**EnerCare Inc.**

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

**Year Ended December 31, 2011**

**Dated February 23, 2012**

## Table of Contents



*The consolidated financial statements of EnerCare Inc. are prepared in accordance with IFRS, which became effective on January 1, 2011 with retroactive application to January 1, 2010. EnerCare's significant accounting policies are summarized in detail in note 3 of the consolidated financial statements for the period ended December 31, 2011. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units, Shares and "per Share" amounts and percentages (except as otherwise noted). Dollar amounts are expressed in Canadian currency.*

*EnerCare operates its businesses in two segments: Rentals – rentals of water heaters and other equipment and Sub-metering – provision of sub-metering equipment and billing services.*

*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".*

*On January 1, 2011, pursuant to a plan of arrangement, the Fund converted to a dividend paying corporation, EnerCare Inc. and the Trust converted to EnerCare Solutions Inc. The Conversion was accounted for on a continuity of interest basis. Reporting prior to January 1, 2011 refers to units, unitholders and distributions, whereas from January 1, 2011 references are to Shares, shareholders and dividends. References in this MD&A are in respect of EnerCare and EnerCare Solutions and shall be deemed to be such prior to January 1, 2011 when these entities were The Consumers' Waterheater Income Fund and The Consumers' Waterheater Operating Trust, respectively.*

## FORWARD-LOOKING INFORMATION

This MD&A, dated February 23, 2012, contains certain forward-looking statements that involve various risks and uncertainties and should be read in conjunction with EnerCare's 2011 audited consolidated financial statements. Additional information in respect to the Fund and EnerCare, including the AIF can be found on SEDAR at www.sedar.com.

When used herein, the words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information (see in particular "Outlook" section), although not all forward-looking information contains these identifying words. The forward-looking information in this MD&A includes statements that reflect management's expectation regarding EnerCare's growth, results of operations, performance, business prospects and opportunities. Such forward-looking information reflects management's current beliefs and is based on information available to them and/or assumptions management believes are reasonable. Many factors could cause results to differ materially from the results discussed in the forward-looking information. Although the forward-looking information is based on what management believes to be reasonable assumptions, EnerCare cannot assure investors that actual results will be consistent with this forward-looking information. All forward-looking information in this MD&A is made as of the date of this MD&A. Except as required by applicable securities laws, EnerCare does not intend and does not assume any obligations to update or revise the forward-looking information, whether as a result of new information, future events or otherwise.

Except as discussed under "Update to Risk Factors", a thorough discussion in respect of the material risks relating to the business and structure of EnerCare can be found in the AIF, which is available on SEDAR at www.sedar.com.

## OVERVIEW

EnerCare is the successor to the Fund, following the conversion of the Fund from an income trust to a corporate structure pursuant to a plan of arrangement on January 1, 2011.

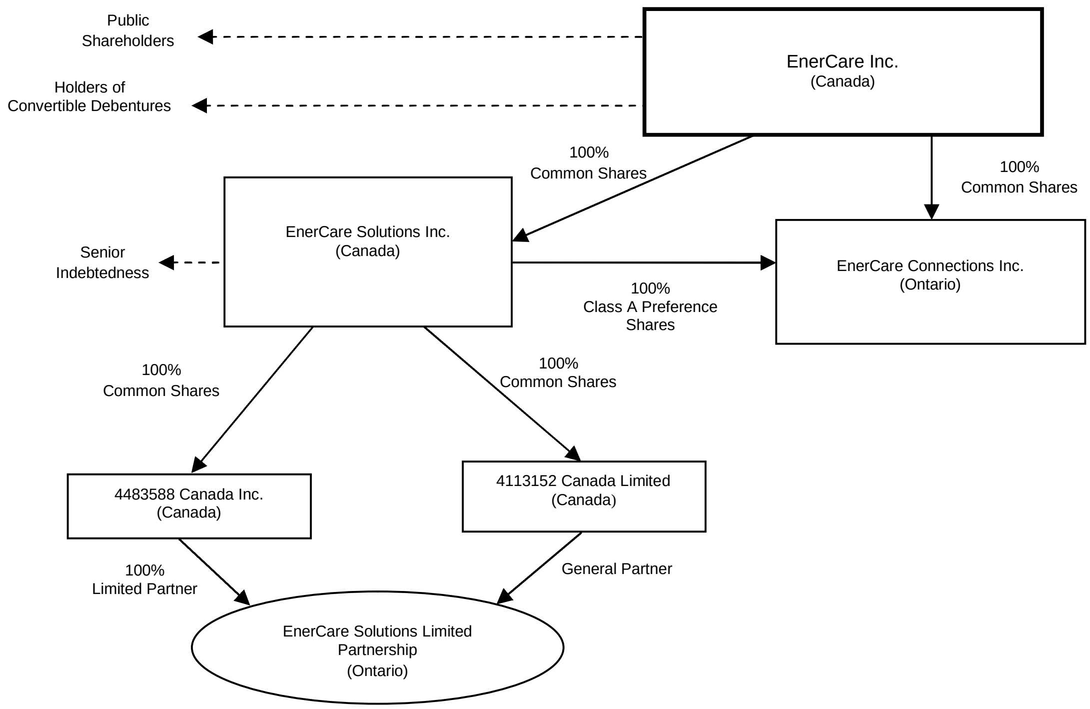
EnerCare Solutions, a wholly-owned subsidiary of EnerCare owns a portfolio of approximately 1.2 million water heaters and other assets, rented primarily to residential customers in Ontario.

EnerCare also owns EnerCare Connections Inc. (a successor by amalgamation effective January 1, 2012 to Stratacon Inc. and EnerCare Connections Inc. (formerly Enbridge Electric Connections Inc.)). ECI provides sub-metering services for electricity, heat and water to condominiums and apartments in Ontario, Alberta and elsewhere in Canada.

EnerCare has grown revenues every year since the Fund's inception (2002), generated stable cash flow and consistently maintained a high dividend yield. EnerCare has earned a strong A-/stable and A (low)/stable rating from S&P and DBRS, respectively.

EnerCare's Shares trade under the symbol ECI and its Convertible Debentures trade under the symbol ECI.DB on the Toronto Stock Exchange. EnerCare is a member of the S&P/TSX Small Cap Index.

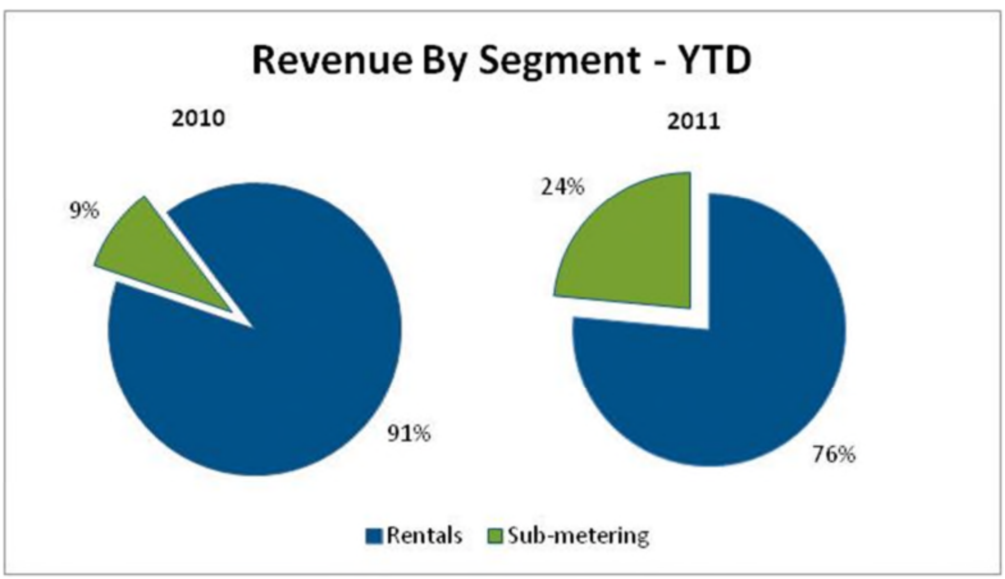
Corporate structure as at January 1, 2012.

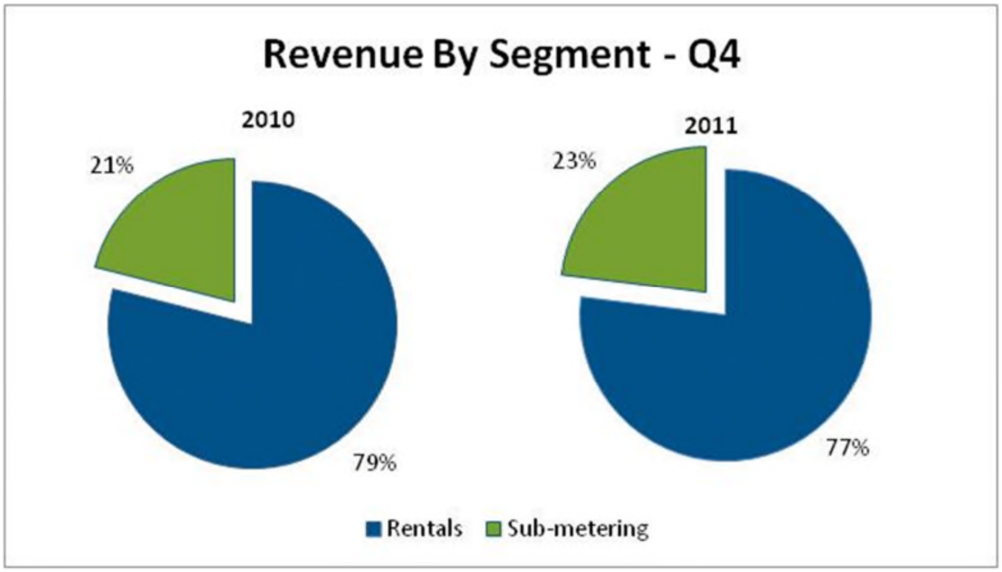



## PORTFOLIO SUMMARY

EnerCare has two primary businesses, its Rentals portfolio and its Sub-metering business. As seen by the graph below, the Rentals business accounted for 76% of the overall revenue of EnerCare for 2011.

The increase in Sub-metering revenue, as shown below, is a result of an increase in billing units, caused by an increase in penetration levels in our retro-fit buildings and some new construction developments which were added during the fourth quarter of 2011. The increase in Sub-metering revenue year over year was primarily caused by the acquisition of EECI in October 2010.

