during the second quarter, driven by a write-off of the Service Experts' CRM and ERP systems.

Service Experts SG&A expenses in 2017 included acquisition related expenditures of $1,107, primarily consisting of professional fees associated with the acquisitions of Church Services, Hammond and Aramendia. In 2016, Service Experts SG&A expenses included $11,485 of acquisition related expenditures associated with the SE Transaction, primarily consisting of professional fees. These expenditures included $2,834 of pre-acquisition expenditures incurred by Enercare Home Services. Changes in foreign exchange rates during 2017 accounted for approximately a $1,721 reduction in SG&A expenses compared to 2016. Certain wage related expenditures, in the amount of $2,826 for 2017, have been reclassified from SG&A expenses to cost of goods sold, compared to $6,933 in 2016.

Corporate SG&A expenses of $17,400 in 2017 increased by $778 or 5%, compared to 2016. Corporate SG&A expenses primarily relate to charges from Enercare.

Amortization Expense

Amortization expense increased by $10,746 or 8% in 2017, compared to 2016, primarily due to the SE Transaction, which was completed in the second quarter of 2016, an increasing capital asset base from asset mix changes in the Rentals portfolio.

Net Loss on Disposal of Equipment and Other Assets

Enercare Solutions reported a net loss on disposal of equipment and other assets of $8,072 in 2017, an increase of $3,589 or 80%, over 2016. The net loss on disposal amount is influenced by the number of assets retired, proceeds on disposal of equipment, changes in the retirement asset mix and the age of the assets retired.

The net loss on disposal includes the second quarter of 2017 write-off of $5,165 related to Service Experts' CRM and ERP systems. The net loss on disposal also includes a write-off of $845 from the first quarter of 2017 relating to stranded technology investments resulting from going concern issues with a supplier that was developing software solutions for the Enercare Home Services business.

Interest Expense

	Year ended December 31,	
(000's)	**2017**	2016
Interest expense payable in cash	**$38,016**	$29,973
Interest on subordinated debt	**3,500**	3,500
Interest on promissory note	**28,116**	25,341
Equity bridge financing fees	**-**	198
Make-whole payment on early redemption of senior debt	**5,049**	-
Non-cash items:		
Notional interest on employee benefit plans	**904**	840
Amortization of financing costs	**1,696**	1,025
Interest expense	**$77,281**	$60,877

Interest expense payable in cash increased by $8,043 to $38,016 in 2017, compared to 2016. These increases were primarily related to the addition of the 2016 Term Loan related to the financing of the SE Transaction, the issuance of the 2017 Notes during the first quarter of 2017 and increases in the 2014 Revolver, partially offset by the lower effective rates on the 2017 Notes compared to the 2012 Notes, which were redeemed using proceeds from the offering of the 2017 Notes. A make-whole payment for the early redemption of the 2012 Notes during the first quarter of 2017 resulted in additional interest expense of $5,049.

Interest on the $50,000 Subordinated Debt was consistent with the prior year.

The SE Transaction resulted in an increase of the Subordinated Promissory Notes of $227,504 in the second quarter of 2016, partly offset by repayments of $7,000 during 2016. In 2017, this increase in the balance of the Subordinated Promissory Notes resulted in higher interest expenses during 2017, compared to 2016.

Notional interest of $904 in 2017 relates to the defined benefit employee benefits plans. Amortization of financing costs includes the previously unamortized costs associated with the 2012 Notes, the 2013 Notes, the 2014 Term Loan, the 2016 Term Loan and the 2017 Notes.

Income Taxes

Enercare Solutions reported current tax expense of $19,564 in 2017, a reduction of $31,794, compared to 2016. The reduction was primarily from higher taxes owed in 2016, which resulted from a one-year tax deferral originated in 2015 and additional tax depreciation and interest expense incurred in 2017. The deferred income tax recovery of $3,567 in 2017 decreased by $27,751, compared to 2016, primarily as a result of temporary difference reversals in the Enercare Home Services business.

Net Earnings

Net earnings were $46,722 in 2017, a decrease of $7,269, compared to 2016.

Non-IFRS Measures of EBITDA Excluding Intercompany Income, Adjusted EBITDA and Acquisition Adjusted EBITDA

The following table summarizes comparative quarterly results for the last eight quarters, and reconciles net earnings, an IFRS measure, to EBITDA Excluding Intercompany Income, Adjusted EBITDA and Acquisition Adjusted EBITDA.

(000's)	**Q4/17**	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
Net earnings / (loss)	**$15,838**	$16,719	$18,405	$(4,240)	$14,382	$17,161	$14,504	$ 7,944
Deferred tax (recovery)/expense	**(592)**	1,539	1,576	(6,090)	(5,957)	(7,754)	(7,913)	(9,694)
Current tax expense	**4,680**	4,713	5,629	4,542	10,679	14,396	14,318	11,965
Amortization expense	**37,235**	36,784	36,716	36,030	36,544	35,958	33,481	30,036
Interest expense	**18,216**	17,733	17,631	23,701	16,430	16,298	15,052	13,097
Less: Dividend (income)	**(863)**	(863)	(863)	(862)	(863)	(863)	(863)	(863)
EBITDA Excluding Intercompany Income	**74,514**	76,625	79,094	53,081	71,215	75,196	68,579	52,485
Add: Net loss on disposal	**445**	643	5,137	1,847	893	734	931	1,925
Adjusted EBITDA	**74,959**	77,268	84,231	54,928	72,108	75,930	69,510	54,410
Add: Acquisition SG&A	**410**	320	273	104	603	4,347	5,240	3,607
Acquisition Adjusted EBITDA	**$75,369**	$77,588	$84,504	$55,032	$72,711	$80,277	$74,750	$58,017

The variances over the last eight quarters are primarily due to the following:

1. Net earnings are impacted by rental rate increases, generally implemented in January of each year, and accruals related to billing and servicing matters, as well as the Service Experts results commencing in the second quarter of 2016. Net earnings are also impacted by the seasonality associated with the Service Experts business, which tends to be seasonally highest in the second quarter of the year, followed by the third quarter, and substantially less in the fourth and first quarters, due primarily to the geography where Service Experts operates and weather patterns.
2. During 2016, current taxes reflect the impact of a one year tax deferral available in 2015 through a subsidiary of Enercare Solutions which was not available in 2016 and accordingly, resulted in higher current tax expenses during 2016.
3. During the first quarter of 2017, additional interest expense was incurred as a result of the early redemption of the 2012 Notes, which included a make-whole payment of $5,049. During the first and second quarters of 2016, additional interest expense was incurred as part of the SE Transaction, related to the 2016 Term Loan, bridge financing and the treatment of SE Subscription Receipts for accounting purposes.
4. Amortization and net loss on disposal of equipment and other assets are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units. Increases in amortization of capital assets and intangibles relate primarily to increased additions. Commencing in the second quarter of 2016, amortization reflects increases from the amortization of capital assets and intangibles of the Service Experts business.
5. During the second quarter of 2017, net loss on disposal included a write-off of $5,165 of software intangible assets related to the CRM and ERP systems that Service Experts had been developing that will now be superseded by a common platform implemented across both the Enercare Home Services and Service Experts businesses. During the first quarter of 2017, net loss on disposal included a write-

off of $845 relating to stranded technology investments resulting from going concern issues with a supplier that was developing software solutions for the Enercare Home Services business.

