



ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 1, 2014

NOTICE OF MEETING

AND

MANAGEMENT INFORMATION CIRCULAR

March 21, 2014

ENERCARE INC.

NOTICE OF ANNUAL AND SPECIAL MEETING

NOTICE IS HEREBY GIVEN that the annual and special meeting (the "**Meeting**") of holders of common shares ("**Shareholders**") of EnerCare Inc. ("**EnerCare**") will be held on **Thursday, May 1, 2014** at BMO Financial Group, Institute for Learning, 3550 Pharmacy Avenue, Toronto, Ontario at 10:00 a.m. (Toronto time), for the following purposes:

1. to receive the consolidated financial statements of EnerCare, for the financial year ended December 31, 2013, together with the report of the auditors thereon;
2. to re-appoint PricewaterhouseCoopers LLP as the external auditors of EnerCare for the ensuing year and to authorize the directors of EnerCare to fix the remuneration of the auditors;
3. to consider and, if thought advisable, pass, with or without variation, an ordinary resolution (the "**Rights Plan Resolution**"), the full text of which is set forth in Schedule A to the management information circular (the "**Circular**") accompanying this notice of annual and special meeting, reconfirming the shareholder rights plan agreement dated April 29, 2011 between EnerCare and Computershare Investor Services Inc., all as more particularly described in the Circular;
4. to consider and, if thought advisable, pass, with or without variation, an ordinary resolution (the "**2014 Option Plan Resolution**"), the full text of which is set forth in Schedule B to the Circular, approving the adoption of a share option plan, the reservation of 3,000,000 common shares of EnerCare for issuance thereunder and ratifying the grant of 379,011 Options to EnerCare's senior management, all as more particularly described in the Circular;
5. to elect the eight nominees of EnerCare standing for re-election as directors of EnerCare to hold office until the close of the first annual meeting of Shareholders following their election; and
6. to transact such other business as may properly come before the Meeting or any adjournment thereof.

The Circular provides additional information relating to matters to be dealt with at the Meeting and forms part of this notice.

The directors of EnerCare have fixed March 21, 2014 as the record date for the Meeting (the "**Record Date**"). Only Shareholders of record at the close of business on the Record Date are entitled to vote at the Meeting or any adjournment thereof.

If you are a Shareholder and are unable to be present at the Meeting, please exercise your right to vote either by:

- (a) completing and returning the enclosed form of proxy that is applicable to you to EnerCare, c/o Computershare Investor Services Inc. by mail in an envelope addressed to Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 or by facsimile to 416-263-9524 (within the Toronto area) or 1-866-249-7775 (outside the Toronto area) or to Kingsdale Shareholder Services at 130 King Street West, Suite 2950, P.O. Box 361, Toronto, Ontario, M5X 1E2 or by facsimile to 416-867-2271 or toll-free 1-866-545-5580 so as to arrive not later than 10:00 a.m. (Toronto time) on April 29, 2014 or, if the Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before any reconvened meeting, or
- (b) by completing the request for voting instructions in accordance with the directions provided.

Shareholders are invited to attend the Meeting. There will be an opportunity to ask questions and meet management, the board of directors and their fellow Shareholders. After the Meeting, management will report on EnerCare's 2013 business activities.

Dated at Toronto, Ontario this 21st day of March, 2014.

EnerCare Inc.



John Macdonald

President and Chief Executive Officer

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MANAGEMENT INFORMATION CIRCULAR**DATED MARCH 21, 2014****SOLICITATION OF PROXIES**

This management information circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by management and the directors of EnerCare Inc. (“**EnerCare**”) from registered owners of common shares (the “**Shares**”) of EnerCare (and of voting instructions in the case of non-registered owners of Shares) to be used at the annual and special meeting (the “**Meeting**”) of holders of Shares (the “**Shareholders**”) to be held on Thursday, May 1, 2014 at BMO Financial Group, Institute for Learning, 3550 Pharmacy Avenue, Toronto, Ontario at 10:00 a.m. (Toronto time), and at any adjournment of the Meeting, for the purposes set forth in the accompanying Notice of Annual and Special Meeting (the “**Notice of Meeting**”). It is expected that the solicitation will be made primarily by mail. However, proxies and voting instructions may also be solicited by personal interview, telephone, Internet or by other means of communication by the directors of EnerCare (the “**Directors**”), or on behalf of the Directors by officers and employees of EnerCare, who will receive no compensation therefor other than their regular remuneration. The solicitation of proxies and voting instructions by this Circular is being made on behalf of the Directors by management of EnerCare and the total cost of the solicitation will be borne by EnerCare. EnerCare has engaged Kingsdale Shareholder Services as proxy solicitation agent (the “**Proxy Solicitation Agent**”) to provide the following services, among others, in connection with the Meeting: review the management information circular, press releases and other Shareholder communications; develop and implement messaging to Shareholders and the media; provide strategic advice with respect to proxy solicitation; liaise with proxy advisory firms; solicit proxies, including contacting Shareholders by telephone; and other related services. EnerCare will pay fees of approximately \$65,000 to the Proxy Solicitation Agent for the services provided, plus certain out-of-pocket expenses and service fees. Fees payable to the Proxy Solicitation Agent will be paid by EnerCare. EnerCare may also reimburse brokers and other persons holding Shares in their name or in the name of nominees for their costs incurred in sending proxy material to their principals in order to obtain their proxies.

The information contained in this Circular is given as at March 21, 2014, except where otherwise noted.

If you have any questions about the information contained in this Circular or require assistance in completing the enclosed proxy or voting instruction form, consult your professional advisors or contact the Proxy Solicitation Agent, Kingsdale Shareholder Services, by telephone at 1-888-518-6813 toll free in North America or call collect at 416-867-2272 outside of North America or by email at contactus@kingsdaleshareholder.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Circular contains certain forward-looking statements that involve various risks and uncertainties. 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, although not all forward-looking information contains these identifying words. The forward-looking information in this Circular 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 actual 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 Circular is made as of the date of this Circular. 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. A thorough discussion in respect of the material risks relating to the business and structure of EnerCare can be found in its Annual Information Form, which is available on SEDAR at www.sedar.com.

MATTERS TO BE VOTED ON

The annual and special business to be considered at the Meeting is as follows:

1. to receive the consolidated financial statements of EnerCare for the financial year ended December 31, 2013, together with the report of the auditors thereon;
2. to re-appoint PricewaterhouseCoopers LLP as the external auditors of EnerCare for the ensuing year and to authorize the Directors to fix the remuneration of the auditors;
3. to consider and, if thought advisable, pass, with or without variation, an ordinary resolution (the "**Rights Plan Resolution**"), the full text of which is set forth in Schedule A to this Circular, reconfirming the shareholder rights plan agreement dated April 29, 2011 between Computershare Investor Services Inc. (the "**Rights Agent**") and EnerCare (the "**Rights Agreement**"), all as more particularly described in this Circular; and
4. to consider and, if thought advisable, pass, with or without variation, an ordinary resolution (the "**2014 Option Plan Resolution**"), the full text of which is set forth in Schedule B to this Circular, approving the adoption of a share option plan (the "**2014 Option Plan**"), the reservation of 3,000,000 Shares for issuance thereunder and ratifying the grant of 379,011 Options to EnerCare's senior management, all as more particularly described in this Circular; and
5. the election of the eight EnerCare nominee directors standing for re-election as directors to hold office until the close of the first annual meeting of Shareholders following their election.

APPOINTMENT OF PROXIES AND VOTING INSTRUCTIONS

REGISTERED OWNERS

If you are a registered owner of Shares, you may vote in person at the Meeting or you may appoint another person to represent you as proxyholder and vote your Shares at the Meeting. If you wish to attend the Meeting, do not complete or return the enclosed form of proxy because you will vote in person at the Meeting. When you arrive at the Meeting, please register with the transfer agent, Computershare Investor Services Inc. ("**Computershare**").

APPOINTMENT OF PROXIES

If you do not wish to attend the Meeting, you should complete and return the enclosed form of proxy. The individuals named in the enclosed form of proxy are Directors. **A Shareholder who wishes to appoint some other person to represent such Shareholder at the Meeting may do so by striking out the names of the persons specified in the form of proxy and inserting the name of the person to be appointed in the blank space provided in the enclosed form of proxy. The person you appoint to represent you at the Meeting need not be a Shareholder.**

To be valid, proxies must be completed and delivered to EnerCare c/o Computershare or the Proxy Solicitation Agent not later than 10:00 a.m. (Toronto time) on April 29, 2014 or, if the Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before any reconvened meeting. Proxies may be returned to Computershare by mail in an envelope addressed to Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 or by facsimile to 416-263-9524 (within the Toronto area) or 1-866-249-7775 (outside the Toronto area) or to the Proxy Solicitation Agent by mail in an envelope addressed to Kingsdale Shareholder Services, 130 King Street West, Suite 2950, P.O. Box 361, Toronto, Ontario, M5X 1E2 or by facsimile to 416-867-2271 or toll-free 1-866-545-5580. The deadline for the deposit of proxies may be waived or extended by the Chair of the Meeting at the Chair's discretion without notice.

REVOKING YOUR PROXY

If you have submitted a proxy and later wish to revoke it, you can do so by:

- (a) completing and signing a form of proxy bearing a later date and depositing it with Computershare in the manner and within the deadline described above;
- (b) depositing a document revoking the proxy that is signed by you (or by someone you have properly authorized to act on your behalf) (i) at the office of Computershare in the manner described above at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or (ii) with the Chair of the Meeting before the Meeting starts;
- (c) electronically transmitting your revocation in a manner permitted by law, provided the revocation is received (i) at the office of Computershare in the manner described above at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or (ii) by the Chair of the Meeting before the Meeting starts; or
- (d) in any other manner permitted by law.

VOTING YOUR PROXY

The persons designated in the accompanying form of proxy will vote for or against or withhold from voting the Shares in respect of which they are appointed by proxy on any vote that may be called for in accordance with your instructions as indicated on the proxy and, if you specify a choice with respect to any matter to be acted upon, the Shares will be voted accordingly.

In the absence of any direction, your Shares will be voted:

FOR the reappointment of auditors named in this Circular and the authorization of the Directors to fix the remuneration of the auditors;

FOR the election to EnerCare's board of directors (the "Board") of the EnerCare nominees named in this Circular;

FOR the ordinary resolution in the form set out in Schedule A to this Circular, reconfirming the Rights Plan Agreement for EnerCare; and

FOR the ordinary resolution in the form set out in Schedule B to this Circular, approving the adoption of the 2014 Option Plan, the reservation of 3,000,000 Shares for issuance thereunder and ratifying the grant of 379,011 Options to EnerCare's senior management.

The accompanying form of proxy confers discretionary authority upon the persons designated in the form of proxy with respect to voting on amendments to or variations of matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting. At the date of this Circular, the Directors and management of EnerCare do not know of any such amendments, variations or other matters.

NON-REGISTERED OWNERS

If your Shares are registered in the name of a depository (such as CDS Clearing and Depository Services Inc. or its nominee ("**CDS**")) or an intermediary (such as a bank, trust company, securities dealer or broker, or trustee or administrator of a self-administered RRSP, RRIF, RESP, TFSA or similar plan), you are a non-registered owner.

Only registered owners of Shares, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. If you are a non-registered owner, you are entitled to direct how the Shares

beneficially owned by you are to be voted or you may obtain a form of legal proxy that will entitle you to attend and vote at the Meeting.

In accordance with Canadian securities law, EnerCare has distributed copies of the Notice of Meeting, this Circular and the 2013 Annual Report of EnerCare (collectively, the “**meeting materials**”) to the intermediaries for onward distribution to non-registered owners who have not waived their right to receive them. Typically, intermediaries will use a service company (such as Broadridge Financial Solutions Inc.) to forward the meeting materials to non-registered owners.

If you are a non-registered owner and have not waived your right to receive meeting materials, you will receive either a request for voting instructions or a form of proxy with your meeting materials. The purpose of these documents is to permit you to direct the voting of the Shares you beneficially own. You should follow the procedures set out below, depending on which type of document you receive.

Request for Voting Instructions

If you do not wish to attend the Meeting (or have another person attend and vote on your behalf), you should complete, sign and return the enclosed request for voting instructions in accordance with the directions provided. You may revoke your voting instructions at any time by written notice to your intermediary, except that the intermediary is not required to honour the revocation unless it is received at least seven days before the Meeting.

If you wish to attend the Meeting and vote in person (or have another person attend and vote on your behalf), you must complete, sign and return the enclosed request for voting instructions in accordance with the directions provided and a form of proxy will be sent to you giving you (or your representative) the right to attend and vote at the Meeting. You (or your representative) must register with the transfer agent, Computershare, when you arrive at the Meeting.

or

Form of Proxy

The form of proxy has been signed by the intermediary (typically by a facsimile, stamped signature) and completed to indicate the number of Shares beneficially owned by you. Otherwise, the form of proxy is uncompleted.

If you do not wish to attend the Meeting, you should complete the enclosed form of proxy in accordance with the instructions set out in the section titled “Registered Owners” above.

If you wish to attend the Meeting and vote in person, you must strike out the names of the persons named in the enclosed form of proxy and insert your name in the blank space provided. To be valid, proxies must be deposited with Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 or by facsimile to 416-263-9524 (within the Toronto area) or 1-866-249-7775 (outside the Toronto area) or to Kingsdale Shareholder Services at 130 King Street West, Suite 2950, P.O. Box 361, Toronto, Ontario, M5X 1E2 or by facsimile to 416-867-2271 or toll-free 1-866-545-5580 not later than 10:00 a.m. (Toronto time) on April 29, 2014 or, if the Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before any reconvened meeting. You must register with the transfer agent, Computershare, when you arrive at the Meeting.

You should follow the instructions on the document which you have received and contact your intermediary promptly if you need assistance.

SHARES

The authorized capital of EnerCare consists of an unlimited number of Shares and 10,000,000 preferred shares. Shareholders are entitled to one vote for each Share held. As at March 18, 2014, EnerCare had

58,462,285 Shares and no preferred shares issued and outstanding.

Each Shareholder of record at the close of business on March 21, 2014, the record date established for Notice of Meeting and for voting in respect of the Meeting, will be entitled to one vote for each Share held by such holder on all matters proposed to come before the Meeting. A quorum for the transaction of business at the Meeting will consist of two or more persons present in person either holding personally or representing as proxies not less in aggregate than 25% of the votes attached to all of the Shares then outstanding.

PRINCIPAL HOLDERS OF VOTING SECURITIES

The following table sets forth the only person who, as of the date of this Circular, to the knowledge of management and the Directors, beneficially owns, or controls or directs, directly or indirectly, Shares carrying more than 10% of the voting rights attached to any class of outstanding shares of EnerCare entitled to vote in connection with any matters being proposed for consideration at the Meeting.

| Name | Number of Shares | Percentage of Shares |
|------------------------|--------------------------|----------------------|
| Augustus Advisors, LLC | 6,823,965 ⁽¹⁾ | 11.67% |

(1) Based on public filings made by Augustus Advisors, LLC under Canadian securities legislation.

BUSINESS OF THE MEETING

PRESENTATION OF FINANCIAL STATEMENTS AND AUDITORS' REPORT

The consolidated financial statements of EnerCare as at and for the years ended December 31, 2013 and December 31, 2012, together with the notes thereto and the report of the auditors thereon, are contained in the 2013 Annual Report of EnerCare mailed to Shareholders together with this Circular.

APPOINTMENT OF AUDITORS

Unless directed otherwise, the persons designated in the enclosed form of proxy intend to vote FOR the re-appointment of PricewaterhouseCoopers LLP ("PwC"), Chartered Accountants, Licensed Public Accountants, Toronto, as auditors of EnerCare to hold office until the next annual meeting of Shareholders and FOR the authorization of the Directors to fix the remuneration to be paid to the auditors. PwC is independent with respect to EnerCare and its subsidiaries within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and has served as auditors of EnerCare since its formation on September 27, 2010 (and also served as auditors of The Consumers' Waterheater Income Fund (the "Fund"), the predecessor entity to EnerCare, from its inception on October 28, 2002 to its dissolution on January 1, 2011). The resolution to reappoint PwC as auditors of EnerCare must be passed by a majority of the votes cast in person or by proxy at the Meeting.

RECONFIRMATION OF THE RIGHTS PLAN

At the Meeting, Shareholders will be asked to consider and, if thought advisable, pass, with or without variation, as an ordinary resolution, the Rights Plan Resolution, reconfirming the Rights Agreement. The full text of the Rights Plan Resolution is set forth in Schedule A to this Circular.

Background

EnerCare and the Rights Agent entered into the Rights Agreement giving effect to the shareholder rights plan (the "Rights Plan") on April 29, 2011 (the "Effective Date"). Pursuant to its terms, the Rights Plan must be reconfirmed by an affirmative vote of a majority of votes cast by "Independent Shareholders" (as defined below) at the Meeting. In effect, all Shareholders will be considered "Independent Shareholders"

provided that they (or any of their affiliates or anyone with which they are acting jointly or in concert) are not at the time of the Meeting, making a takeover bid for Shares. Thereafter, the Rights Plan must be reconfirmed every three years at the annual meeting of Shareholders (as defined in the Rights Agreement) by an affirmative vote of a majority of the votes cast by Independent Shareholders at that meeting.

The purpose of the Rights Plan is to ensure that all Shareholders are treated fairly in the event of an unsolicited takeover bid.

Objectives of the Rights Plan

The primary objectives of the Rights Plan are (i) to provide the Board with additional time to explore and develop alternatives for maximizing Shareholder value if an unsolicited takeover 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 thereby ensure, to the extent possible, that all Shareholders are treated fairly in connection with any takeover bid for Voting Shares.

The Rights Plan

The following is a summary description of the general operation of the Rights Plan. This summary is qualified in its entirety by reference to the text of the Rights Agreement; a copy of the Rights Agreement can be obtained on SEDAR at www.sedar.com. Capitalized terms not otherwise defined in this section shall have the same meaning ascribed to such terms in the Rights Agreement.

Term

The Rights Plan took effect on the Effective Date. If the Rights Agreement is not reconfirmed at this Meeting, or if reconfirmed, is not reconfirmed by Independent Shareholders by an ordinary resolution every three years at the applicable annual meeting of Shareholders, the Rights Plan and all outstanding rights issued under the Rights Plan (the "**Rights**") will terminate on the applicable meeting date (the latest such meeting date to occur, the "**Expiration Time**").

Issue of Rights

Pursuant to the Rights Agreement, one Right was issued in respect of each Voting Share outstanding as of the close of business on the Effective Date (the "**Record Time**"), and one Right will be issued for each additional Voting Share issued thereafter and prior to the earlier of the Separation Time (as defined below) and the Expiration Time. Each Right entitles the holder thereof to purchase from EnerCare, on the occurrence of certain events, one Share at a price of \$50.00 (the "**Exercise Price**"), subject to adjustment as provided in the Rights Agreement. The Rights will not be exercisable until the Separation Time.

Exercise of Rights

Until the Separation Time (or the earlier of the termination or expiration of the Rights), the Rights will trade together with the Voting Shares and will be evidenced by certificates for the associated Voting Shares. After the Separation Time, the Rights will be exercisable and transferable separately from the Voting Shares. "Separation Time" means the earlier of: (1) the close of business on the tenth trading day after the earliest of (i) the first day of a public announcement by an Acquiring Person (as defined below) that an Acquiring Person has become such, (ii) the date of the commencement of or first public announcement of the intent of any person (other than EnerCare or any subsidiary or affiliate of EnerCare) to commence a takeover bid (other than a Permitted Bid or Competing Permitted Bid (as defined below)), and (iii) the date on which a Permitted Bid or Competing Permitted Bid ceases to be such; and (2) such later date as may be determined in good faith by the Board.

Flip-in Event

A “Flip-in Event” means a transaction or event pursuant to which a person (the “**Acquiring Person**”) becomes the beneficial owner of 20% or more of the outstanding Voting Shares. Excluded from the definition of Acquiring Person is (i) EnerCare and its subsidiaries and affiliates, (ii) any person who becomes the beneficial owner of 20% or more of the Voting Shares as a result of one or more of any combination of certain enumerated transactions (including by way of a Permitted Bid) provided that if such person’s beneficial ownership thereafter increases by more than 1% of the number of Voting Shares outstanding (other than pursuant to one or any combination of certain enumerated transactions), then, as of the date such person becomes the beneficial owner of such additional Voting Shares, such person shall become an “Acquiring Person”, (iii) for a period of ten days after the Disqualification Date (as defined below), any person who becomes the beneficial owner of 20% or more of the outstanding Voting Shares as a result of such person becoming disqualified from relying on certain enumerated exclusions (for example, investment advisers and fund managers) to the definition of “Beneficial Owner” (as defined in the Rights Agreement) solely because such person or the beneficial owner of such Voting Shares is making or has announced an intention to make a takeover bid, either alone or by acting jointly or in concert with any other person, or (iv) an underwriter or member of a banking or selling group that becomes the beneficial owner of 20% or more of the Voting Shares in connection with a distribution of securities of EnerCare. For the purposes of this section, “Disqualification Date” means the first date of public announcement that any person is making or has announced an intention to make a takeover bid. Any Rights beneficially owned by the Acquiring Person upon the occurrence of any Flip-in Event will be void, as will any Rights beneficially owned by the Acquiring Person’s affiliates or associates (and any persons acting jointly or in concert with the Acquiring Person or such affiliates or associates), and transferees thereof. After the occurrence of a Flip-in Event, each Right (other than those that are void) will permit the holder to purchase Shares with a total market value (generally the average daily closing price per Share for the 20 consecutive trading days through and including the trading days immediately preceding the Flip-in Event) of \$100.00 on payment of \$50.00.

Beneficial Ownership

In general, a person is deemed to beneficially own Voting Shares actually held by others in circumstances where those holdings are or should be grouped for purposes of the Rights Plan. Included are holdings by the person’s affiliates, associates and any other person with which the person is acting jointly or in concert.

Also included are securities which the person or any of the person’s affiliates or associates has the right to acquire within sixty (60) days.

The definition of “beneficial ownership” contains several exclusions whereby a person is not considered to “beneficially own” a security. There are exemptions from the deemed “beneficial ownership” provisions for certain Shareholders, including investment managers whose ordinary business includes managing funds for others, trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds (including for employee benefit plans, pension plans and certain insurance plans), administrators of registered pension funds or plans and a Crown agent or agency, provided that such Shareholder is not then making or has not then announced an intention to make a takeover bid alone or jointly or in concert with any other person, other than an Offer to Acquire (as defined in the Rights Agreement) Voting Shares or other securities pursuant to a distribution by EnerCare or by means of ordinary market transactions executed through the facilities of a stock exchange or organized over-the counter market.

