



ANNUAL INFORMATION FORM

March 20, 2014

TABLE OF CONTENTS

EXPLANATORY NOTES	ii
FORWARD-LOOKING STATEMENTS.....	ii
ENERCARE INC.....	1
WATER HEATER RENTAL BUSINESS IN ONTARIO.....	16
INSTALLATION AND SUPPORT FROM DE.....	18
THE RENTAL PORTFOLIO.....	27
WATER HEATER RENTAL PORTFOLIO COMPOSITION BY TYPE	28
CO-OWNERSHIP AGREEMENT	30
SERVICING OF WATER HEATERS	32
ORIGINATION AGREEMENT.....	34
NON-COMPETITION ARRANGEMENTS	37
SUB-METERING.....	39
DIVIDEND LEVEL.....	41
RATINGS	43
DESCRIPTION OF CAPITAL STRUCTURE	44
DESCRIPTION OF ENERCARE SOLUTIONS.....	44
DESCRIPTION OF ENERCARE SOLUTIONS LIMITED PARTNERSHIP	45
DESCRIPTION OF ENERCARE CONNECTIONS.....	47
DIRECTORS AND OFFICERS	48
CONSOLIDATED CAPITALIZATION OF ENERCARE	57
RISK FACTORS.....	61
MARKET FOR SECURITIES	70
PRINCIPAL SHAREHOLDERS	71
LEGAL PROCEEDINGS.....	71
REGISTRAR AND TRANSFER AGENT.....	71
MATERIAL CONTRACTS.....	71
INTERESTS OF EXPERTS	73
ADDITIONAL INFORMATION	73
GLOSSARY OF TERMS.....	75
APPENDIX A - AUDIT COMMITTEE MANDATE	A-1

EXPLANATORY NOTES

The information in this annual information form is given as of December 31, 2013 unless otherwise indicated. Dollar amounts are expressed in thousands of Canadian dollars, except “per Unit” or “per Share” amounts, or unless specified otherwise.

In this annual information form, unless the context otherwise requires, all references to “EnerCare” are to EnerCare Inc. and, as applicable, its predecessor, The Consumers’ Waterheater Income Fund (the “Fund”), and references to “EnerCare Solutions” are to EnerCare Solutions Inc. and, as applicable, its predecessor, The Consumers’ Waterheater Operating Trust (the “Operating Trust”).

FORWARD-LOOKING STATEMENTS

This annual information form includes forward-looking information within the meaning of applicable securities laws (“forward-looking information”) that include various risks and uncertainties. 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 annual information form includes statements which reflect management’s expectation regarding EnerCare’s and EnerCare Solutions’ growth, results of operations, performance and 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 from the results discussed in the forward-looking information and these differences may be material. 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 annual information form is made as of the date hereof or as otherwise indicated. 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.

ENERCARE INC.

General

EnerCare Inc. is the successor to The Consumers' Waterheater Income Fund, following the conversion (the "Conversion") of the Fund from an income trust to a corporate structure pursuant to a plan of arrangement (the "Arrangement") under the *Canada Business Corporations Act* (the "CBCA") on January 1, 2011.

EnerCare was incorporated on September 27, 2010 pursuant to the provisions of the CBCA for the sole purpose of participating in the Conversion and did not carry on any active business prior to the Conversion. EnerCare is governed by the CBCA pursuant to restated articles of incorporation dated January 20, 2011 (the "Articles").

The common shares (the "Common Shares") of EnerCare are traded on the Toronto Stock Exchange ("TSX") under the symbol "ECI" and its Convertible Debentures are traded on the TSX under the symbol "ECI.DB".

The principal and head office of EnerCare is located at 4000 Victoria Park Avenue, Toronto, Ontario, M2H 3P4.