LIQUIDITY AND CAPITAL RESOURCES

(000's)	**2017**	2016
Cash flow provided by operating activities	**$164,832**	$148,114
Net change in non-cash working capital	**29,632**	15,836
Operating Cash Flow[4]	**194,464**	163,950
Capital expenditures (excluding acquisitions)	**(131,459)**	(127,901)
Proceeds on disposal of equipment	**14,999**	10,982
Net capital expenditures	**(116,460)**	(116,919)
Acquisition of intangible assets	**(2,909)**	-
Acquisition – Service Experts	**-**	(375,163)
Acquisition – Hammond	**(5,300)**	-
Acquisition – Church Services	**(1,144)**	-
Acquisition – Aramendia	**(30,556)**	-
Cash used in investing activities	**(156,369)**	(492,082)
Dividends paid	**(69,291)**	(55,087)
Other financing activities	**57,402**	416,194
Cash (used in)/provided by financing activities	**(11,889)**	361,107
Cash and equivalents – end of period	**$ 30,939**	$ 36,446

Operating Cash Flow of $194,464 in 2017 increased by $30,514, compared to 2016, primarily due to the full year impact of the Service Experts business, higher EBITDA and lower current tax expense during the year.

Net capital expenditures of $116,460 in 2017, increased by $459, compared to 2016, due to increased HVAC and water heater rentals and changes in asset mix. The acquisition amounts of $1,144, $5,300 and $30,556 represent the purchase consideration for the acquisitions of Church Services during the first quarter, Hammond during the second quarter and Aramendia during the third quarter, respectively, of 2017. The increase of $2,909 in acquisition of intangible assets is primarily due to expenditures on upgrades and optimization of the information technology systems.

Dividends paid reflect cash dividend payments on outstanding common shares.

Other financing activities primarily reflect both repayments of subordinated promissory notes and obligations under finance leases, as well as proceeds and repayments related to the revolving credit facility. During 2017, other financing activities also reflected proceeds from the issuance of the 2017 Notes, the redemption of the 2012 Notes and the repayment of the 2014 Term Loan.

Of the available credit of $200,000 under the 2014 Revolver, $55,000 was drawn as at December 31, 2017. Enercare Solutions is subject to a number of covenants and has the ability to incur additional senior debt as described in *"Liquidity and Capital Resources – Cash from Financing"* in this MD&A.

Management believes that Enercare Solutions has sufficient cash flow, cash on hand and available credit to meet its 2018 obligations, including capital expenditures, financing activities and working capital requirements for its businesses.

[4] Operating Cash Flow is a Non-IFRS financial measure. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

Capital Expenditures

Capital expenditures typically have a significant impact on liquidity and are best understood with reference to the unit continuity analysis below.

Installed Asset Unit Continuity (000's)			**2017**	For the year ended December 31,		2016
Segment	Enercare Home Services	Service Experts	Total	Enercare Home Services	Service Experts	Total
Units - start of period	**1,136**	**-**	**1,136**	1,128	-	1,128
Portfolio additions*	**37**	**2**	**39**	38	-	38
Attrition*	**(30)**	**-**	**(30)**	(30)	-	(30)
Units - end of period	**1,143**	**2**	**1,145**	1,136	-	1,136
Asset exchanges – units retired and replaced	**43**	**-**	**43**	45	-	45
% change in units during the period			**0.8%**			0.7%
% of units from start of period:			**-**			-
Portfolio additions (net of acquisitions)			**3.4%**			3.4%
Attrition			**(2.6%)**			(2.7%)
Units retired and replaced			**3.8%**			4.0%

* Enercare Home Services and Service Experts portfolio additions and attrition units presented have been rounded in thousands of units. To ensure consistency with rounded year to date and period end balances the rounded units presented in the chart above may vary by +1 or -1 in certain quarters from results rounded to the nearest hundred units which may be discussed in this MD&A.

In 2017, the portions of net capital expenditures in Enercare Home Services related to unit additions and asset exchanges, net of proceeds on disposal and excluding assets not yet commissioned, were $108,424, increasing nominally compared to 2016 as a result of relatively consistent unit volumes.

In the Enercare Home Services business, Attrition of approximately 29,500 in 2017 remained comparable to 2016.

In the Service Experts business, 2,275 water heater and HVAC rental additions were installed during the year, for a total of 2,459 installed units since the introduction of its rental programs in late 2016.

Cash from Financing

Financing activities for Enercare Solutions reflect dividend payments, periodic financing of Enercare Solutions' indebtedness and share issuances. During 2017, Enercare Solutions drew an additional $65,000 on the 2014 Revolver and subsequently repaid $25,000 of this balance. Enercare Solutions recorded $19,717 of financing repayments related to obligations under finance leases and the repayment of Subordinated Promissory Notes.

Capitalization (000's)	**2017**	2016
Cash and cash equivalents	**$ 30,939**	$ 36,446
Net investment in working capital	**(10,265)**	(44,813)
Cash, net of working capital	**20,674**	(8,367)
Total senior debt	**1,027,449**	966,274
Promissory note	**697,686**	708,379
Subordinated debt	**50,000**	50,000
Shareholders' equity	**(207,503)**	(171,381)
Total capitalization – book value	**$1,567,632**	$1,553,272

Typically, Enercare Solutions maintains cash balances and available credit to provide sufficient cash reserves to satisfy short-term requirements, including interest payments, dividends and certain capital expenditures and acquisitions**.**

At December 31, 2017, total debt was comprised of the 2013 Notes, the 2014 Revolver, the 2016 Term Loan and the 2017 Notes.

Enercare Solutions is subject to a number of covenant requirements as described in the AIF and below. The following discussion outlines the principal covenants.

Debt Financing

As described in the AIF, the 2014 Revolver and 2016 Term Loan each contain terms, representations, warranties, covenants and events of default that are customary for credit facilities of this kind, including financial covenants discussed below, restrictions on asset sales and reorganizations, a negative pledge and limits on distributions to Enercare (and, therefore, in effect, holders of Shares). Events of default under the 2014 Revolver and 2016 Term Loan include a cross-default provision and the occurrence of a change of control of Enercare or Enercare Solutions. Enercare Solutions' obligations under the 2014 Revolver and 2016 Term Loan are guaranteed by all of Enercare Solutions' material direct and indirect subsidiaries.

The 2016 Term Loan is payable interest only until maturity and is pre-payable in whole or in part at any time without penalty. The 2016 Term Loan bears interest at a rate of LIBOR plus 125 basis points or base rate plus 25 basis points at Enercare Solutions' credit rating as of the date hereof.