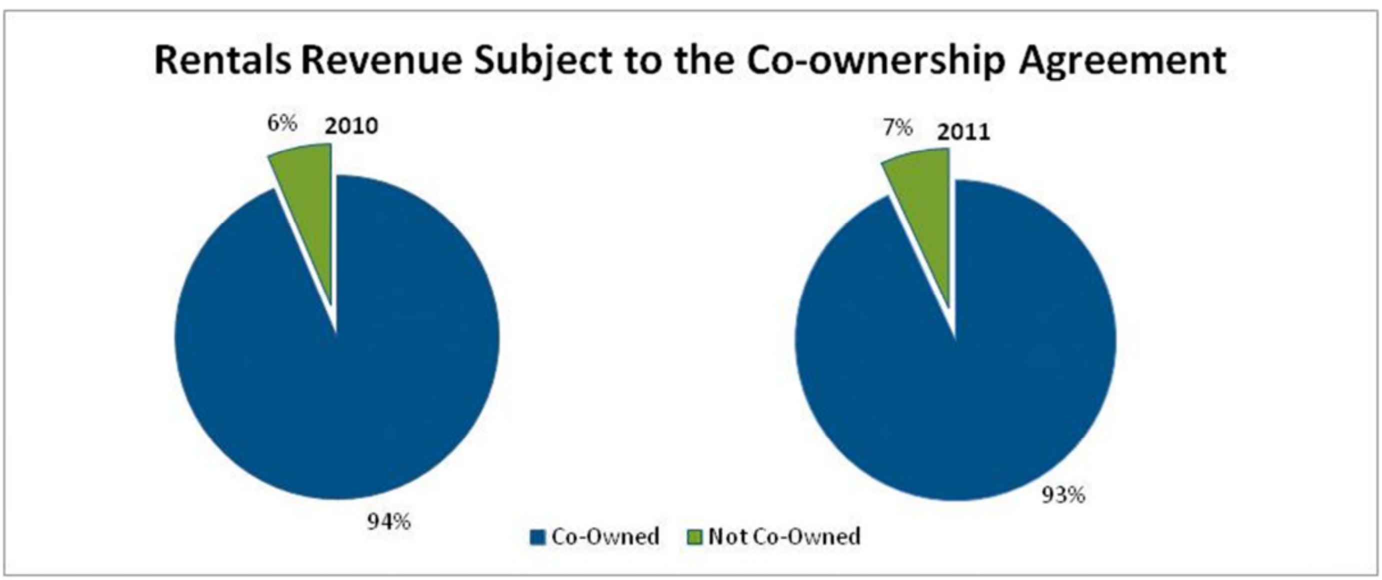





***Rentals Business***

Dissecting the Rentals business further, the business is comprised of a variety of water heater rentals and a variety of HVAC rentals primarily to single family residential homes.

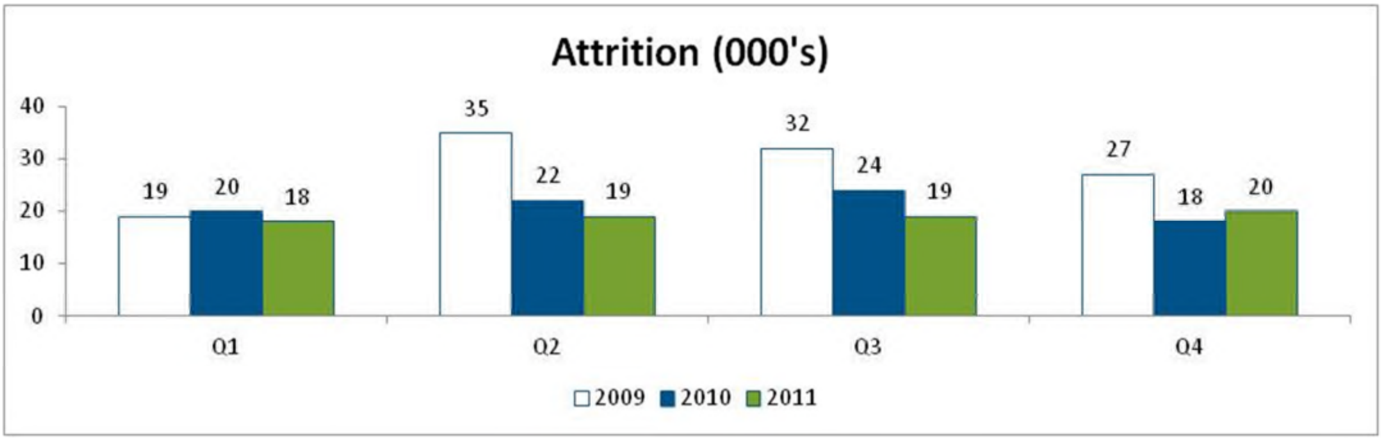
EnerCare originally had 100% of its Rentals business subject to a co-ownership agreement with DE. Through four acquisitions and origination arrangements with various parties, EnerCare has successfully expanded its Rentals business. EnerCare now has 7% of its revenue coming from portfolios which are not subject to the co-ownership agreement.




For the portfolios under the co-ownership agreement with DE, EnerCare is entitled to 65% of the revenue and other payments and DE is entitled to 35% of the revenue. For DE's portion of the revenue, they are responsible for servicing and maintaining the assets. This ensures that EnerCare is effectively insulated from any operating risks from this portfolio. Through its origination agreement with DE, EnerCare essentially incurs the capital expenditures in respect of the portfolio.

EnerCare monitors the business by reviewing new additions or customers to the portfolio, reductions or Attrition of existing customers and existing customers exchanging their rental product.

Over the last several years, EnerCare has experienced higher than normal Attrition on the water heater rental portfolios. This was largely a result of greater competition through aggressive D2D campaigns. EnerCare and DE have continued to educate consumers through direct mail and radio campaigns and DE has instituted a loyalty program for customers. Such initiatives, among others, have helped to significantly reduce Attrition over the last two years. Year over year, Attrition has been reduced by 10%. In the fourth quarter of 2011, EnerCare experienced elevated levels of competitive D2D activity, possibly the result of competitors seeking to take advantage of the remaining months in which the Consent Order, issued by the Competition Bureau in 2002 and which restricted EnerCare's and DE's business practices, was in force. Additionally, EnerCare believes that, competitors were aided by unseasonably fair weather as evidenced by the amount of seasonal snowfall to the end of January, which is less than one quarter of that experienced in either 2010 or 2009, thereby increasing the number of "selling days" available to competitors throughout the fourth quarter and extending in to January of 2012. Overall, year over year, EnerCare still experienced a 10% reduction in Attrition. After the expiry, EnerCare believes that its ability to compete will be enhanced.

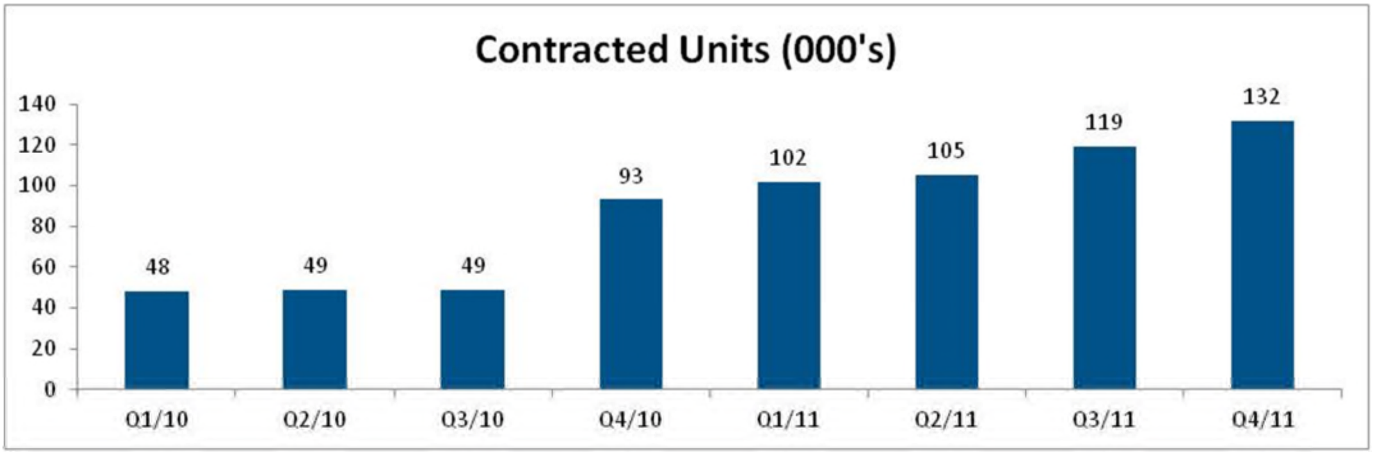



***Sub-metering Business***

EnerCare entered the multi-residential Sub-metering business through two acquisitions in the last three years. There are two types of Sub-metering in the multi-residential market: retro fit Sub-metering and new build construction. Within each market, apartments and condos have significantly different revenue streams.

Within the retro-fit revenue stream, after a contract is signed, the meters are typically installed within 6-10 weeks of signing. However, typically for a retro-fit installed unit to become Billable, EnerCare must wait for tenant turnover to occur. As a result, it can take many years for all units in a retro-fit building to become Billable. In the new build Sub-metering market, after a contract is signed, the meters are usually not installed for several years as installation occurs when the building is in its final construction stages. However, in this revenue stream, once the meters are installed they become Billable relatively quickly and revenue is at 100% penetration from that point onwards.

Through our Stratacon and EECI acquisitions and our subsequent growth in contracted units, many of these up-front investments have been made. As seen in the graph below, currently we have 132,000 contracted units. Out of our contracted units, 95,000 have meters installed and 57,000 units are billing. We expect to experience continued revenue growth as these contracted units are turned into installed units and subsequently Billable units.




## 2011 HIGHLIGHTS

| (000's) | **2011** | 2010 | Change | Percent Change |
|---|---|---|---|---|
| Rentals | **$ 186,524** | $ 187,574 | $ (1,050) | (1%) |
| Sub-metering | **57,383** | 19,643 | 37,740 | 192% |
| Investment income | **594** | 201 | 393 | 196% |
| Total revenues | **$ 244,501** | $ 207,418 | $ 37,083 | 18% |
| EBITDA[1] | **143,971** | 134,678 | 9,293 | 7% |
| Adjusted EBITDA[1] | **163,528** | 156,018 | 7,510 | 5% |
| Earnings before income taxes | **$ 178** | $ (16,487) | $ 16,665 | (101%) |
| Current tax expense | **(5,708)** | - | (5,708) | - |
| Deferred income tax recovery | **9,513** | 18,208 | (8,695) | (48%) |
| Net earnings | **$ 3,983** | $ 1,721 | $ 2,262 | 131% |
| Payout Ratio[2] | **55%** | 62% | (3%) | (5%) |

The following highlights compare 2011 results with 2010.