The Fund was an unincorporated open-ended investment trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated October 28, 2002, as amended and restated on December 4, 2002 and further amended on July 26, 2006 and April 26, 2007, amended and restated on May 1, 2008 and amended on December 1, 2010 (the "Declaration of Trust"). On January 1, 2011, the Fund completed the Conversion pursuant to the Arrangement. As a result of the completion of the Conversion and related transactions, the Fund was wound-up and dissolved and its assets and operations were assumed by EnerCare. Consequently, EnerCare owns, directly and indirectly, subsidiaries which own and operate the businesses which were held and operated by the Fund and its subsidiaries prior to the completion of the Conversion. The trust units (the "Units") of the Fund were traded on the TSX under the symbol "CWI.UN" prior to the Conversion and were exchanged for Common Shares on a one-for-one basis pursuant to the Conversion. See "– Developments in 2011, 2012 and 2013 – Conversion of the Fund to a Corporation".

EnerCare's operations and borrowings (other than the Convertible Debentures) are principally carried out by its subsidiaries. EnerCare Solutions Limited Partnership ("ESLP"), a subsidiary of EnerCare, owns residential and commercial water heaters, HVAC Equipment, venting systems and other related assets (the "Rental Portfolio"). Approximately 98% of the Rental Portfolio consists of residential water heaters. Approximately 92% of the Rental Portfolio is subject to a Co-ownership Agreement with Direct Energy Marketing Limited ("DE"). Under the Co-ownership Agreement, DE and its contractors and independent franchisees service the Rental Portfolio assets and receive 35% of the related rental revenues. EnerCare earns the remaining 65% of the rental revenues and other payments for this segment of the Rental Portfolio. For the remaining 8% of the Rental Portfolio, EnerCare earns the full revenues and incurs the operating costs to service those assets, and subcontracts with a number of entities, including DE, to service the assets, generally on a fee-for-service basis. This remaining 8% of the Rental Portfolio includes water heaters and other assets that are originated by DE, as well as water heaters and other assets that are originated directly by ESLP or through third party contractors. All of the Rental Portfolio assets are located in the Province of Ontario, except for approximately 400 units which are located in the Province of New Brunswick (see "– Origin and Development of the Business").

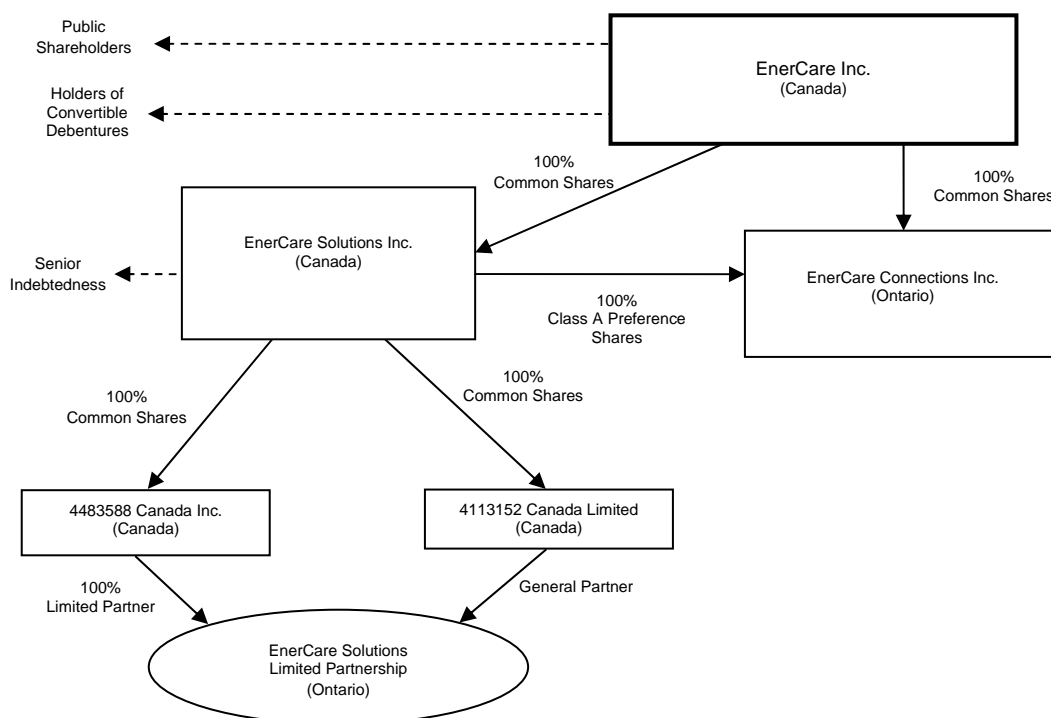
Since 2008, with its acquisition of Stratacon Inc. (“Stratacon”), EnerCare has also been engaged in the business of supplying sub-meters and other equipment and services to customers in Ontario, Alberta and elsewhere in Canada. In October 2010, EnerCare acquired Enbridge Electric Connections Inc. (subsequently renamed EnerCare Connections Inc. (“EECI”)), also a Sub-metering business. In January 2012, EnerCare’s subsidiaries, Stratacon, EECI and New Lendco, amalgamated (the “Stratacon-EECI Amalgamation”) under the name EnerCare Connections Inc. (“EnerCare Connections”). See “Sub-metering”.