As described in the AIF, the 2014 Revolver and 2016 Term Loan contain the following financial covenants (i) all additional incurrences of senior debt, with certain exceptions, must, on the date of incurrence, result in a pro forma ratio equal to or greater than 3.8 to 1.0 of Incurrence EBITDA (as defined in the Senior Unsecured Indenture) to Net Interest Expense (as defined in the Senior Unsecured Indenture); (ii) the ratio of total debt (other than subordinated debt) to "Adjusted EBITDA" must be less than 4.75 to 1; and (iii) the ratio of Adjusted EBITDA to "Cash Interest Expense" must be greater than 3.00 to 1.

As described in the AIF, the 2014 Revolver and 2016 Term Loan define "Adjusted EBITDA" as the consolidated net income of Enercare Solutions and any losses on dispositions of assets less, to the extent included in calculating such net income, all interest income and income tax recoveries, gains on hedging contracts and all extraordinary, non-recurring and unusual income items, plus, to the extent deducted in calculating such net income, amounts for total interest expense, fees payable under the Origination Agreement, amortization and depreciation expenses, income taxes and any other non-cash items, losses on hedging contracts, proceeds of disposal of water heaters in the ordinary course of business, and with respect to the DE Acquisition, transaction expenses, one-time rebranding costs and information technology system harmonization costs up to $23,500 in the aggregate, determined on a consolidated basis, and with respect to the SE Transaction, transaction and integration costs up to $10,300 in the aggregate. The 2014 Revolver and 2016 Term Loan essentially define "Cash Interest Expense" as the aggregate amount of interest and other financing charges payable in cash and expensed by Enercare Solutions with respect to debt (other than subordinated debt between Enercare Solutions and Enercare or any subsidiary of Enercare Solutions or between subsidiaries of Enercare Solutions), but excluding any make-whole, prepayment, penalty or premium or other yield maintenance amount with respect to debt.

Enercare Solutions was in compliance with the covenants within the 2014 Revolver and 2016 Term Loan as of December 31, 2017. A total of $55,000 was drawn under the 2014 Revolver as at December 31, 2017.

2013 Notes and 2017 Notes – Incurrence Test

The covenants in respect of the 2013 Notes and 2017 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1.

On December 31, 2017, Enercare Solutions exceeded this minimum and had the capacity under the covenant to raise more than $300,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	**Q4/17**	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
Total revenues	**$281,334**	$291,915	$311,278	$239,823	$260,383	$274,208	$211,221	$107,370
Net earnings/(loss)	**15,838**	16,719	18,405	(4,240)	14,382	17,161	14,504	7,944
Dividends declared	**$ 16,649**	$ 17,792	$ 17,784	$ 17,066	$ 18,382	$ 12,075	$ 6,160	$ 12,314

In addition to quarterly comments found under "*Results of Operations – EBITDA Excluding Intercompany Income and Adjusted EBITDA*", differences in net earnings between quarters reflect the timing of expenses, current tax expense, the temporary difference reversals of deferred income tax and the impact of the SE Transaction in the second quarter of 2016. Cash payments to Enercare are comprised of corporate charges from Enercare, interest and debt repayments on the Subordinated Promissory Notes and dividend payments. Dividends declared primarily reflect the additional cash required to fund dividends paid by Enercare.

SUMMARY OF CONTRACTUAL DEBT AND LONG TERM OBLIGATIONS

The following schedule summarizes the contractual debt and long term obligations of Enercare Solutions at December 31, 2017:

	Debt		Finance Lease Obligations		Total	
Period	Principal	Interest	Principal	Interest	Principal	Interest
Due in 2018	$ -	$37,147	$ 9,397	$ 683	$ 9,397	$37,830
Due in 2019	-	37,147	8,626	449	8,626	37,596
Due in 2020	475,900	27,568	7,151	241	483,051	27,809
Due in 2021	55,000	19,746	4,428	92	59,428	19,838
Due in 2022	-	10,293	1,173	11	1,173	10,304
Thereafter	225,000	10,248	11	-	225,011	10,248
Total	$ 755,900	$142,149	$30,786	$1,476	$ 786,686	$143,625

As at December 31, 2017, long-term senior contractual obligations of Enercare Solutions included debt service on the 2013 Notes bearing interest at 4.60%. The 2017-1 Notes and 2017-2 Notes offered on February 21, 2017 bear interest at 3.38% and 3.99% and are due in February 2022 and February 2024, respectively. Interest on the 2013 Notes is payable semi-annually on February 3 and August 3. The 2014 Term Loan, which was repaid on February 23, 2017, bore interest at a variable rate based upon the applicable prime rate plus 0.25%, which was 2.95% at March 31, 2017. The 2012 Notes, which were redeemed on March 23, 2017, bore interest at 4.30%.

At December 31, 2017, $55,000 was drawn on the 2014 Revolver. The 2014 Revolver bears a standby charge of 0.25% and interest on amounts drawn at a variable rate based upon the applicable banker's acceptance rate plus 1.25%, which was 2.80% at December 31, 2017.

The 2016 Term Loan is payable interest only until maturity and is pre-payable in whole or in part at any time without penalty. The 2016 Term Loan bears interest at a rate of LIBOR plus 125 basis points or base rate plus 25 basis points at Enercare Solutions' credit rating as of the date hereof. As at December 31, 2017, the 2016 Term Loan bears interest of 2.79%.

The obligations under finance leases bear floating interest rates that are either 2.5% above the one month banker's acceptance rate, per annum or are equal to the yield of interest rate swaps as quoted in the

Federal Reserve system, per annum. Additional obligations under finance leases acquired during the period bear fixed interest rates of 0.97% to 2.44% and at floating interest rates that are 2.5% above the three month banker's acceptance rate, or 0.75% above the three month LIBOR rate, per annum. The finance leases mature at dates ranging between January 2018 and September 2024.

Other obligations include long-term sponsorship, premises and office equipment. Substantially all of the future expense obligations are the result of the leased premises.

ENERCARE SOLUTIONS SHARES ISSUED AND OUTSTANDING

Enercare Solutions' articles of amalgamation provide for the issuance of an unlimited number of common shares.

At December 31, 2017, there were 1,169 common shares issued and outstanding.