- Total revenues of $244,501 increased by 18% over 2010. Revenues in the Rentals business declined by $1,050 to $186,524, primarily as a result of the changes in installed assets partially offset by rental rate increases. Sub-metering revenues increased to $57,383 from $19,643, primarily as a result of the full year inclusion of EECI which was acquired on October 1, 2010.
- EBITDA[1] increased by 7% to $143,971 in 2011 driven principally by improved total revenues and reduced loss on disposal of equipment, partially offset by greater commodity charges and SG&A expenses. Adjusted EBITDA[1] of $163,528 increased by 5% after removing the impact of a reduced loss on disposal of equipment in 2011.
- Net earnings were $3,983 in 2011, $2,262 higher than in 2010 reflecting a higher EBITDA offset by lower net income tax recovery.
- Attrition in Rentals decreased by 8,000 units or 10% in 2011. Portfolio additions remain strong while unit exchanges declined by 9,000 to 51,000, resulting in both lower loss on disposal expenses and capital expenditures for 2011.
- The Payout Ratio[2] decreased to 55% in 2011 from 62% in 2010 due to an increase in Distributable Cash[2], which includes current taxes of $5,708, partially offset by higher declared dividends caused by an increase in the number of Shares outstanding as a result of the Share offering in June 2010 and the

[1] EBITDA and Adjusted EBITDA are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.
[2] Payout Ratio and Distributable Cash are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A .

conversion of $9,522 principal amount of Convertible Debentures and to a lesser extent the dividend increase announced in the fourth quarter of 2011.

## RECENT DEVELOPMENTS – 2011 AND 2012 TO DATE

### Corporate Activities

*Corporate Conversion and Consolidation*

On October 12, 2010, the trustees of the Fund approved the planned conversion of the Fund from an income trust to a dividend-paying corporation on a tax free "roll-over" basis for Canadian federal income tax purposes, effective January 1, 2011. In connection with the Conversion, the Fund announced that it expected that EnerCare would maintain the Fund's previous distribution level of $0.648 per share annually as monthly dividends of $0.054 per share, with the first dividend payable to shareholders of record on January 31, 2011.

On November 25, 2010, the Conversion was approved with 99.8% of the Units represented at the meeting voting in favour. On November 29, 2010, the final order from the Ontario Superior Court of Justice for the Fund's Conversion was obtained.

The Conversion was undertaken pursuant to a statutory plan of arrangement under the Canada Business Corporations Act. The Conversion resulted in, among other things, the following occurring on the effective date of the Conversion (January 1, 2011):

- Each Unit was exchanged for 1 Share.
- EnerCare assumed the Convertible Debentures, which became convertible into Shares on the same terms as they were convertible into Units (being a current conversion price of $6.48 per Share).
- The Trust was dissolved and EnerCare Solutions assumed the Trust's 2009 Notes and 2010 Notes.
- The Fund was dissolved.
- The Shares and the Convertible Debentures were listed on the Toronto Stock Exchange in substitution of the Units and the Convertible Debentures.

On January 1, 2012, 6814867 Canada Limited (which was continued into Ontario as 1759857 Ontario Limited on December 2, 2011), Stratacon Inc. and EnerCare Connections Inc. completed an amalgamation. The name of the amalgamated company is EnerCare Connections Inc.

*Financing Activities*

In July 2011, the Revolver was amended to decrease standby fees by approximately 60% and extend the term by one year to 2014. In addition, the covenant restriction of total debt to Adjusted EBITDA ratio as defined in the agreement was maintained at 4.25:1 throughout the term of the agreement. This ratio was originally scheduled to become 4.0:1 after March 31, 2012.

*Dividend Increase*

In December 2011, EnerCare increased its monthly dividend to shareholders of record on December 30, 2011 to $0.055, representing a 2% increase.

*Executive Officer Changes*

On August 14, 2011, Chris Cawston resigned as interim Chief Financial Officer of EnerCare and EnerCare Solutions and each of their respective subsidiary entities.

On August 15, 2011, Evelyn Sutherland was appointed Chief Financial Officer of EnerCare and EnerCare Solutions and each of their respective subsidiary entities.

*Rights Plan*

In April, 2011, EnerCare adopted a shareholder rights plan (the "Rights Plan"). The Rights Plan was approved by a majority of holders of the Shares that voted at EnerCare's 2011 annual and special meeting held on April 29, 2011. In making the announcement, EnerCare stated that it is not aware of any pending or threatened take-over bid. The Rights Plan was accepted by the Toronto Stock Exchange in accordance with its rules and policies.

The primary objectives of the Rights Plan are (i) to provide the board of directors of EnerCare with additional time to explore and develop alternatives for maximizing shareholder value if an unsolicited take-over bid is made for the Shares, or any other shares in the capital of EnerCare that carry a right generally to vote in the election of directors (collectively, "Voting Shares"), (ii) to provide every Shareholder with an equal opportunity to participate in such a bid, and (iii) to ensure, to the extent possible, that all Shareholders are treated fairly in connection with any take-over bid for Voting Shares.

*Requisition of Shareholders' Meeting*

On December 12, 2011, EnerCare received a request from one of its shareholders, Octavian Advisors, LP ("Octavian") to hold a meeting of shareholders of EnerCare. The purpose of the meeting, as set out in the notice received from Octavian, is to consider a resolution to increase the size of EnerCare's board from its current six to ten members and to consider a resolution to add four nominees of Octavian to the board of EnerCare. Based on public filings made by Octavian, EnerCare believes that Octavian holds approximately 13% of the issued and outstanding Shares.

On December 28, 2011, EnerCare announced that after consulting with its legal counsel, it had determined that the requisition from Octavian for a special meeting of shareholders was invalid. Under Canadian law, the requisitioner must be a registered holder of Shares. EnerCare had determined that Octavian did not appear on the register of shareholders.

On January 2, 2012, EnerCare announced it had received a second requisition from Octavian for a special meeting of shareholders.  On January 18, 2012, EnerCare announced that in response to Octavian's second shareholder requisition received from Octavian on December 30, 2011, it had called the requisitioned special shareholder meeting to coincide with EnerCare's previously called annual and general meeting of shareholders on April 30, 2012. At the meeting, shareholders will be asked to consider resolutions: (i) to increase the number of directors of EnerCare to ten; and (ii) to add four directors nominated by Octavian.

***Rentals Activities***

*Marketing Programs*

In the fourth quarter of 2011 and in response to increased competitive D2D sales activities, EnerCare launched an Ignore the Door branded anti-D2D awareness campaign, which featured a targeted four week radio campaign and a large scale door hanger drop to approximately 900,000 addresses in core service areas with the primary goal of alerting consumers to the tactics of some D2D sales agents and reminding consumers of their rights under Ontario's consumer protection legislation.

*Consent Order*

The Consent Order expired on February 20th, 2012. Following the expiry, EnerCare and DE initiated a number of changes in the operation of the Rentals business, including:

- New procedures requiring customers to confirm their decision to terminate prior to returning their rental water heater;
- Enhancements to verification procedures at water heater return locations;
- Changes to water heater return locations and operating hours; and
- Introduction of consumer promotional offers.

DE and EnerCare have also agreed to a comprehensive plan to introduce changes to the service terms, including the introduction of additional value offerings, for certain customers within the next quarter.

*Rental Rate Increase*

In January 2012, EnerCare increased its weighted average rental rate by 2.75%

*New Brunswick Expansion*

In July 2011, EnerCare Solutions entered into an origination and servicing agreement with EGNB. Under the agreement, EGNB originates and services water heaters and HVAC equipment in connection with EGNB's fuel switching programs in New Brunswick. By the end of the fourth quarter of 2011, EGNB had customer commitments for approximately 100 pieces of equipment.

*Direct Energy Announces move of North American Headquarters to Houston, Texas*

On January 12, 2012, Chris Weston, President and CEO of Direct Energy North America, announced that DE will be relocating its corporate and functional headquarters from Toronto, Ontario, Canada to Houston, Texas, USA. As part of this announcement, Mr. Weston reaffirmed that "there are no changes to our Canada home and business locations or operations as a result of this announcement."

EnerCare has received reassurances from DE that the Rental portfolio will continue to be a significant opportunity for DE's growth and servicing business objectives in Ontario.

***Sub-metering Developments***

*New Sub-metering Regime in Ontario*

On April 22, 2010, the Energy Act was passed by the Ontario legislature. In October 2010, the Government of Ontario published Regulations under the Energy Act and RTA regarding suite sub-metering. The Regulations and the Energy Act (collectively, the "Legislation") came into force on January 1, 2011. ECI, through the sub-metering working group, provided comments on the draft Legislation. The Legislation permits individual suite sub-metering in apartment buildings, condominium complexes and commercial buildings in Ontario. Among other things, the Legislation:

- amends the RTA to permit sub-metering, subject to first providing tenants with required information and subject to receiving consent from a sitting tenant;
- confirms the right of sub-metering providers to shut off the distribution of electricity for non-payment, subject to prescribed conditions and exceptions;
- provides the OEB with oversight over security deposit policies chargeable by sub-metering providers and imposes licensing requirements on sub-metering providers;
- requires the installation of suite meters in "new" residential buildings;
- sets information, rent reduction and refrigerator efficiency requirements;

- disallows suite metering of electric heat in residential rental buildings, except in respect of currently installed sub-meters, subject to certain conditions; and
- transitions existing suite meter arrangements and existing licenses of sub-meter providers into the new regime.

*Sub-metering Regulatory Developments*

In December 2011, the OEB issued a Notice of Proposal to Amend a Code (the "Notice") with proposed amendments to the Unit Sub-Metering Code (the “Proposed Amendments”) to implement, effective January 1, 2013, provisions relating to increased consumer protection measures. The Proposed Amendments would require unit sub-meter providers to, among other things, adopt customer protection measures similar to those provided to consumers of licensed distributors regarding disconnection, security deposits, and consumer complaints. EnerCare’s subsidiary, EnerCare Connections Inc., through the sub-metering working group and pursuant to the Notice, provided comments on the Proposed Amendments. Management currently believes the Proposed Amendments will not have a material impact on EnerCare’s financial conditions or results of operations.