In September 2012, EnerCare’s subsidiaries, EnerCare Solutions Inc. and Newer Lendco amalgamated under the name EnerCare Solutions Inc.

Through its Rental Portfolio and Sub-metering business, EnerCare strives to provide intelligent and energy-efficient products, services, programs and solutions that enable homeowners, multi-unit owners and tenants to make a substantial contribution to Canada’s growing culture of energy conservation.

Structure of EnerCare

The following chart sets out the organizational structure of EnerCare and its principal subsidiaries as at the date hereof:



Origin and Development of the Business

Rentals Business

The Fund purchased DE’s rental portfolio of residential and commercial water heaters and HVAC Equipment and completed its initial public offering of 25,000,000 Units on December 17, 2002 at a price of \$10.00 per Unit. Concurrent with the closing of the initial public offering, the Operating Trust raised \$500,000 of senior indebtedness through the issuance to TD Securities Inc. of a secured floating rate note (the “Series 2002 FRN”) pursuant to the Senior Indenture. The Fund invested the gross proceeds of approximately \$250,000 from its initial public offering

of Units in 50,000,000 Operating Trust Units, such that it became the sole beneficiary of the Operating Trust, and \$200,000 principal amount of series 1 unsecured notes of the Operating Trust. These proceeds, in turn, were then used by the Operating Trust, together with the gross proceeds of \$500,000 from the issuance and sale of the Series 2002 FRN, to purchase a preferential and an approximate 50.5% residual equity interest in Holding LP (with DE then owning the remaining residual equity interest in Holding LP). Holding LP, in turn, used the proceeds it received from the Operating Trust to subscribe for limited partnership units then representing approximately a 20.1% equity interest in ESLP, to fund the acquisition of all of the issued and outstanding shares in the capital of Rentco, to repay certain indebtedness and to pay or reimburse transaction costs. Holding LP (then as to approximately 20.1%) and Rentco (then as to approximately 79.9%), in turn, owned 100% of the limited partnership units in ESLP. ESLP, in turn, owns the Rental Portfolio, the EnerCare Co-ownership Interest and the benefits of the Origination Agreement. The aggregate purchase price paid to DE in connection with the acquisition of Rentco from DE was approximately \$995,200, less transaction costs, of which approximately 74.7% was paid in cash and approximately 25.3% was paid through the issuance of Class B Exchangeable Units.