FOURTH QUARTER RESULTS OF OPERATIONS

Three months ended December 31,				**2017**				2016
(000's)	**Enercare Home Services**	**Service Experts**	**Corporate**	**Total**	Enercare Home Services	Service Experts	Corporate	Total
Revenues:								
Contracted revenue	**$109,228**	**$ 16,237**	**$ -**	**$125,465**	$104,958	$ 14,088	$ -	$119,046
Sales and other services	**9,444**	**145,191**	**-**	**154,635**	8,265	132,088	-	140,353
Dividend income	**-**	**(1,327)**	**2,190**	**863**	-	-	863	863
Investment income	**348**	**23**	**-**	**371**	111	10	-	121
Total revenue	**$119,020**	**$160,124**	**$2,190**	**$281,334**	$113,334	$146,186	$ 863	$260,383
Expenses:								
Cost of goods sold:								
Maintenance & servicing costs	**18,831**	**13,081**	**-**	**31,912**	17,256	11,367	-	28,623
Sales and other services	**7,117**	**96,553**	**-**	**103,670**	6,173	83,810	-	89,983
Total cost of goods sold	**25,948**	**109,634**	**-**	**135,582**	23,429	95,177	-	118,606
SG&A expenses	**27,515**	**38,928**	**3,828**	**70,271**	27,117	36,887	4,917	68,921
Foreign exchange (gain)/loss	**(545)**	**204**	**-**	**(341)**	(200)	85	-	(115)
Amortization expense	**32,125**	**5,110**	**-**	**37,235**	31,284	5,260	-	36,544
Net loss on disposal	**594**	**(149)**	**-**	**445**	877	16	-	893
Interest expense				**18,216**				16,430
Total expenses				**261,408**				241,279
Earnings before income taxes				**19,926**				19,104
Current tax (expense)				**(4,680)**				(10,679)
Deferred tax recovery				**592**				5,957
Net earnings				**$ 15,838**				$ 14,382
EBITDA Excluding Intercompany Income	**$ 65,508**	**$ 12,834**	**$(3,828)**	**$ 74,514**	$ 62,111	$ 14,021	$(4,917)	$ 71,215
Adjusted EBITDA	**$ 66,102**	**$ 12,685**	**$(3,828)**	**$ 74,959**	$ 62,988	$ 14,037	$(4,917)	$ 72,108
Acquisition Adjusted EBITDA	**$ 66,102**	**$ 13,095**	**$(3,828)**	**$ 75,369**	$ 62,988	$ 14,640	$(4,917)	$ 72,711

Fourth Quarter Overview

Unless stated otherwise, the narrative in this section is in reference to the operating results for the fourth quarter of 2017 as compared to the same period in 2016.

Average Foreign Exchange

The following table illustrates the approximate impact of foreign exchange on Enercare Solutions' results for the fourth quarter of 2017 assuming average exchange rates during the current periods were held constant to those in 2016.

(in $000's)	**2017**	2016	Difference
Average exchange rate (CDN$/US$1.00)	**$0.7867**	$ 0.7494	$0.0373

		Three months ended December 31, 2017	
	2017	2017 Constant Currency*	Impact of Foreign Exchange
Revenue	**$129,227**	$135,690	$ (6,463)
Cost of goods sold	**88,101**	92,503	(4,402)
SG&A expenses	**32,524**	34,145	(1,621)
Loss on disposal	**(119)**	(127)	8
EBITDA			$ (448)

* Constant currency is a non-IFRS presentation that other companies may calculate differently. It approximates the impact of foreign exchange on Enercare Solutions' results to improve comparability, assuming average exchange rates during the current periods were held constant to those in the prior year.

Revenues

Total revenues of $281,334 for the fourth quarter of 2017 increased by $20,951 or 8% compared to the same period in 2016.

Enercare Home Services revenues, excluding investment income, of $118,672 for the fourth quarter of 2017 increased by $5,449 or 5%, approximately $4,000 of which was primarily as a result of a rental rate increase implemented in January 2017, changes in asset mix and growth in rental units, partly offset by a decrease in protection plan revenue. Contracted revenues increased by $4,270 or 4%, which represents revenue generated by the Rentals portfolio and protection plan contracts, while sales and other services revenue mainly pertains to sales and installations of residential furnaces, boilers and air conditioners, as well as plumbing, duct cleaning and other services.

Service Experts revenues, excluding investment income, were $161,428 during the fourth quarter of 2017, increasing by $15,252 or 10%, primarily from higher sales volumes and acquisitions completed during the year. Changes in foreign exchange rates during the fourth quarter of 2017 accounted for approximately a $6,463 decrease in revenues. In constant currency, revenue growth would have been 15% during the fourth quarter of 2017. The increase in sales and rentals activity during the quarter was partially driven by favourably cooler weather trends, compared to the same period in 2016, resulting in a higher demand for HVAC sales, service and repairs. Service Experts revenues were reduced by $2,221 for the fourth quarter of 2017 as a result of purchase accounting adjustments for deferred revenue associated with the SE Transaction, compared to $4,278 in the same period in 2016.

Dividend income for the fourth quarter of 2017 was $863, consistent with the same period in 2016.

Investment income was $371 in the fourth quarter of 2017, an increase of $250 primarily from higher interest income earned from financing receivables relating to loans to customers resulting from HVAC sales in Enercare Home Services.

Cost of Goods Sold

Total cost of goods sold for the fourth quarter of 2017 was $135,582, an increase of $16,976 or 14% compared to the same period in 2016.

Enercare Home Services cost of goods sold increased by $2,519 or 11% in the fourth quarter of 2017, compared to the same period in 2016, as a result of the growth in HVAC sales and higher maintenance and servicing costs associated with growth in the rentals and protection plan portfolios. Maintenance and servicing costs in Enercare Home Services primarily consist of protection plan expenses and servicing costs related to the Rentals portfolio, while sales and other services expenses mainly pertain to sales and installations of residential furnaces, boilers, air conditioners and small commercial products as well as plumbing, duct cleaning and other chargeable services.

Service Experts cost of goods sold increased by $14,457 or 15% in the fourth quarter of 2017, compared to the same period in 2016, primarily from an increase in installation units, approximately $2,200 of higher employee practices, workers' compensation and automobile insurance costs driven by higher claims volumes and settlement costs during the fourth quarter and $800 fewer supplier rebates driven by a higher proportion of sales generated through retail channels in 2017, compared to 2016. Service Experts cost of goods sold was reduced by $1,773 for the fourth quarter of 2017 as a result of purchase accounting adjustments for the service obligation associated with the SE Transaction, compared to $3,472 in 2016. Changes in foreign exchange rates during the fourth quarter of 2017 accounted for a decrease of $4,402 of cost of goods sold.

Selling, General & Administrative Expenses

Total SG&A expenses were $70,271 in the fourth quarter of 2017, an increase of $1,350 or 2% compared to the same period in 2016.

Enercare Home Services SG&A expenses of $27,515 in the fourth quarter, increased by $398 or 1%, primarily from increases of approximately $2,500 in higher sales and marketing expenses, mainly driven by marketing initiatives to drive brand awareness as well as tests associated with the 100-person smarter home pilot initiated during the fourth quarter of 2017, partly offset by decreases of $1,100 in office expense, primarily due to Enercare's ownership of its corporate office, $310 in wages and benefits, $330 in bad debt expense and $210 in billing and support costs.

Service Experts SG&A expenses of $38,928 in the fourth quarter of 2017, increased by $2,041 or 6%, primarily from increases of approximately $1,000 in wages and benefits, driven partly by $500 of higher stock based compensation costs resulting from an increase in Share price and incremental wages from 2017 acquisitions, $680 of claims expenses and $450 of sales and marketing expenses relating to online and television advertising campaigns, partly offset by $230 of lower professional fees.

Service Experts SG&A expenses in the fourth quarter of 2017 included acquisition related expenditures of $410, primarily consisting of professional fees associated with the third quarter acquisition of Aramendia, as well as the purchase of additional operations in Texas, which was completed in the first quarter of 2018. Changes in foreign exchange rates during the fourth quarter of 2017 accounted for an approximately $1,621 decrease in SG&A.