*Sub-metering Sales*

EnerCare reported record Sub-metering sales of over 14,000 and 39,000 individual suites for the fourth quarter and year ended December 31, 2011, respectively. The annual sale figure represents an increase in excess of 7 times the 2010 results. The year over year improvement is largely due to the greater acceptance of sub-metering by landlords in the first full year following the introduction of the new sub-metering Legislation on January 1, 2011. The Legislation clarified the rules surrounding sub-metering and provided certainty for landlords. Additionally, EnerCare expanded and strengthened its sales force throughout 2011 to take advantage of this improved environment and will continue to bolster its sales capabilities into 2012.

On January 27, 2012, EnerCare announced that it had been awarded substantial new sub-metering business by three preeminent landlords. The award includes the installation of sub-metering systems, as well as the ongoing provision of billing and collection services, to approximately 12,500 rental apartment suites in Ontario. This award contributed to the record results in 2011.

*Launch of New Water Sub-metering Program*

In September 2011, EnerCare announced that ECI had launched a new water Sub-metering program in the multi-residential new construction market.

## UPDATE TO RISK FACTORS

The risks related to the business and structure of EnerCare discussed in the AIF remain unchanged except as discussed below and under IFRS (see *“IFRS”* in this MD&A).

*Direct Energy Labour Relations Update*

The collective agreement between DE and Local 975 Union expired on March 31, 2011. This agreement covers DE’s installation and servicing crews in Ontario and the majority of clerical staff located in the Greater Toronto Area.

The parties have been meeting regularly since late spring and negotiating since the fall. In mid January, DE applied to the Ministry of Labour for the appointment of a conciliation officer. A conciliation officer has now been appointed; however, DE and the union have continued to negotiate without the assistance or attendance of the conciliator. Dates for continued negotiations have been scheduled for early March.

## RESULTS OF OPERATIONS

***Overview***

| Consolidated Financial Highlights (000's) | **2011** | 2010 | 2009 |
|---|---|---|---|
| Total revenues | **$ 244,501** | $ 207,418 | $ 188,246 |
| Earnings/(loss) before income taxes | **178** | (16,487) | (30,621) |
| Current tax expense | **(5,708)** | - | - |
| Deferred income tax recovery | **9,513** | 18,208 | 52,224 |
| Net earnings | **$ 3,983** | $ 1,721 | $ 21,603 |
| EBITDA | **143,971** | 134,678 | 120,254 |
| Adjusted EBITDA | **163,528** | 156,018 | 153,359 |
| Per Share information | | | |
| Shareholder distributions declared | **$0.65** | $0.65 | $1.08 |
| Net earnings | **$0.07** | $0.03 | $0.44 |
| Total assets | **906,958** | 935,423 | 953,856 |
| Total debt | **591,562** | 600,361 | 589,129 |
| Cash provided by operating activities | **127,918** | 120,356 | 126,648 |
| Distributable Cash | **$ 65,194** | $ 55,143 | $ 50,064 |
| Payout Ratio | **55%** | 62% | 106% |
| | **IFRS** | IFRS | CGAAP |

***2011 vs. 2010***

Total revenues increased by approximately 18% or $37,083 to $244,501 in 2011. The improved revenues were comprised of improvement in Sub-metering and investment income of $37,740 and $393, respectively, partially offset by a reduction of $1,050 in the Rentals business. The Rentals revenue decrease was driven by the net impact of Attrition and asset additions throughout the year, offset by a rental rate increase effective January 2011. Sub-metering revenues increased largely due to the acquisition of EECI on October 1, 2010. Net earnings were $3,983 in 2011, $2,262 greater than 2010 as a result of improved EBITDA, offset by lower future tax recoveries and higher current taxes expense incurred for the first time in 2011 as a result of the conversion from an income trust to a corporation.

EBITDA for 2011 increased by 7% or $9,293 due to improved Sub-metering revenues net of commodity expenses and reduction in Attrition, which was partially offset by an increase in SG&A expenses of approximately 2%. Adjusted EBITDA increased $7,510 or 5% as a result of EBITDA improvements partially reduced by the current year improvement in losses on disposal of $2,241. Total assets decreased by approximately $28,465 in 2011, primarily due to the amortization of intangible assets and equipment. Total debt decreased by $8,799 due to the conversion of Convertible Debentures into Shares. Cash flow from operating activities increased by $7,562 in 2011, primarily as a result of improved revenues net of commodity expenses. The Payout Ratio improved to 55% from 62% as a result of a Distributable Cash increase of $10,051 to $65,194, primarily as a result of improved cash flow from operating activities and lower capital expenditures of $8,476 attributable to fewer asset exchanges.

***2010 vs. 2009***

Total revenues increased by approximately 10% or $19,172 to $207,418 in 2010. The improved revenues were comprised of a $9,732 in Rentals, $9,325 in Sub-metering and $115 from investment income. The Rentals revenue increase was driven by a rental rate increase effective January 2010, offset by the net impact of Attrition and asset additions throughout the year. Sub-metering revenues increased largely due to the inclusion of ECI in the fourth quarter. Net earnings were $1,721 in 2010, $19,882 lower than 2009.

Operating results improved by $14,134 in 2010 compared to 2009. The improvement in operating results was offset by a $34,016 reduction in income tax recoveries.

EBITDA for 2010 increased by 12% or $14,424 due to improved Rentals revenue, reduction in Attrition, impairment charges and loss on disposal of equipment. Adjusted EBITDA increased by $2,659 or 2% as a result of higher revenues offset by cost of sales and SG&A expenses. Total assets decreased by $18,433 in 2010, primarily due to an $18,565 impairment charge to the carrying value of intangible assets, and the impact of paid distributions and net changes in borrowings and equity offerings. Total debt increased by $11,232 due to the Convertible Debenture offering net of the New Revolver repayment. Cash flow from operating activities declined by $6,292 in 2010, primarily as a result of changes in non-cash working capital. Distributable Cash increased by $5,079 to $55,143, primarily as a result of lower capital expenditures attributable to fewer asset exchanges. The Payout Ratio improved to 62%, primarily due to an increase in Distributable Cash and a $37,000 reduction in distributions declared.

***Earnings Statement***

| (000's) | **2011** | 2010 |
|---|---|---|
| Revenues: | | |
| *Rentals* | **$ 186,524** | $ 187,574 |
| *Sub-metering* | **57,383** | 19,643 |
| *Investment income* | **594** | 201 |
| Total revenues | **244,501** | 207,418 |
| Commodity charges | **41,941** | 13,495 |
| SG&A expenses: | | |
| *Rentals* | **16,109** | 21,507 |
| *Sub-metering* | **10,530** | 9,134 |
| *Corporate* | **11,799** | 7,063 |
| Total SG&A expenses | **38,438** | 37,704 |
| Amortization expense | **104,703** | 109,073 |
| Loss on disposal of equipment | **19,099** | 21,340 |
| Impairment of assets | **458** | - |
| Interest expense | **42,067** | 43,797 |
| Total operating expenses | **246,706** | 225,409 |
| Other income | **2,383** | 1,504 |
| Earnings/(loss) before income taxes | **178** | (16,487) |
| Current tax expense | **(5,708)** | - |
| Deferred income tax recovery | **9,513** | 18,208 |
| Net earnings | **3,983** | 1,721 |
| EBITDA | **143,971** | 134,678 |
| Adjusted EBITDA | **$ 163,528** | $ 156,018 |

***Revenues***

Total revenues of $244,501 for 2011 increased by $37,083 or 18% compared to the same period in 2010. Rentals revenues decreased by $1,050 to $186,524 in 2011, primarily due to changes in installed assets, partially offset by rental rate increases implemented in January 2011. Sub-metering revenues in 2011 were $57,383, an increase of $37,740 or 192%, as a result of increased billing units in our legacy Sub-metering business, Stratacon, combined with the inclusion of EECI's unit portfolio. Revenue increases include pass through energy charges of $41,941, an increase of $28,446 over 2010.

Investment income increased by $393 in 2011 to $594 compared to $201 in 2010, primarily as a result of larger investment balances during 2011.

### *Selling, General & Administrative Expenses*

Total SG&A expenses were $38,438 in 2011, compared to $37,704 in 2010, an increase of $734 or 2%. The expense increase in the Sub-metering segment of $1,396 to $10,530 in 2011 is the result of the full year impact of the inclusion of EECI, offset by reductions in wages and benefits, office expenses and billing and servicing costs primarily due to the integration of the two Sub-metering companies. Rentals and corporate expenses of $27,908 were $662 lower than the same period in 2010. The net decreases in expense is as a result of a reduction in bad debt and claims of $4,491, professional fees of $1,088, and billing, servicing and inventory management charges of $856, partially offset by an increase of $2,855 in selling and office expenses and $2,918 in wages and benefits.

### Amortization Expense

Amortization expense decreased by $4,370 or 4% to $104,703 in 2011, primarily due to a smaller installed asset base in the Rentals portfolio, partially offset by increased Sub-metering capital investments, which are being amortized over a shorter life than the Rentals business.

### *Loss on Disposal of Equipment*

In 2011, EnerCare reported a loss on disposal of equipment of $19,099, representing a decrease of $2,241 or 11% in relation to $21,340 in 2010. The loss on disposal amount is influenced by the number of assets retired, changes in the retirement asset mix and the age of the assets retired. The primary reason for the decreased expenses relates to the lower Attrition and exchange activity in the Rentals business in 2011 when compared to 2010.

### *Impaired Assets*

An impairment provision of $458 was taken on certain Sub-metering assets during the fourth quarter of 2011. The provision covers assets in work in progress which are no longer proceeding forward under a contract and some equipment which may never become income generating for EnerCare.

### *Interest Expense*

| Interest Expense (000's) | **2011** | 2010 |
|---|---|---|
| Interest expense payable in cash | **$ 36,807** | $ 37,268 |
| Non-cash items: | | |
| Amortization of bridge fees | **-** | 1,440 |
| Amortization of OCI and financing costs | **5,260** | 5,089 |
| Interest expense | **$ 42,067** | $ 43,797 |

Interest expense payable in cash decreased by $461 to $36,807 in 2011, over the same period in 2010. The decrease in 2011 is primarily related to the conversion of $9,522 principal amount of Convertible Debentures to Shares during the period. The amortization of bridge fees related to the 2009 Bridge that was repaid when the 2010 Notes were issued in March 2010. Amortization of OCI and financing costs for 2011 are modestly higher than 2010 as a result of the full year impact of the 2010 Notes and Convertible Debentures in 2011.