Proceeds from subsequent public offerings of Units in 2002 and 2003 of 3,750,000 Units at a price of \$10.00 per Unit and 10,918,798 Units at a price of \$10.90 per Unit, respectively, were used to redeem Class B Exchangeable Units held by DE, and thereby reduce its holdings to 41.9%, and 19.9%, respectively. On June 23, 2006, DE exchanged its remaining Class B Exchangeable Units for Units on a one-for-one basis and subsequently sold all of such Units to a syndicate of Canadian investment dealers. As a result of the transaction, DE (or its affiliates) ceased to own any equity interest in the Fund on that date.

On January 22, 2003, the Operating Trust completed its initial public offering of \$275,000 principal amount of Series A-1 Secured Notes and \$225,000 principal amount of Series A-2 Secured Notes. The gross proceeds of this initial public offering were used by the Operating Trust to repay the Series 2002 FRN in full. The Series A-1 Secured Notes and Series A-2 Secured Notes were repaid in accordance with their respective terms on their respective expected final payment dates of January 28, 2008 and January 28, 2010 from the proceeds of further financings (see “Consolidated Capitalization of EnerCare – Senior Indebtedness – The Senior Notes”).

In 2007, the Fund, through the Operating Trust, expanded the Rental Portfolio through its acquisition of the water heater rental businesses of Toronto Hydro Energy Services Inc. (“TH Energy”) and Festival Hydro Services Inc. (“Festival”), respectively. The Fund acquired the water heater rental business of TH Energy, which included assets of approximately 85,845 primarily electric water heaters, for cash consideration of approximately \$41,030, and the water heater rental business of Festival for cash consideration of approximately \$1,472.

Also in 2007, the Fund, through ESLP, entered into an agreement with DE pursuant to which the Fund rents HVAC Equipment to residential and commercial customers in Ontario, Alberta and Manitoba. Pursuant to the HVAC Agreement, DE originates HVAC Equipment for sale to the Fund and services the Fund’s rental portfolio of HVAC Equipment, in return for payment by the Fund on a fee-for-service basis. EnerCare also purchases a “protection plan” from DE pursuant to which DE is responsible, at its cost, for maintaining and repairing the HVAC Equipment. The price paid by EnerCare for the protection plans is generally the same as that charged by DE to the public.

In 2008, the Fund acquired the water heater portfolio of Thunder Bay Hydro Energy Services Inc. (“Thunder Bay Hydro”), including 5,935 electric and gas water heaters from Thunder Bay Hydro for cash consideration of approximately \$3,800. The Thunder Bay Water Heaters are not

serviced under the Co-ownership Agreement. The Fund has entered into services agreements with local third party contractors in the Thunder Bay, Ontario area to provide service support to customers on a fee-for-service basis.

In 2011, EnerCare, through EnerCare Solutions, entered into an origination and servicing agreement (the “EGNB Origination Agreement”) with Enbridge Gas New Brunswick Limited Partnership (“EGNB”). Under the agreement, EGNB will originate and service water heaters and HVAC Equipment in connection with EGNB's fuel switching programs in New Brunswick. For more information on the expansion of the Rental Portfolio to New Brunswick, see “– Developments in 2011, 2012 and 2013– Expansion of Rental Portfolio to New Brunswick”.

In 2012, EnerCare, through ESLP, acquired the rental portfolio comprising of water heaters and HVAC Equipment (the “GreenSource Assets”) of GreenSource, a subsidiary of DE, which included approximately 3,421 assets, consisting primarily of gas-fired water heaters for cash consideration of approximately \$2,053, subject to post-closing adjustments. In connection with the acquisition, DE and EnerCare also entered into a transitional services agreement. For more information on the acquisition of the GreenSource Assets, see “– Developments in 2011, 2012 and 2013 – Acquisition of Water Heater Rental Business of GreenSource”.