Service Experts SG&A expenses in the fourth quarter of 2016 included $603 of acquisition related expenditures associated with the SE Transaction, primarily related to professional fees and integration costs.

Corporate SG&A expenses of $3,828 in the fourth quarter of 2017 decreased by $1,089 or 22% primarily relate to charges from Enercare.

Amortization Expense

Amortization expense increased by $691 or 2% in the fourth quarter of 2017, primarily due to an increasing capital asset base from asset mix changes in the Rentals portfolio.

Net Loss on Disposal of Equipment and Other Assets

Enercare Solutions reported a net loss on disposal of equipment and other assets of $445 in the fourth quarter of 2017, a decrease of $448 or 50%. The net loss on disposal amount is influenced by the number of assets retired, proceeds on disposal of equipment, changes in the retirement asset mix and the age of the assets retired.

Interest Expense

(000's)	Three months ended December 31, **2017**	2016
Interest expense payable in cash	**$ 9,813**	$ 7,926
Interest on subordinated debt	**875**	875
Interest on promissory note	**7,045**	7,122
Non-cash items:		
Notional interest on employee benefit plans, net	**226**	210
Amortization of financing costs	**257**	297
Interest expense	**$18,216**	$16,430

Interest expense payable in cash increased by $1,887 to $9,813 in the fourth quarter of 2017, primarily driven by the drawdown on the 2014 Revolver, offset by lower effective rates on the 2017 Notes compared to the 2012 Notes, which were redeemed during the first quarter of 2017.

Interest on the $50,000 Subordinated Debt was consistent with the prior year.

Notional interest of $226 in the fourth quarter of 2017, relates to the defined benefit employee benefits plans. Amortization of financing costs includes the previously unamortized costs associated with the 2012 Notes, the 2013 Notes, the 2014 Term Loan, the 2016 Term Loan and the 2017 Notes.

Income Taxes

Enercare Solutions reported current tax expense of $4,680 in the fourth quarter of 2017, a reduction of $5,999, primarily from higher taxes owed in 2016, which resulted from a one-year tax deferral originated in 2015 and additional tax depreciation and interest expense incurred in 2017. The deferred income tax recovery of $592 in the fourth quarter of 2017 decreased by $5,365, primarily as a result of temporary difference reversals in the Enercare Home Services business.

Net Earnings

Net earnings were $15,838 in the fourth quarter of 2017, a decrease of $1,456, as previously described.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The consolidated financial statements of Enercare Solutions are prepared in accordance with IFRS. Enercare Solutions' basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the consolidated financial statements for the period ended December 31, 2017.

Enercare Solutions reports on certain non-IFRS measures that are used by management to evaluate performance of Enercare Solutions and meet certain covenant requirements relating to debt financing. Since non-IFRS measures do not have standardized meanings prescribed by IFRS, securities regulations require that non-IFRS measures be clearly defined, qualified, and reconciled with their nearest IFRS measure. These measures do not have standardized meanings or interpretations, and may not be comparable to similar terms and measures provided by other issuers.

EBITDA Excluding Intercompany Income, Adjusted EBITDA, Acquisition Adjusted EBITDA, Operating Cash Flow and Capital Expenditures and Acquisitions should not be construed as alternatives to net income determined in accordance with IFRS as indicators of Enercare Solutions' performance.

Non-IFRS financial indicators used by Enercare Solutions and reported in this MD&A, in addition to the Non-IFRS financial measures include:

Measures of Asset Portfolio Performance

Capital Expenditures and Acquisitions

Enercare Solutions makes two principal types of investments to grow its installed base of water heaters, HVAC and other assets: capital expenditures and acquisitions.

Measures of Financial Performance

EBITDA Excluding Intercompany Income

This measure is comprised of net earnings plus income taxes, interest expense and amortization expense, less intercompany income. It is one metric that can be used to determine Enercare Solutions' ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. EBITDA Excluding Intercompany Income is reconciled with net earnings, an IFRS measure, in the section *"Results of Operations – EBITDA Excluding Intercompany Income, Adjusted EBITDA and Acquisition Adjusted EBITDA"* in this MD&A. The calculation of EBITDA Excluding Intercompany Income includes investment and other income with the exception of intercompany income which continues to be excluded. Comparatives have been restated accordingly.

Adjusted EBITDA

This measure is comprised of net earnings plus income taxes, interest expense, amortization expense, impairment losses and loss on disposal of equipment less related party income. It is one of Enercare Solutions' non-IFRS measures that is used to determine Enercare Solutions' ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Adjusted EBITDA is reconciled with net earnings, an IFRS measure (see *"Results of Operations – EBITDA Excluding Intercompany Income, Adjusted EBITDA and Acquisition Adjusted EBITDA"* in this MD&A).

Acquisition Adjusted EBITDA

This measure reflects the same components as Adjusted EBITDA, however, eliminates the additional transaction and integration costs associated with the DE Acquisition, the SE Transaction, the acquisition of Church Services, the acquisition of Hammond and the acquisition of Aramendia, including professional fees associated with due diligence, pre and post-merger integration, expenditures associated with business transformation initiatives, rebranding, severance and other costs in SG&A. This is one of Enercare Solutions' non-IFRS measures that is used to determine Enercare Solutions' ability to service its ongoing debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Acquisition Adjusted EBITDA is reconciled with net earnings, an IFRS measure (see *"Results of Operations – EBITDA Excluding Intercompany Income, Adjusted EBITDA and Acquisition Adjusted EBITDA"* in this MD&A).

Operating Cash Flow

Operating Cash Flow is the cash flow from operating activities excluding changes in non-cash working capital. It represents the net cash generated in earnings, excluding non-cash items. It is one indicator of the financial strength of Enercare Solutions. Operating Cash Flow is reconciled with cash flow from operating activities, an IFRS measure (see "*Liquidity and Capital Resources"* in this MD&A).

Measures Regarding Debt Covenants

As at December 31, 2017, Enercare Solutions was in compliance with all covenants under the 2013 Notes, 2014 Revolver, 2016 Term Loan and 2017 Notes. For a summary of the financial covenants in respect of such debt see "*Liquidity and Capital Resources – Debt Financing*" in this MD&A.

2014 Revolver and 2016 Term Loan

Under the 2014 Revolver agreement and 2016 Term Loan agreement, Enercare Solutions is subject to three principal financial covenants as described in the section "Liquidity and Capital Resources – Debt Financing" in this MD&A. The covenants address interest and debt coverage. Enercare Solutions complied with these covenants on December 31, 2017. There was a total of $55,000 drawn under the 2014 Revolver at December 31, 2017. Enercare Solutions' obligations under the 2016 Term Loan are guaranteed by all of Enercare Solutions' material subsidiaries, including SEHAC and its material subsidiaries.

2013 Notes and 2017 Notes – Incurrence Test

The covenants under the 2013 Notes and 2017 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Enercare Solutions makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Management continually evaluates estimates and judgments, which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following items are of significance for the period.