### *Other Income*

Other income for the period was $2,383, primarily related to the reversal of the contingent consideration of the Stratacon acquisition.

### *Income Taxes*

EnerCare reported a current tax expense of $5,708 for 2011 related to the taxable status of the corporation effective January 1, 2011. The deferred income tax recovery of $9,513 for 2011 decreased by $8,695, primarily as a result of temporary difference reversals in the Rentals and Sub-metering businesses.

***Adjusted EBITDA and EBITDA***

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

| **Quarterly Earnings Before Interest, Taxes and Amortization (EBITDA)** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (000's) | **Q4/11** | Q3/11 | Q2/11 | Q1/11 | Q4/10 | Q3/10 | Q2/10 | Q1/10 |
| Net (loss)/earnings | **$(2,256)** | $ 5,618 | $1,682 | $(1,061) | $(3,214) | 2,216 | $ 2,566 | $ 153 |
| Deferred tax (recovery) | **(874)** | (5,666) | (1,858) | (1,115) | (3,419) | (5,172) | (4,745) | (4,872) |
| Current tax expense | **765** | 1,478 | 1,881 | 1,584 | - | - | - | - |
| Amortization expense | **26,234** | 26,126 | 26,103 | 26,240 | 26,620 | 27,287 | 27,560 | 27,606 |
| Interest expense | **10,377** | 10,433 | 10,566 | 10,691 | 10,666 | 10,693 | 10,325 | 12,113 |
| Other (income)/expense | **-** | (254) | (2,129) | - | 211 | (1,715) | - | - |
| Investment (income) | **(174)** | (168) | (140) | (112) | (107) | (87) | (5) | (2) |
| EBITDA | **34,072** | 37,567 | 36,105 | 36,227 | 30,757 | 33,222 | 35,701 | 34,998 |
| Add: Loss on disposal of equipment | **4,880** | 4,718 | 4,861 | 4,640 | 4,673 | 5,756 | 5,918 | 4,993 |
| Add: Impairment of assets | **458** | - | - | - | - | - | - | - |
| Adjusted EBITDA | **$39,410** | $42,285 | $40,966 | $40,867 | $35,430 | $38,978 | $41,619 | $39,991 |

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

1. The acquisition of EECI (now ECI) in the fourth quarter of 2010.
2. Net earnings are impacted by rental rate increases, generally implemented in January of each year, and accruals related to billing and servicing matters.
3. In 2011, current taxes as a result of Conversion to a corporation.
4. Amortization and loss on disposal of equipment are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units.
5. Interest expense in the first quarter of 2010 was impacted by fees in respect of the 2009 Bridge incurred prior to the issuance of the 2010 Notes.
6. As part of the conversion to IFRS, effective January 1, 2010, EnerCare estimated the obligation payable to the former Stratacon shareholders in respect of the final earn out payment. Amounts taken back into income in 2011 reflect reductions in the amounts payable. The 2010 amount is comprised of a settlement in respect of various claims for indemnification made by EnerCare pursuant to the share purchase agreement.

### ***Billing and Servicing Matters***

*Earnings Items*

DE, through EGD, provides billing and collection services for substantially all of EnerCare's water heaters and other assets. Following the September 2009 billing system conversion implemented by DE, which coincided with a billing system conversion by EGD, EnerCare's ICFR identified issues principally associated with DE's system conversion impacting EnerCare's customers, including issues in respect of the allocation of customer payments, customer collections, and billing issues, including completeness of billing, billing in respect of new customers and implementation of new rental rates. EnerCare continues to work closely with DE to resolve billing issues as well as billing completeness.

EnerCare has estimated and recorded revenues of $1,700 in respect of billings and adjustments expected to be recovered from customers, but did not include any amounts EnerCare may recover from DE for lost revenues arising from the billing system conversion. At December 31, 2010, the accrual was $1,700, consequently in 2011 there was no cumulative earnings impact. Subsequent to year end, EnerCare has collected $1,200 of the $1,700 accrual. The remaining balance is expected to be collected in 2012.

During 2010, EnerCare provided for bad debt regarding the collectability of revenues recorded related to customers where the EGD revenue guarantee did not apply and where DE was responsible for collection activities. As reported in the second quarter of 2011, EnerCare reached an agreement in principle with DE to receive a payment of approximately $2,200 representing EnerCare's entitlement to unremitted customer payments for rentals outside of the EGD territory. The settlement amount had an earnings impact of $1,300 recorded as a recovery of previous bad debts written off during 2010, with the remainder reflected as a change in financial position between outstanding customer receivables and an account receivable from DE. Payment and executed legal settlement of this component of the DE billing issues should be completed for early 2012.

Buyout processing and other miscellaneous items from 2010 remain outstanding. EnerCare has recorded amounts expected to be charged to customers by DE and continues to work with DE to resolve issues relating to buyout processing.

Settlement with DE for an amount in excess of revenues recorded and recovery of any expenses accrued would result in an increase to previously stated EBITDA amounts.

*Capital Items*

EnerCare continues to be in discussion with DE regarding certain amounts DE has billed EnerCare for water heater installations that are reflected as capital additions. The amounts at issue totalled $3,672 ($3,100 in 2010). Settlement with DE for a lower amount than billed could result in a reduction to previously stated capital expenditure amounts.

*Transactions with DE*

In addition to the 35% of revenues earned by DE for services under the co-ownership agreement, the following amounts for capital and expenses were paid or payable to DE to purchase water heaters and related Rentals assets, in addition to certain fee-for-service arrangements (such as in respect of the TH Energy units) and other support.

| Amount Paid or Payable to DE (000's) | **2011** | 2010 |
|---|---|---|
| Origination agreement | | |
| Capital expenditures | **$ 53,159** | $ 60,914 |
| Inventory service fee | **3,386** | 3,974 |
| Other capital expenditures | **5,272** | 5,496 |
| Other expenses, including billing and servicing costs | **2,918** | 3,230 |
| Total payments | **$ 64,735** | $ 73,614 |

Under the terms of the co-ownership agreement and the origination agreement (the principal operating agreements between EnerCare and DE), DE provides a range of operating services. These agreements set out the rights and obligations of the parties and the fees payable by EnerCare to DE for the services, as set in the AIF in further details. Copies of these agreements are available on SEDAR at www.sedar.com.

In summary, the agreements are as follows:

*Co-ownership Agreement*

Under this agreement, DE receives, subject to certain exceptions, 35% of the gross revenue generated by the co-owned portfolio of assets and is obligated to service that asset portfolio, effectively operating the day-to-day activities of that portion of the Rentals business. Pursuant to an agreement between DE and EnerCare, DE is entitled to put forth one individual for consideration by EnerCare's board for inclusion in EnerCare's annual management information circular for election as a director of EnerCare for as long as it is servicer under the co-ownership agreement.

*Origination Agreement*

Under this agreement, subject to certain exceptions, DE must offer to sell all rental water heaters to EnerCare at prescribed prices, essentially at DE's cost plus an inventory service fee and a set installation fee. EnerCare has no obligation to purchase any water heaters. The agreement also establishes an incentive fee payable to DE should certain growth targets be achieved. The initial term of the origination agreement is through December 2022 and is subject to extension or early termination in certain circumstances.

*Other Agreements with DE*

In addition to the above agreements, EnerCare and DE have entered into an agreement for the servicing of TH Energy units, as these units are not subject to the co-ownership agreement. This agreement provides for the administration and servicing of the portfolio on a fee-for-service basis.

EnerCare and DE have also entered into an agreement for the origination and servicing of HVAC rental units, whereby DE originates HVAC rental customers and provides servicing to these HVAC rental customers. EnerCare has the right to originate HVAC rental customers outside of this arrangement with DE.

## DISTRIBUTABLE CASH AND PAYOUT RATIO

| (000's) | **2011** | 2010 |
|---|---|---|
| Cash provided by operating activities | **$ 127,918** | $ 120,356 |
| Net change in non-cash working capital | **(6,155)** | 99 |
| Operating Cash Flow[3] | **121,763** | 120,455 |
| Capital expenditures – excluding growth capital | **(60,501)** | (68,977) |
| Proceeds on disposal of equipment | **3,932** | 3,665 |
| Distributable Cash | **65,194** | 55,143 |
| Dividends declared | **(36,066)** | (34,061) |
| Net cash retained | **$ 29,128** | $ 21,082 |
| Payout Ratio | **55%** | 62% |

The Payout Ratio, after capital expenditures (excluding growth capital) was 55% for 2011 compared to 62% for the same period in 2010, primarily due to an increase in Distributable Cash, which includes current taxes of $5,708, partially offset by higher dividend payouts resulting from an increase in the number of Shares outstanding as a result of the Share offering in June 2010 and conversion of $9,522 principal amount of Convertible Debentures.

EnerCare intends to finance its recurring capital expenditures with cash flows from operations and cash on hand.

## LIQUIDITY AND CAPITAL RESOURCES

| (000's) | **2011** | 2010 |
|---|---|---|
| Cash flow from operating activities | **$ 127,918** | $ 120,356 |
| Net change in non-cash working capital | **(6,155)** | 99 |
| Operating Cash Flow | **121,763** | 120,455 |
| Net capital expenditures | **(56,569)** | (65,312) |
| Payment of contingent consideration on Stratacon acquisition | **(1,062)** | (700) |
| Acquisitions | **-** | (22,508) |
| Growth capital | **(14,166)** | (3,213) |
| Cash used in investing activities | **(71,797)** | (91,733) |
| Dividends paid | **(32,975)** | (36,735) |
| Other financing activities | **(351)** | 35,268 |
| Cash used in financing activities | **(33,326)** | (1,467) |
| Cash and equivalents – end of period | **$ 75,290** | $ 52,495 |

Operating Cash Flow of $121,763 increased by $1,308 in 2011 compared to the same period in 2010. Cash flow from operating activities is an IFRS measure which is impacted by the timing of net changes in non-cash working capital. In 2011 non-cash working capital changed by $6,254 to $6,155 primarily as a result of a increase in accounts payable and other liabilities offset by a decrease in account receivables and prepaid and other assets.

Capital investments, excluding acquisitions, in 2011 were higher than in 2010 based upon significantly lower asset exchanges in the Rentals business offset by installation activity in the Sub-metering business. Total financing activity for 2011 primarily reflects dividend payments on outstanding Shares.