In 2014, EnerCare, through ESLP, acquired the rental portfolio comprising of water heaters (the “Niagara Water Heaters”) of Energy Services Niagara, which included approximately 2,441 assets, consisting primarily of electric and gas-fired water heaters for cash consideration of approximately \$3,002, subject to post-closing adjustments. In connection with the acquisition, Energy Services Niagara and EnerCare also entered into a transition agreement as well as an assignment, assumption and consent agreement with EGD in respect of the Energy Services Niagara OBA. For more information on the acquisition of the Niagara Water Heaters, see “Recent Developments – Acquisition of Water Heater Rental Business of Energy Services Niagara”.

For more information on the Rental Portfolio, see “The Rental Portfolio”.

Internalization

In December 2007, the Fund completed its implementation of internalizing the team that manages and administers the Fund's business strategy and operations. Prior to the internalization, that team provided such managerial and administrative services pursuant to the Administration Agreement. In connection with, and subsequent to, the internalization, the Fund hired its own personnel to administer the day-to-day affairs of the Fund, along with the Fund's President and Chief Executive Officer, Chief Financial Officer and Senior Vice President, General Counsel and Corporate Secretary. As at December 31, 2013, EnerCare had 148 employees (including contract employees).

Sub-metering Business

In 2008, the Fund entered the Sub-metering market by acquiring Stratacon, a leading sub-metering company, for \$21,755 (including acquisition costs), plus approximately \$7,200 of net secured debt. As part of the acquisition, additional amounts were payable as an earn-out in each year up to 2011; the total earn-out would have amounted to approximately 60% of the total purchase price if planned targets were met. Approximately \$3,437 was paid on account of the earnout for 2009, 2010 and 2011, representing approximately 9% of the maximum total purchase price. In September 2010, the Fund and the vendors under the Stratacon Purchase Agreement reached a settlement in respect of various claims for indemnification made by the Fund pursuant to the Stratacon Purchase Agreement. The settlement included the release of

\$1,000 plus interest to the Fund from the escrow account established at the time of acquisition and a reduction of 15% to amounts to be paid to the vendors pursuant to the earn-out under the Stratacon Purchase Agreement.

In October 2010, the Fund purchased all of the issued and outstanding shares of EECI for cash consideration of approximately \$23,200 (subject to certain adjustments based on working capital). EECI was subsequently renamed EnerCare Connections Inc. EECI is engaged principally in providing the equipment and services to allow Sub-metering and remote measurement of electricity and water consumption in individual units in apartment buildings and condominiums in Ontario.

For more information on the Sub-metering business of EnerCare, see “Sub-metering”.

Developments in 2011, 2012 and 2013

Issuance and Repayment of Series 2009 Notes

In February 2009, the Operating Trust issued \$60,000 principal amount of 6.20% Series 2009-1 Notes due 2012 and principal amount of \$270,000 6.75% Series 2009-2 Notes due 2014 (collectively, the “Series 2009 Notes”).

The Operating Trust was dissolved in connection with the Conversion and the covenants and obligations of the Operating Trust under the Series 2009 Indenture and the Series 2009 Notes were assumed by EnerCare Solutions. EnerCare Solutions repaid the Series 2009-1 Notes with cash on hand on April 30, 2012 and repaid the Series 2009-2 Notes on March 6, 2013 with proceeds from the offering of its Series 2013-1 Notes (See “– Issuance of Series 2013-1 Notes”) and by the drawdown of \$60,000 under the term credit facility with a Canadian chartered bank (the “Term Credit Facility”) (See “– Term Credit Facility”) on February 4, 2013.

2009 Bridge and New Line of Credit

In December 2009, the Operating Trust entered into a \$275,000 senior bridge and revolving credit facility, comprising a one-year \$240,000 non-revolving bridge facility (“2009 Bridge”) and a three-year \$35,000 revolving credit facility with a Canadian chartered bank (the “New Line of Credit”) with a maturity of January 28, 2013.