Lock-up Agreement

A bidder may enter into lock-up agreements with Shareholders (“**Locked-up Persons**”) whereby such Shareholders agree to tender their Voting Shares to a takeover bid (the “**Subject Bid**”) without a Flip-in Event (as referred to above) occurring. Any such agreement must contain a provision that either permits

the Locked-up Person to withdraw the Voting Shares to tender to another takeover bid or to support another transaction that contains an offering price that provides greater value per Voting Share to the holder of Rights (“**Holder**”) than the Subject Bid or permits the Locked-up Person to withdraw the Voting Shares to tender to another takeover bid or to support another transaction that contains an offering price that exceeds the offering price contained in the Subject Bid by a specified minimum amount not exceeding 7% of the offering price of the Subject Bid. A lock-up agreement may contain a right of first refusal or require a period of delay (or other similar limitation) to give a bidder an opportunity to match a higher price in another transaction as long as the Holder can accept another bid or tender to another transaction.

The Rights Plan requires that any lock-up agreement be made available to EnerCare and the public and also provides that under a lock-up agreement no “break up” fees, “top up” fees, penalties, expenses or other amounts that exceed in the aggregate the greater of: (i) 2.5% of the price or value payable under the Subject Bid to a Locked-up Person; and (ii) 50% of the amount by which the price or value payable to a Locked-up Person under another takeover bid or transaction exceeds what such Locked-up Person would have received under the Subject Bid, can be payable by such Locked-up Person if the Locked-up Person fails to deposit or tender Voting Shares to the Subject Bid or withdraws Voting Shares previously tendered thereto in order to deposit such Voting Shares to another takeover bid or support another transaction.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted (or deemed to be imprinted) on certificates for Voting Shares issued from and after the Record Time and are not to be transferable separately from the Voting Shares. From and after the Separation Time and prior to the Expiration Time, the Rights will be evidenced by Rights certificates which will be transferable and traded separately from the Voting Shares.

Permitted Bid Requirements

The requirements for a “Permitted Bid” include the following:

- (a) the takeover bid must be made by way of a takeover bid circular;
- (b) the takeover bid must be made to all registered Shareholders;
- (c) the takeover bid must be open for acceptance for a minimum period of 60 days and must contain a condition that the Voting Shares tendered pursuant to the takeover bid may not be taken up prior to the expiry of a 60 day period and only if at such time more than 50% of the Voting Shares held by Shareholders, other than the bidder, its affiliates, associates and persons acting jointly or in concert and certain other persons, (collectively, the “**Independent Shareholders**”), have been tendered to the takeover bid and not withdrawn; and
- (d) if more than 50% of the Voting Shares held by Independent Shareholders are tendered to the takeover bid within the 60 day period, the bidder must make a public announcement of that fact and the takeover bid must remain open for deposits of Voting Shares for at least 10 business days from the date of such public announcement.

The Rights Plan will allow for a competing Permitted Bid (a “**Competing Permitted Bid**”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the requirement that it be outstanding for a minimum period of 35 days.

Waiver

The Board, acting in good faith, may, prior to the occurrence of a Flip-in Event, waive the application of the Rights Plan to a particular Flip-in Event (an “**Exempt Acquisition**”) where the takeover bid is made by

a takeover bid circular to all holders of Voting Shares. Where the waiver power is exercised for one takeover bid, the waiver will also apply to any other takeover bid for the Voting Shares made by a takeover bid circular to all holders of Voting Shares prior to the expiry of any other bid for which the Rights Plan has been waived.

Redemption

The Board, with the approval of a majority of the votes cast by Shareholders (or the holders of Rights if the Separation Time had occurred) voting in person and by proxy, at a meeting duly called for that purpose, may redeem the Rights at \$0.000001 per Right. Rights shall also be redeemed by the Board without such approval following completion of a Permitted Bid, Competing Permitted Bid or Exempt Acquisition.

Amendments

The Board may amend the Rights Agreement with the approval of a majority of the votes cast by Shareholders (or the Holders if the Separation Time has occurred) voting in person and by proxy at a meeting duly called for that purpose. The Board without such approval may correct clerical or typographical errors and, subject to approval as noted above at the next meeting of the Shareholders (or Holders, as the case may be), may make amendments to the Rights Agreement to maintain its validity due to changes in applicable legislation.

The Board recommends that Shareholders vote FOR the Rights Plan Resolution.

Unless directed otherwise, the persons designated in the enclosed form of proxy intend to vote FOR the Rights Plan Resolution. The Rights Plan Resolution must be passed by a majority of the votes cast in person or by proxy at the Meeting.

APPROVAL OF THE 2014 OPTION PLAN AND GRANT OF OPTIONS

At the Meeting, the Shareholders will also be asked to consider and, if thought advisable, pass, with or without variation, as an ordinary resolution, the 2014 Option Plan Resolution, approving the adoption by EnerCare of the 2014 Option Plan, the reservation of 3,000,000 Shares for issuance thereunder and ratifying the grant of 379,011 Options to EnerCare's senior management.

The purpose of the 2014 Option Plan is to attract and retain officers and employees to EnerCare and to motivate them to advance the interests of EnerCare. If adopted by the Shareholders at the Meeting, the 2014 Option Plan will replace the existing option plan, which came into effect on January 1, 2011 ("**2011 Option Plan**"). The material terms of the 2014 Option Plan are substantially the same as those of the 2011 Option Plan. See "Option Plans - 2014 Option Plan".

The Board recommends that Shareholders vote FOR the 2014 Option Plan Resolution.

Unless directed otherwise, the persons designated in the enclosed form of proxy intend to vote FOR the 2014 Option Plan Resolution. The 2014 Option Plan Resolution must be passed by a majority of the votes cast in person or by proxy at the Meeting.

ELECTION OF DIRECTORS

The articles of EnerCare (the "**Articles**") provide that the Board shall consist of a minimum of three and maximum of 10 Directors. The number of Directors is currently fixed at eight by the Board. It is proposed that each of EnerCare's existing eight Directors, namely Jim Pantelidis, Lisa de Wilde, John A. Macdonald, Grace M. Palombo, Jerry Patava, Roy J. Pearce, Michael Rousseau and William M. Wells (collectively, the "**EnerCare Nominees**"), be re-elected at the Meeting to hold office until the close of the

next annual meeting of Shareholders.

Unless directed otherwise, the persons designated in the enclosed form of proxy intend to vote FOR the election of each of the EnerCare Nominees to the Board.

All of the EnerCare Nominees are currently Directors. All of the EnerCare Nominees, other than Ms. Palombo and Mr. Wells, have been Directors since December 22, 2010 and were also trustees (the “Trustees”) of the Fund prior to its conversion (the “Conversion”) from an income fund structure to EnerCare’s current corporate structure on January 1, 2011. Messrs. Pantelidis, Patava and Rousseau served as Trustees since December 4, 2002; Mr. Pearce served as a Trustee since June 4, 2004; Ms. de Wilde served as a Trustee since July 26, 2006; Mr. Macdonald served as a Trustee since April 26, 2007; Ms. Palombo served as a Director since March 16, 2012; and Mr. Wells served as a Director since March 20, 2012.

It is not contemplated that any of the proposed EnerCare Nominees will be unable to serve as a Director but, if that should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each Director elected will hold office until the close of the next annual meeting or until his/her successor is elected or appointed.

EnerCare has four standing committees - an Audit Committee, an Investment Committee, a Governance Committee and a Corporate Responsibility and Risk Management Committee. The members of these committees are indicated below.

The following table sets forth the names of and certain additional information for the EnerCare Nominees.

| Name, Residence and Position with EnerCare | Principal Occupation | Date of Initial Appointment as Directors of EnerCare ⁽⁶⁾ | Other Public Directorships/ Trusteeships | Shares Owned, Controlled or Directed ⁽⁷⁾ |
|---|--|---|--|---|
| Jim Pantelidis ⁽⁵⁾ Toronto, Ontario, Canada Chair of the Board | Chair of the Board and Chairman of the Board of Directors, Parkland Fuel Corporation | December 4, 2002 | Parkland Fuel Corporation; Industrial Alliance Insurance, Financial Services Inc.; RONA inc., and Intertape Polymer Group Inc. | 96,504 |
| Lisa de Wilde ⁽¹⁾⁽³⁾⁽⁴⁾ Toronto, Ontario, Canada Director | Chief Executive Officer, The Ontario Educational Communications Authority (TVO) | July 26, 2006 | – | 4,250 |
| John A. Macdonald Aurora, Ontario, Canada Director, President and Chief Executive Officer | President and Chief Executive Officer, EnerCare | April 26, 2007 | – | 60,385 |
| Grace M. Palombo ⁽³⁾⁽⁴⁾ Aurora, Ontario, Canada Director | Executive Vice-President, Head of Human Resources, TD Bank, America’s Most Convenient Bank | March 16, 2012 | Student Transportation Inc. | Nil |
| Jerry Patava ⁽¹⁾⁽³⁾ Toronto, Ontario, Canada Director | Chief Executive Officer, Great Gulf Group of Companies | December 4, 2002 | Trimac Transportation Ltd.; Capstone Infrastructure Corporation | 15,000 |
| Roy J. Pearce ⁽²⁾⁽³⁾ Stouffville, Ontario, Canada Director | Director, EnerCare | June 4, 2004 | – | 20,000 |
| Michael Rousseau ⁽¹⁾⁽²⁾ St-Lambert, Québec, Canada Director | Executive Vice President and Chief Financial Officer, Air Canada | December 4, 2002 | Resolute Forest Products Inc. | 12,000 |

| Name, Residence and Position with EnerCare | Principal Occupation | Date of Initial Appointment as Directors of EnerCare ⁽⁶⁾ | Other Public Directorships/ Trusteeships | Shares Owned, Controlled or Directed ⁽⁷⁾ |
|--|---------------------------|---|--|---|
| William M. Wells ⁽¹⁾⁽²⁾⁽⁴⁾ St. James, Barbados Director | Chairman, Evizone Limited | March 20, 2012 | Acadia Pharmaceuticals Inc. | 20,000 |

(1) Member of the Audit Committee.

(2) Member of the Investment Committee.

(3) Member of the Governance Committee.

(4) Member of the Corporate Responsibility and Risk Management Committee, which was established on February 27, 2013.

(5) Mr. Pantelidis made a private equity investment in Tadoo Footware Inc. and joined the board of that company in 2003. In the 12-month period following the sale of his shares and departure from the board, the company went into receivership.

(6) Other than with respect to Ms. Palombo and Mr. Wells, the dates shown are the dates the EnerCare Nominees were initially appointed as Trustees of the Fund. Each of the EnerCare Nominees, other than Ms. Palombo and Mr. Wells, was initially appointed as a Director on December 22, 2010.

(7) Does not include performance share units (the "Performance Share Units") issued under the performance share unit plan (the "PSUP"), deferred share units (the "DSUs") issued under the deferred share unit plan (the "DSUP") and options (the "Options") issued under the 2011 Option Plan. See "Outstanding Share-Based Awards" for the number of DSUs held by the Directors, other than Mr. Macdonald as of December 31, 2013. See "Outstanding Share-Based and Option-Based Awards" for the number of Performance Share Units and Options held by Mr. Macdonald as of December 31, 2013.

Set out below is the biography for each of the EnerCare Nominees.

Jim Pantelidis, 68, Director and Chair of the Board. Mr. Pantelidis is Chair of the board of directors of Parkland Fuel Corporation, and a member of the board of directors of Industrial Alliance Insurance Financial Services Inc., RONA inc. and Intertape Polymer Group Inc. From 2008 to 2011 Mr. Pantelidis was a non-executive director, Chair of the Compensation and Human Resources Committee and member of the Audit Committee of Equinox Minerals Limited, a mining company. Mr. Pantelidis has previously served as the Chairman and Chief Executive Officer of FisherCast Global Corporation, a manufacturer of molten metal injection technologies and Bata Limited, a leading, privately held, global footwear retailer and manufacturer. He was also the President and Chief Executive Officer of JP & Associates, a strategic consulting company. Mr. Pantelidis had a 30-year career in the petroleum industry and was at one time President of both the Resources Division and the Products Division of Petro-Canada. Mr. Pantelidis holds a Bachelor of Science degree and a Master of Business Administration degree, both from McGill University.

Lisa de Wilde, 58, Director. Ms. de Wilde has been Chief Executive Officer of The Ontario Educational Communications Authority (TVO) since 2005. Previously, Ms. de Wilde was the President and Chief Executive Officer of Astral Television Networks Inc., a partner at Heenan Blaikie LLP and Legal Counsel to the CRTC. Ms. de Wilde served as a member of the Board of Trustees of Noranda Income Fund from 2002 to 2010 (Chair of the Board of Trustees and member of the Governance and Audit Committees) as well as AT&T Canada Inc. (2002 to 2003) and Cinar Corp. (2002 to 2004). Her other board and advisory appointments include: Toronto International Film Festival (Chair of the Board of Directors, former Chair of the Finance and Audit Committee); Ontario's Task Force on Competitiveness, Productivity and Economic Progress; the University of Toronto's Mowat Centre for Policy Innovation; and Canadian Digital Media Network. She is a member of the Institute of Corporate Directors and the Law Society of Upper Canada. Ms. de Wilde was formerly a member of McGill University Desautels Faculty of Management, International Advisory Board. She holds an LL.B. degree and an Honours Bachelor of Arts degree, both from McGill University.

John A. Macdonald, 57, Director. Mr. Macdonald is President and Chief Executive Officer of EnerCare. From 2002 to 2006 Mr. Macdonald served as President and Chief Executive Officer of Hydro One Telecom Inc. Mr. Macdonald has previously held senior marketing positions at AT&T Canada Inc. and Nortel Networks Corporation and was a member of the board of advisors of Atria Networks LP until 2010.

Mr. Macdonald is a registered professional engineer and holds a Bachelor of Applied Science in Electrical Engineering from the University of Toronto.

Grace M. Palombo, 50, Director. Ms. Palombo is the Executive Vice President, Head of Human Resources, TD Bank, America's Most Convenient Bank. Ms. Palombo joined TD Bank in 2011. Prior to TD Bank Group, Ms. Palombo served as the Senior Vice President, Corporate Human Resources of CanWest Global Communications Corporation ("CanWest") and also served as a member of its Management Committee. Prior to joining CanWest in April 2004, Ms. Palombo held various executive positions in the areas of Human Resources, Legal and Corporate Services with Husky Injection Molding Systems Ltd., The Canada Life Assurance Company, Westcoast Energy Inc./Union Gas Limited, and Bombardier Inc. She also practiced law in Toronto, in the areas of employment, labour relations and corporate law. Ms. Palombo has served as a Director and a Member of the Compensation, Nominating and Corporate Governance Committees of Student Transportation Inc. since 2010, and as a Director of the Osgoode Hall Law School Alumni Association since 2009. Ms. Palombo was formerly a Director, as well as a member of the Audit Committee, Administrative Affairs Committee and Board Development Committee of the Canadian College of Naturopathic Medicine from 2002 to 2008 and a Member of the Management Committee of Union Gas Ltd. from 1998 to 2002. Ms. Palombo has also served as Board and Committee Member on a voluntary basis for various organizations, including the Princess Margaret Hospital, Jaymor Dance Studio and York Region Separate School. Ms. Palombo holds an LL.B. degree from Osgoode Hall Law School in Toronto and a Bachelor of Arts in Psychology from York University and is a member of the Institute of Corporate Directors, Conference Board of Canada, Council of National Human Resource Executives, the Law Society of Upper Canada, The Canadian Bar Association, the Women's Law Association and the Women's Executive Network.

Jerry Patava, 60, Director and Chair of the Governance Committee. Mr. Patava is the Chief Executive Officer of the Great Gulf Group of Companies, a position he has held since July 2007. He is also lead director and a member of the Governance and Compensation Committee of Trimac Transportation Ltd. and a director and member of the Governance and Compensation Committees of Capstone Infrastructure Corporation. Mr. Patava previously served as a trustee of Osprey Media Income Fund and as a director of TransAlta Power, L.P. Mr. Patava was Executive Vice President and Chief Financial Officer of Fairmont Hotels & Resorts Inc., a position he held from January 1998 to January 2005. Previously, he was Vice President and Treasurer of Canadian Pacific Limited and Vice President and Director of RBC Dominion Securities Inc. Mr. Patava holds a Bachelor of Arts degree from the University of Toronto and a Master of Business Administration from York University.

Roy J. Pearce, 71, Director and Chair of the Investment Committee. Mr. Pearce was the Chief Financial Officer of K2 Pure Solutions Canada Corporation from April 2007 until his retirement in November 2008. Prior to joining K2 Pure Solutions Canada Corporation, Mr. Pearce was a trustee and member of the Compensation Committee of ACS Media Income Fund. He was the Chief Financial Officer of several companies, including KCP Income Fund and its predecessor business, KIK Corporation, the Plastics Division of Crown Cork and Seal Company, Inc. and Crown Cork and Seal Canada, Inc. Mr. Pearce has held senior finance positions with various companies including Gilbey Canada Inc., Lever Detergents Limited, Monarch Fine Foods Limited, John Labatt Ltd., and Lever Brothers Inc. Mr. Pearce is a Chartered Professional Accountant, Chartered Accountant.

Michael Rousseau, 56, Director and Chair of the Audit Committee. Mr. Rousseau is Executive Vice President and Chief Financial Officer of Air Canada, a position he has held since 2007. Since 2010, Mr. Rousseau has been a director of Resolute Forest Products Inc. and was a member of the finance committee; he is currently serving on the audit committee and is chair of the Human Resources and Compensation/Nominating and Corporate Governance committee. He also served as a trustee and Chair of the Audit Committee of Golf Town Income Fund. Mr. Rousseau was the President of Hudson's Bay Company from 2006 to 2007; prior to that, he was the Executive Vice President and Chief Financial Officer. Mr. Rousseau was the Senior Vice President and Chief Financial Officer of Moore Corporation and was also a member of its Pension Committee and he was Vice President and Chief Financial Officer

of Silcorp Limited. Mr. Rousseau holds a Bachelor of Business Administration from York University and is a Chartered Professional Accountant, Chartered Accountant.

William M. Wells, 53, Director and Chair of the Corporate Responsibility and Risk Management Committee. Mr. Wells is the founder and chairman of Evizone Limited, a privately held online communications service firm. Mr. Wells is a director of Acadia Pharmaceuticals Inc. and a trustee and member of the finance committee of the Lakefield College School Foundation. He also serves on the board of MedGenesis Therapeutix Inc. Mr. Wells previously served on the Standard & Poors' Issuers Advisory Committee. Mr. Wells was a director of Biovail Corporation ("Biovail"), a pharmaceutical company from 2005 until 2010 and was lead director, chair of the compensation committee and a member of the risk and audit committees prior to becoming Chief Executive Officer. He served as the Chief Executive Officer of Biovail from 2008 until its merger with Valeant Pharmaceuticals International, Inc. ("Valeant"), when he then served as Chairman of Valeant until 2010. Prior to joining Biovail, Mr. Wells held a number of senior executive positions, including as Chief Financial Officer of Loblaw Companies Limited, a retail grocery chain, Chief Financial Officer of Bunge Limited, a U.S. headquartered company engaged in the global agribusiness, fertilizer and food product industries, and financial management positions at McDonald's Corporation in the U.S. and Brazil. Mr. Wells holds a Master's degree in International Business from the University of South Carolina and a Bachelor's degree in Philosophy and English from the University of Western Ontario.

Unless directed otherwise, the persons designated in the enclosed form of proxy intend to vote FOR the election of each of the foregoing nominees to the Board.

DE Nomination Rights

In lieu of the appointment rights of DE set forth in the Fund's declaration of trust and in connection with the Conversion, DE and EnerCare entered into a nomination agreement dated as of January 1, 2011 (the "**Nomination Agreement**"), which provides that for so long as DE is the servicer (the "**Servicer**") under the co-ownership agreement (the "**Co-ownership Agreement**") dated as of December 17, 2002, as amended, between, among others, the Fund and DE, DE is entitled to put forth one individual (the "**DE Nominee**") for consideration by the Governance Committee and the Board, acting reasonably, for inclusion in EnerCare's annual management information circular for election as a Director. DE has agreed that it will nominate an individual who, in its good faith judgment, (i) possesses appropriate expertise and/or background knowledge of the business of EnerCare and (ii) is otherwise qualified to serve as a member of the Board under applicable law. So long as DE follows the timing and procedures specified in the Nomination Agreement, EnerCare has agreed that the Governance Committee and the Board will evaluate the DE Nominee using the same criteria the Governance Committee and Board generally applies for other nominees and either include such individual as a nominee of the Board or give notice to DE that such DE Nominee has not been approved. In the event the Governance Committee or the Board does not grant approval, DE is entitled to designate one alternative individual as its nominee. In March 2012, DE formally notified EnerCare that it was putting forth Ms. Grace M. Palombo as the DE Nominee. Following the favourable evaluation of the DE Nominee by the Governance Committee and the Board, and after having considered other candidates, Ms. Palombo was appointed as a Director on March 16, 2012 and was initially elected to the Board at the meeting of Shareholders held on April 30, 2012. On March 2, 2014, DE formally notified EnerCare it was putting forth Ms. Palombo as the DE Nominee in respect of the Meeting. Ms. Palombo's nomination for re-election was unanimously approved by the Governance Committee and Board in accordance with the Nomination Agreement.

Individual Voting Policy

The Board of EnerCare believes that each of its members should carry the confidence and support of the Shareholders. To this end, the Directors have unanimously adopted an individual voting policy that requires that Shareholders be able to vote in favour of, or withhold from voting, separately for each nominee and that in an uncontested election of Directors, any nominee for Director (including any DE Nominee) who receives a greater number of votes "withheld" from his/her election than votes "for"

such election (a “**Majority Withheld Vote**”) shall promptly offer his or her resignation to the Chair of the Board following the meeting or to each member of the Governance Committee if the affected Director is such Chair, except in a case in which the number of votes represented at the meeting is less than 50% of the total outstanding votes and the nominee would not have received a Majority Withheld Vote if votes withheld by shareholders who have conducted an unsuccessful proxy solicitation with respect to the election of directors within the preceding 18 months, and the apparent reason for such shareholders withholding their votes is substantially the same reason that they conducted the proxy solicitation, are not taken into account. An “uncontested election” means an election where the number of nominees for Directors shall be equal to the number of Directors to be elected. If all the Directors receive a Majority Withheld Vote in the same election, then all the Directors shall consider the resignation offers and determine whether to accept them, or any of them, applying the same procedures and considerations as apply to the Governance Committee under the Individual Voting Policy *mutatis mutandis*.