Revenue Accruals

At December 31, 2017, the Enercare Home Services segment recorded a revenue accrual of approximately $44,200 reflecting accrued service periods, compared to $46,400 at December 31, 2016. Unbilled protection plans comprise approximately $26,948 of this balance, compared to $28,200 at December 31, 2016. This balance is predominantly made up of protection plans sold in franchisee service areas, which are recognized as royalty revenue at inception but are invoiced over a period of twelve months. The remaining unbilled revenues reflect accrued service revenues for rental water heaters and other products.

At December 31, 2017, the Service Experts segment recorded a revenue accrual of approximately $4,500, primarily reflecting accrued revenue for contracts in progress, compared to $2,300 at December 31, 2016.

Bad Debt Provisions

The Enercare Home Services segment is exposed to credit risk in the normal course of business for customers who are billed directly by Enbridge Gas Distribution Inc. ("EGD") within its service territory and secondarily when billed by Enercare Solutions or are billed by EGD outside of its service territory. For billing within the EGD service territory, Enercare Solutions is guaranteed payment by EGD for 99.51% in 2017 and 2016 of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued.

Management evaluates a number of factors and assumptions in the determination of the bad debt provision. The total bad debt provision comprising the Enercare Home Services and Service Experts segments was approximately $7,300 at December 31, 2017, compared to approximately $5,000 at the end of 2016. Changes in any of the variables or assumptions may result in a materially different amount.

Leases

Management applies judgment in its assessment of Enercare Solutions' arrangements with customers when determining the classification of leases and the extent to which the risks and rewards incidental to ownership resides with the company or the customer.

Impairment of Non-Financial Assets and Goodwill

Impairment tests are conducted at least annually, or when events or circumstances indicate impairment may exist. The recoverable amount is based upon a number of assumptions, including but not limited to: discount rates, billable units, cash flows and expenses. Changes in any of these assumptions may result in a materially different recoverable amount.

Employee Benefit Plans

Employee defined benefit plan balances are subject to a number of assumptions. The actuarial valuations rely on estimates and assumptions including those for wage escalation, mortality, health care and dental costs inflation, retirement ages, life expectancies and discount rates. Changes in these estimates could have a material impact on the employee benefit plans liability and employee benefit plan costs.

Recoverability of Deferred Tax Assets

Deferred tax assets are recognized to the extent that realization is considered probable. Judgments regarding projected future income and tax planning strategies are considered in making this assessment.

Business Combination

With respect to the fair value of acquired assets and assumed liabilities and other adjustments related to acquisitions, these consolidated financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations, under which, the total fair value of the consideration transferred has been assigned to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition, with any excess purchase price allocated to goodwill. Changes may be expected as additional information becomes available following the closing dates. Accordingly, the final fair values determined may differ from those set forth in these consolidated financial statements and such differences may be material.

Estimation of Insurance Claims

Insurance liabilities are subject to measurement uncertainty. The recognized amounts of such items are based on Enercare Solutions' best information and judgment. Estimates and other judgments are continuously evaluated based on management's experience and expectations about future events, including insurance claims for events that have occurred but not yet been reported to management.

DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

Enercare Solutions' certifying officers have designed, and assessed the design of, a system of DC&P to provide reasonable assurance that (i) material information relating to Enercare Solutions, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by

Enercare Solutions in its annual filings, interim filings and other reports filed or submitted by Enercare Solutions under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. As well, Enercare Solutions' certifying officers have designed, and assessed the design of, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Enercare Solutions has used the Internal Control – Integrated Framework (2013) from The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in order to assess the effectiveness of Enercare Solutions' internal control over financial reporting. There are no material weaknesses relating to the design of either DC&P or ICFR at December 31, 2017. There have been no changes to our ICFR during the quarter and year to date ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, Enercare Solutions' ICFR. The certifying officers have evaluated the operating effectiveness of Enercare Solutions' DC&P and ICFR at December 31, 2017 and are satisfied that Enercare Solutions' DC&P and ICFR were both effective as at December 31, 2017. Management also did not identify any material weaknesses in Enercare Solutions' ICFR at December 31, 2017.

Enercare Solutions has limited the scope of its design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Aramendia which was acquired on August 15, 2017.

Aramendia's contribution to Enercare Solutions' consolidated financial statements for the year ended December 31, 2017 was approximately 1% of revenues and 0% of net earnings. In addition, Aramendia's current assets and current liabilities were approximately nil and 1%, respectively, of the consolidated current assets and current liabilities and its long term assets and long term liabilities were approximately nil of consolidated long term assets and long term liabilities.

Enercare Solutions is currently in the process of documenting and evaluating the controls, policies and procedures in respect of Aramendia.

Management does recognize that any controls and procedures no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure or internal controls and procedures occur and/or mistakes happen, Enercare Solutions intends to take whatever steps are necessary to minimize the consequences thereof.

CHANGES IN ACCOUNTING POLICIES

Enercare Solutions has adopted new or revised standards as required by IFRS, effective January 1, 2017.

IAS 7, "Statement of cash flows" ("IAS 7"), has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment to IAS 7 is effective for annual periods beginning on or after January 1, 2017. Enercare Solutions has assessed the impact of adopting this amendment on these consolidated financial statements and has modified its debt disclosure to include movements in net debt between changes arising from cash and non-cash changes.

Accounting Standards Issued But Not Yet Applied

The following are accounting policy changes to be implemented by Enercare Solutions in future periods:

Revenue Recognition

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. Enercare Solutions is adopting this new standard on a full retrospective basis.

Enercare Solutions has assessed the impact of IFRS 15 on the consolidated financial statements and its revenue recognition policies and has identified the following key impact: For the Enercare Home Services segment, Enercare Solutions identified elements of variable consideration relating to customer credits impacting the transaction price for its portfolio of rental contracts, however, Enercare Solutions is currently evaluating the impact of this change.

Enercare Solutions is adopting IFRS 15 effective January 1, 2018, using the full retrospective basis and is in the process of implementing the appropriate changes in processes and internal controls to support revenue recognition and disclosure under the new standard. The accounting policy and the full impact of the new standards will be disclosed in the first quarter of 2018.

Financial Instruments

The final version of IFRS 9, “Financial Instruments” (“IFRS 9”), was issued by the IASB in July 2014 and will replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces a model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to loans and receivables measured at amortized cost, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. In applying IFRS 9, Enercare Solutions expects that certain of its receivables, in particular, those issued at a discount to the contractual par amount, will not consist solely of payments of principal and interest due to prepayment features and will be measured at fair value through profit and loss. However, Enercare Solutions anticipates the majority of its receivables will be measured at amortized cost. Enercare Solutions plans to use the full three stage impairment model for those receivables measured at amortized cost recognizing twelve months of expected credit losses on those receivables without significant increases in credit risk and lifetime expected credit losses for those receivables that have significant increases in credit risk. Enercare Solutions’ assessment did not indicate any material impact regarding the classification of financial liabilities upon adoption of IFRS 9. Enercare Solutions does not expect its cash flows to be materially affected by the application of the standard and will reflect all new disclosure requirements affected by the introduction of IFRS 9 in the first quarter of 2018.