The 2009 Bridge was drawn fully on January 27, 2010 to repay the \$225,000 Series A-2 Secured Notes on January 28, 2010 and a senior secured revolving facility in the amount of \$35,000 provided by a Canadian chartered bank to the Operating Trust in June 2008, which was increased to \$50,000 in February 2009 (together, the “Old Line of Credit”). Security on the 2009 Series Notes was released on January 29, 2010 pursuant to the terms of the Senior Indenture.

On January 27, 2010, \$12,500 of the New Line of Credit was drawn and used to repay a portion of the Old Line of Credit. In connection with the Conversion, the Revolver Credit Agreement, which governs the New Line of Credit, was amended and restated as of January 1, 2011 to, among other things, confirm EnerCare Solutions as the borrower thereunder in place of the Operating Trust. The New Line of Credit was amended and restated in July 2011 (the “Amended New Line of Credit”) and was amended on November 15, 2012 and February 26, 2013. See “– Amended New Line of Credit”.

Issuance and Redemption of Series 2010 Notes

On February 19, 2010, the Operating Trust issued \$240,000 principal amount of 5.25% Series 2010-1 Senior Unsecured Notes due 2013 (the "Series 2010 Notes"). The proceeds of the Series 2010 Notes were used to repay the 2009 Bridge. DBRS provided an "A/negative" rating on the Series 2010 Notes and S&P provided an "A-" rating on the Series 2010 Notes and confirmed their "A-/stable" rating on the Operating Trust. The Operating Trust was dissolved in connection with the Conversion and the covenants and obligations of the Operating Trust under the Senior Unsecured Indenture and the Series 2010 Notes were assumed by EnerCare Solutions.

EnerCare Solutions redeemed the Series 2010 Notes on December 21, 2012 with the proceeds from the offering of its Series 2012-1 Notes. See "– Issuance of Series 2012-1 Notes".

Implementation of New Billing and Trust Arrangements

In March 2008, Enbridge Gas Distribution Inc. ("EGD") and DE entered into an open bill access and collection services agreement (the "Old OBA") and related agreements pursuant to which EGD provided billing and collection services to DE in the EGD franchise area in Ontario. In February 2010, the Fund, DE and other billers completed new billing arrangements with EGD that substantially preserve the major financial terms and protections of the prior billing arrangements (the "OBA"). In September 2011, DE signed an extension agreement to extend the OBA until December 2012. The OBA was amended and restated effective December 21, 2012 and further amended and restated effective January 6, 2014, on substantially similar terms (see "Installation and support from DE – Customer Servicing; Billing – Billing in the EGD Franchise Area").

Offering of Convertible Debentures and Units

In June 2010, the Fund completed a public offering of a combination of 5,210,000 Units at a price of \$4.80 per Unit for gross proceeds of approximately \$25,000 and \$25,000 principal amount of 6.25% convertible unsecured subordinated debentures due June 30, 2017 (the "Convertible Debentures"), for aggregate gross proceeds of \$50,000. The Units and Convertible Debentures were offered under a short form prospectus dated June 1, 2010 filed with the securities regulatory authorities in each of the provinces of Canada. On July 6, 2010, the underwriters partially exercised their over-allotment option to purchase an additional \$2,883 principal amount of Convertible Debentures. The gross proceeds from the offering, including the over-allotment option, were approximately \$52,883. In connection with the Conversion, all of the covenants and obligations of the Fund under the Convertible Debentures and Convertible Debenture Indenture were assumed by EnerCare (see "Consolidated Capitalization of EnerCare – Convertible Debentures"). As at March 14, 2014, approximately \$3,839 principal amount of Convertible Debentures are outstanding.

Sub-metering – Regulatory Developments in Ontario

In March 2009, the compliance office of the Ontario Energy Board ("OEB") sent a compliance bulletin (the "OEB Bulletin") regarding installation of sub-metering systems in residential complexes in Ontario to all licensed smart sub-metering providers, including Stratacon and EECl, and all unlicensed and licensed electricity distributors indicating that the compliance office took the view that the installation of smart sub-metering systems in residential complexes was not then authorized under the *Electricity Act* (Ontario), other than in condominiums, and therefore such activities were prohibited. The OEB Bulletin further indicated that the compliance office expected all non-compliant activities to cease immediately.