COMPENSATION OF EXECUTIVE OFFICERS

COMPENSATION DISCUSSION AND ANALYSIS

The objective of EnerCare’s compensation program and strategy is to attract, retain, and motivate talented executives and to create sustainable shareholder value over the long term. The compensation program is designed to reward increases in Share value, sustained cash dividends and growth of EnerCare. To achieve these objectives, the executive compensation program is designed to conform to the following principles:

- Align with EnerCare’s business strategy – link executive compensation with the achievement of specific strategic business objectives and EnerCare’s performance as a whole;
- Align to Shareholder interests – align the interests of executives with those of Shareholders through the use of incentives that reward increases in Shareholder value, and decline in value when the Share price falls, as well as maintain significant Share ownership requirements for the President and Chief Executive Officer;
- Corporate governance – strive to be a market leader on governance issues and continually review and, as appropriate for EnerCare, adopt executive compensation practices that align to current best practices;
- Pay for performance – align with EnerCare’s desire to create a performance and development culture and create clear relationships between pay and performance;
- Pay competitively – set overall target compensation to ensure it remains competitive; and
- A simple, direct program – provide a simple, direct program that is easy to understand and assess.

Elements of Compensation

The major elements of EnerCare’s compensation program are base salary, annual performance bonus, awards under the PSUP and the 2011 Option Plan or 2014 Option Plan (collectively, the “**Option Plans**”), as applicable and personal benefits. EnerCare believes that a high proportion of senior management compensation should be at risk.

Base Salary

The purpose of base salary is to attract and retain the highest caliber senior management team. Salaries for senior management are set on the basis of the level of responsibility relative to other positions in EnerCare and relative to salaries paid by other organizations. Actual base salaries are targeted between the 25th and 50th percentile of the Compensation Peer Group (as defined below) to reflect EnerCare’s positioning against most ‘relative size’ metrics (see “- Benchmarking”). EnerCare will pay above or below

this target to reflect each executive officer's relative experience or performance versus the market, or to reflect competitive market pressures for a given skill set.

Annual Performance Bonus

The annual performance bonus is designed to recognize both the contribution of management to corporate results and personal results. The purpose of the annual performance bonus is to pay for performance, to align with EnerCare's strategy, and to provide motivation for superior corporate and personal results. The target annual performance bonus varies on the basis of the executive officer's position and is designed to reflect the degree of influence of the participant in EnerCare's affairs. Target annual bonus levels are designed to provide 50th percentile (or "**median**") total cash (salary and bonus) levels for target levels of performance and above median total cash for above-target performance.

Performance Share Unit and Option Plans

EnerCare believes that the grant of awards under the PSUP and Option Plans as long-term incentives help align management's interests with Shareholder interests, provide motivation and promote retention of management for the long term. Awards under the PSUP and Option Plans are generally granted on an annual basis to senior executives (see "Performance Share Unit Plan" and "Option Plans"). EnerCare grants Performance Share Units and Options at competitive levels versus the Compensation Peer Group.

Benefits and Executive Perquisites

EnerCare offers to all its employees various benefit programs, such as medical, dental, life, and short and long-term disability insurance coverage and a group registered retirement savings plan.

EnerCare does not have a pension plan or any other post-employment benefit program for employees. EnerCare does, however, have a program whereby it makes registered retirement and personal savings plan contributions to employee accounts.

EnerCare currently provides to its executive officers a limited number of perquisites, including car allowance.

Personal benefits provided to senior management reflect market-competitive practices.

Decision Making

The compensation for all executive officers who are employees of EnerCare (except the President and Chief Executive Officer) is recommended by the President and Chief Executive Officer to the Governance Committee which in turn is recommended by the Governance Committee to the Board for approval. The compensation of the President and Chief Executive Officer is determined and approved by the Governance Committee, subject to final approval by the Board.

In its deliberations regarding executive compensation, the Governance Committee and the Board considers independent advice from external consultants and other advisors, but the Governance Committee and the Board are ultimately responsible for all decisions made. As such, these decisions may reflect factors and considerations other than, or different from, those provided by advisors.

External Advice

In August 2012, the Governance Committee engaged Lane Caputo Compensation Inc. ("**Lane Caputo**") to conduct a review of EnerCare's executive and non-employee Director compensation levels and practices, as well as to analyze and comment on the mix of EnerCare's long-term incentives. In November 2013, the Governance Committee again engaged Lane Caputo to provide an update to the

work performed in 2012 (collectively, the “**Lane Caputo Report**”). The scope of the 2013 review involved a review of the Compensation Peer Group (as defined below) to ensure continued alignment with EnerCare’s current size and scope of operations and the benchmarking of EnerCare’s executive and director compensation versus the Compensation Peer Group. Lane Caputo also benchmarked the structure of EnerCare’s compensation program, with particular attention to the mix of Options and Performance Share Units granted to executives.

Lane Caputo does not provide any services to EnerCare or to management and the Governance Committee must pre-approve any services that Lane Caputo or its affiliates provides to EnerCare at the request of management.

The following table provides the fees paid to Lane Caputo for the provision of compensation consulting services to the Governance Committee in respect of 2012 and 2013:

Executive Compensation – Related Fees

| Activity | 2012 | 2013 |
|-------------------------------------|----------|----------|
| Executive Compensation Related Fees | \$54,240 | \$44,839 |
| All Other Fees | Nil | Nil |
| Total | \$54,240 | \$44,839 |

Benchmarking

In 2012, on the recommendation of Lane Caputo, the Board approved the use of a revised group of comparator companies (the “**Compensation Peer Group**”) from which to base the assessments of both executive and Board compensation levels and practices. Companies selected for the Compensation Peer Group are TSX-listed companies of roughly one-half to two times EnerCare’s size as measured by earnings before interest, tax, depreciation and amortization (“**EBITDA**”), market capitalization, enterprise value, revenues and assets. Preference is given to companies that have a significant and regular dividend (like EnerCare) and who are not growth-oriented, resource-based companies.

For 2013, EnerCare maintained the peer group developed in 2012, with two exceptions: the removal of CML Healthcare Inc. from the peer group (acquired); and the replacement of Newalta Corporation with Parkland Fuel Corporation (better alignment with EnerCare’s business model). The 20 companies in the 2013 Compensation Peer Group for EnerCare are:

- Aecon Group Inc.
- Algonquin Power & Utilities Corp.
- Canexus Corporation
- Capstone Infrastructure Corporation
- Davis + Henderson Corporation
- Enerflex Ltd.
- Innergex Renewable Energy Inc.
- Just Energy Group Inc.
- Liquor Stores N.A. Ltd.
- Medical Facilities Corporation
- Morneau Shepell Inc.
- Northland Power Inc.
- Parkland Fuel Corporation
- Rogers Sugar Inc.
- Russel Metals Inc.
- The North West Company Inc.
- Toromont Industries Ltd.
- Wajax Corporation
- Whistler Blackcomb Holdings Inc.
- Winpak Ltd.

The Governance Committee will monitor the appropriateness of the Compensation Peer Group on a regular basis to ensure its continued reflection of an appropriate benchmark for EnerCare’s compensation practices.

CONSIDERATION OF RISK

As part its annual review of EnerCare's compensation policies and practices and pursuant to its mandate, the Governance Committee considers any risks associated with such policies and practices and assesses the practices used by EnerCare and the Governance Committee to mitigate risks associated with them. The Governance Committee is satisfied that the current compensation policies and practices combined with the enterprise risk management of the organization, which includes risk oversight by the Corporate Responsibility and Risk Management Committee, offer a balanced combination that promotes adequate risk-taking with appropriate and reasonable compensation incentives. In particular, risk mitigation features of EnerCare's compensation policies and practices include:

- Appropriate balance between short and long-term (i.e., deferred) incentives with more weight on long-term incentives;
- A significant proportion of variable compensation is "at risk" and tied to target metrics aligned with EnerCare's interests;
- Performance measures under the short-term incentive plan are primarily focused on sustained profitability growth (i.e., Adjusted EBITDA (as defined below) and rental and sub-metering contracted units, all of which are subject to an internal rate of return threshold);
- Performance Share Units and Options reflect Share price appreciation and depreciation; and
- Maximums applied to annual bonus payout (maximum 1.5 times target in respect of the corporate component and 2.2 times in respect of the strategic objective component).

HEDGING OF EQUITY AWARDS

To further mitigate risk, EnerCare has adopted a policy prohibiting, among others, any of its Directors, officers or other employees from purchasing financial instruments that are designed to hedge or offset a decrease in the market value of the Shares, except with the prior approval of the Governance Committee. EnerCare is not aware of any Director or officer having entered into this type of transaction.

SHARE OWNERSHIP POLICY

The Board believes that Directors and the President and Chief Executive Officer can represent the interests of Shareholders more effectively if they have a significant investment in EnerCare. To that end, in January 2011, the Board instituted a share ownership policy (the "**Share Ownership Policy**") whereby the President and Chief Executive Officer must hold a number of Shares with a market value of at least \$1,200,000 (equal to three times the annual base salary for the President and Chief Executive Officer as of the date of the most recent revision to the Share Ownership Policy). As of March 18, 2014, Mr. Macdonald exceeded his ownership requirement by a significant margin.

Under the Share Ownership Policy, Directors must hold a number of Shares with a market value of at least \$175,000 (equal to five times the current annual retainer for Directors). As of March 18, 2014, all Directors meet or exceed the Share ownership requirements except for Grace M. Palombo who has until 2017 to meet the Share ownership requirements. For details on the share ownership levels of the President and Chief Executive Officer and Directors, see "Share Ownership – Directors and Executive Officers".

President and Chief Executive Officer

John A. Macdonald

Base Salary

The President and Chief Executive Officer's base salary for 2013 was \$420,000 (an increase of \$20,000 from 2012). In the Governance Committee's view, the amount is reasonable taking into consideration the Lane Caputo Report and EnerCare's and Mr. Macdonald's past performance.

Annual Performance Bonus

The target annual performance bonus for 2013 was set at 60% of the President and Chief Executive Officer's base salary. In the Governance Committee's view, this is reasonable taking into consideration the Lane Caputo Report and EnerCare's and Mr. Macdonald's past performance, as well as the performance targets and strategic objectives set in connection with such bonus.

The annual performance bonus was weighted 70% for the achievement of performance targets of EnerCare and 30% for the achievement of strategic objectives. The performance target was based on EnerCare's (i) Adjusted EBITDA (defined as net earnings plus income taxes, interest expenses and amortization, loss on disposal of equipment and impairment charges, less interest income as reported in EnerCare's financial statements), (ii) positive recurring rentals revenue (revenue from increases in the number of new rentals net of revenue lost due to attrition) and (iii) positive cash flow from the operation of the sub-metering business taking into account capital expenditures made during the year. The portion of the incentive payment dependent upon the achievement of Adjusted EBITDA could only be paid if 95% of the target was met, in which case 95% of the target incentive payment could be paid. The portion of the incentive payment dependent upon the achievement of performance targets in respect of the recurring rentals revenue target could only be paid if revenue from increases in the number of new rentals was a prescribed amount below the revenue lost due to attrition. The portion of the incentive payment dependent upon the achievement of performance targets in respect of the sub-metering cash flow could only be paid if cash from operations was higher than cash required to fund growth capital. If the results achieved exceeded the target by the same percentage or prescribed amounts or more, the maximum incentive payment that could be paid was 150% of the target incentive payment. The maximum amount that could be earned in respect of the strategic objectives component was 220%. The strategic objectives included effective management of the DE relationship, introduction of new service offerings or capabilities, improvement of client satisfaction and effective management of initiatives in respect of *Stronger Protection for Ontario Consumers Act, 2013* ("Bill 55").

The Governance Committee approved the Adjusted EBITDA, recurring rentals revenue and sub-metering cash flow targets at the beginning of 2013 through EnerCare's annual budget and business plan process. The 2013 targets were intended to be challenging and were set at the following levels: (a) Adjusted EBITDA (accounting for approximately 57% of the President and Chief Executive Officer's performance target), \$164.3 million; (b) positive recurring rentals revenue (accounting for approximately 21.5% of the President and Chief Executive Officer's performance target); and (c) positive sub-metering cash flow (accounting for approximately 21.5% of the President and Chief Executive Officer's performance target). EnerCare in 2013 achieved 126.05% of the Adjusted EBITDA target, 127.7% of the recurring rentals revenue target, 0% of the positive sub-metering cash flow target and 99.4% in the aggregate for the performance target.

In respect of 2013, the President and Chief Executive Officer was awarded approximately 99% of the target bonus for performance and, as the strategic objectives were substantially met, 98% of that measure; therefore, based on the aggregate objectives for the annual performance bonus, the President and Chief Executive Officer received a bonus of \$249,558, representing 99% of the target bonus and 59% of his base salary.

Long-term Incentives

The President and Chief Executive Officer was granted an aggregate of 28,240 Performance Share Units and 208,108 Options for 2013 pursuant to the PSUP and 2011 Option Plan, respectively. The number of Performance Share Units and Options granted was determined with reference to the Lane Caputo Report, his ability to influence the performance of EnerCare as well as the various factors listed above in respect of the rationale for long-term incentive plans. It was determined that in 2013 Mr. Macdonald be granted Performance Share Units equal in value to approximately 56% of his base salary, based upon the weighted average trading price of the Shares on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding December 31, 2012 and Options equal in value to approximately 32% of his base salary. The exercise price of the Options is \$8.88, being the closing price of the Shares on the TSX on the day immediately preceding the grant. The Governance Committee, Board and Mr. Macdonald determined to reduce the number of Options granted to him in 2013 from the amount he had otherwise achieved as they together determined that the achieved Option value using the Black-Scholes model exceeded what they believed was in the best interests of EnerCare and its Shareholders.

Chief Financial Officer

Evelyn Sutherland

Base Salary

The base salary in 2013 for the Chief Financial Officer was \$300,000 (an increase of \$20,000 from 2012) based on the terms of her employment agreement at hire in August 2011, the Lane Caputo Report and increases approved by the Governance Committee in subsequent years to reflect market-based compensation and performance.

Annual Performance Bonus

The target annual performance bonus for 2013 for Ms. Sutherland was, pursuant to her employment agreement, 40% of her base salary. In the Governance Committee's view, this is reasonable taking into consideration the Lane Caputo Report, as well as the performance targets and strategic objectives set in connection with such bonus.

The annual performance bonus was weighted 65% for the achievement of performance targets of EnerCare and 35% for the achievement of strategic objectives. Except as noted below, the performance targets were the same as those applicable to the President and Chief Executive Officer. The strategic objectives included developing a revised strategic planning process, evaluation and enhancing investor relations communications and reporting, development and implementation of an enhanced risk mitigation plan and successful refinancing of maturing indebtedness.

The Adjusted EBITDA, recurring rentals revenue and sub-metering cash flow targets were the same as those applicable to the President and Chief Executive Officer; however, the weights of each target were set at the following levels for all Named Executive Officers except the President and Chief Executive Officer: (a) Adjusted EBITDA (accounting for 50% of the performance target); (b) positive recurring rentals revenue (accounting for 25% of the performance target); and (c) positive sub-metering cash flow (accounting for 25% of the performance target). EnerCare in 2013 achieved 126.05% of the Adjusted EBITDA target, 127.7% of the recurring rentals revenue target, 0% of the positive sub-metering cash flow target and 94.9% in the aggregate for the performance target.

In respect of 2013, Ms. Sutherland was awarded approximately 95% of the target bonus for performance and, as the strategic objectives were substantially exceeded, 150% of that measure; therefore, based on the aggregate objectives for the annual performance bonus, Ms. Sutherland received a bonus of \$137,022, representing 114% of the target bonus and 46% of her base salary.

Long-term Incentives

Ms. Sutherland was granted 11,002 Performance Share Units and 81,081 Options for 2013 pursuant to the PSUP and 2011 Option Plan, respectively. The grants were made on the same basis and pursuant to the same terms as those of Messrs. Macdonald, Toffoletto and Garland and Ms. Cers. The number of Performance Share Units and Options granted was determined with reference to the Lane Caputo Report, her ability to influence the performance of EnerCare as well as the various factors listed above in respect of the rationale for long-term incentive plans. It was determined that in 2013, Ms. Sutherland be granted Performance Share Units equal in value to approximately 30% of her base salary, based upon the weighted average trading price of the Shares on the TSX for the five trading days immediately preceding December 31, 2012 and Options equal in value to 17% of her base salary. The exercise price of the Options is \$8.88, being the closing price of the Shares on the TSX on the day immediately preceding the grant. The Governance Committee, Board and Mr. Macdonald, with the concurrence of Ms. Sutherland, determined to reduce the number of Options granted to Ms. Sutherland in 2013 from the amount she had otherwise achieved as they together determined that the achieved Option value using the Black-Scholes model exceeded what they believed was in the best interests of EnerCare and its Shareholders.

Senior Vice President, General Counsel and Corporate Secretary

John Toffoletto

Base Salary

The base salary in 2013 for the Senior Vice President, General Counsel and Corporate Secretary was \$275,000 (an increase of \$10,000 from 2012) based on the terms of his employment agreement at hire in January 2009, the Lane Caputo Report and increases approved by the Governance Committee in subsequent years to reflect market-based compensation levels, increased responsibilities (including assumption of responsibility of the human resources department and government relations) and performance.

Annual Performance Bonus

The target annual performance bonus for 2013 was set at 40% of the Senior Vice President, General Counsel and Corporate Secretary's base salary. In the Governance Committee's view, this is reasonable taking into consideration the Lane Caputo Report and EnerCare's and Mr. Toffoletto's past performance, as well as the performance targets and strategic objectives set in connection with such bonus.

The annual performance bonus was weighted 65% for the achievement of performance targets of EnerCare and 35% for the achievement of his performance objectives. The performance targets were the same as those applicable to the Chief Financial Officer. The strategic objectives included effective management of legal fees, effective government relations initiatives in respect of Bill 55, successful refinancing of maturing indebtedness, effective litigation management and effective oversight of various initiatives.

In respect of 2013, the Senior Vice President, General Counsel and Corporate Secretary was awarded approximately 95% of the target bonus for performance and, as the strategic objectives were significantly exceeded, 220% of that measure; therefore, based on the aggregate objectives for the annual performance bonus, the Senior Vice President, General Counsel and Corporate Secretary received a bonus of \$152,553, representing 139% of the target bonus and 55% of his base salary.

Long-term Incentives

The Senior Vice President, General Counsel and Corporate Secretary was granted 10,086 Performance Share Units and 74,324 Options for 2013 pursuant to the PSUP and 2011 Option Plan, respectively. The grants were made on the same basis and pursuant to the same terms as those of Messrs. Macdonald

and Garland and Mses. Sutherland and Cers. The number of Performance Share Units and Options granted was determined with reference to the Lane Caputo Report, his ability to influence the performance of EnerCare as well as the various factors listed above in respect of the rationale for long-term incentive plans. It was determined that in 2013 Mr. Toffoletto be granted Performance Share Units equal in value to approximately 30% of his base salary, based upon the weighted average trading price of the Shares on the TSX for the five trading days immediately preceding December 31, 2012 and Options equal in value to approximately 17% of his base salary. The exercise price of the Options is \$8.88, being the closing price of the Shares on the TSX on the day immediately preceding the grant. The Governance Committee, Board and Mr. Macdonald, with the concurrence of Mr. Toffoletto, determined to reduce the number of Options granted to Mr. Toffoletto in 2013 from the amount he had otherwise achieved as they together determined that the achieved Option value using the Black-Scholes model exceeded what they believed was in the best interests of EnerCare and its Shareholders.

Senior Vice President and General Manager

Ross Garland

Base Salary

The base salary for Mr. Garland was \$270,000 based on the terms of his employment agreement at hire in April 2013.

Annual Performance Bonus

The target annual performance bonus for Mr. Garland's first year of employment (i.e., April 2013 to December 2013) was, pursuant to the terms of his employment agreement, 40% of his pro-rated base salary. In the Governance Committee's view, this is reasonable taking into consideration the Lane Caputo Report as well as the performance targets and strategic objectives set in connection with such bonus.

The annual performance bonus was weighted 35% for the achievement of performance targets of EnerCare, 30% for the achievement of performance targets of sub-metering operations and 35% for the achievement of strategic objectives. The performance targets of EnerCare were the same as those applicable to the Chief Financial Officer. The sub-metering operation performance targets were based on a number of objectives, including increasing profitability, sales, service standards and client satisfaction scores, reducing billing costs and implementation of new business development initiatives. The portion of the incentive payment dependent upon the achievement of performance targets of the sub-metering operation could only be paid if a significant percentage or prescribed amount of the target was obtained. If the results achieved exceeded the target by the same percentages or prescribed amounts or more, the maximum incentive payment that could be paid was 150% of the target incentive payment. The maximum amount that could be earned in respect of the strategic objectives component was 200%. The strategic objectives included improving operational efficiency, implementing cost reduction strategies, prioritizing product development enhancements and developing and executing a revised strategic planning process.

The Governance Committee approved the performance targets of the sub-metering operation at the beginning of 2013 through EnerCare's annual budget and business plan process. The 2013 targets were intended to be challenging. The sub-metering operation achieved 2.78% of the sub-metering operation target in the aggregate in 2013.

In respect of 2013, Mr. Garland was awarded approximately 95% of the target bonus for performance targets of EnerCare, 3% of the target bonus for performance targets of the sub-metering operation and, as the strategic objectives were met, 100% of that measure; therefore, based on the aggregate objectives for the annual performance bonus, Mr. Garland received a bonus of \$53,325, representing 69% of the target bonus and 28% of his base salary on a pro-rated basis.

Long-term Incentives

Mr. Garland was granted 4,676 Performance Share Units and 33,010 Options for 2013 pursuant to the PSUP and the 2011 Option Plan, respectively. The grants were made on the same basis and pursuant to the same terms as those of Messrs. Macdonald and Toffoletto and Mses. Sutherland and Cers. The number of Performance Share Units and Options granted was determined with reference to the Lane Caputo Report, his ability to influence the performance of EnerCare as well as the various factors listed above in respect of the rationale for long-term incentive plans. It was determined that in 2013 Mr. Garland be granted Performance Share Units equal in value to 20% of his pro-rated base salary based upon the weighted average trading price of the Shares on the TSX for the five trading days immediately preceding December 31, 2012 and Options equal in value to 11% of his pro-rated base salary. The exercise price of the Options is \$9.27, being the closing price of the Shares on the TSX on the day immediately preceding the grant. The Governance Committee, Board and Mr. Macdonald, with the concurrence of Mr. Garland, determined to reduce the number of Options granted to Mr. Garland in 2013 from the amount he had otherwise achieved as they together determined that the achieved Option value using the Black-Scholes model exceeded what they believed was in the best interests of EnerCare and its Shareholders.

Vice President Marketing and Business Development

Laima Cers

Base Salary

The base salary for Ms. Cers was \$200,000 based on the terms of her employment agreement at hire in March 2013.