Financial Instruments Disclosures

IFRS 7, “Financial Instruments: Disclosures” (“IFRS 7”), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. Enercare Solutions continues to evaluate the impact of adopting this standard on the consolidated financial statements. While Enercare Solutions’ preliminary assessments regarding the impact of the proposed changes are not material, the final impact and disclosure will be included with the 2018 first quarter results.

Leases

IFRS 16, “Leases” (“IFRS 16”), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than twelve months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. Enercare

Solutions is currently evaluating the impact of adopting this standard on the consolidated financial statements.

RISK FACTORS

The risks related to the business and structure of Enercare Solutions discussed in the AIF remain unchanged, except that, as described under "Recent Developments" in this MD&A, the Bureau has issued Enercare a "Section 11 order" under the Competition Act. As previously disclosed, although it is not possible to predict the outcome of the Bureau's inquiry, no assurance can be given that Enercare Solutions will not be subject to constraints on its business operations under the Competition Act, including as a result of the current inquiry of which the "Section 11 order" is part.

OUTLOOK

The forward-looking statements contained in this section are not historical facts but, rather, reflect Enercare Solutions' current expectations regarding future results or events and are based on information currently available to management.

Investing in Innovation

- Enercare Solutions has embarked on an ongoing program to increase efficiency and innovation by investing in its systems and technology. This program is also aimed at improving the customer experience to gain long-term customer loyalty and differentiate Enercare Solutions from its competitors.
- Enercare Solutions plans to implement an ERP system across its business as well as a cloud based CRM system in its Enercare Home Services business and is exploring a similar implementation for its Services Experts business. This initiative is currently in the early stages and implementation will be through a phased approach, starting with Enercare Home Services. The first phase of Enercare Solutions' ERP implementation went live on schedule on February 16, 2018 to support the application of IFRS 9, which Enercare Solutions will adopt during the first quarter of 2018. A limited CRM implementation is planned for the second half of 2018, with plans for more significant progress during 2019.
- Enercare Home Services has been developing and testing a new smarter home product offering that will enable customers to utilize technology to support energy efficiency savings by providing insights on heating and cooling equipment functionality. Customers will be able to use a mobile application to monitor and control their home at any time and from any place. At the outset, the solution will allow customers to manage their energy usage, monitor and control their cooling and heating appliances, detect water leaks and enable remote water shut-off amongst other things. Enercare Home Services is conducting a 100-person pilot and expects a controlled launch to customers in the first half of 2018. We believe this offering will strengthen our customer relationships as we move from a reactive to a proactive service model. Enercare Solutions will be able to notify customers when issues arise, provide insights on equipment usage, effect any repairs and ultimately help customers conserve energy and save money.

Enercare Home Services Segment

- The Home Services business continued to successfully grow EBITDA in 2017. This was achieved in part by growing the number of rental contracts, and we believe that we have the opportunity to continue to grow our contracted revenue in 2018. Another key priority for the Enercare Home Services business during 2017 was to grow the protection plan portfolio which was achieved through the full launch of the electrical protection plans combined with strong customer retention programs.
- In January 2018, Enercare Solutions increased its weighted average rental rate for water heaters by 3.09% and HVAC by 1.8%.
- Our collective bargaining agreement in respect of Enercare Home Services with UNIFOR Local 975 expired on March 31, 2017. Renegotiations began in March 2017 and are continuing with a conciliation

officer having been appointed to facilitate negotiations.

Service Experts Segment

- Enercare Solutions successfully achieved cost synergies relating to the SE Transaction of $0.09 per Share on an annualized basis by the end of 2017 with savings coming primarily from improved sourcing costs leading to lower cost of goods sold, SG&A and capital expenditures as well as lower current taxes.
- In October 2016, Service Experts introduced a rental program for HVAC products and water heaters in several centers within Canada. This rollout was completed at all 15 locations in Canada in February 2017, and extended the rental HVAC offering to seven U.S. states throughout 2017. In the fourth quarter of 2017, certain aspects of the program were enhanced. Our goal is to have the vast majority of the U.S. operations having the HVAC rental program available by the fourth quarter of 2018.
- In 2017, Service Experts successfully completed three acquisitions. Two further acquisitions were completed in the first quarter of 2018 and the acquisition pipeline remains robust.

Corporate

- Enercare Solutions' current income tax expense for 2017 was $19.6 million compared to previous guidance of approximately $21 million to $27 million.
- On December 22, 2017, the Tax Cuts and Jobs Act of 2017 became effective and significantly changed the Internal Revenue Code including, among other provisions, reductions to the U.S. Federal corporate tax rate. Enercare Solutions expects that this tax reform will not significantly impact its 2018 current income tax estimates for Service Experts as the benefit relating to the lower Federal corporate tax rate will be offset by other tax reform changes. In addition, the acquisition of Service Experts was structured to permit Enercare Solutions to "step up" the tax basis of Service Experts' assets in the U.S. through a "338 election" under U.S. tax rules, which provides a significant tax shield by reducing U.S. taxable income by approximately $27 million per year for the next 14 years.
- Enercare Solutions estimates that it will recognize approximately $23 million to $29 million in current income tax expense for the fiscal year ending December 31, 2018. This estimate assumes corporate tax rates of approximately 26.5% in Canada and 26% in the U.S. Taxable income is principally impacted by changes in revenue, operating expenses, potential acquisitions or divestitures, appropriate tax planning, capital expenditures through the capital cost allowance deduction, changes in tax laws, distribution of sales and earnings by state, and regulations and administrative practices. As additional regulatory guidance is issued by the applicable taxing authorities, the assumptions used to estimate taxable income in the U.S. may be impacted.
- In 2017, Enercare Solutions' capital investments of $136 million were slightly higher than previous guidance of between $118 million and $135 million, as a result of marginally higher capital from water heater additions.

Capital Expenditure[(1)]	2017
HVAC rentals	$ 49M
Water heater additions	$ 43M
Water heater exchanges	$ 36M
In-house financing[(2)]	$ 8M
Total	$136M

(1) Excludes acquisitions.
(2) In-house financing represents the increase in financing receivables related to the program.