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.

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

EnerCare is examining opportunities to refinance its 2010 Notes and 2009-2 Notes in order to take advantage of the current low interest environment. In respect of the $60,000 2009-1 Notes, EnerCare expects to repay from cash on hand these notes on or before April 30, 2012. EnerCare continues to generate considerable cash flow from operations as a result cash and cash equivalents increased by $22,795 to $75,290 as of December 31, 2011. In addition, EnerCare has an unused Revolver of $35,000 available.

Management believes that EnerCare has sufficient cash flow, cash on hand and credit available to meet its 2012 obligations, including capital expenditures, debt repayments and working capital requirements for the Rentals and Sub-metering businesses.

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) | | **2011** | | | 2010 | |
|---|---|---|---|---|---|---|
| Segment | **Rentals** | **Sub-metering** | **Total** | Rentals | Sub-metering | Total |
| Units – start of period | **1,267** | **77** | **1,344** | 1,322 | 35 | 1,357 |
| Portfolio additions | **25** | **17** | **42** | 29 | 12 | 41 |
| Acquisitions | **-** | **-** | **-** | - | 30 | 30 |
| Attrition | **(76)** | | **(76)** | (84) | - | (84) |
| Units – end of period | **1,216** | **94** | **1,310** | 1,267 | 77 | 1,344 |
| Asset exchanges – units retired and replaced | **51** | **-** | **51** | 60 | - | 60 |
| % change in units during the period | | | **(2.5%)** | | | (1.0%) |
| % of units from start of period: | | | | | | |
| Portfolio additions (net of acquisitions) | | | **3.1%** | | | 3.0% |
| Attrition | | | **(5.7%)** | | | (6.2%) |
| Units retired and replaced | | | **3.8%** | | | 4.4% |
| Billable units | **1,216** | **57** | **1,273** | 1,267 | 50 | 1,317 |
| Contracted units | | **132** | | | 93 | |

Net capital expenditures in the Rentals business include portfolio additions and asset exchanges, net of proceeds on disposal.  In 2011, net capital expenditures (excluding acquisitions) in the Rentals business were $57,631, decreasing by 13% or $8,381 when compared to 2010. Capital expenditures decreased primarily due to reductions in Rentals asset exchanges of 9,000 units and 4,000 fewer additions for 2011, when compared to 2010.

Installations in the Sub-metering business improved in 2011 following increased sales activity as a result of the new sub-metering Legislation coming into effect.

Attrition in the Rentals business fell 8,000 units to 76,000 units during 2011, a decrease of 10% from 2010. Attrition units and percentages on a year over year basis decreased throughout much of the past two years in part due to customer communications and marketing programs delivered by EnerCare and DE.

***Cash from Financing***

Financing activities for EnerCare reflect mainly dividends, periodic financing of EnerCare Solutions' indebtedness, EnerCare's offering of Shares and Convertible Debentures, and to a much lesser extent financing of the Sub-metering business.  During 2011, EnerCare recorded financing, net of dividends, of ($195), related to on-going principal payments on the Stratacon Debt and receipt of cash collateral in the first quarter of 2011 also related to the Stratacon Debt. During the same period in 2010 financing activity net of dividends of $35,268 was primarily related to the issuance of Shares and Convertible Debentures in the second quarter of 2010 and payments made towards the Revolver.

| **Capitalization** (000's) | **2011** | 2010 |
|---|---|---|
| Cash and cash equivalents | **$ 75,290** | $ 52,495 |
| Net investment in working capital | **(16,685)** | (9,449) |
| Cash, net of working capital | **58,605** | 43,046 |
| Total debt | **591,562** | 600,361 |
| Shareholder's equity | **123,407** | 141,312 |
| Total capitalization – book value | **$714,969** | $741,673 |

Typically, EnerCare maintains cash balances to provide sufficient cash reserves to satisfy short-term requirements, including interest payments, dividends and certain capital expenditures and acquisitions. EnerCare held $75,290 of cash and cash equivalents at December 31, 2011, an increase of $22,795 from December 31, 2010, comprised of positive cash flows and lower capital expenditures.

At December 31, 2011, total debt was comprised of the 2009 Notes and 2010 Notes, Convertible Debentures and the Stratacon Debt.

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

***Revolver***

Under the Revolver, EnerCare Solutions is subject to three principal financial covenants as described in the AIF. The covenants address interest and debt coverage. EnerCare Solutions complied with these covenants on December 31, 2011. No amounts were drawn on the Revolver at December 31, 2011.

***2009 Notes and 2010 Notes – Incurrence Test***

The covenants under the 2009 Notes and 2010 Notes are contained in a master trust indenture and supplemental indentures effective January 29, 2010 and February 19, 2010, respectively. Under the terms of these indentures, 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, 2011, EnerCare Solutions exceeded this minimum and has the capacity under the covenant to raise approximately $40,000 to $50,000 additional senior debt should it elect to do so.

Summary of Quarterly Results

| (000's) | **Q4/11** | Q3/11 | Q2/11 | Q1/11 | Q4/10 | Q3/10 | Q2/10 | Q1/10 |
|---|---|---|---|---|---|---|---|---|
| Total revenues | **$59,988** | $63,032 | $60,069 | $61,412 | $57,169 | $49,676 | $51,450 | $49,123 |
| Net (loss)/earnings | **(2,256)** | 5,618 | 1,682 | (1,061) | (3,214) | 2,216 | 2,566 | 153 |
| Dividends declared | **9,143** | 9,047 | 8,958 | 8,918 | 8,867 | 8,867 | 8,304 | 8,023 |
| Average Shares outstanding | **55,981** | 55,728 | 55,206 | 54,952 | 54,734 | 54,734 | 50,841 | 49,524 |
| Per Share | | | | | | | | |
| Basic/diluted net (loss)/earnings | **($0.04)** | $0.10 | $0.03 | ($0.02) | ($0.06) | $0.04 | $0.05 | $0.00 |
| Dividends declared | **$0.163** | $0.162 | $0.162 | $0.162 | $0.162 | $0.162 | $0.163 | $0.162 |

In addition to quarterly comments found under "Results of Operations – Adjusted EBITDA and EBITDA", differences in net earnings between quarters reflect the timing of expenses, current tax expense and the temporary difference reversals of future income tax recoveries. Dividends declared primarily reflect the change in outstanding Shares over time.

The average number of Shares outstanding and the related per Share data reflect EnerCare's Share offering of June 2010. Commencing in 2011, Shares outstanding have increased with the conversion of Convertible Debentures.

## SUMMARY OF CONTRACTUAL DEBT AND LEASE OBLIGATIONS

The following schedule summarizes the contractual debt and lease obligations of EnerCare at December 31, 2011:

| Period (000's) | Principal Payments | Interest Payments | Leases |
|---|---|---|---|
| Within the next 12 months | $ 61,131 | $ 34,338 | $ 416 |
| 1 to 2 years | 241,198 | 26,084 | 321 |
| 2 to 3 years | 271,251 | 10,573 | 248 |
| 3 to 4 years | 1,299 | 1,356 | 363 |
| 4 to 5 years | 1,003 | 1,258 | 386 |
| Thereafter | 19,181 | 634 | 64 |
| Total | $ 595,063 | $ 74,243 | $ 1,798 |

Long-term senior contractual obligations of EnerCare include debt service on the 2009-1 Notes, 2009-2 Notes and 2010 Notes bearing interest at 6.20%, 6.75% and 5.25%, respectively. Interest on the 2009 Notes is payable semi-annually on April 30 and October 30 and on March 15 and September 15, in respect of the 2010 Notes. The Stratacon Debt of $6,702 was issued in 14 series with maturity dates ranging from 4 to 14 years, ending in 2022. The interest rate on the Stratacon Debt ranges from 7.50% to 8.75% and is paid monthly.

The Convertible Debentures bear interest at 6.25% with interest payable semi-annually on June 30 and December 31 until maturity in June 2017.

At December 31, 2011, $35,000 of the Revolver was available to be drawn. The Revolver bears a standby fee of 0.31%, which has not been included in the above schedule, until maturity in January 2014.

Lease obligations include premises and office equipment. Substantially all of the future expense obligations are the result of leased premises.

## ENERCARE SHARES ISSUED AND OUTSTANDING

EnerCare's authorized share capital consists of an unlimited number of shares and 10,000,000 preferred shares. At December 31, 2011, there were 56,203,523 shares issued and outstanding, and no preferred shares were outstanding.

In 2010 EnerCare completed a public offering of 5,210,000 shares at a price of $4.80 for proceeds of $23,678 net of $1,330 of fees. Shares issued in 2011 are on account of the conversion of Convertible Debentures. Preferred shares may, at any time and from time to time, be issued in one or more series, with such rights, privileges, restrictions and conditions as may be determined by the directors. The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets, be entitled to preference over the shares and any other share ranking junior to the preferred shares from time to time.

## FOURTH QUARTER RESULTS OF OPERATIONS

| Earnings Summary (000's) | **2011** | 2010 |
|---|---|---|
| Revenues: | | |
| *Rentals* | **$ 46,031** | $ 45,044 |
| *Sub-metering* | **13,783** | 12,018 |
| *Investment income* | **174** | 107 |
| Total revenues | **59,988** | 57,169 |
| Commodity charges | **9,934** | 8,940 |
| SG&A expenses: | | |
| *Rentals* | **4,261** | 5,391 |
| *Sub-metering* | **2,810** | 4,017 |
| *Corporate* | **3,399** | 3,284 |
| Total SG&A expenses | **10,470** | 12,692 |
| Amortization expense | **26,234** | 26,620 |
| Loss on disposal of equipment | **4,880** | 4,673 |
| Impairment of assets | **458** | - |
| Interest expense | **10,377** | 10,666 |
| Total operating expenses | **62,353** | 63,591 |
| Other income | **-** | (211) |
| (Loss) before income taxes | **(2,365)** | (6,633) |
| Current tax expense | **(765)** | - |
| Income tax recovery | **874** | 3,419 |
| Net (loss) | **$ (2,256)** | $ (3,214) |
| EBITDA | **34,072** | 30,757 |
| Adjusted EBITDA | **$ 39,410** | $ 35,430 |

### *Fourth Quarter Overview*

Unless stated otherwise, the narrative in this section is in reference to the operating results for the fourth quarter of 2011 as compared to the same period in 2010.