Annual Performance Bonus

The target annual performance bonus for Ms. Cers' first year of employment (i.e., March 2013 to December 2013) was, pursuant to the terms of her employment agreement, 35% of her pro-rated base salary. In the Governance Committee's view, this is reasonable taking into consideration the Lane Caputo Report as well as the targets set in connection with such bonus.

The annual performance bonus was weighted 65% for the achievement of performance targets of EnerCare and 35% for the achievement of strategic objectives. The performance targets were the same as those applicable to the Chief Financial Officer. The strategic objectives included effective oversight of new business development initiatives and improvement to the delivery and cost efficiency of marketing functions.

In respect of 2013, Ms. Cers was awarded approximately 95% of the target bonus for performance and, as the strategic objectives were partially met, 75% of that measure; therefore, based on the aggregate objectives for the annual performance bonus, Ms. Cers received a bonus of \$47,557, representing 89% of the target bonus and 31% of her base salary on a pro-rated basis.

Long-term Incentives

Ms. Cers was granted 4,279 Performance Share Units and 30,871 Options for 2013 pursuant to the PSUP and the 2011 Option Plan, respectively. The grants were made on the same basis and pursuant to the same terms as those of Messrs. Macdonald, Toffoletto and Garland and Ms. Sutherland. The number of Performance Share Units and Options granted was determined with reference to the Lane Caputo Report, her ability to influence the performance of EnerCare as well as the various factors listed above in respect of the rationale for long-term incentive plans. It was determined that in 2013 Ms. Cers be granted Performance Share Units equal in value to 23% of her pro-rated base salary based upon the weighted average trading price of the Shares on the TSX for the five trading days immediately preceding December 31, 2012 and Options equal in value to 13% of her pro-rated base salary. The exercise price of the Options is \$9.07, being the closing price of the Shares on the TSX on the day immediately preceding the

grant. The Governance Committee, Board and Mr. Macdonald, with the concurrence of Ms. Cers, determined to reduce the number of Options granted to Ms. Cers in 2013 from the amount she had otherwise achieved as they together determined that the achieved Option value using the Black-Scholes model exceeded what they believed was in the best interests of EnerCare and its Shareholders.

2013 COMPENSATION TABLE

The following table sets forth the annual compensation for 2013, 2012 and 2011 earned by EnerCare's "Named Executive Officers" under applicable securities laws.

| Name and Principal Position | Year | Salary (\$) | PSUP Awards ⁽¹⁾ (\$) | Option Awards ⁽²⁾ (\$) | Non-Equity Incentive Compensation Annual Incentive Plan ⁽³⁾ (\$) | All Other Comp. ⁽⁴⁾ (\$) | Total Comp. (\$) |
|---|------|-------------|---------------------------------|-----------------------------------|---|-------------------------------------|------------------|
| John A. Macdonald President and Chief Executive Officer | 2013 | 420,000 | 233,545 | 133,056 | 249,558 | 43,900 | 1,080,059 |
| | 2012 | 400,000 | 527,521 | - | 166,212 | 42,500 | 1,136,233 |
| | 2011 | 375,000 | 201,780 | 207,500 | 245,060 | 40,750 | 1,070,090 |
| Evelyn Sutherland ⁽⁵⁾ Chief Financial Officer | 2013 | 300,000 | 90,987 | 51,840 | 137,022 | 35,400 | 615,249 |
| | 2012 | 280,000 | 201,416 | - | 94,354 | 34,000 | 609,770 |
| | 2011 | 104,183 | 20,041 | 20,625 | 47,149 | 65,693 | 257,691 |
| John Toffoletto Senior Vice President, General Counsel and Corporate Secretary | 2013 | 275,000 | 83,411 | 47,520 | 152,553 | 49,515 | 607,999 |
| | 2012 | 265,000 | 190,626 | - | 98,933 | 32,950 | 587,509 |
| | 2011 | 245,000 | 47,880 | 49,000 | 137,739 | 27,875 | 507,494 |
| Ross Garland ⁽⁶⁾ Senior Vice President and General Manager | 2013 | 192,288 | 38,671 | 22,032 | 53,325 | 17,413 | 323,729 |
| | 2012 | - | - | - | - | - | - |
| | 2011 | - | - | - | - | - | - |
| Laima Cers ⁽⁷⁾ Vice President, Marketing and Business Development | 2013 | 153,077 | 35,387 | 20,160 | 47,557 | 15,767 | 271,948 |
| | 2012 | - | - | - | - | - | - |
| | 2011 | - | - | - | - | - | - |

- (1) In respect of 2013, based upon 28,240, 11,002, 10,086, 4,676 and 4,279 Performance Share Units awarded in 2013 to Mr. Macdonald, Ms. Sutherland, Mr. Toffoletto, Mr. Garland and Ms. Cers, respectively, the value of which is calculated on the basis of the volume weighted average trading price of the Shares on the TSX for the five trading days immediately preceding December 31, 2012. In respect of 2012, based upon 56,179, 21,450 and 20,301 Performance Share Units awarded in 2012 (of which 33,021, 12,608 and 11,933 were not subject to a Performance Factor for each of Mr. Macdonald, Ms. Sutherland and Mr. Toffoletto, respectively) to Mr. Macdonald, Ms. Sutherland and Mr. Toffoletto, respectively, the value of which is calculated on the basis of the volume weighted average trading price of the units of the Fund on the TSX for the five trading days immediately preceding December 31, 2011. In respect of 2011, based upon 29,500, 2,930 and 7,000 Performance Share Units awarded in 2011 to Mr. Macdonald, Ms. Sutherland and Mr. Toffoletto, respectively, the value of which is calculated on the basis of the volume weighted average trading price of the units of the Fund on the TSX for the five trading days immediately preceding December 31, 2010. See "Performance Share Unit Plan".
- (2) The estimated fair value of each Option grant was calculated using the Black-Scholes option pricing model, as this is a widely used methodology that satisfies Canadian generally accepted accounting principles for publicly accountable enterprises (as defined by the Accounting Standards Board of The Canadian Institute of Chartered Accountants, as amended from time to time) and corresponds to the compensation value intended to be provided to each Named Executive Officer, within EnerCare's total compensation policy, and the fair value used for accounting purposes. The following assumptions were used: (i) expected life – option term plus assumed 3-year vesting period; (ii) risk-free rate – average yield of a Government of Canada bond with a term corresponding to the expected life; (iii) stock price volatility – based on daily closing prices for the 36 months preceding the date of the grant (volatility being capped at 50%); and (iv) dividend yield – average yield of the 12-month period preceding the date of grant. The Options awarded to Messrs. Macdonald, Toffoletto and Ms. Sutherland were issued at an exercise price equal to \$8.88, being the closing price of the Shares on the TSX on the day immediately preceding the date of grant on March 4, 2013, and the Options awarded to Mr. Garland and Ms. Cers were issued at an exercise price equal to \$9.27 and \$9.07, respectively, being the closing price of the Shares on the TSX on the day immediately preceding the date of grant on April 15, 2013 and March 25, 2013, respectively. See "2011 Option Plan".
- (3) Amounts under the annual incentive plan are payable in the year following the year in respect of which they are earned.
- (4) For 2013: The \$43,900 in respect of Mr. Macdonald consists of a \$12,000 car allowance, \$29,400 registered personal savings plan contributions, and \$2,500 club membership dues; the \$35,400 in respect of Ms. Sutherland consists of a \$14,400 car allowance and \$21,000 registered personal savings plan contributions; the \$49,515 in respect of Mr. Toffoletto consists of a \$14,400 car allowance, \$15,865 for a payment made in lieu of vacation, and \$19,250 registered personal savings plan contributions; the \$17,413 in respect of Mr. Garland consists of a \$6,837 car allowance, and \$10,576 registered personal savings plan contributions; the \$15,767 in respect of Ms. Cers consists of a \$7,348 car allowance, and \$8,419 registered personal savings plan contributions. For 2012: The \$42,500 in respect of Mr. Macdonald consists of a \$12,000 car allowance, \$28,000 registered personal savings plan contributions and \$2,500 club membership dues; the \$34,000 in respect of Ms. Sutherland consists of a \$14,400 car allowance and \$19,600 registered personal savings plan contributions; the \$32,950 in respect of Mr. Toffoletto consists of a \$14,400 car allowance and \$18,550 registered personal savings plan contributions. For 2011: The \$40,750 in respect of Mr. Macdonald consists of a \$12,000 car allowance, \$26,250 registered personal savings plan contributions and \$2,500 club membership dues; the \$65,693 in respect of Ms. Sutherland consists of a \$53,000 signing bonus, \$5,400 car allowance and \$7,293 registered personal savings plan contributions; the \$27,875 in respect of Mr. Toffoletto consists of a \$14,400 car allowance and \$13,475 registered personal savings plan contributions.

- (5) Ms. Sutherland was appointed Chief Financial Officer of EnerCare and its subsidiaries on August 15, 2011 and the figures reported above for 2011 represent the pro-ration of her actual compensation for 2011.
- (6) Mr. Garland was appointed Senior Vice President and General Manager of EnerCare and its subsidiaries on April 15, 2013 and the figures reported above for 2013 represent the pro-ration of his actual compensation for 2013.
- (7) Ms. Cers was appointed Vice President, Marketing and Business Development of EnerCare and its subsidiaries on March 25, 2013 and the figures reported above for 2013 represent the pro-ration of her actual compensation for 2013.

INCENTIVE PLANS

OUTSTANDING SHARE-BASED AND OPTION-BASED AWARDS

The following table sets forth the number of Options and Performance Share Units held by the Named Executive Officers as at December 31, 2013.

| Name | Option Awards | | | | PSUP Awards | |
|-----------------------------|---|----------------------------|------------------------|---|---|--|
| | Number of Shares Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Value of Unexercised in-the-money Options ⁽¹⁾ (\$) | Number of Performance Share Units that have not Vested ⁽²⁾ (#) | Market or Payout Value of PSUP Awards that have not Vested ⁽³⁾ (\$) |
| John A. Macdonald | 293,494 | 7.07 | February 28, 2019 | 851,133 | 95,478 | 949,051 |
| | 208,108 | 8.88 | March 4, 2021 | 226,838 | | |
| Evelyn Sutherland | 26,476 | 7.79 | August 15, 2019 | 57,718 | 36,692 | 364,718 |
| | 81,081 | 8.88 | March 4, 2021 | 88,378 | | |
| John Toffoletto | 69,307 | 7.07 | February 28, 2019 | 200,990 | 34,375 | 341,688 |
| | 74,324 | 8.88 | March 4, 2021 | 81,013 | | |
| Ross Garland ⁽⁴⁾ | 33,010 | 9.27 | April 15, 2021 | 23,107 | 5,030 | 49,998 |
| Laima Cers ⁽⁵⁾ | 30,871 | 9.07 | March 25, 2021 | 27,784 | 4,603 | 45,754 |

- (1) The value of the Options is calculated as the difference between the closing price of the Shares on the TSX on December 31, 2013 (\$9.97) (assumes all vesting requirements are met) and the exercise price of the Options.
- (2) The number of Performance Share Units includes Performance Share Units granted on an annual basis in 2012 and 2013, Performance Share Units credited reflecting dividends on the Shares to December 31, 2013 and additional Performance Share Units credited to reflect a Performance Factor of 0.5 for 2012 and a Performance Factor of 1.5 for 2013 in respect of Performance Share Units granted in 2012 to which a Performance Factor applies and a Performance Factor of 1.0 for 2013 in respect of Performance Share Units granted in 2013 (see "Performance Share Unit Plan").
- (3) The value of the Performance Share Units is calculated on the basis of the weighted average trading price of the Shares on the TSX for the five trading days immediately preceding December 31, 2013 and assumes all time vesting requirements are met, in respect of Performance Share Units granted in 2012, that the Performance Factor for 2014 in respect of Performance Share Units granted in 2012 will be 1.0, and, in respect of Performance Share Units granted in 2013, the Performance Factor for each of 2014 and 2015 will be 1.0 (see "Performance Share Unit Plan").
- (4) Mr. Garland was appointed Senior Vice President and General Manager of EnerCare and its subsidiaries on April 15, 2013 and the figures reported above under "PSUP Awards" are with respect to Performance Share Units granted in 2013.
- (5) Ms. Cers was appointed Vice President Marketing and Business Development of EnerCare and its subsidiaries on March 25, 2013 and the figures reported above under "PSUP Awards" are with respect to Performance Share Units granted in 2013.

INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING 2013

The following table sets forth the 2011 Option Plan and PSUP awards vested and non-equity incentive plan compensation earned in 2013.

| Name | Option Awards – Value Vested During the Year⁽¹⁾ (\$) | PSUP Awards – Value Vested During the Year (\$) | Non-equity Incentive Plan Compensation – Value Earned During the Year (\$) |
|-----------------------------|--|--|---|
| John A. Macdonald | 283,711 | 432,212 | 249,558 |
| Evelyn Sutherland | 19,239 | 41,868 | 137,022 |
| John Toffoletto | 66,997 | 102,559 | 152,553 |
| Ross Garland ⁽²⁾ | - | - | 53,325 |
| Laima Cers ⁽²⁾ | - | - | 47,557 |

(1) One-third of the Options granted in 2011 vested in 2013 pursuant to the 2011 Option Plan. The value of the Options that vested during the year is calculated as the difference between the exercise price of the Options and the closing price of the Shares on the TSX on December 31, 2013 (\$9.97).

(2) No portion of the Options or Performance Share Units granted in 2013 to Mr. Garland or Ms. Cers vested in 2013.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth certain information on equity compensation plans of EnerCare as at December 31, 2013⁽¹⁾.

| Plan Category | Number of Shares to be Issued upon Exercise of Outstanding Options (#) | Weighted-average Exercise Price of Options (\$) | Number of Shares Remaining Available for Future Issuance under the 2011 Option Plan (excluding Shares reflected in the first column) (#) |
|--|---|--|---|
| Equity compensation plans approved by Shareholders | 816,671 | 8.06 | 2,104,576 |
| Equity compensation plans not approved by Shareholders | - | - | - |
| Total | 816,671 | 8.06 | 2,104,576 |

(1) As at December 31, 2013, the only equity compensation plan of EnerCare was the 2011 Option Plan (see "2011 Option Plan").

PERFORMANCE SHARE UNIT PLAN**General**

Effective January 1, 2011, EnerCare amended and restated the Fund's 2010 PSUP for the Trustees, officers and senior employees of the Fund and its affiliates to reflect the Conversion. The PSUP was subsequently amended and restated on June 1, 2011 as described below.

The purpose of the PSUP is to (i) support the achievement of EnerCare's performance objectives; (ii) ensure that interests of key persons are aligned with the success of EnerCare; and (iii) provide

compensation opportunities to attract, retain and motivate senior employees critical to the long-term success of EnerCare and its subsidiaries.

The PSUP is administered by the Governance Committee of the Board. Subject to a requirement to report all matters to the Board and a requirement to obtain approval from the Board on certain matters, the Governance Committee has discretion to (a) establish, amend and rescind rules and regulations relating to the PSUP; (b) determine which employees of EnerCare and its subsidiaries may participate in the PSUP; (c) set, waive or amend performance vesting targets; (d) correct any defect or supply any omission or reconcile any inconsistency; (e) make adjustments deemed necessary on the occurrence of a capital adjustment such as a Share split, merger, consolidation or spin-off; and (f) make any determinations that the Governance Committee deems necessary or desirable for the administration of the PSUP. The Governance Committee also has the authority to amend, suspend or terminate the PSUP, subject to obtaining any required consent or approval from PSUP participants or regulatory authorities.

Pursuant to the PSUP, Performance Share Units that are subject to time and performance vesting requirements are granted to eligible participants (the “**Performance Share Unitholders**”). The Governance Committee does not take previous grants into consideration when making new grants of PSUPs. Grants of Performance Share Units are credited to a notional account for each Performance Share Unitholder. If dividends are paid on the Shares, additional Performance Share Units are credited to the Performance Share Unitholder’s account, with the number of additional Performance Share Units determined by dividing the dollar amount of the dividends payable in respect of the Performance Share Units and additional Performance Share Units allocated to the Performance Share Unitholder’s account by the then fair market value of the Shares, which the PSUP defines as the weighted average trading price of the Shares on the principal Canadian stock exchange on which the Shares are traded for the five trading days immediately preceding the applicable day.

Each vested Performance Share Unit is redeemed by EnerCare and a cash payment, subject to applicable withholdings and deductions, is made to the Performance Share Unitholder. The cash payment is equal to the fair market value of a Share on the date of redemption.

In June 2011, the PSUP was amended and restated to permit Directors to elect to have some or all of the Performance Share Units granted to them pursuant to the PSUP exchanged into deferred share units (“**DSUs**”). This election is irrevocable and must be made before January 1st of the year in which the Performance Share Units (including additional Performance Share Units credited in connection with a payment of dividends on the Shares) in respect of which the election is made become vested. Since EnerCare’s adoption of the deferred share unit plan (the “**DSUP**”) in 2011, no Performance Share Units have been granted to Directors and EnerCare does not currently intend to make further grants of Performance Share Units under the PSUP to Directors.

Termination and Change of Control

On termination of employment of a Performance Share Unitholder for reasons other than for cause or resignation, the Performance Share Units will vest immediately if the Governance Committee determines that the relevant performance target established for a grant of Performance Share Units has been or is reasonably likely to be met or exceeded and the number of Performance Share Units that will vest will be pro-rated for the period of the Performance Share Unitholder’s active employment or service. On termination of employment of a Performance Share Unitholder for cause or on the Performance Share Unitholder’s resignation, all unvested Performance Share Units shall be forfeited. On the occurrence of a change of control (as defined in the PSUP), Performance Share Units will vest immediately prior to the date of closing of the change of control, and in the case of grants of Performance Share Units in 2013, payment will be based on the Performance Factor determined for a completed calendar year and at a Performance Factor of 1.0 for any calendar year not completed (see “- Vesting – Performance Vesting”).

Vesting

The time vesting requirements provide that Performance Share Units vest on the earlier of: (a) December 31 of the third year following the date of the Performance Share Unit grant; (b) immediately prior to the date of a closing of a change of control, as defined in the PSUP; and (c) such earlier date determined by the Governance Committee. In addition to time vesting requirements, Performance Share Units may be subject to performance vesting requirements being met for a specified performance period.

Performance Vesting

For Performance Share Units granted in respect of performance periods commencing on January 1, 2011, the Governance Committee determined the performance vesting requirements would be as follows: The number of Performance Share Units which vest shall be equal to the number of Performance Share Units granted multiplied by the relevant "Performance Factor" for each of 2011, 2012 and 2013, respectively, with one-third of the grant allocated to each such year. The "Performance Factor" for each calendar year is determined with reference to the "Total Shareholder Return" on the Shares compared to shares or units, as applicable, of the entities constituting the S&P/TSX Small Cap Index on January 21, 2011 (the "**2011 Comparator Group**"). If the Total Shareholder Return for EnerCare for a year is in the top, second, third or fourth quartile compared to that of the 2011 Comparator Group for the same year, the Performance Factor for that year is as follows: (a) Top Quartile – 1.5; (b) Second Quartile – 1.0; (c) Third Quartile – 0.5; and (d) Fourth Quartile – 0. For 2011, the Performance Factor was 1.5, for 2012 the Performance Factor was 0.5 and for 2013 the Performance Factor was 1.5. "Total Shareholder Return" with respect to the Performance Share Units granted in 2011 for each year is equal to the quotient of dividing A by B, where A is equal to the closing trading price of a share or unit, as applicable, on the last day of each year, plus the total dividends or other distributions paid on a share or unit, as applicable, minus the closing trading price of a share or unit, as applicable, on the last trading day of the immediately preceding year, and B is equal to the closing trading price of a share or unit, as applicable, on the last trading day of the immediately preceding year. The performance vesting requirements were met and the Performance Share Units vested on December 31, 2013.

The Performance Share Units granted in respect of performance periods commencing on January 1, 2012, consisted of Performance Share Units that were subject to a Performance Factor and Performance Share Units that were not subject to a Performance Factor. With respect to the Performance Share Units granted in 2012 that are subject to a Performance Factor, the Governance Committee determined the performance vesting requirements for them as follows: the number of Performance Share Units which vest shall be equal to the number of Performance Share Units granted multiplied by the relevant "Performance Factor" for each of 2012, 2013 and 2014, respectively, with one-third of the grant allocated to each such year. The "Performance Factor" for each calendar year is determined with reference to the "Total Shareholder Return" on the Shares compared to the shares or units, as applicable, of the entities constituting the S&P/TSX Small Cap Index on January 2, 2012 (the "**2012 Comparator Group**"). If the Total Shareholder Return for EnerCare for a year is in the top, second, third or fourth quartile compared to that of the 2012 Comparator Group for the same year, the Performance Factor for that year is as follows: (a) Top Quartile - 1.5; (b) Second Quartile - 1.0; (c) Third Quartile - 0.5; and (d) Fourth Quartile - 0. For 2012, the Performance Factor was 0.5 and for 2013 the Performance Factor was 1.5. "Total Shareholder Return" with respect to the Performance Share Units granted in 2012 for each year is equal to the quotient of dividing A by B, where A is equal to the closing trading price of a share or unit, as applicable, on the last day of each year, plus the total dividends or other distributions paid on a share or unit, as applicable, minus the closing trading price of a share or unit, as applicable, on the last trading day of the immediately preceding year, and B is equal to the closing trading price of a share or unit, as applicable, on the last trading day of the immediately preceding year. On a change of control (as defined in the PSUP), the Performance Share Units shall vest with the Performance Factor determined for a completed calendar year and at a Performance Factor of 1.0 for any calendar year not completed.

For Performance Share Units granted in respect of performance periods commencing on January 1, 2013, the Governance Committee determined the performance vesting requirements would be as follows:

the number of Performance Share Units which vest shall be equal to the number of Performance Share Units granted multiplied by the relevant "Performance Factor" for each of 2013, 2014 and 2015, respectively, with one-third of the grant allocated to each such year. The "Performance Factor" for each calendar year is determined with reference to the "Total Shareholder Return" on the Shares compared to the shares or units, as applicable, of the entities constituting the S&P/TSX Small Cap Index on January 2, 2013 (the "**2013 Comparator Group**"). If the Total Shareholder Return for EnerCare for a year is in the top, second, third or fourth quartile compared to that of the 2013 Comparator Group for the same year, the Performance Factor for that year is as follows: (a) Top Quartile - 1.5; (b) Second Quartile - 1.0; (c) Third Quartile - 0.5; and (d) Fourth Quartile - 0. For 2013, the Performance Factor was 1.0. "Total Shareholder Return" with respect to the Performance Share Units granted in 2013 for each year is equal to the quotient of dividing A by B, where A is equal to the closing trading price of a share or unit, as applicable, on the last day of each year, plus the total dividends or other distributions paid on a share or unit, as applicable, minus the closing trading price of a share or unit, as applicable, on the last trading day of the immediately preceding year, and B is equal to the closing trading price of a share or unit, as applicable, on the last trading day of the immediately preceding year. On a change of control (as defined in the PSUP), the Performance Share Units shall vest with the Performance Factor determined for a completed calendar year and at a Performance Factor of 1.0 for any calendar year not completed.