- Enercare Solutions is targeting a range of between $139 million and $153 million in 2018 capital investments related to water heater and HVAC rental additions and exchanges, primarily reflecting higher unit costs due to higher value product originations and higher sales volumes.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of Enercare Solutions dated April 10, 2017
Aramendia	Aramendia Plumbing, Heating & Air Ltd. acquired by Service Experts on August 15, 2017, which provides HVAC and plumbing services, with locations in San Antonio and McKinney, Texas.
Attrition	Termination of customer relationships, including buyouts, in the Rentals portfolio.
BBB	Better Business Bureau.
Bureau	Competition Bureau.
Bill 55	Stronger Protection for Ontario Consumers Act, 2013.
Church Services	CS Operating LLC, acquired by Service Experts on February 13, 2017, which provides HVAC and plumbing services in Austin, Texas.
Competition Act	*Competition Act* (Canada).
Conversion	The conversion of the Fund and the Trust, income trusts, to Enercare and Enercare Solutions, respectively.
DBRS	DBRS Limited.
DC&P	Disclosure Controls and Procedures as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
DE	Direct Energy Marketing Limited.
DE Acquisition	The acquisition of the OHCS business of DE by Enercare Solutions on October 20, 2014 through EHCS LP.
ECI	Enercare Connections Inc. (formerly Stratacon, Enbridge Electric Connections Inc. and Triacta Power Technologies Inc.).
EHCS GP	Enercare Home and Commercial Services Inc.
EHCS LP	Enercare Home and Commercial Services Limited Partnership, the limited partnership formed to own OHCS following the closing of the DE Acquisition, an indirect wholly-owned subsidiary of Enercare Solutions.
EGD	Enbridge Gas Distribution Inc.
Enercare	Enercare Inc., formerly the Fund.
Enercare Home Services	Enercare Solutions business, which provides rental water heaters, furnaces, air conditioners and other HVAC products and, as of October 20, 2014, also provides protection plans, HVAC sales and related services.
Enercare Solutions	Enercare Solutions Inc., formerly the Trust.
ESLP	Enercare Solutions Limited Partnership (formerly Waterheater Operating Limited Partnership).
Fund	The Consumers' Waterheater Income Fund, predecessor to Enercare prior to the conversion of the Fund from an income trust to corporate structure pursuant to a plan of arrangement on January 1, 2011.
Guarantors	ESLP, Rentco and WGP Inc., EHCS LP, EHCS GP, SE Canada Inc., SEHAC and its operating subsidiaries and affiliates.
Hammond	Hammond Plumbing & Heating Inc., acquired by Service Experts on May 24, 2017, which provides residential and commercial plumbing and heating services in Kitchener, Ontario.
HVAC	Heating, ventilation and air conditioning.
IASB	The International Accounting Standards Board.
ICFR	Internal Control Over Financial Reporting as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
IFRS	International Financial Reporting Standards as adopted by the IASB.
Incurrence Test	2012 Notes and 2013 Notes Incurrence EBITDA to Net Interest Expense.
MD&A	Management's Discussion and Analysis.
Merger Agreement	The agreement dated March 7, 2016 between, among others, Enercare Solutions and Service Experts regarding the SE Transaction.
OHCS	The Ontario home and small commercial services business of DE acquired by Enercare Solutions on October 20, 2014 in the DE Acquisition.
Origination Agreement	The origination agreement dated December 17, 2002 between Rentco and DE providing for the sale to ESLP of rental water heaters originated by DE, as amended on January 1, 2005, December 29, 2006, January 1, 2013 and August 1, 2013, as assigned by DE to EHCS LP on October 20, 2014.
Rentals	Component of the Enercare Home Services business that provides rental water heaters, furnaces, air conditioners and other HVAC products.
Rentco	4483588 Canada Inc. (formerly Direct Waterheater Rentals Inc.).
SE Canada	SE Canada Inc.
SE Subscription Receipts	$231,947 (net of underwriters' fees) of subscription receipts issued by Enercare on a bought deal basis in relation to the SE Transaction.
SE Transaction	The acquisition of Service Experts by Enercare Solutions, through an indirect wholly-owned subsidiary, pursuant to the Merger Agreement which was completed on May 11, 2016.
SEHAC	SEHAC Holdings LLC (formerly SEHAC Holdings Corporation).
Senior Unsecured Indenture	The trust indenture dated as of January 29, 2010 between the Operating Trust, as issuer, the Guarantors, as guarantors, and Computershare Trust Company of Canada, as indenture trustee, as supplemented by the first supplemental indenture dated as of January 29, 2010, the second supplemental indenture dated as of February 19, 2010, the third supplemental indenture dated as of December 1, 2010, the fourth supplemental indenture dated as of January 1, 2011, the fifth supplemental indenture dated as of September 30, 2012, the sixth supplemental indenture dated as of November 21, 2012, the seventh supplemental indenture dated as of February 1, 2013, the eighth supplemental indenture dated as of October 20, 2014, the ninth supplemental indenture dated as of May 11, 2016, the tenth supplemental indenture dated as of June 10, 2016, the eleventh supplemental indenture dated as of February 21, 2017 and the twelfth supplemental indenture dated as of as of February 21, 2017 the same may be amended, modified, supplemented, restated or replaced from time to time.
Service Experts	Enercare Solutions business operating under the brand "Service Experts", which provides HVAC products and servicing to residential and light commercial customers, primarily operated by SEHAC and SE Canada.
SG&A	Selling, general and administrative expenses.
S&P	Standard and Poor's Rating Services.
Shares	Common shares of Enercare.
Subordinated Debt	$250,000 intercompany subordinated loan of a subsidiary of Enercare Solutions owed to ECI, bearing interest at 7% annually, payable on demand, $200,000 of which was repaid in the third quarter of 2012.
Subordinated Promissory Notes	$100,000 subordinated promissory note of Enercare Solutions owing to Enercare, issued as part of the Conversion, an additional $150,000 subordinated promissory note of Enercare Solutions owing to Enercare which was issued on September 28, 2012, and additional $227,504 of subordinated promissory notes of Enercare Solutions owing to Enercare which were issued on May 11, 2016, less periodic repayments.
Trust	The Consumers' Waterheater Operating Trust.
WGP Inc.	4113152 Canada Limited
2012 Notes	$250,000 of 4.30% Series 2012-1 Senior Unsecured Notes of Enercare Solutions, which were redeemed on March 23, 2017.
2013 Notes	$225,000 of 4.60% Series 2013-1 Senior Unsecured Notes of Enercare Solutions, which mature on February 3, 2020.
2014 Debt Financing	The debt financing of Enercare Solutions in respect of the DE Acquisition consisting of an unsecured (i) 4-year variable rate, non-revolving term loan facility in the amount of $210,000 and (ii) 5-year variable rate, revolving credit facility in the maximum amount of $200,000.
2014 Revolver	The 5-year variable rate, revolving credit facility in the maximum amount of $100,000 issued under the 2014 Debt Financing. In December of 2016, the revolving credit facility was increased to a maximum amount of $200,000, maintaining the same terms.

Defined Term	Definition
2014 Term Loan	The 4-year variable rate, non-revolving term loan facility in the amount of $210,000 issued under the 2014 Debt Financing, which was repaid on February 23, 2017.
2016 Term Loan	Two 4-year non-revolving, non-amortizing variable rate term credit facilities in the aggregate amount of US$200,000.
2017-1 Notes	The $275,000 of 3.38% Series 2017-1 Senior Unsecured Notes of Enercare Solutions, due February 21, 2022.
2017-2 Notes	The $225,000 of 3.99% Series 2017-2 Senior Unsecured Notes of Enercare Solutions, due February 21, 2024.
2017 Notes	The Series 2017-1 Notes and Series 2017-2 Notes.