### *Revenues*

Total revenues of $59,988 in 2011 increased by $2,819 or 5% compared to 2010. Rentals revenue for the period increased by $987 or 2% primarily due to the January rate increase, partially offset by the impact of net Attrition. Sub-metering revenues improved by $1,765 or 15% in 2011, due to increases in the number of billing units and $994 related to increased pass-through commodity changes.

Investment income was $174 or $67 greater than in the same period in 2010 primarily due to higher investment balances.

### *Selling, General & Administrative Expenses*

SG&A expenses decreased by $2,222 or 18% from 2010 to $10,470. Sub-metering costs decreased by $1,207, primarily as a result of cost reductions associated with the integration of operations. Rentals and corporate costs decreased by $1,015 related to reductions in professional fees of $1,217, bad debts and claims of $967 and billing, servicing and inventory management charges of $82, partially offset by an increase in wages and benefits of $1,073 and selling and office expense of $178. The reductions in professional fees are in part due to the Conversion charges incurred in 2010.

### *Amortization Expense*

Amortization expense of $26,234 was $386 lower than in 2010, primarily the result of cumulative portfolio Attrition in the rentals business but offset by additions to amortization caused by the Sub-metering business which amortizes equipment over a shorter period.

### *Loss on Disposal of Equipment*

Loss on disposal of equipment for the period was $4,880, an increase of $207 or 4% over 2010. The net increased loss was primarily the result of asset age and mix as the number of Attrition and exchanged assets for the period was the same as that in 2010.

### *Impaired assets*

An impairment provision of $458 was taken on certain Sub-metering assets during the fourth quarter of 2011. The provision covers assets in work in progress which are no longer proceeding forward under a contract and some equipment which may never become income generating property for EnerCare.

### *Interest Expense*

In 2011, interest expense of $10,377 was $289 lower than the same period in 2010. The lower Convertible Debenture balance stemming from the conversion of $2,290 principal amount to Shares was the primary contributor to the reduction in interest expense for the period.

### *Net Loss*

Losses before income taxes in 2011 were $4,268 better than 2010, as previously described. Net loss decreased by $958 in 2011 primarily as a result of the lower deferred taxes and the recognition of current taxes with the conversion from an income trust to a corporation in 2011.

## IFRS

Effective January 1, 2011, EnerCare and EnerCare Solutions adopted IFRS for publicly traded enterprises. IFRS accounting principles and financial data has been applied retroactively to 2010. The significant accounting policy choices and financial statement impacts are discussed below.

*Business Combinations and Contingent Consideration*

EnerCare acquired Stratacon in August 2008. The Stratacon purchase included contingent consideration for the 3 year period ending July 31, 2011. As at January 1, 2010, management's estimate of this obligation was $5,000. This obligation was reflected on the balance sheet effective January 1, 2010 as a liability payable and charged through equity. Any difference between this estimate and the amount ultimately paid in 2011 will be reflected in the statement of earnings. During 2011, $2,383 (2010 - $700) has been reflected in other income to reflect a lower estimated payable.

The October 1, 2010 EECI acquisition was reported according to standards which were in accordance with IFRS and as such no adjustments related to the business combination are required.

*Intangibles and Amortization*

As at January 1, 2010, under CGAAP the carrying value of intangible assets was evaluated on an undiscounted cost recovery methodology. Under IFRS the value in use of these assets is assessed on a discounted basis resulting in an impairment charge of $18,565. Equity was reduced by $14,035 net of a reduction in deferred tax liabilities of $4,530. Under CGAAP amortization was based on greater intangible asset values in 2010, as such, amortization and deferred tax recoveries for 2010 have been reduced under IFRS to give effect to the impairment recorded January 1, 2010.

*Convertible Debentures*

The Convertible Debentures issued in June and July 2010, were recorded as a liability with the value of the debentures being reduced to reflect the fair value of the conversion feature of these debentures. The reduction will be accreted to earnings over the term of the debentures using the effective interest method. For the period from the date of issue through to conversion, the value of the conversion feature was reflected in other liabilities and revalued to fair value each reporting period. Changes in the fair value have been reflected through earnings. On January 1, 2011, the fair value of the conversion feature of $1,749 was transferred to equity of EnerCare and will no longer be subject to fair value adjustments each reporting period.

*Accounting Polices*

Under IFRS, after initial recognition, it is possible to measure property and equipment using the cost model or the revaluation model. EnerCare will continue to use the cost model.

The following table outlines the principal changes under IFRS for 2010. A detailed analysis can be found in note 4 of the consolidated financial statements of EnerCare for the year ended December 31, 2011.

| Changes in Accounts (000's) | Jan. 1/10 | Q1/10 | Q2/10 | Q3/10 | Q4/10 | YTD/10 |
|---|---|---|---|---|---|---|
| *Assets* | | | | | | |
| Intangible assets – opening balance | $(18,565) | $ - | $ - | $ - | $ - | $(18,565) |
| Intangible assets | - | 297 | 331 | 314 | 314 | 1,256 |
| Total assets | (18,565) | 297 | 331 | 314 | 314 | (17,309) |
| *Liabilities* | | | | | | |
| Other liabilities payable | - | - | - | 4,300 | - | 4,300 |
| Other long-term liabilities payable | 5,000 | - | - | (5,000) | - | - |
| Long-term debt | - | - | - | 1,538 | 211 | 1,749 |
| Deferred income liability | (4,530) | 77 | 111 | 94 | 94 | (4,154) |
| *Equity* | | | | | | |
| Opening shareholders' equity | (19,035) | - | - | - | - | (19,035) |
| Convertible Debentures – equity allocation | - | - | - | (1,538) | - | (1,538) |
| Retained earnings | - | 220 | 220 | 920 | 9 | 1,369 |
| Total liabilities and equity | (18,565) | 297 | 331 | 314 | 314 | (17,309) |
| Earnings | | | | | | |
| Other income/(loss) | - | - | - | 700 | (211) | 489 |
| Amortization- recovery | - | 297 | 331 | 314 | 314 | 1,256 |
| Deferred income tax expense | - | (77) | (111) | (94) | (94) | (376) |
| Total earnings | $ - | $ 220 | $ 220 | $ 920 | $ 9 | $ 1,369 |

## NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The consolidated financial statements of EnerCare are prepared in accordance with IFRS. EnerCare's accounting policies are summarized in detail in note 3 of the consolidated financial statements.

EnerCare reports on certain Non-IFRS measures that are used by management to evaluate performance of EnerCare and meet certain covenant requirements relating to its 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.

Non-IFRS financial indicators used by EnerCare and reported in this MD&A include:

## Measures of Asset Portfolio Performance

***Capital Expenditures and Acquisitions***

EnerCare makes two principal types of investments to grow its installed base of water heaters, sub-meters and other assets: capital expenditures and acquisitions.

## Measures of Financial Performance

***EBITDA***

This measure is comprised of net earnings plus income taxes, interest expense and amortization expense, less investment and other income. It is one metric that can be used to determine EnerCare's ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. EBITDA is reconciled with net earnings, an IFRS measure, in the section "*Results of Operations - Adjusted EBITDA and EBITDA*" in this MD&A.

***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 investment and other income. It is one metric that can be used to determine EnerCare's 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, in the section "*Results of Operations - Adjusted EBITDA and EBITDA*" in this MD&A.

***Billable***

Billable units in respect of Sub-metering represent assets in respect of which an invoice has been issued to a customer in the past. From time to time there may be periods where no invoicing occurs in respect of such asset due to, for example, vacancy or delinquency. Billable Sub-metering assets are no longer Billable upon termination of the contractual agreement with the landlord or condominium corporation, as applicable. The Rentals portfolio is deemed to be fully Billable upon origination and removed from Billable upon asset termination.

***Distributable Cash***

Distributable Cash is the amount of cash generated during a period and available to service debt, finance capital expenditures and provide for the payment of dividends to shareholders. It comprises net earnings of EnerCare, plus non-cash items such as future income taxes and amortization, less capital expenditures. Capital expenditures outside of EnerCare's traditional Rentals asset purchases, such as Sub-metering equipment, acquisitions and infrastructure assets are considered by management to be growth expenditures. Distributable Cash is reconciled with cash flow from operating activities, an IFRS measure, in the section "Distributable Cash and Payout Ratio" in this MD&A.

### *Distributions and Payout Ratio*

Dividends are declared and paid monthly to shareholders at the discretion of the board of directors of EnerCare. Among other things, the directors consider the level of Distributable Cash, the level of previous dividends, and the amount of cash they wish to retain in the company for contingencies and future growth. The Payout Ratio is the percentage of Distributable Cash to dividends declared to shareholders during a period. The Payout Ratio indicates the ability of EnerCare to pay dividends, finance capital expenditures and add to its cash reserves.

### *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 financial strength of EnerCare. Operating Cash Flow is reconciled with cash flow from operating activities, an IFRS measure, in the section "*Liquidity and Capital Resources*" in this MD&A.

### *Measures Regarding Debt Covenants*

As at December 31, 2011, EnerCare was in compliance with all covenants under the 2009 Notes, 2010 Notes and Revolver. A summary of the current covenants as described in the AIF is discussed below.

### *Revolver*

Under the Revolver, EnerCare Solutions is subject to three principal financial covenants as described in the AIF. The covenants address interest and debt coverage. EnerCare Solutions complied with these covenants on December 31, 2011. No amounts were drawn on the Revolver at December 31, 2011.

### *2009 Notes and 2010 Notes – Incurrence Test*

The covenants under the 2009 Notes and 2010 Notes are contained in a master trust indenture and supplemental indentures effective January 29, 2010 and February 19, 2010, as applicable. Under the terms of these indentures, 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

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. These estimates are based on EnerCare's historical experience, probability analysis and various other assumptions that management considered under the circumstances, the results of which form the basis for making judgments about the reported amounts in the consolidated financial statements that are not readily apparent from other sources. The critical accounting estimates for EnerCare are the estimated useful lives of equipment, intangible assets and provisions. During 2010 and 2011, additional accruals were recorded (see *"Billing and Servicing Matters"* in this MD&A).

### *Equipment*

Equipment is stated at cost, adjusted to fair market value where cost exceeds the net recoverable amount. For the Rentals business, costs include the purchase price of the water heaters and other assets, and installation allowances. There exists measurement uncertainty with respect to the useful life of the installed rental assets; accordingly, EnerCare periodically reviews the estimated useful lives of water heaters and believes it is currently appropriate to amortize the cost on a straight-line basis over 16 years.