OPTION PLANS

2011 Option Plan

Effective January 1, 2011, EnerCare adopted the 2011 Option Plan which was approved by unitholders of the Fund at the meeting of unitholders held in November 2010 to consider the Conversion. If the 2014 Option Plan Resolution is approved by the Shareholders at the Meeting, all future grants of Options will be made under the 2014 Option Plan. As the 2011 Option Plan is considered an "evergreen" plan, no additional Options may be granted under the 2011 Option Plan because Shareholders were not asked to approve the unallocated Options thereunder within three years from the date the 2011 Option Plan was adopted as required by the rules of the TSX. See "Business of the Meeting – Approval of the 2014 Option Plan".

The 2011 Option Plan reserved a maximum of 5% of the Shares that were from time to time issued and outstanding and, if the 2014 Option Plan Resolution is approved by Shareholders, the 2014 Option Plan will reserve a maximum of 3,000,000 Shares for issuance, representing approximately 5.1% of the Shares outstanding as of March 18, 2014. As of March 18, 2014, 816,671 Options have been granted under the 2011 Option Plan. Grants of Options made under the 2011 Option Plan were made on substantially similar terms as the 2014 Option Plan and, except for the number of Shares reserved for issuance as noted above, the material terms of the 2011 Option Plan are substantially the same as those of the 2014 Option Plan.

2014 Option Plan

At the Meeting, the Shareholders will be asked to consider and, if thought advisable, pass, with or without variation, the 2014 Option Plan Resolution, approving the adoption by EnerCare of the 2014 Option Plan, the reservation of 3,000,000 Shares for issuance thereunder and ratifying the grant of 379,011 Options to EnerCare's senior management (as described in further detail below).

Under the 2014 Option Plan, EnerCare and its affiliates' employees and officers (the "**Participants**") are eligible for grants of Options. All Options require the approval of and are at the discretion of the Board. The Board does not take previous grants into consideration when making new grants of Options. Non-employee Directors are not eligible to receive Options under the 2014 Option Plan. A maximum of 3,000,000 Shares are reserved for issuance under the 2014 Option Plan (which represents approximately 5.1% of the Shares issued and outstanding as of March 18, 2014).

The market price of the Shares for determining the exercise price of an Option will be the closing price of the Shares on the TSX on the day immediately before the relevant date or such other higher exercise price determined by the Board.

The Options will typically vest one third on each of the first three anniversaries of the date of grant. The Board may establish a different vesting schedule and may also establish performance target requirements. On a change of control (as defined in the 2014 Option Plan), the acquiring entity shall assume outstanding Options. If it does not, or otherwise in the discretion of the Board, the vesting of Options will accelerate and there will be a limited time period for the exercise of Options to permit the holder of an Option to participate in the change of control transaction. Any Options not so exercised expire.

The following rules will apply if a Participant's employment is terminated before expiry:

- if terminated by death, the Participant's legal representatives may exercise Options which have vested at the date of death, for one year;
- if terminated for disability or retirement, the Participant's Options continue to vest for two years, and all vested Options may be exercised for two years, from the date of disability or retirement;
- if terminated by resignation or for cause, the Participant's vested and unvested Options expire on the termination date; and
- if terminated for any other reason, the Participant's vested Options may be exercised until 90 days after the termination date and unvested Options or Options which are not exercised within the 90-day period will expire.

Each Option will expire eight years after the Option was granted, provided that, any Option which would otherwise expire during or within 10 business days following a trading blackout may be exercised until the tenth business day following the end of the trading blackout.

Except as provided below, the Board may amend, suspend or terminate the 2014 Option Plan at any time, provided, however, that any such amendment, suspension or termination may not materially adversely affect the entitlements of a Participant which have accrued prior to the date of the amendment, suspension or termination. For example, the Board may make the following types of amendments to the 2014 Option Plan without seeking Shareholder approval:

- i. amendments of a "housekeeping" or administrative nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error or omission in the 2014 Option Plan or to correct or supplement any provision of the 2014 Option Plan that is inconsistent with any other provision of the 2014 Option Plan;
- ii. amendments necessary to comply with the provisions of applicable law;
- iii. amendments necessary for awards of Options to qualify for favorable treatment under tax laws;
- iv. any amendment to the vesting provisions;
- v. any amendment to the termination or early termination provisions of the 2014 Option Plan or any Option, whether or not such Option is held by an insider, provided such amendment does not entail an extension beyond the expiry date; and
- vi. amendments necessary to suspend or terminate the 2014 Option Plan.

However, Shareholder approval is required for any amendment which:

- i. increases the number of Shares issuable under the 2014 Option Plan or changes that number from a fixed maximum number of Shares to a fixed maximum percentage;

- ii. extends the length of the period after a blackout period during which Options may be exercised;
- iii. reduces the exercise price of an Option (other than adjustments in connection with a transaction or reorganization);
- iv. expands the categories of eligible persons which would have the potential of broadening or increasing insider participation, including to add non-employee Director participation;
- v. removes, or causes the 2014 Option Plan to exceed, the insider participation limit;
- vi. extends the term of an Option beyond its original expiry date, except an extension of an Option that would otherwise expire during a blackout period, to 10 business days following the end of the blackout period;
- vii. adds any other provision which results in Participants receiving Shares for no cash consideration;
- viii. adds a cashless exercise feature if there is no full deduction of the underlying Shares;
- ix. permits any transfer or assignment of an Option other than for normal estate settlement purposes;
- x. amends the amendment provision; or
- xi. is required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of the TSX).

The 2014 Option Plan restricts the participation of insiders in the 2014 Option Plan and all other security-based compensation arrangements as follows:

- i. the number of Shares issuable to any one person pursuant to Options granted under the 2014 Option Plan and any other security-based compensation arrangements shall not at any time exceed 5% of the outstanding issue;
- ii. the number of Shares reserved for issuance to insiders and their associates pursuant to Options granted under the 2014 Option Plan and any other security-based compensation arrangements shall not exceed 10% of outstanding issue;
- iii. the number of Shares issued under the 2014 Option Plan and any other security-based compensation arrangements to insiders or their associates in a 12-month period shall not exceed 10% of the outstanding issue; and
- iv. Options granted under the 2014 Option Plan are not transferrable or assignable other than by will or the laws of descent and distribution.

On March 10, 2014, 379,011 Options were granted to five members of EnerCare's senior management, all of whom are insiders, and were issued at an exercise price equal to \$10.71, being the closing price of the Shares on the TSX the day immediately preceding the day of the grant on March 10, 2014. The Options will vest one third on each of the first three anniversaries of the date of grant and each Option will expire eight years after the Option was granted as described above.

As of March 18, 2014, 379,011 Options have been granted under the 2014 Option Plan, subject to the approval of the 2014 Option Plan Resolution by the Shareholders at the Meeting. The Options cannot be exercised until such time that Shareholders of EnerCare have approved the 2014 Option Plan and ratified the Options granted.

TERMINATION AND CHANGE OF CONTROL BENEFITS

The respective employment agreements for each of the Named Executive Officers require EnerCare to make certain payments and/or provide certain benefits to each upon their being terminated by EnerCare without cause. EnerCare believes these payments and benefits are comparable to those of its principal competitors and that their provision is in the best interest of EnerCare as it encourages its executives to

focus on the operation of EnerCare. Differences in amounts are generally driven by the position held by the officer.

In addition, the PSUP provides that on termination of employment of a Performance Share Unitholder for reasons other than for cause or resignation, the terminated Performance Share Unitholder will be entitled to a cash payment on redemption of the Performance Share Units by EnerCare based on an estimate by the Governance Committee of the performance expected to be achieved for the relevant performance period and pro-rated for the period of the Performance Share Unitholder's active employment or service, except as otherwise expressly provided in respect of a particular grant. On termination of employment of a Performance Share Unitholder for cause or on the Performance Share Unitholder's resignation, all unvested Performance Share Units shall be forfeited. On the occurrence of a change of control (as defined in the PSUP), Performance Share Units will vest immediately prior to the date of closing of the change of control, and in the case of grants of Performance Share Units in 2012, 2013 and 2014, payment will be based on the Performance Factor determined for a completed calendar year (which was 0.5 for 2012 and 1.5 for 2013 in respect of Performance Share Units granted in 2012 that are subject to a performance factor, and 1.0 for 2013 in respect of Performance Share Units granted in 2013) and at a Performance Factor of 1.0 for any calendar year not completed (see "Performance Share Unit Plan").

Under the Option Plans, upon a termination of a Participant for reasons other than death, disability or retirement, resignation or for cause, the terminated Participant's vested Options may be exercised until 90 days after the termination date and unvested Options or Options which are not exercised within the 90 day period will expire. On a change of control (as defined in the Option Plans), the acquiring entity shall assume outstanding Options. If it does not, or otherwise in the discretion of the Board, the vesting of Options will accelerate and there will be a limited time period for the exercise of Options to permit the holder of an Option to participate in the change of control transaction. Any Options not so exercised expire.

John A. Macdonald

Under the employment agreement with Mr. Macdonald, in the event EnerCare terminates Mr. Macdonald's employment without cause, EnerCare will pay a salary continuance equivalent to twenty-four months of base salary and Mr. Macdonald will receive, to the extent permitted by the relevant plan or program, a continuation of all benefits and perquisites available prior to termination for a period of twenty-four months, provided that if a plan or program does not permit the continuance of some or all of such benefits or perquisites for some or all of such period, EnerCare shall pay the cost otherwise payable by EnerCare for such benefits.

The agreement provides for, among other things, confidentiality and non-disclosure covenants in favour of EnerCare and its affiliates during the term of Mr. Macdonald's employment agreement with EnerCare and such covenants survive the termination or expiration of the agreement. The agreement further provides that Mr. Macdonald will not compete with a business from which EnerCare derives its income whether carried on by EnerCare or any of its affiliates or a third party for a period of twenty-four months following termination or expiration of the agreement.

Evelyn Sutherland

Under the employment agreement with Ms. Sutherland, in the event that EnerCare terminates Ms. Sutherland's employment without cause, EnerCare will pay a salary continuance equivalent to twelve months of base salary and an annual incentive equal to 40% of Ms. Sutherland's salary and in the event such termination occurs within nine months of a change of control (as defined in Ms. Sutherland's employment agreement), EnerCare will pay a salary continuance equivalent to 18 months of base salary and an annual incentive equal to 40% of Ms. Sutherland's salary for 18 months. Ms. Sutherland will also receive, to the extent permitted by the relevant plan or program, a continuation of all benefits and perquisites available prior to termination for a period of twelve months or 18 months, as applicable, provided that if a plan or program does not permit the continuance of some or all of such benefits or

perquisites for some or all of such period, EnerCare shall pay the cost otherwise payable by EnerCare for such benefits.

The agreement provides for, among other things, confidentiality and non-disclosure covenants in favour of EnerCare and its affiliates during the term of Ms. Sutherland's employment agreement with EnerCare and such covenants survive the termination or expiration of the agreement. The agreement further provides that Ms. Sutherland will not compete with a business that competes with or is substantially similar to the business of EnerCare or of its affiliates within any jurisdiction in which EnerCare or any of its affiliates conducts a material portion of its business for a period of twelve months following termination of her employment.

John Toffoletto

Under the employment agreement with Mr. Toffoletto, in the event EnerCare terminates Mr. Toffoletto's employment without cause, EnerCare will pay a salary continuance equivalent to twelve months of base salary and an annual incentive equal to 40% of Mr. Toffoletto's salary and Mr. Toffoletto will receive, to the extent permitted by the relevant plan or program, a continuation of all benefits and perquisites available prior to termination for a period of twelve months, provided that if a plan or program does not permit the continuance of some or all of such benefits or perquisites for some or all of such period, EnerCare shall pay the cost otherwise payable by EnerCare for such benefits.

The agreement provides for, among other things, confidentiality and non-disclosure covenants in favour of EnerCare and its affiliates during the term of Mr. Toffoletto's employment agreement with EnerCare and such covenants survive the termination or expiration of the agreement. The agreement further provides that Mr. Toffoletto will not compete with a business that competes with or is substantially similar to the business of EnerCare within Ontario for a period of twelve months following termination or expiration of the agreement.

Ross Garland

Under the employment agreement with Mr. Garland, in the event EnerCare terminates Mr. Garland's employment without cause, EnerCare will pay a salary continuance equivalent to twelve months of base salary and an annual incentive equal to 40% of Mr. Garland's salary and Mr. Garland will receive, to the extent permitted by the relevant plan or program, a continuation of all benefits and perquisites available prior to termination for a period of twelve months, provided that if a plan or program does not permit the continuance of some or all of such benefits or perquisites for some or all of such period, EnerCare shall pay the cost otherwise payable by EnerCare for such benefits.

The agreement provides for, among other things, confidentiality and non-disclosure covenants in favour of EnerCare and its affiliates during the term of Mr. Garland's employment agreement with EnerCare and such covenants survive the termination or expiration of the agreement. The agreement further provides that Mr. Garland will not compete with a business that competes with or is substantially similar to the business of EnerCare or of its affiliates within any jurisdiction in which EnerCare or any of its affiliates conducts a material portion of its business for a period of twelve months following termination of his employment.

Laima Cers

Under the employment agreement with Ms. Cers, in the event EnerCare terminates Ms. Cers' employment without cause, EnerCare will pay a salary continuance equivalent to one month for every month employed by EnerCare up to a maximum of twelve months of base salary and an annual incentive equal to 35% of Ms. Cers' salary and Ms. Cers will receive, to the extent permitted by the relevant plan or program, a continuation of all benefits and perquisites available prior to termination for a period of one month for every month employed by EnerCare up to a maximum of twelve months, provided that if a plan

or program does not permit the continuance of some or all of such benefits or perquisites for some or all of such period, EnerCare shall pay the cost otherwise payable by EnerCare for such benefits.

The agreement provides for, among other things, confidentiality and non-disclosure covenants in favour of EnerCare and its affiliates during the term of Ms. Cers' employment agreement with EnerCare and such covenants survive the termination or expiration of the agreement. The agreement further provides that Ms. Cers will not compete with a business that competes with or is substantially similar to the business of EnerCare or of its affiliates within any jurisdiction in which EnerCare or any of its affiliates conducts a material portion of its business for a period of twelve months following termination of her employment.

QUANTITATIVE ESTIMATES OF PAYMENTS AND BENEFITS UPON TERMINATION OR CHANGE OF CONTROL

The following table sets forth the estimated amount of payments and other benefits each Named Executive Officer would be entitled to receive upon their being terminated without cause or upon a change of control, assuming the event occurred on December 31, 2013.

The material assumptions made with respect to the figures set forth below are as follows:

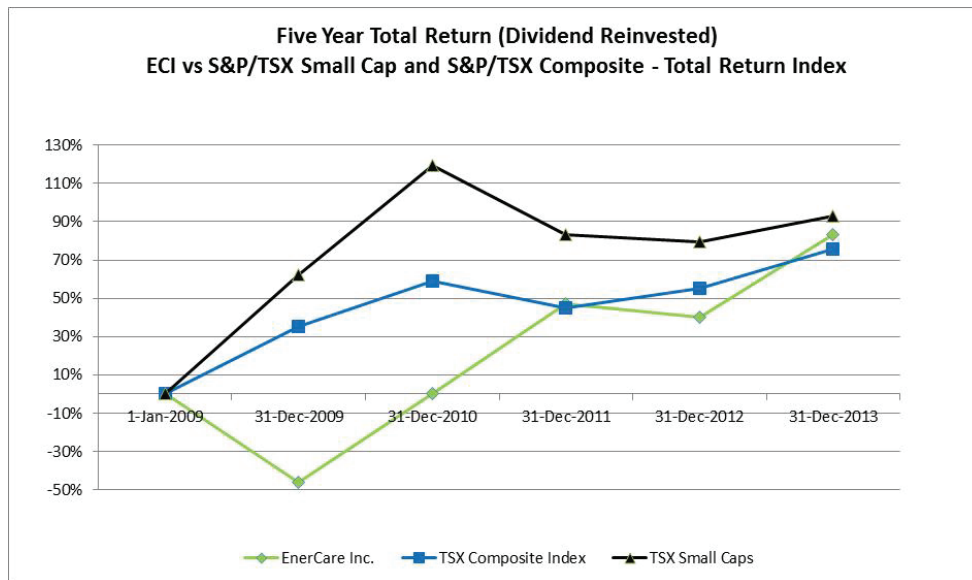
- the salary and incentive payments are calculated on the amounts of salary and incentive payments which were payable as of December 31, 2013;
- payment under the PSUP is calculated assuming all time vesting requirements are met, in respect of Performance Share Units granted in 2012, the Performance Factor is 0.5 for 2012, 1.5 for 2013 and will be 1.0 for 2014, and in respect of the Performance Share Units granted in 2013, the Performance Factor for 2013 is 1.0 and for each of 2014 and 2015 will be 1.0 (see "Performance Share Unit Plan");
- the values of the vesting Performance Share Units are based upon the closing market price of the Shares on December 31, 2013, being \$9.97 per Share;
- the values of the vesting Options are shown as the in-the-money amount of Options based upon the closing market price of the Shares on December 31, 2013, being \$9.97 per Share; and
- the values of the continuation of benefits are based upon the current cost to EnerCare for providing to Mr. Macdonald, Ms. Sutherland, Mr. Toffoletto, Mr. Garland and Ms. Cers EnerCare's employees benefits programs for medical, dental, life, and short and long-term disability insurance.

| Name | Salary (\$) | Incentive Payment (\$) | Vesting of Performance Share Units ⁽¹⁾ (\$) | Vesting of Stock Options ⁽²⁾ (\$) | Benefits (\$) | Other Compensation ⁽³⁾ (\$) | Total (\$) |
|--|--------------------|------------------------------|---|---|------------------|--|----------------------|
| John A. Macdonald Termination without Cause Change of Control | 840,000 - | - - | 951,916 951,916 | 567,422 - | 21,331 - | 87,800 - | 2,468,469 951,916 |
| Evelyn Sutherland Termination without Cause Change of Control ⁽⁴⁾ | 300,000 450,000 | 120,000 180,000 | 365,819 365,819 | 38,478 - | 5,434 8,151 | 35,400 53,100 | 865,131 1,057,070 |
| John Toffoletto Termination without Cause Change of Control | 275,000 - | 110,000 - | 342,719 342,719 | 133,994 - | 9,647 - | 33,650 - | 905,010 342,719 |
| Ross Garland Termination without Cause Change of Control | 270,000 - | 108,000 - | 50,149 50,149 | - - | 8,612 - | 24,450 - | 461,211 50,149 |
| Laima Cers Termination without Cause Change of Control | 150,000 - | 52,500 - | 45,892 45,892 | - - | 5,872 - | 15,450 - | 269,714 45,892 |

- (1) The figures include the Performance Share Units granted in respect of 2012 and 2013, as applicable, Performance Share Units credited reflecting dividends in the Shares to December 31, 2013 and, in respect of Performance Share Units granted in 2012 that are subject to a Performance Factor, additional Performance Share Units credited to reflect a Performance Factor of 0.5 for 2012 and 1.5 for 2013, and in respect of Performance Share Units granted in 2013, additional Performance Share Units credited to reflect a Performance Factor of 1.0 for 2013 in respect of the Performance Share Units granted in 2013 (see "Performance Share Unit Plan").
- (2) The figures are comprised of two thirds of the Options granted in respect of 2011, which had vested as of December 31, 2013. On a change of control (as defined in the 2014 Option Plan), the acquiring entity shall assume outstanding Options and if it does not, or otherwise in the discretion of the Board, the vesting of Options will accelerate and there will be a limited time period for the exercise of Options to permit the holder of an Option to participate in the change of control transaction. See "Option Plans – 2014 Option Plan".
- (3) The \$87,800 in respect of Mr. Macdonald consists of the following: \$24,000 car allowance, \$58,800 registered personal savings plan contributions and \$5,000 club membership dues. The \$35,400 in respect of Ms. Sutherland consists of the following on a per annum basis: a \$14,400 car allowance and \$21,000 registered personal savings plan contributions. The \$33,650 in respect of Mr. Toffoletto consists of the following on a per annum basis: a \$14,400 car allowance and \$19,250 registered personal savings contributions. The \$24,450 in respect of Mr. Garland consists of the following on a per annum basis: a \$9,600 car allowance and \$14,850 registered personal savings plan contributions. The \$15,450 in respect of Ms. Cers consists of the following on a pro-rated basis: \$7,200 car allowance and \$8,250 registered personal savings plan contributions.
- (4) Amounts are only payable to Ms. Sutherland upon a termination without cause within nine months after a change of control (as defined in Ms. Sutherland's employment agreement).

PERFORMANCE GRAPH

The following graph compares the percentage change in the cumulative Shareholder return for \$100 invested in units of the Fund and, following the Conversion, Shares with the total cumulative return of the S&P/TSX Composite Index and the S&P/TSX Small Cap Index for the five year period from January 1, 2009 to December 31, 2013, assuming reinvestment of distributions and dividends, as applicable, on a non-taxable basis.

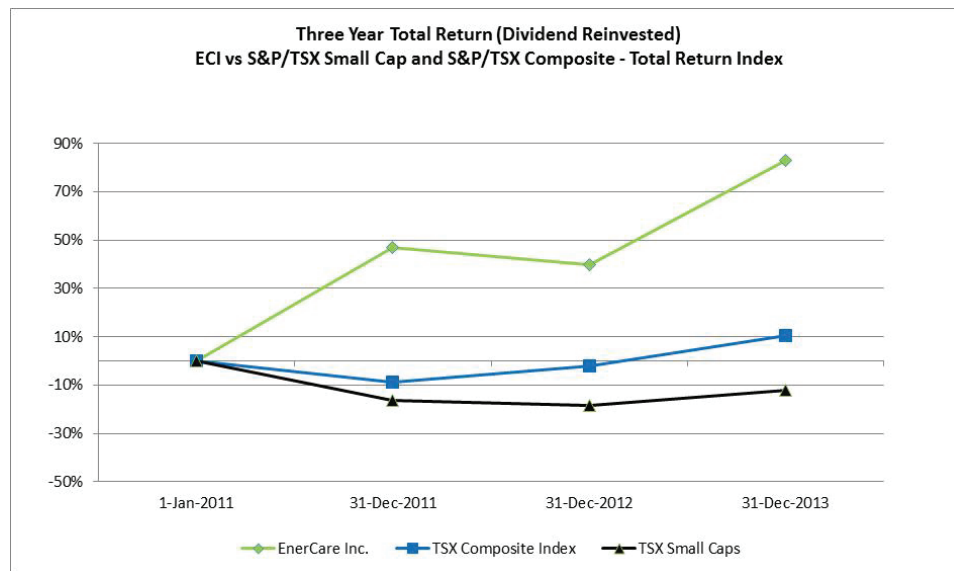


Impact of 2009 to 2013 Financial Performance of the Fund/EnerCare on Senior Management Compensation

In order to reflect a decline in unitholder return in 2009, the compensation philosophy of the Governance Committee and the Board in respect of Mr. Macdonald was to award no annual incentive bonus in respect of 2009, and for all PSUP participants, to lower the Performance Share Units awarded in respect of 2010 to below the level granted in respect of 2009. Mr. Toffoletto's annual incentive bonus was also reduced to below target levels to reflect the decline in unitholder return in 2009, notwithstanding that he exceeded each of his performance targets in 2009. Furthermore, all Performance Share Units granted in respect of 2009 were cancelled prior to the completion of the Conversion on January 1, 2011 as the target requirements were unlikely to be met as a result of the reduction in distributions of the Fund in September 2009. Those Performance Share Units outstanding from 2007 which vested in 2009 had a value that also reflected the lower price of units of the Fund.

In respect of 2010 and 2011, increases in Named Executive Officer compensation were substantially less than the increases in unitholder/shareholder return for such periods whereas in respect of 2012, Named Executive Officer compensation was moderately increased despite a decline in EnerCare's Shareholder return; however, the decline in EnerCare's shareholder return in 2012 was, in EnerCare's view, predominantly as a result of external factors and does not reflect EnerCare's performance.

In respect of 2013, increases in Named Executive Officer compensation were less than the increases in shareholder return for such period. For the period from 2011 through 2013, inclusive, and as demonstrated by the following graph, shareholder return was substantially greater than increases in Named Executive Officer compensation even though EnerCare's executive management team expanded over that period in-line with, among other things, the expansion of its sub-metering business.



INDEBTEDNESS OF OFFICERS AND DIRECTORS

No Director or officer of EnerCare, or former Director or officer of EnerCare, or any of their associates is, or has at any time since the establishment of the Fund, been indebted to the Fund or EnerCare, as applicable, or their respective subsidiaries or had indebtedness the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Fund or EnerCare, as applicable, or their respective subsidiaries.

GOVERNANCE PRACTICES

GENERAL

The following description of governance practices of EnerCare is made with reference to National Instrument 58-101 – Disclosure of Corporate Governance Practices (“**NI 58-101**”) and National Policy 58-201 – Corporate Governance Guidelines. Under NI 58-101, EnerCare is required to disclose certain information relating to its governance practices. That information is set out below.

There are currently eight Directors, seven of whom are “independent” within the meaning of NI 58-101: Jim Pantelidis, Lisa de Wilde, Grace M. Palombo, Jerry Patava, Roy J. Pearce, Michael Rousseau and William M. Wells. John A. Macdonald is the President and Chief Executive Officer of EnerCare and is not considered independent within the meaning of NI 58-101.

Jim Pantelidis is the Chair of the Board and is an independent Director. In his role as Chair, Mr. Pantelidis' responsibilities include ensuring that the Directors' agenda at meetings will enable the Directors to successfully discharge their responsibilities in respect of EnerCare, managing the affairs of the Directors, chairing meetings of the Board and participation in each of the Board' committees.

Jerry Patava (Chair), Roy J. Pearce, Lisa de Wilde and Grace M. Palombo served as the members of the Governance Committee during the financial year ended December 31, 2013. Each is an independent Director.

See "Business of the Meeting – Election of EnerCare Nominees" for other reporting issuers in respect of which the Directors are directors or trustees.

In-camera meetings of the independent Directors at which no non-independent Directors and management are present and in-camera meetings of independent Directors with management at which no non-independent Directors are present are held in conjunction with every regular meeting of the Board. The independent Directors also hold in-camera meetings on an as-required basis.

The Board has a retirement policy requiring Directors (including any DE Nominee) to offer their resignation on reaching the age of 75 and every year thereafter, upon receipt of which the Board may choose to accept or decline such offers of resignation.

ROLES AND RESPONSIBILITIES OF DIRECTORS

The Board Mandate delineates the roles and responsibilities of the Directors and the Chair of the Board. The Board Mandate is attached as Schedule C to this Circular.

To facilitate the supervision and management of EnerCare's operating entities, the Directors are also the directors of each of EnerCare's subsidiaries.

The Board is assisted in certain areas by its four standing committees, the Audit Committee, the Investment Committee, the Governance Committee and the Corporate Responsibility and Risk Management Committee.

The Directors, through the Governance Committee, have developed a written position description for the President and Chief Executive Officer of EnerCare. The written mandates of the Audit Committee, the Investment Committee, the Governance Committee and the Corporate Responsibility and Risk Management Committee as well as the Board Mandate, which delineate the responsibilities of each committee, guide each committee's actions and those of the Chair of each committee. The mandates of each of the committees, except that of the Corporate Responsibility and Risk Management Committee, were adopted as of January 1, 2011 and the Corporate Responsibility and Risk Management Committee Mandate was adopted on February 27, 2013. All mandates were reviewed by the Board on March 5, 2014.

In addition to the Board Mandate attached hereto as Schedule C, the following mandates, policies and other documents are available on EnerCare's website at www.enercare.ca.

Audit Committee Mandate
Investment Committee Mandate
Governance Committee Mandate
Corporate Responsibility and Risk Management Committee Mandate
Chief Executive Officer Mandate
Code of Business Conduct
Share Ownership Policy
Retirement Policy

Individual Voting Policy
Insider Trading Policy
Whistleblower Policy
Disclosure Policy
Privacy Policy
Permitted Investment Policy
Anti-Hedging Policy

STANDING COMMITTEES OF THE BOARD

The Board has four standing committees: an Audit Committee, an Investment Committee, a Governance Committee and a Corporate Responsibility and Risk Management Committee.

AUDIT COMMITTEE

The Board has appointed an audit committee (the “**Audit Committee**”) consisting of four Directors, all of whom are, and are required by the Audit Committee Mandate to be, independent Directors. The members of the Audit Committee are: Michael Rousseau (Chair), Lisa de Wilde, Jerry Patava and William M. Wells.

The disclosure required by National Instrument 52-110 – Audit Committees, including information regarding the Audit Committee and fees paid to the auditors, can be found in the section entitled “Directors and Officers – Committees of the Board – Audit Committee” in EnerCare’s current Annual Information Form (the “**AIF**”). A copy of the AIF can be obtained on SEDAR at www.sedar.com, on EnerCare’s website at www.enercare.ca or by contacting Evelyn Sutherland, Chief Financial Officer of EnerCare, at esutherland@enercare.ca or by telephone at 416.649.1860.

INVESTMENT COMMITTEE

The Board has appointed an investment committee (the “**Investment Committee**”) consisting of three Directors, all of whom are, and are required by the Investment Committee Mandate to be, independent Directors. The members of the Investment Committee are: Roy J. Pearce (Chair), Michael Rousseau and William M. Wells.

The Investment Committee is responsible for:

- (a) reviewing all proposals regarding investments, dispositions and borrowings of EnerCare and making recommendations in connection therewith to the Directors;
- (b) approving any material changes to EnerCare’s investment policy, if any;
- (c) reviewing reports pertaining to new water heaters to make recommendations in connection with the purchase thereof by EnerCare and approval of rental charges to be charged in respect of water heaters by the Servicer;
- (d) financing and interest rate hedging strategies; and
- (e) target leverage ratios, target ratings on the Shares (and shares of EnerCare Solutions), distributions and debt securities of EnerCare and target Share (and shares of EnerCare Solutions) distributions.

GOVERNANCE COMMITTEE

Composition of the Governance Committee

The Board has appointed a governance committee (the “**Governance Committee**”) consisting of four Directors, all of whom are, and are required by the Governance Committee Mandate to be, independent Directors. The members of the Governance Committee are: Jerry Patava (Chair), Grace Palombo, Roy J. Pearce and Lisa de Wilde.

Responsibilities, Powers and Operation of the Governance Committee

The Governance Committee is responsible for:

- (a) considering, and providing a recommendation on, any conflict of interest involving the Servicer before such conflict of interest is approved by the Directors;

- (b) annually reviewing: (i) the compliance by EnerCare and its subsidiaries of their respective undertakings in respect of EnerCare's continuous disclosure obligations; (ii) the performance of the Servicer; and (iii) adjustments to be made pursuant to the Co-ownership Agreement;
- (c) developing EnerCare's approach to corporate governance;
- (d) advising the Board in filling Director vacancies;
- (e) periodically reviewing the compensation and effectiveness of the Board and the contribution of individual Directors;
- (f) assisting in orientating and providing for continuing education for the Directors;
- (g) advising the Directors in the selection and retention of senior management;
- (h) periodically reviewing the compensation and performance of senior management;
- (i) assisting in the professional development of senior management;
- (j) assisting in developing and managing benefit plans for employees; and
- (k) performing the additional duties set out in its mandate or otherwise delegated to the Governance Committee from time to time by the Board or otherwise required by law.

In addition to the responsibilities noted above, the Governance Committee has the authority and responsibility for recommendations to the Directors in respect of, among other things: (a) conflicts of interest; (b) EnerCare's approach to governance; (c) senior management development; (d) incentive compensation plans and equity-based plans; (e) human resources strategies; (f) benefit plans and perquisites; (g) employment agreements and severance agreements; (h) evaluation and compensation of the Chief Executive Officer; (i) compensation of senior management; (j) appointments to committees of the Board; (k) performance assessments; (l) direct equity ownership; and (m) filling Director vacancies. The Governance Committee must report to the Board on all significant matters dealt with by the Governance Committee.

Relevant Experience and Skills in Compensation Matters

Mr. Patava is the Chair of the Governance Committee and has served as a member of the Governance Committee since the inception of the Fund in 2002, providing him with the necessary familiarity with EnerCare and its management to guide the Governance Committee in making executive compensation decisions and developing executive compensation policies and practices. Mr. Patava has also developed relevant experience and skills as the Chief Executive Officer of the Great Gulf Group of Companies and a member of the Governance and Compensation Committees of Trimac Transportation Ltd. and Capstone Infrastructure Corporation. He has also served previously on a number of governance and compensation committees for both public and private companies.

Ms. Palombo is the Executive Vice President of Human Resources for TD Bank, America's Most Convenient Bank. Ms. Palombo has developed relevant experience and skills as the Senior Vice President, Corporate Human Resources of CanWest and as a member of its Management Committee and as a member of the Compensation, Nominating and Corporate Governance Committee of Student Transportation Inc. She held various executive positions in the areas of Human Resources, Legal and Corporate Services with Husky Injection Molding Systems Ltd., The Canada Life Assurance Company, Westcoast Energy Inc./Union Gas Limited, and Bombardier Inc. Ms. Palombo is also a member of the Institute of Corporate Directors and is a lawyer. Ms. Palombo has been a member of the Governance Committee since March 28, 2012.

Mr. Pearce was a member of the Compensation Committee of ACS Media Canada Inc. and also developed relevant experience and skills in determining executive compensation as Chief Financial Officer of KCP Income Fund. Mr. Pearce has served as a member of the Governance Committee since 2004.

Ms. de Wilde is the Chief Executive Officer of The Ontario Educational Communications Authority (TVO) and was previously the President and Chief Executive Officer of Astral Television Networks Inc. In addition to these positions, Ms. de Wilde has had a number of other board and advisory appointments, including the Chair of the Board of Trustees and member of the Governance Committee of Noranda Income Fund. Through these positions and appointments, she has developed relevant experience and skills. Ms. de Wilde is also a member of the Institute of Corporate Directors and is a lawyer. Ms. de Wilde has been a member of the Governance Committee since 2006.

Given their experiences as executives and members of compensation committees of other companies, the individual and collective qualifications provide the skills and experience necessary for the Governance Committee to assess and determine EnerCare's compensation policies with due regard to its risk profile.

CORPORATE RESPONSIBILITY AND RISK MANAGEMENT COMMITTEE

Composition of the Corporate Responsibility and Risk Management Committee

The Board has appointed a corporate responsibility and risk management committee (the "**Corporate Responsibility and Risk Management Committee**") consisting of three Directors, all of whom are, and are required by the Corporate Responsibility and Risk Management Committee Mandate to be, independent Directors. The members of the Corporate Responsibility and Risk Management Committee are: William M. Wells (Chair), Grace Palombo and Lisa de Wilde.

Responsibilities, Powers and Operation of the Corporate Responsibility and Risk Management Committee

The Corporate Responsibility and Risk Management Committee is responsible for:

- (a) assisting the Board in overseeing the development of strategy and policy on effective management of social, environmental, ethical, legal, regulatory and operational issues and risk (collectively, the "**Risks**") and promoting a culture of integrity at EnerCare;
- (b) overseeing key stakeholder engagement on social, environmental and ethical issues;
- (c) approving EnerCare's Code of Business Conduct (the "**Code of Business Conduct**"), monitoring compliance with the Code of Business Conduct and approving any waivers related to the Code of Business Conduct with respect to any Director or member of senior management;
- (d) identifying and monitoring EnerCare's key Risks and evaluating their management;
- (e) reviewing and approving Risk management policies, systems and metrics to manage Risk; and reviewing such policies, systems and metrics at least once a year to satisfy itself that they remain appropriate and prudent; and
- (f) providing a forum for "big picture" analysis of future Risks, including the consideration of Risk trends.

NOMINATION OF DIRECTORS

The Governance Committee, all of whose members are independent Directors, is responsible for advising the Board in filling Director vacancies. Under the Governance Committee Mandate, the Governance Committee must establish the qualification standards for Directors, develop a list of candidates for membership of the Board with a view to enhancing the independence and quality of nominees and determine if each potential candidate would be an independent Director. The Chair of the Governance Committee must, with the assistance of the Chair, approach potential candidates and ensure that interested candidates fully understand the role of a Director and the contribution they are expected to make, including the commitment of time and energy that EnerCare expects of its Directors. The Board determines Director nominees, and the Shareholders elect Directors. This same process is applied by both the Governance Committee and the Board in its review of the DE Nominee.

The Governance Committee can be assisted in its role of identifying prospective Director candidates by external advisors, and has done so in the past.

ORIENTATION AND CONTINUING EDUCATION

The Governance Committee Mandate provides that the Governance Committee must ensure that new Directors are given a proper orientation to both EnerCare and their responsibilities and duties as Directors. Working with management, the Governance Committee has developed an orientation program that includes a process for new Directors which is designed to educate newly elected Directors about EnerCare and its business and the constating documents of EnerCare and its subsidiaries, EnerCare's policies and mandates, material contracts, continuous disclosure filings and other relevant legal and business information. New Directors also receive orientation sessions with the Chair of the Governance Committee, management and EnerCare's legal advisors. EnerCare also encourages new Directors to consult with EnerCare's legal advisors on an on-going basis with respect to duties and responsibilities of Directors.

The Governance Committee Mandate provides that the Governance Committee must ensure that EnerCare provides the Directors with an appropriate continuing education program. Over the course of the year, Directors receive briefings from management on various aspects of EnerCare's business and from their legal advisors in respect of relevant legal developments. Education opportunities such as seminars and courses designed at enabling individual Directors to maintain or enhance their skills and abilities as directors are available to and encouraged for all Directors.

Additionally, certain of the Directors serve on multiple boards, as directors and/or trustees, which facilitate external benchmarking of EnerCare's Board structure, process and performance.

ASSESSMENTS OF DIRECTORS

The Governance Committee is responsible for reviewing the effectiveness of the Directors and evaluating the contribution of individual Directors on an annual basis. The Audit Committee members conduct self-assessments of the performance of the Audit Committee in comparison to its responsibilities as outlined in its mandate and reports on the outcome of this assessment to the Board.

EnerCare has a formal process for the assessment of Directors and the members of the Investment Committee, the Governance Committee and the Corporate Responsibility and Risk Management Committee. As part of the assessment process, Directors complete a confidential board assessment questionnaire at least once every two years. The Directors also complete an annual peer review evaluation questionnaire. The results of the board assessment are summarized and reviewed by the Governance Committee. The Chair of the Governance Committee reports to the Board at the second quarter's meeting, at which time the results of the board assessment are discussed. The results of the peer review assessment are summarized by the Chair of the Board and reviewed by the Governance Committee. The Chair of the Board reports to the Board at the second quarter's meeting, at which time the Directors engage in a full and comprehensive discussion of Board effectiveness. The goal of the peer assessment is to provide candid feedback to individual Directors and to stimulate insight and motivate developmental action and enable Directors to enhance their individual contributions to Board and committee work.

CODE OF BUSINESS CONDUCT

EnerCare has adopted the Code of Business Conduct for its employees, officers and Directors, which is reviewed annually. A copy of the Code of Business Conduct can be obtained online by visiting SEDAR at www.sedar.com or on EnerCare's website at www.enercare.ca.

EnerCare has a Whistleblower Policy in order to encourage the reporting of behaviour(s) that violate the Code of Business Conduct and has set in place various avenues for such reporting, including the

establishment of a Whistleblower Line. Procedures have been put in place to ensure all individuals subject to the Code of Business Conduct are aware of, and have access to, the Whistleblower Line. Under the Corporate Responsibility and Risk Management Committee Mandate, the Corporate Responsibility and Risk Management Committee must approve any waivers of the Code of Business Conduct that are sought by members of senior management or Directors. The Corporate Responsibility and Risk Management Committee also ensures that significant waivers of the Code of Business Conduct are promptly disclosed to EnerCare's Disclosure Committee so that it can determine the appropriate public disclosure, if any. There were no complaints filed during 2013, or since the inception of the Whistleblower Policy.

MEETINGS HELD AND ATTENDANCE OF DIRECTORS

All Directors are expected to attend Board and committee meetings of which they are a member and annual and special meetings of Shareholders, except where the failure to attend is due to unavoidable circumstances.

In 2013, the number of Board and standing committee meetings held and Directors' attendance was as follows:

| Name | Board Meetings Attended | Audit Committee Meetings Attended | Investment Committee Meetings Attended | Governance Committee Meetings Attended | Corporate Responsibility and Risk Management Committee | % of Meetings Attended |
|------------------------------|-------------------------|-----------------------------------|--|--|--|------------------------|
| Jim Pantelidis | 12 of 12 | N/A | N/A | N/A | N/A | 100% |
| Lisa de Wilde | 12 of 12 | 4 of 4 | N/A | 3 of 3 | 2 of 2 | 100% |
| John A. Macdonald | 12 of 12 | N/A | N/A | N/A | N/A | 100% |
| Jerry Patava | 12 of 12 | 2 of 4 | N/A | 3 of 3 | N/A | 89% |
| Roy J. Pearce | 12 of 12 | N/A | 6 of 6 | 3 of 3 | N/A | 100% |
| Michael Rousseau | 11 of 12 | 4 of 4 | 6 of 6 | N/A | N/A | 95% |
| Grace Palombo | 12 of 12 | N/A | N/A | 3 of 3 | 2 of 2 | 100% |
| William M. Wells | 10 of 12 | 4 of 4 | 6 of 6 | N/A | 2 of 2 | 92% |
| Total Meeting Attendance (%) | 97% | 88% | 100% | 100% | 100% | 97% |

DEFERRED SHARE UNIT PLAN

EnerCare adopted the DSUP effective January 1, 2011, as amended and restated effective March 11, 2011 and as further amended and restated effective June 1, 2011, for non-employee Directors to assist EnerCare to: promote a greater alignment of interests between the Directors and the Shareholders; provide a compensation system for Directors that is reflective of the responsibility, commitment and risk accompanying Board membership; assist EnerCare to attract and retain individuals with experience and ability to serve as members of the Board; and allow the Directors to participate in the long-term success of EnerCare. Pursuant to the DSUP, non-employee Directors will receive 50% of their fees in the form of DSUs until the Director has met the Director's share ownership requirements. Directors may also elect on a quarterly basis to receive all or any portion of their fees (or the balance remaining after the provision of DSUs referred to above) in the form of DSUs for the immediately succeeding year. In addition, the Board has the discretion to grant additional DSUs to the Directors, provided that (i) all such additional DSUs granted, together with all other grants to the Directors under EnerCare's equity compensation plans (other than grants made in lieu of Directors' fees) will not exceed 1% of EnerCare's outstanding Shares, and (ii) all such additional DSUs granted, other than grants made in lieu of Directors' fees, to any Director will not have a market value which exceeds \$100,000 on the date of the grant.

In June 2011, the DSUP was amended and restated to permit Directors to elect to have some or all of the Performance Share Units granted to them exchanged into DSUs under the DSUP. This election is irrevocable and must be made before January 1st of the year in which the Performance Share Units (including additional Performance Share Units credited in connection with a payment of dividends on the Shares) in respect of which the election is made become vested.

A Director's DSUs may be redeemed only when the Director ceases to be a Director and must be redeemed no later than the end of the calendar year following the date the Director ceases to be a Director. At the time of redemption, the Director is entitled to receive a lump-sum cash payment equal to the number of DSUs credited to the Director's account multiplied by the market value of a Share, less applicable withholdings and deductions. DSUs accrue dividends in the form of additional DSUs at the same rates as dividends on the Shares. The market value of the Shares for calculating DSUs granted and credited as dividends, and the redemption price, will be the volume weighted average trading price of a Share for the five trading days before the relevant date.

The Board may amend, suspend or terminate the DSUP or any portion thereof at any time in accordance with applicable legislation, and subject to any required regulatory or Shareholder approval. Any amendment that has the effect of increasing the limits described above relating to additional grants of DSUs require Shareholder approval.

DIRECTOR COMPENSATION

Compensation Philosophy and Approach

The compensation of non-employee Directors is intended to attract highly qualified individuals with the capability to meet the challenging responsibilities of directorship and to closely align non-employee Directors' interests with shareholder interests.

The Governance Committee reviews Director compensation at least annually, and makes compensation recommendations to the Board for its review and approval. Recommendations take into consideration the Directors' time commitment, duties and responsibilities, and director compensation practices and levels at comparable companies.

Compensation Peer Group

In 2013, the Governance Committee engaged Lane Caputo to provide an independent, third-party analysis of the compensation levels and practices for Director compensation as well as for EnerCare's senior executive team (for additional information, see "Compensation of Executive Officers"). Based on the findings and recommendations of Lane Caputo, the Board approved the use of the same peer group of companies (the "**Compensation Peer Group**") from which to base the assessments of both Director and executive compensation levels and practices. While the Governance Committee may rely on external information and advice, all of the decisions with respect to Director compensation are made by the Governance Committee and the Board alone and may reflect factors and considerations other than, or that may differ from, the information and recommendations provided by external consultants or advisors.