Sub-metering equipment is comprised of sub-meters, installation costs, labour and direct materials. Sub-meters are amortized over their estimated useful lives of 10 years on a straight-line basis. Additional costs incurred as part of each executed contract are amortized on a straight-line basis over the term of the contract which varies from 10 to 25 years.

In the fourth quarter of 2010, the Fund changed an accounting estimate in respect of the useful lives of Stratacon's sub-metering equipment. The useful lives changed from 6 years to 10 years based upon management's belief that the recertification of meters may be accomplished less expensively than previously thought and may not result in new equipment replacement in every circumstance. The impact of reduced amortization in 2010 was approximately $270 with an estimated impact of $1,080 over 12 months.

***Intangible Assets***

Intangible assets represent the right to rental cash flows. The intangible assets are stated at cost, adjusted to fair market value where cost exceeds the net recoverable amount. Rentals intangible assets are amortized over 16 years on a straight-line basis in conjunction with the related equipment.

Sub-metering intangible assets are comprised of cash flows related to customer contracts and relationships, and the benefits from certain contractual arrangements. Stratacon related customer contracts and relationships were initially amortized on a straight-line basis over the average estimated contract life of 16 years while other contractual arrangements are amortized on a straight-line basis between 2 and 5 years. On transition to IFRS a full provision against the carrying value of Stratacon customer relationships of $18,565 was recorded. A policy related to ECI intangibles has not been established until such time as the purchase price allocation has been completed. Additional details may be found in the notes to the financial statements.

EnerCare reviews the intangible assets on an annual basis or at any other time when events or changes have occurred that would suggest an impairment of carrying amount.

## DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

EnerCare's 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, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by EnerCare in its annual filings, interim filings and other reports filed or submitted by EnerCare under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. As well, EnerCare's 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. There are no material weaknesses relating to the design of either DC&P or ICFR at December 31, 2011. There have been no changes to our ICFR during the year ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, EnerCare's ICFR, including as a result of the implementation of IFRS, as any changes were either immaterial or implemented in prior periods. The certifying officers have evaluated the effectiveness of the EnerCare's DC&P and ICFR at December 31, 2011 and are satisfied that the EnerCare's DC&P and ICFR were both effective as at December 31, 2011. Management also did not identify any material weaknesses in the Fund's ICFR at December 31, 2011.

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 intends to take whatever steps are necessary to minimize the consequences thereof.

## CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements of EnerCare are prepared in accordance with IFRS, which became effective on January 1, 2011 with retroactive application to January 1, 2010. Transition elections and adjustments are summarized further in the IFRS section of this MD&A.

Accounting standard IFRS 9, Financial Instruments, was issued in November 2009. It addressed classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with early adoption permitted. EnerCare has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10, *Consolidated Financial Statements,* was issued in May 2011. It introduces a single model in the control analysis to determining which investees should be consolidated. The consolidation procedures are carried forward from IAS 27 (2008). The control model is based on three elements: An investor controls an investee when (1) it is exposed or has rights to variable (e.g. residual) returns from its involvement with that investee, (2) has the ability to affect those returns through its power over that investee and (3) there is a link between power and returns. The approach comprises a series of indicators of control, but no hierarchy is provided: preparers are required to analyze all facts and circumstances and apply their judgment in making the control assessment. Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee. In such a case that portion of the investee is a deemed separate entity (referred to as a silo) for the purpose of applying the consolidation requirements. In assessing control, the investor also needs to analyze substantial potential voting rights as well as currently exercisable potential voting rights. This is likely to change the control conclusion in some cases: currently exercisable potential voting rights might not be considered substantive and vice versa. Control is assessed on a continuous basis, i.e. it is reassessed as facts and circumstances change considerably. This standard is required to be applied for accounting periods beginning on or after January 1, 2013. EnerCare has not yet assessed the impact of the standard.

IFRS 13, *Fair Value Measurement*, was issued in May 2011. It defines “fair value” and sets out, in a single IFRS, a framework for measuring fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or liability at fair value, nor does it change what is measured at fair value in IFRSs or address how to present changes in fair value. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, but can, with early adoption permitted. EnerCare has not yet assessed the impact of the standard or whether it will adopt the standard early.

## OUTLOOK

We believe that the expiry of the Consent Order on February 20, 2012 represents the removal of a significant impediment to our Rentals business’s ability to compete in Ontario.

Following the expiry, EnerCare and DE initiated a number of changes in the operation of the Rentals business, including:

- New procedures requiring customers to confirm their decision to terminate prior to returning their rental water heater;

- Enhancements to verification procedures at water heater return locations;
- Changes to water heater return locations and operating hours; and
- Introduction of consumer promotional offers.

EnerCare believes that these changes will help to level the playing field for EnerCare and DE in the competitive rental water heater market.

DE and EnerCare have also agreed to a comprehensive plan to introduce changes to the service terms, including the introduction of additional value offerings, for certain customers within the next quarter.

With respect to its Sub-metering business, EnerCare has made significant progress in integrating its two acquisitions. Currently, EnerCare is upgrading and consolidating the billing and customer care systems. The implementation will allow EnerCare to further enhance its client and customer service objectives and deliveries. EnerCare anticipates implementation to be completed by the end of the second quarter of 2012.

EnerCare plans to increase efforts to grow its business organically, including through wider product offerings and geographic expansion, as it did recently with the introduction of a rentals program in New Brunswick. In addition, EnerCare will continue to seek acquisition opportunities in its current or adjacent markets. Investments will focus on those which have long asset life and long-term customer relationships and that will generate positive growth in revenues, earnings and/or cash flows within an appropriate horizon depending on the stage of the development of the business.

EnerCare is examining opportunities to refinance its 2009-2 Notes and 2010 Notes in order to take advantage of the current low interest rate environment. In respect of the $60,000 2009-1 Notes, EnerCare expects to repay from cash on hand and the Revolver, these notes on or before their maturity on April 30, 2012. EnerCare continues to generate considerable cash flow from operations as a result cash and cash equivalents increased by $22,795 to $75,290 as of December 31, 2011. In addition, EnerCare has an unused Revolver of $35,000 available.

EnerCare estimates that it will pay approximately $14,000 to $17,000 in current taxes for the fiscal year ended December 31, 2012. This estimate is based on taxable income comparable to current levels, shielded by unrestricted tax losses and a corporate tax rate of approximately 26.25%. EnerCare's current taxes for 2011 were $5,708. Taxable income is principally impacted by changes in revenue, operating expenses, potential acquisitions or divestitures, appropriate tax planning and capital expenditures through the capital cost allowance deduction.

EnerCare is very pleased with the substantial progress it has made in strengthening its business in 2011 and the resulting improvement in the payout ratio. Based on these and other factors, EnerCare intends to increase its monthly dividend to $0.056 per Share, an increase of 1.8%, effective in respect of the dividend payable to shareholders of record on the applicable date in March 2012, which dividend will be paid in April 2012.

As previously announced, EnerCare has set its annual and general and special meetings for April 30, 2012. Jim Pantelidis, Chairman of the board, and management will provide an update to shareholders on EnerCare's achievements in 2011 and strategy.

## GLOSSARY OF TERMS

| Defined Term | Definition |
|---|---|
| AIF | Annual Information Form of EnerCare dated March 29, 2011. |
| Attrition | Termination of customer relationships, including buyouts. |
| Billable | EnerCare property that is deemed to be billing (see Non-IFRS Financial and Performance Measures - "Measures of Financial Performance"). |
| CGAAP | Generally Accepted Accounting Principles under Part V of the Canadian Institute of Chartered Accountants Handbook. |
| Consent Order | Issued by the Competition Bureau in 2002 and expiring in 2012 which restricts EnerCare's and DE's business practices. |
| Conversion | The conversion of the Fund and the Trust, income trusts, to EnerCare and EnerCare Solutions, respectively. |
| Convertible Debentures | 6.25% convertible unsecured subordinated debentures of EnerCare (formerly the Fund), which mature on June 30, 2017, in the original aggregate principal amount of $27,883. Each Debenture is convertible into Shares at the option of the holder at a conversion price of $6.48 (or 154.3210 Shares per $1,000 principal amount of Convertible Debentures). |
| D2D | Door to door. |
| 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. |
| ECI | EnerCare Connections Inc. (formerly Stratacon and EECI). |
| EECI | Enbridge Electric Connections Inc. (now ECI). |
| EGD | Enbridge Gas Distribution Inc. |
| EnerCare | EnerCare Inc., formerly the Fund. |
| EnerCare Solutions | EnerCare Solutions Inc., formerly the Trust. |
| EGNB | Enbridge Gas New Brunswick Limited Partnership |
| Fund | The Consumers' Waterheater Income Fund. |
| HVAC | Heating, ventilation and air conditioning. |
| Incurrence Test | 2009 Notes and 2010 Notes Incurrence EBITDA to Net Interest Expense. |
| 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 Canadian Institute of Chartered Accountants under Part I of the Handbook. |
| MD&A | Management's Discussion and Analysis. |
| OCI | Other Comprehensive Income. |
| OEB | Ontario Energy Board. |
| Rentals | Business division that rents water heaters and other equipment. |
| Revolver | $35,000 line of credit, with a maturity date of January 28, 2014 as amended and restated as of July 6, 2011. |
| SG&A | Selling, general and administrative expenses. |
| S&P | Standard and Poor's Rating Services. |
| Shares | Common shares of EnerCare. |
| Stratacon | Stratacon Inc. (now ECI). |
| Stratacon Debt | Secured debt assumed with the acquisition of Stratacon. |
| Sub-metering | Business division (ECI) that provides sub-metering equipment and billing services. |
| TH Energy | Toronto Hydro Energy Services Inc. |
| Trust | The Consumers' Waterheater Operating Trust. |
| Units | Trust Units of the Fund. |
| 2009 Bridge | $240,000 bridge credit facility, with a maturity date of January 28, 2011, which was repaid in March 2010. |
| 2009-1 Notes | $60,000 of 6.20% Series 2009 -1 Senior Notes of the Trust, which mature on April 30, 2012. |
| 2009-2 Notes | $270,000 of 6.75% Series 2009 -2 Senior Notes of the Trust, which mature on April 30, 2014. |
| 2009 Notes | Collectively, the 2009-1 Notes and 2009-2 Notes. |
| 2010 Notes | $240,000 of 5.25% Series 2010 -1 Senior Unsecured Notes of the Trust, which mature on March 15, 2013. |