Board of Director Compensation - 2013 Details

For 2013, each member of the Board received an annual retainer of \$35,000, the Chairs of the Board, Audit, Governance, Investment and Corporate Responsibility and Risk Management Committees received additional annual retainers of \$75,000, \$15,000, \$8,000, \$8,000 and \$8,000, respectively, and, in addition to the annual retainers, each Director received an annual member retainer for the Audit, Governance, Investment and Corporate Responsibility and Risk Management Committees of \$5,000, \$3,000, \$3,000 and \$3,000, respectively, provided a Director is not a Chair of the applicable committee, and each Director received \$1,500 for each board, committee, shareholder or strategy meeting attended. Where a board or committee meeting of EnerCare was held together or consecutively with meetings of

directors of subsidiary entities of EnerCare, such meetings were counted as a single meeting for purposes of Director remuneration. All Directors were entitled to reimbursement for out-of-pocket expenses incurred in acting as a Director. The Lane Caputo Report noted that EnerCare's annual, Committee Chair and Committee member retainers were generally below those in the Compensation Peer Group and were on the low end of EnerCare's target positioning. In its 2013 review, Lane Caputo noted that EnerCare's annual retainers for each member of the Board, Chairs of the committees of the Board and members of the each committee were generally below those in the Compensation Peer Group and were on the low end of EnerCare's targeted positioning.

EnerCare does not have a pension plan or any other post-employment benefit program for Directors.

Subsequent to the review of the Lane Caputo Report in December 2013, the Governance Committee recommended, and the Board approved, no changes to the annual retainers and meeting fees for 2014. As a result of this decision, EnerCare continues to maintain all annual retainers and meeting fees at fiscal 2010 levels.

Director Compensation Table

The following table provides information on the total compensation paid to the non-employee Directors⁽¹⁾ for the year ended December 31, 2013:

| Name | Fees Earned⁽²⁾ (\$) | DSU Awards⁽³⁾ (\$) | Total (\$) |
|---------------------------------|---|--|-----------------------|
| Jim Pantelidis ⁽⁴⁾ | 131,000 | 50,546 | 181,546 |
| Lisa de Wilde | 80,023 | 20,220 | 100,243 |
| Jerry Patava ⁽⁵⁾ | 76,500 | 25,273 | 101,773 |
| Roy J. Pearce ⁽⁶⁾ | 80,500 | 25,273 | 105,773 |
| Michael Rousseau ⁽⁷⁾ | 87,500 | 25,273 | 112,773 |
| William M. Wells ⁽⁸⁾ | 84,228 | 25,273 | 109,501 |
| Grace M. Palombo | 69,023 | 20,220 | 89,243 |

(1) John Macdonald, EnerCare's President and Chief Executive Officer, did not receive compensation for serving as a member of the Board. Please refer to the section titled, "Compensation of Executive Officers" for compensation provided to Mr. Macdonald.

(2) Pursuant to Mr. Pantelidis' election to receive in the form of DSUs 100% of his retainer and meeting fees for 2013, Mr. Pantelidis received 13,997 DSUs in lieu of \$131,000. Pursuant to Mr. Pearce's election to receive 100% of his retainer fees in the form of DSUs, Mr. Pearce received \$34,500 of his fees in the form of cash and 4,906 DSUs in lieu of \$46,000. Of total fees earned by Directors in 2013, 29% was paid in DSUs.

(3) Based upon the following discretionary DSUs awarded on March 3, 2013 in respect of the performance period commencing January 1, 2013: Jim Pantelidis, 6,112 DSUs; Lisa de Wilde, 2,445 DSUs; Jerry Patava, 3,056 DSUs; Roy Pearce, 3,056 DSUs; Michael Rousseau, 3,056 DSUs; William Wells, 3,056 DSUs; and Grace Palombo, 2,445 DSUs. The value of the DSUs is calculated on the basis of the volume weighted average trading price of the Shares on the TSX for the five trading days immediately preceding December 31, 2013.

(4) Chair of the Board.

(5) Chair of the Governance Committee.

(6) Chair of the Investment Committee.

(7) Chair of the Audit Committee.

(8) Chair of the Corporate Responsibility and Risk Management Committee.

Comparative Analysis

The Governance Committee continues to benchmark the aggregate compensation costs of EnerCare's Board versus the competitive market. In keeping with the analysis performed in 2012, Lane Caputo has provided a comparative analysis of the aggregate and per-meeting costs of EnerCare versus the Compensation Peer Group. Because of the earlier filing of EnerCare's Circular this year versus the prior year, comparative data from the Compensation Peer Group for 2013 had not been disclosed at the time of writing. As a result, the analysis that follows compares EnerCare's relative compensation costs for

2012 and 2013 against the Compensation Peer Group’s compensation costs for 2012, which the Governance Committee considers to be a proxy for a ‘normal year’ for the Compensation Peer Group.

The Lane Caputo Report noted that the number of non-employee directors on each board in the Compensation Peer Group ranged from four to ten in 2012, with the median board size representing six non-employee directors in 2012; EnerCare had seven non-employee Directors in 2012 and 2013. The median number of Board meetings was eight in 2012 (EnerCare held 32 in 2012 and 12 in 2013) and the median number of committee meetings was 14 in 2012 (EnerCare held 30 standing and ad hoc committee meetings in 2012 and 15 standing committee meetings in 2013).

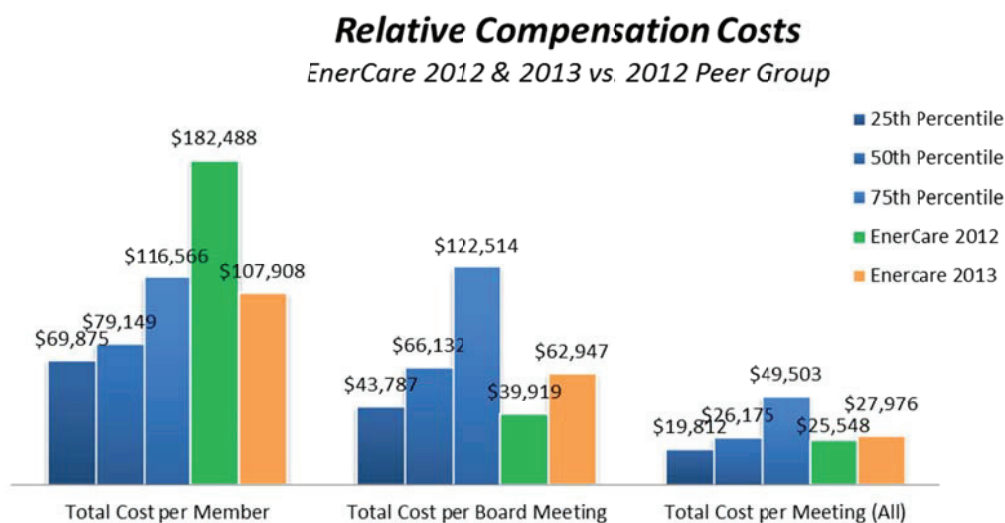
Because it is common for non-employee directors to be compensated on the basis of both an annual retainer and by the number of meetings, the relative size and activity of a board can impact the compensation received by its members. To put EnerCare’s non-employee Director compensation into context, the following figure shows a comparison of the relative cost of non-employee director compensation versus the 2012 fiscal year data (2012 and 2013 fiscal year for EnerCare):

“Cost/Member” is the average annual total compensation cost per member

“Cost/Board Meeting” is the total aggregate compensation of all members as a function of the number of board meetings held in the year

“Cost/Meeting (All)” is the total aggregate compensation of all members as a function of the total number of board *and* committee meetings held in the year

The figure below illustrates that EnerCare’s aggregate compensation cost has decreased markedly year over year (\$182,488 per Director in 2012 versus \$107,908 per Director in 2013) as a result of the material reduction in the number of ad-hoc Board and committee meetings in 2013 versus 2012. As expected, with fewer meetings, the Director compensation cost per Board meeting and per committee meeting increased somewhat year over year, moving more in line with the median (50th percentile) practices of the Compensation Peer Group.



The Board is of the opinion that EnerCare’s non-employee Directors are fairly compensated based on EnerCare’s guiding philosophy.

OUTSTANDING SHARE-BASED AWARDS

The following table sets forth the number of DSUs held by Directors other than Named Executive Officers⁽¹⁾ as at December 31, 2013:

| Name | DSU Awards | |
|------------------|--------------------------------------|---|
| | Number of DSUs ⁽²⁾ (#) | Market or Payout Value of DSUs Awards ⁽³⁾ (\$) |
| Jim Pantelidis | 95,391 | 948,187 |
| Lisa de Wilde | 18,436 | 183,254 |
| Jerry Patava | 15,398 | 153,056 |
| Roy J. Pearce | 37,736 | 375,096 |
| Michael Rousseau | 15,398 | 153,056 |
| William M. Wells | 3,287 | 32,673 |
| Grace M. Palombo | 2,630 | 26,142 |

(1) Mr. Macdonald, EnerCare's President and Chief Executive Officer, receives no compensation for acting as a Director. For a discussion of his compensation, see "Compensation of Executive Officers".

(2) The number of DSUs includes DSUs granted on an annual basis in 2011, 2012 and 2013, DSUs issued in connection with EnerCare's share ownership requirements, DSUs issued pursuant to elections by the Directors to receive all or any portion of their fees in the form of DSUs, and DSUs credited reflecting dividend on the Shares to December 31, 2013 (see "Deferred Share Unit Plan").

(3) The value of the DSUs is calculated on the basis of the volume weighted average trading price of the Shares on the TSX for the five trading days immediately preceding December 31, 2013 and assumes all redemption requirements are met (see "Deferred Share Unit Plan").

SHARE OWNERSHIP – DIRECTORS AND EXECUTIVE OFFICERS

The Board believes that Share ownership by certain members of senior management and the Board is a key element of strong corporate governance. The Board also believes that long-term equity ownership further aligns the interest of Directors and senior management with those of Shareholders and enables them to share in the long-term growth and success of EnerCare. In January 2011, the Board approved a share ownership policy (the "**Share Ownership Policy**") requiring the Directors to hold a number of Shares with a market value of at least \$150,000 (which as of the date of adoption of the Share Ownership Policy was equal to five times the annual retainer for Directors) and the Chief Executive Officer to hold a number of Shares with a market value of at least \$1,050,000 (which as of the date of adoption of the Share Ownership Policy was equal to three times the base salary for the Chief Executive Officer).

The Share Ownership Policy was revised on February 27, 2013 to increase, for 2013 and thereafter, the requirement for Directors to hold a number of Shares with a market value of at least \$175,000 (which as of February 27, 2013 was equal to five times the annual retainer for Directors) and the Chief Executive Officer to hold a number of Shares with a market value of at least \$1,200,000 (which as of February 27, 2013 was equal to three times the base salary for the Chief Executive Officer). Where the Director or Chief Executive Officer was a Director or Chief Executive Officer, as applicable, of EnerCare on February 27, 2013, they must meet their Share ownership targets by December 31, 2014, unless under a previous version of the Share Ownership Policy a Director had a greater period of time, in which case such period shall apply, and where a Director or Chief Executive Officer is elected or appointed, as applicable, after February 27, 2013, they must meet their Share ownership targets within five years of appointment. The Board periodically reviews the ownership targets with a view to changes in compensation and Share price.

For the purposes of the Share Ownership Policy, "Share ownership" includes Shares and the 6.25% convertible unsecured subordinated debentures of EnerCare due June 30, 2017 (the "**Convertible Debentures**") owned or controlled, Performance Share Units accumulated under the PSUP and DSUs accumulated under the DSUP. The determination of whether an individual has satisfied the target Share ownership requirement is made annually and is calculated as follows. The market value of Shares is determined annually as of November 30 and calculated based on the greater of the market value and the

weighted average purchase price of the Shares. The market value of Convertible Debentures is determined annually as of November 30 and calculated based on the value of the underlying Shares calculated as if the Convertible Debentures were converted into such Shares on the date of calculation. The market value of Performance Share Units under the PSUP and DSUs under the DSUP is determined annually as of November 30 calculated based on the market value of the Shares. For these purposes, "market value of the Shares" is calculated as the volume weighted-average trading price of the Shares on the TSX for the five trading days immediately preceding the relevant date. As of November 30, 2013, the value of the target number of securities and the value of the actual number of securities held by Directors and the President and Chief Executive Officer were as follows:

| Directors and Executive Officers | Value of Securities Held ⁽¹⁾ (\$) | Target Value of Securities (\$) | % of Target |
|----------------------------------|---|------------------------------------|----------------|
| Jim Pantelidis | 1,870,779 | 175,000 | 1,069 |
| Lisa de Wilde | 239,647 | 175,000 | 137 |
| John Macdonald | 1,947,663 | 1,200,000 | 162 |
| Jerry Patava | 344,775 | 175,000 | 197 |
| Roy J. Pearce | 607,357 | 175,000 | 347 |
| Michael Rousseau | 271,725 | 175,000 | 155 |
| Grace M. Palombo ⁽²⁾ | 26,019 | 175,000 | 15 |
| William M. Wells | 231,517 | 175,000 | 132 |

(1) Includes Shares owned or controlled and Performance Share Units and DSUs awarded, Performance Share Units and DSUs credited reflecting dividends on the Shares to November 30, 2013, as well as additional Performance Share Units credited to reflect a Performance Factor of 0.5 for 2012 and 1.5 for 2013 in respect of the Performance Share Units granted in 2012 to which a Performance Factor applies and, additional Performance Share Units credited to reflect a Performance Factor of 1.0 for 2013 in respect of the Performance Share Units granted in 2013, in respect of Performance Share Units granted in 2012, that the Performance Factor for 2014 will be 1.0 and in respect of Performance Share Units granted in 2013, that the Performance Factor for each of 2014 and 2015 will be 1.0.

(2) Ms. Palombo was appointed a Director on March 16, 2012 and therefore has until March 15, 2017 to achieve the required target under the Share Ownership Policy.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

EnerCare obtains directors' and officers' liability insurance to protect its Directors and officers against liability incurred by them in those capacities. The current policy is in place through February 28, 2014, and provides coverage on losses to a maximum of \$100 million (subject to a deductible of \$100,000). The premium for 2014 is \$257,427.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

The Directors are not aware of any material interest of any Director, EnerCare Nominee, executive officer of EnerCare or holder who beneficially owns more than 10% of the Shares, or any known associate or affiliate of these persons, in any transaction since the commencement of EnerCare's most recently completed financial year or in any proposed transaction that has materially affected or would materially affect EnerCare or any of its subsidiaries.

OTHER BUSINESS

The Directors and management are not aware of any matter intended to come before the Meeting other than those items of business set forth in the Notice of Meeting. If any other matters properly come before the Meeting, it is the intention of the persons appointed under the accompanying form of proxy to vote in respect of those matters in accordance with their judgment.

SHAREHOLDER PROPOSALS FOR NEXT YEAR'S ANNUAL MEETING

Shareholders who comply with the applicable provisions of the CBCA are, subject to certain conditions in the CBCA, entitled to have EnerCare include in an information circular for its 2015 annual meeting any

matter that the person proposes to raise at that annual meeting. Any Shareholder who intends to make such a proposal to be considered by EnerCare for the 2015 annual meeting must arrange for EnerCare to receive the proposal at its registered office no later than January 30, 2015. Shareholders should consult their legal advisors for more information. Only Shareholder proposals that comply with the requirements of the CBCA received by that date, and EnerCare's responses, will be printed in the information circular EnerCare sends to Shareholders in 2015.

In addition, EnerCare's By-Law No. 2 fixes a deadline by which Shareholders must submit director nominations prior to any meeting of Shareholders. In the case of annual meetings, advance notice must be delivered to EnerCare not less than 30 nor more than 65 days prior to the date of the meeting. By-Law No. 2 also requires any Shareholder making a director nomination to provide certain important information about its nominees with its advance notice. Only shareholders who comply with the requirements of By-Law No. 2 will be permitted to nominate directors to the Board unless the "advance notice" requirements of By-Law No. 2 are waived by the Board in its sole discretion. EnerCare's By-Law No. 2 is available online on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

The Shares are listed on the TSX under the trading symbol ECI. Prior to January 1, 2011, which was the date the Conversion was completed, the Fund's units were listed on the TSX under the trading symbol CWI.UN.

Financial information in respect of EnerCare is provided in the consolidated financial statements of EnerCare for the year ended December 31, 2013 and related management's discussion and analysis (the "MD&A"), which are included in the 2013 Annual Report of EnerCare. Copies of EnerCare's current AIF, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the current AIF, EnerCare's most recently filed consolidated financial statements, together with the accompanying report of the auditor, and any interim financial statements of EnerCare that have been filed for any period after the end of EnerCare's most recently completed financial year are each available online on SEDAR at www.sedar.com, or on EnerCare's website at www.enercare.ca.

These documents can also be obtained upon request by contacting Evelyn Sutherland, Chief Financial Officer of EnerCare by telephone at 416.649.1860 or at esutherland@enercare.ca with no charge to Shareholders.

Shareholders who wish to be added to EnerCare's mailing list for the annual and/or interim financial statements and MD&A should contact Evelyn Sutherland, as outlined in the previous paragraph, or their financial intermediaries if their Shares are held for them by their brokers or banks.

Additional information relating to EnerCare is also available online on SEDAR at www.sedar.com or on EnerCare's website at www.enercare.ca.

APPROVAL OF DIRECTORS

The undersigned hereby certifies that the Directors of EnerCare have approved the contents and the sending of this Circular.

By Order of
ENERCARE INC.



Toronto, Ontario
March 21, 2014

John Macdonald
President and Chief Executive Officer

SCHEDULE A – RIGHTS PLAN RESOLUTION

BE IT RESOLVED THAT:

1. The continuance of the shareholder rights plan, the terms and conditions of which are set out in the Shareholder Rights Plan Agreement dated April 29, 2011 between EnerCare Inc. (“**EnerCare**”) and Computershare Investor Services Inc., as rights agent (the “**Rights Agreement**”), substantially on the terms described in the management information circular of EnerCare dated March 21, 2014, be and is hereby ratified, confirmed and approved;
2. The making of any revisions to the Rights Agreement as may be required by any professional commentators on shareholder rights plans to conform the Rights Agreement to shareholder rights plans prevalent for public reporting issuers in Canada, as may be approved by any director or officer of EnerCare, is hereby approved;
3. The continuance of the Rights Agreement, as may be amended in accordance with paragraph 2, is hereby ratified, confirmed and approved; and
4. Any one director or officer of EnerCare is hereby authorized, for and on behalf of EnerCare, to execute and deliver, with or without the corporate seal, all documents or instruments and do all other things as in the opinion of such director or officer may be necessary or advisable to implement this resolution and the matters authorized hereby, including compliance with all securities laws and regulations, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such thing.

SCHEDULE B – 2014 OPTION PLAN RESOLUTION

BE IT RESOLVED THAT:

1. The adoption of a share option plan (the “**2014 Option Plan**”) for EnerCare Inc. (“**EnerCare**”) and the reservation of 3,000,000 common shares of EnerCare for issuance thereunder, substantially on the terms described in the management information circular of EnerCare dated March 21, 2014 (the “**Circular**”), be and is hereby approved;
2. The grant of 379,011 Options under the 2014 Option Plan to senior management of EnerCare on March 10, 2014, substantially on the terms described in the Circular, in respect of the performance period commencing on January 1, 2014, be and is hereby ratified; and
3. Any one director or officer of EnerCare is hereby authorized, for and on behalf of EnerCare, to execute and deliver the 2014 Option Plan and to execute, with or without the corporate seal, and, if appropriate, deliver all other documents and instruments and do all other things as in the opinion of such director or officer may be necessary or advisable to implement this resolution and the matters authorized hereby, including compliance with all securities laws and regulations, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such thing.

SCHEDULE C – BOARD MANDATE

Mandates for the Board, Audit Committee, Governance Committee and Investment Committee were adopted on January 1, 2011 and the Corporate Responsibility and Risk Management Committee Mandate was adopted on February 27, 2013. All mandates were reviewed by the Board on March 5, 2014 and are available on EnerCare's website at www.enercare.ca. The Board Mandate follows.

BOARD OF DIRECTORS MANDATE

1. GENERAL

The Board of Directors (the "**Board**") believes that sound corporate governance practices are essential to the well-being of the Corporation and the promotion and protection of its shareholders' interests. The Board oversees the functioning of the Corporation's governance system, in part through the work of the Governance Committee.

The Board has adopted this Mandate, which reflects the Corporation's commitment to high standards of corporate governance, to assist the Board in supervising the management of the business and affairs of the Corporation as required under applicable law and stock exchange rules and requirements.

The fundamental responsibility of the Board is to supervise the activities and manage the investments and affairs of the Corporation. Our primary commitment is to (i) maintain strong underlying business fundamentals; (ii) generate stable and growing distributable cash; (iii) external growth with a proven growth strategy through acquisitions; (iv) organic growth by focusing on growing installed residential and commercial customer asset base; and (v) quality service by executing a predictable and reliable customer-service model.

The Board promotes fair reporting, including financial reporting, to shareholders of the Corporation and other interested persons as well as ethical and legal corporate conduct through an appropriate system of corporate governance, internal controls and disclosure controls.

The Board believes that the Corporation is best served by a board of directors that functions independently of management and is informed and engaged.

The Governance Committee will review this Mandate annually, or otherwise as it deems appropriate, and recommend to the Board such changes as it deems necessary and appropriate in light of the Corporation's needs and legal and regulatory developments.

2. BOARD COMPOSITION

(a) Board Membership Criteria

The Governance Committee is responsible for establishing the competencies, skills and personal qualities that the Board considers to be necessary for the Board, as a whole, to possess; the competencies, skills and personal qualities that the Board considers each existing Director to possess; and the competencies, skills and personal qualities each new candidate to be elected or appointed by shareholders will bring to the Board.

Including those Directors who may be put forth for consideration to serve as a director of the Corporation by Direct Energy Marketing Limited ("Direct Energy"), if any, the Governance Committee recommends candidates for initial Board membership and Board members for nomination. In making its recommendations, the Governance Committee focuses on the competencies, skills, and personal qualities of the candidates as well as the

other business experience that the candidates possess to enhance the Board's decision-making process and overall management of the business and affairs of the Corporation.

The Directors of the Governance Committee should have direct experience that is relevant to his or her responsibilities in executive compensation so as to enable the Governance Committee to make decisions on the suitability of EnerCare's compensation policies and practices, including (without limiting the generality of the foregoing) in respect of the due consideration of the implications of the risks associated with such policies and practices.

Directors must have sufficient time to carry out their duties and not assume responsibilities which would materially interfere with or be incompatible with Board membership. Directors who change their principal occupation are expected to advise the Governance Committee and, if determined appropriate by the Governance Committee, resign from the Board.

(b) Director Independence

The Board's composition and procedures are designed to permit it to function independently from management and to promote and protect the interests of all shareholders. A majority of Directors holding office at any time must be independent.

The Board will determine whether a Director is independent. Independent shall have the meaning, as the context requires, given to it in National Instrument 58-101 - Disclosure of Corporate Governance Practices, as replaced or amended from time to time (including any successor rule or policy thereto).

The Board will review the independence of all Directors on an annual basis and will publish its determinations in the management information circular relating to the Corporation's annual meeting. To facilitate this review, Directors will be asked to provide the Board with full information regarding their business and other relationships with the Corporation and its affiliates, with senior management and their affiliates and with Direct Energy. Directors have an on-going obligation to inform the Board of any material changes in their circumstances or relationships which may affect the Board's determination as to their independence.

(c) Board Size

The Board shall consist of a minimum of 3 and a maximum of 10 Directors. The current Board is comprised of 8 Directors and the Board considers this to be an appropriate size for effective decision-making and committee work given the nature of the operations of the Corporation and its current ownership.

(d) Quorum

A quorum shall consist of: (i) a majority of Directors then holding office; and (ii) two independent Directors and, notwithstanding any vacancy among the number of Directors, a quorum may exercise all of the powers of the Directors.

(e) Term

Directors are generally elected at the annual meeting of shareholders of the Corporation for a term expiring at the close of the next annual meeting of shareholders. The Board does not believe it should establish term limits for its members as such limits may deprive the Corporation and its shareholders of the contributions of members who have been able to develop, over time, valuable insights into the Corporation, its strategy and business operations.

(f) Board Succession

The Governance Committee is responsible for Board succession planning so that it can be responsive to the Corporation's needs and the interests of its shareholders.

(g) Service on Other Boards and Committees

The Board does not believe that its members should be prohibited from serving as a trustee, director or in a similar position for a government agency or an outside entity, so long as these commitments do not create a conflict of interest or interfere with their ability to fulfill their duties as a member of the Board. Directors must be mindful of the number of other public company boards and committees of those boards on which they serve, taking into account potential board and committee attendance, participation and effectiveness on those boards and committees.

On or before accepting an appointment to the board or a committee of any entity, a Director should advise the Chair of the Board.

(h) Retirement Policy

The Board believes that a retirement policy reflecting the importance and the value of renewal of the Board of Directors membership is appropriate.

3. DIRECTORS' RESPONSIBILITIES

Directors must act honestly and in good faith with a view to the best interests of the Corporation and its shareholders and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In order to fulfill this responsibility, each Director is expected to:

- (i) participate, with management, in developing a multi-year strategic plan and annual business plans and approve such plans;
- (ii) develop and maintain a thorough understanding of the Corporation's operational and financial objectives, financial position and performance and the performance of the Corporation relative to its principal competitors;
- (iii) ensure that the Corporation's activities are at all times conducted in accordance with its strategic plan;
- (iv) diligently prepare for each meeting, including reviewing all meeting materials distributed in advance;
- (v) actively and constructively participate in each meeting, including seeking clarification from management and outside advisors where necessary to fully understand the issues under consideration;
- (vi) engage in continuing education programs for Directors, as appropriate; and
- (vii) diligently attend meetings of the Board and any committee of which he or she is a member.

4. BOARD DUTIES AND RESPONSIBILITIES

In fulfilling its responsibilities, the Board is, among other matters, responsible for the following matters.

(a) Appointment and Supervision of Chief Executive Officer and Senior Management

The Board appoints and supervises the Chief Executive Officer (the "CEO") and other members of senior management, approves their compensation and, as permitted by applicable law, delegates to senior management responsibility for the day-to-day operations of the Corporation.

The Board will, to the extent feasible and through the Corporate Responsibility and Risk Management Committee, satisfy itself as to the integrity of the CEO and the other members of senior management and that the CEO and the other members of senior management create a culture of integrity throughout the Corporation.

The Board will establish and maintain a position description for the CEO.

(b) Strategic Planning and Risk Management

The Board will develop with management an annual investment plan and annual budget with measurable performance indicators and will approve such plans. In this regard, the Board will:

- (i) participate in strategic planning by reviewing, questioning and ultimately approving the investment plans proposed and developed by senior management including, on an annual basis a budget that includes rigorous but realistic goals within which management will operate in relation to capital expenditures, acquisitions and dispositions, finance and investment, risk management, internal controls over financial reporting, disclosure controls and management information systems;
- (ii) approve key success indicators and monitor on a quarterly basis performance of Direct Energy, as servicer, in relation thereto;
- (iii) through the Governance Committee, approve annual corporate and management performance targets consistent with the Corporation's strategic plan;
- (iv) through the Corporate Responsibility and Risk Management Committee confirm that a system is in place to identify the principal risks facing the Corporation and its subsidiaries and their businesses and that appropriate procedures are in place to monitor and mitigate such risks; and
- (v) through the Corporate Responsibility and Risk Management Committee confirm that processes are in place to address and comply with applicable legal, regulatory, corporate, securities and other compliance matters.

(c) Financial Reporting and Management

The Board will:

- (i) approve the Corporation's annual and interim financial statements and related management's discussion and analysis and review and oversee the integrity of the Corporation with respect to its compliance with applicable audit, accounting and financial reporting requirements;
- (ii) approve annual operating and capital budgets;
- (iii) confirm the integrity of the Corporation's internal controls over financial reporting and management information systems; and
- (iv) review operating and financial performance results relative to established strategies, plans, budgets and objectives.

(d) Disclosure

The Board will satisfy itself that appropriate policies and procedures are in place regarding public disclosure, communications and restricted trading by insiders. In this regard, the Board will maintain a written Disclosure Policy and Insider Trading Policy in order to:

- (i) disclose all material information in compliance with the Corporation's timely disclosure obligations and to prevent selective disclosure of material information to analysts, institutional investors, market professionals and others;
- (ii) verify that news releases and corporate documents issued by the Corporation and public oral statements made by or on behalf of the Corporation are accurate and do not contain a misrepresentation;
- (iii) inform all Directors, officers and other applicable employees of the Corporation and any applicable service providers about their obligation to preserve the confidentiality of undisclosed material information about the Corporation; and

- (iv) inform all Directors, officers and other applicable respective employees of the Corporation and any applicable service providers about prohibitions on illegal insider trading and tipping under applicable law and the stock exchange rules.

(e) Corporate Governance

The Board will:

- (i) establish an appropriate system of corporate governance including practices to facilitate the Board's independence;
- (ii) establish committees and approve their respective mandates and the limits of authority delegated to each committee;
- (iii) establish appropriate processes for the regular evaluation of the effectiveness of the Board and its committees and the contributions of individual Directors;
- (iv) approve the nomination of Directors; and
- (v) review the adequacy and form of Directors' compensation to confirm that it realistically reflects the responsibilities and risks involved in being a Director.

(f) Approval of Certain Other Matters

Notwithstanding the delegation to management of the authority to manage the business of the Corporation, the Board must approve the following:

- (i) those matters which may not be delegated by the Board by law; and
- (ii) such other matters as the Board may, from time to time, determine require its approval.

5. CHAIR

(a) Appointment

The Directors will appoint one independent Director to be Chair of the Board. If, in any year, the Board does not appoint its Chair, the incumbent Chair will continue in office until a successor is appointed. In the absence of the Chair at a meeting of the Board, the Directors in attendance shall select one of them to act as chair of that meeting.

(b) General

The Chair of the Board is responsible for the management, development and effective performance of the Directors, and for providing leadership to the Directors in carrying out their collective responsibility for supervising the management of the business and affairs of the Corporation.

(c) Specific Role and Responsibilities

The Chair will:

- (i) ensure that appropriate procedures are in place to allow the Board to work effectively and efficiently and to function independently of management;
- (ii) ensure that the responsibilities of the Board are understood by both the Directors and management and that the boundaries between the Board's and management's responsibilities are understood and respected;
- (iii) ensure the responsibilities of the Directors are effectively carried out in compliance with this mandate and that the functions of the Board delegated to committees are carried out by the committees and reported to the Board;
- (iv) maintain an effective relationship between the Board and management;

- (v) provide direction and advice to senior management, including defining major issues, maintaining accountability to stakeholders and building relationships;
- (vi) ensure that the Board and the committees have the necessary resources to support their work (in particular, timely and relevant information);
- (vii) ensure compliance with the Corporation's governance policies, including those regarding regularity and conduct of Board meetings, managing and reporting information and other policies relating to the Board's business;
- (viii) provide leadership to ensure that the Board works as a cohesive team;
- (ix) require the Board to meet as many times as necessary for the Directors to carry out their duties and responsibilities effectively;
- (x) on an on-going basis, work with the CEO to develop schedules of meetings of the Board and committees and, in consultation with other Directors and senior management, establish the agenda of the Board;
- (xi) chair meetings of the Board, including requiring appropriate briefing materials to be delivered in a timely fashion, stimulating debate, providing adequate time for discussion of issues, facilitating consensus, encouraging full participation and discussion by individual Directors and ensuring that clarity regarding decisions is reached and duly recorded;
- (xii) chair meetings of the shareholders of the Corporation;
- (xiii) work closely with senior management to ensure that the Corporation is building a healthy corporate governance culture;
- (xiv) work closely with the Governance Committee to develop strategic criteria for recruitment of Directors and succession planning;
- (xv) work closely with senior management to ensure effective relations with the Board and external stakeholders, such as shareholders, the investment community, the media, governments and the public generally;
- (xvi) ensure that functions are delegated to appropriate committees and that the functions are carried out and the results reported to the Board;
- (xvii) actively participate in and oversee the administration of an annual evaluation of the performance and effectiveness of the Board, committees, and all individual Directors and committee chairs; and
- (xviii) carry out other duties as requested by the Directors, as needs and circumstances arise.

6. SECRETARY

(a) Appointment

The Board will have a Secretary who is not the CEO.

(b) General

The Secretary will be responsible for assisting the Chair in managing the operations and affairs of the Board and for performing additional duties requested by the Chair or the Board or any of its committees.

(c) Specific Role and Responsibilities

The Secretary will:

- (i) confirm that all notices and materials are delivered to shareholders and Directors in a timely manner;

- (ii) confirm that all minutes of meetings of shareholders, the Board and committees are accurately recorded;
- (iii) confirm that copies of the minutes are circulated to each Board or committee member, as the case may be, on a timely basis (with Directors receiving minutes of all committee meetings once approved by the applicable committee);
- (iv) facilitate communication among the Directors and among the Board, its committees and management;
- (v) administer the operations of the Board and its committees; and
- (vi) perform additional duties requested by the Chair or the Board or any of its committees.

7. BOARD COMMITTEES

(a) General

The Board carries out its responsibilities directly and through the Audit Committee, the Governance Committee, the Corporate Responsibility and Risk Management Committee, the Investment Committee, and such other committees as it may establish from time to time.

(b) Committee Chairs

The Board shall appoint one member to be the Chair of a committee and such Chair shall be an independent Director. If in any year the Board does not appoint a committee Chair, the incumbent Chair will continue in office until a successor is appointed. In the absence of a committee Chair at a meeting of the committee, the members in attendance shall select one member to act as Chair of that meeting.

The Chair will:

- (i) in consultation with the Chair of the Board, senior management and the committee members, as appropriate, determine the time and location of meetings of the committee;
- (ii) ensure the committee's activities are consistent with, and fulfill, the committee's mandate;
- (iii) take all reasonable steps to ensure that the responsibilities and duties of the committee, as outlined herein and in its mandate, are well understood by the committee members and executed as effectively as possible;
- (iv) require the committee to meet as many times as necessary to carry out its responsibilities effectively;
- (v) in consultation with the Chair of the Board, committee members and senior management, as appropriate, review the meeting agendas to ensure all required business is brought before the committee to enable the committee to carry out its responsibilities;
- (vi) with the assistance of the CEO, senior management or other management, as required, ensure that agenda items for all committee meetings are ready for presentation and that adequate information is distributed to committee members in advance of such meetings in order that committee members may properly inform themselves on matters to be acted upon;
- (vii) ensure that minutes are kept of all meetings and sign minutes approved by the committee;
- (viii) report to the Board at its next meeting following any decision or recommendation arising from any meeting of the committee or the signing of a written resolution

evidencing a decision or recommendation of the committee, including reporting on the considerations that led to such decision or recommendation;

- (ix) provide leadership to enable the committee to act as an effective team in carrying out its responsibilities; and
- (x) act as liaison between the Board and the committee and between management and the committee and also act as liaison with outside advisors to the committee.

(c) Mandates

Each committee shall adopt a mandate which sets out its responsibilities and duties. On at least an annual basis, each committee's mandate shall be reviewed by both the committee itself and the Governance Committee and shall also be reviewed and approved by the Board. Copies of each mandate of the Corporation are posted on the Corporation's website. Below is a brief description of the responsibilities of each Committee:

(d) Audit Committee

The role of the Audit Committee, subject to the determination of the Board from time to time, is to review: (i) the engagement of auditors; (ii) the financial policies and procedures of the Corporation; (iii) the financial statements of the Corporation; (iv) budgets; and (v) payments to Direct Energy pursuant to the origination agreement dated December 17, 2002 between a subsidiary of the Corporation and Direct Energy, as amended and as amended from time to time.

(e) Governance Committee

The Governance Committee is responsible, subject to the determination of the Board from time to time, for (i) considering, and providing a recommendation on, any conflict of interest involving Direct Energy before such conflict of interest is approved by the Directors; (ii) annually reviewing: (a) the compliance by the Corporation and its subsidiaries of their respective undertakings in respect of the Corporation's continuous disclosure obligations; (b) the performance of Direct Energy; and (c) adjustments to be made pursuant to the Co-Ownership Agreement dated December 17, 2002 between, among others, a subsidiary of the Corporation and Direct Energy, as amended and as amended from time to time; (iii) developing the Corporation's approach to corporate governance; (iv) advising the Directors in filling Director vacancies; (v) periodically reviewing the compensation and effectiveness of the Directors and the contribution of individual Directors; (vi) assisting in orientating and providing for continuing education for the Directors; (vii) advising the Directors in the selection and retention of senior management; (viii) periodically reviewing the compensation and performance of senior management; (ix) assisting in the professional development of senior management; and (x) assisting in developing and managing benefit plans for employees; and (xi) performing the additional duties set out in its mandate or otherwise delegated by the Governance Committee from time to time, by the Board or otherwise required by law.

(f) Investment Committee

The Investment Committee is responsible, subject to the determination of the Board from time to time, for (i) reviewing all proposals regarding investments, dispositions and borrowings of the Corporation and making recommendations in connection therewith to the Directors; (ii) approving any material changes to the Investment Policy of the Corporation, if any; (iii) reviewing reports pertaining to new water heaters and other rental assets to make recommendations in connection with the purchase thereof by the Corporation and approval of rental charges to be charged in respect of water heaters by Direct Energy; (iv) financing and interest rate hedging strategies; and (v) target leverage ratios, target ratings on the Corporation, the Corporation's shares, and debt securities of the Corporation, and target dividends on the Corporation's shares.

(g) Corporate Responsibility and Risk Management Committee

The Corporate Responsibility and Risk Management Committee is responsible for the management of the social, environmental, ethical, legal, regulatory and operational issues and risks (collectively, the “**Risks**”) of the Corporation; the responsibilities of the Corporate Responsibility and Risk Management Committee shall, subject to the determination of the Board from time to time, consist of:

- (i) assisting the Board in overseeing the development of strategy and policy on effective Risk management and promoting a culture of integrity at the Corporation;
- (ii) overseeing key stakeholder engagement on social, environmental and ethical issues;
- (iii) approving the Corporation’s Code of Business Conduct (the “**Code of Business Conduct**”), monitoring compliance with the Code of Business Conduct, and receiving reports assuring the Board that the Code of Business Conduct is being adhered to;
- (iv) identifying and monitoring key Risks of the Corporation and evaluating their management by ensuring that policies, systems and metrics are in place relating to such Risks;
- (v) approving Risk management policies, systems and metrics and other checks and balances to manage Risk and reviewing such policies, systems and metrics at least once a year to satisfy itself that they remain appropriate and prudent; and
- (vi) providing a forum for “big picture” analysis of future Risks, including the consideration of Risk trends.

8. BOARD AND COMMITTEE MEETINGS

(a) Scheduling

Board meetings are scheduled in advance at appropriate intervals throughout the year, which will be not less than quarterly. In addition to regularly scheduled Board meetings, additional Board meetings may be called upon proper notice at any time to address specific needs of the Corporation.

Each committee shall meet as often as it determines is necessary to fulfill its responsibilities, which will be not less than quarterly.

(b) Agenda

The Chair establishes the agenda for each Board meeting in consultation with the other Directors and senior management. Any Director may propose the inclusion of items on the agenda, request the presence of or a report by any member of senior management, or at any Board meeting raise subjects that are not on the agenda for that meeting.

Committee chairs establish the agenda for each committee meeting. Any committee member may propose the inclusion of items on the agenda, request the presence of or a report by any member of management, or at any committee meeting raise subjects that are not on the agenda for the meeting.

An officer of the Corporation will distribute agenda and meeting materials in advance of each Board or committee meeting to allow Board or committee members, as the case may be, sufficient time to review and consider the matters to be discussed.

(c) Meetings of Independent Directors

To promote open discussion among the independent Directors, those Directors will meet separately at every regularly scheduled Board meeting without management present and will meet at such other time as any independent Director may request. These meetings are

chaired by the Chair, who informs management of the substance of these meetings to the extent that action is required by them.

(d) Distribution of Information

Information that is important to the Board's and a committee's understanding of the business and its agenda shall be distributed to Directors and committee members, as applicable, sufficiently in advance of Board and committee meetings to permit the Directors adequate time to consider the material and ask questions of management as appropriate. Sensitive subject matters may be discussed at a meeting without written materials being distributed in advance or at the meeting.

(e) Preparation, Attendance and Participation

Each Director is expected to be diligent in attending meetings of the Board and any committee of which he or she is a member. In addition, each Director is expected to attend each annual meeting of shareholders. A Director who is unable to attend a Board or committee meeting in person may participate by telephone or teleconference.

(f) Attendance of Non-Directors at Board Meetings

The CEO, Chief Financial Officer and the Secretary are expected to attend Board meetings. The CEO, at his or her discretion, may invite other employees, advisors or consultants to attend Board meetings for the purpose of making presentations or otherwise providing advice to the Board. The Chair, at his or her discretion, will also invite employees of the Corporation, consultants, advisors or others, as appropriate, to attend Board meetings.

9. COMPENSATION OF DIRECTORS

The Governance Committee has the responsibility for recommending to the Board compensation and benefits for service on the Board and on Board committees by Directors. In discharging this duty, the Governance Committee will be guided by three goals: compensation should fairly pay Directors for work required in an issuer of the Corporation's size and scope; it should not exceed what is customary given the size and scope of the Corporation's business and operations; compensation should align Directors' interests with the long-term interests of shareholders, and the structure of the compensation should be simple, transparent and easy for shareholders to understand. Not less often than annually, the Governance Committee shall review Director compensation and benefits and recommend any changes to the Board.

10. DIRECTOR ORIENTATION AND CONTINUING EDUCATION

The Board, either directly or through the Governance Committee, will ensure procedures are in place and resources are made available to provide new Directors with a proper orientation to both the Corporation and their responsibilities and duties as Directors and to provide other Directors with appropriate continuing education opportunities.

11. DIRECTOR EQUITY OWNERSHIP

The Board believes that Directors should hold meaningful equity ownership positions in the Corporation.

12. BOARD ACCESS TO MANAGEMENT, OUTSIDE COUNSEL AND ADVISORS

The Board has complete access to members of management and the Corporation's outside counsel and auditors. It is the obligation of each Director to use judgment to ensure that such contact is not distracting to the business operations of the Corporation. The Board and its committees may invite any member of management, employee of the Corporation, outside advisor or other person to attend any of their meetings.

The Board and any of its committees may retain an outside advisor at the expense of the Corporation at any time and have the authority to determine the advisor's fees and other retention

terms. Individual Directors may retain an outside advisor at the expense of the Corporation with the approval of the Governance Committee.

13. PERFORMANCE ASSESSMENT OF THE BOARD AND ITS COMMITTEES

The Governance Committee annually reviews the effectiveness of the Board and its committees (other than the Audit Committee), in fulfilling their responsibilities and duties.

In addition, the Governance Committee evaluates individual Directors to assess their suitability for nomination for re-election or re-appointment.

14. CODE OF BUSINESS CONDUCT AND WHISTLEBLOWER POLICY

The Corporation has established and will maintain a Code of Business Conduct for its Directors, officers, suppliers and employees. The Corporation has also established and will maintain a Whistleblower Policy in order to encourage the reporting of behaviour(s) that violate the Code of Business Conduct. The purpose is to ensure that the Corporation maintains a high level of trust and integrity in accordance with the highest ethical standards.

15. ROLE OF MANAGEMENT

Management is responsible, on a shared basis with the Board, for developing strategy, and directly responsible for implementing strategy. Management is also responsible for safeguarding the Corporation's assets and for creating wealth for shareholders. When management performance is inadequate, the Board has the responsibility to bring about appropriate change, and when management performance is effective, the Board will reward management accordingly.

The Corporation's governance guidelines are designed to create autonomy and effective decision-making of management, and to ensure appropriate oversight by the Board and the Board's committees. Management of the Corporation is under the direction and control of the CEO. Senior management, through the CEO, reports to and is accountable to the Board.

Management is responsible for developing an annual investment plan and annual budget, which includes an annual operating and capital budget for review and approval of the Board. The Board's approval of the investment plan and budget provides a mandate for management to conduct the affairs of the Corporation. Material deviations from the investment plan and budget are reported to and considered by the Board.

16. FEEDBACK

The Board welcomes input and comments from shareholders of the Corporation. You may contact one or more members of the Board or its committees, by writing to the Chair of the Governance Committee at:

Chair of the Governance Committee
EnerCare Inc.
4000 Victoria Park Avenue
Toronto, Ontario
M2H 3P4

This Mandate will be posted on the Corporation's website.

Any questions and requests for assistance may be directed to the
Proxy Solicitation Agent:



KINGSDALE
Shareholder Services Inc.

The Exchange Tower
130 King Street West, Suite 2950, P.O. Box 361
Toronto, Ontario
M5X 1E2
www.kingsdaleshareholder.com

North American Toll Free Phone:

1-888-518-6813

Email: contactus@kingsdaleshareholder.com

Facsimile: 416-867-2271

Toll Free Facsimile: 1-866-545-5580

Outside North America, Banks and Brokers Call Collect: 416-867-2272