In August 2009, the OEB issued its decision and order (“OEB Order”) authorizing “exempt distributors” (i.e., landlords) to conduct discretionary metering activities under the *Electricity Act* (Ontario) in respect of certain residential complexes and industrial and commercial and office buildings. The OEB Order was an interim solution by the OEB pending the introduction of a formal regulatory regime in Ontario and has been superseded by the Sub-metering Legislation.

In April 2010, the *Electricity Consumer Protection Act, 2009* (the “Sub-metering Act”) was passed by the Ontario Legislature. The Sub-metering Act set out a high level framework to, among other things, permit individual suite sub-metering in prescribed apartment buildings and condominium complexes in Ontario.

In October 2010, the Government of Ontario published regulations (the “Sub-metering Regulations”) under the Sub-metering Act and the *Residential Tenancies Act, 2006* (the “RTA”) regarding suite sub-metering. The Sub-metering Act and Sub-metering Regulations (together, the “Sub-metering Legislation”) permit individual suite sub-metering in apartment buildings, condominium complexes and commercial buildings in Ontario. Among other things, the Sub-metering Legislation, (i) amends the RTA to permit sub-metering, subject to first providing tenants with required information and subject to receiving consent from a sitting tenant; (ii) confirms the right of sub-metering providers to shut off the distribution of electricity for non-payment, subject to prescribed conditions and exceptions; (iii) provides the OEB with oversight over security deposit policies chargeable by sub-metering providers and imposes licensing requirements on sub-metering providers; (iv) requires the installation of suite meters in “new” residential buildings; (v) sets information, rent reduction and refrigerator efficiency requirements; (vi) disallows suite metering of electric heat in residential rental buildings, except in respect of sub-meters installed prior to January 1, 2011, subject to certain conditions; and (vii) transitions existing suite meter arrangements and existing licenses of sub-meter providers into the new regime. The Sub-metering Legislation came into effect on January 1, 2011.

In December 2010, the OEB issued the unit sub-metering code (the “Sub-metering Code”), which sets out the minimum conditions and standards that a licensed unit sub-meter provider must meet when providing unit sub-metering services on behalf of exempt distributors. The Sub-metering Code came into force on January 1, 2011. In March 2012, the OEB issued amendments to the Sub-metering Code which came into force on March 15, 2013. See “Sub-metering – Regulatory Developments – Ontario”.

Conversion of the Fund to a Corporation

On October 31, 2006, the Minister of Finance (Canada) announced certain proposed changes to the tax treatment of income trusts, which eventually led to the introduction of legislation to implement the taxation of “specified investment flow-through” entities (the “SIFT Rules”). The SIFT Rules apply a tax at the trust level on certain income earned by, among other entities, publicly traded mutual fund trusts, at a rate of tax comparable to the combined federal and provincial corporate tax rate and treat distributions of such income to unitholders as dividends. Under the SIFT Rules, publicly traded trusts existing on October 31, 2006 generally had a four year transition period during which they would not be subject to the SIFT Rules (or until January 1, 2011), provided such trusts experience only “normal growth” and no “undue expansion” before then.

As a result of the SIFT Rules, the Board of Trustees and senior management of the Fund assessed the Fund’s available options to ensure an efficient capital structure and the Fund’s continued ability to meet its strategic objectives and to enhance value for its Unitholders. The Board of Trustees and senior management of the Fund determined that the Conversion was fair to Unitholders and in the best interests of the Fund and its Unitholders.

In connection with the Conversion, the Fund announced on October 13, 2010 that it expected that EnerCare would maintain the Fund's previous distribution level of \$0.648 per Common Share annually as monthly dividends of \$0.054 per Common Share, with the first dividend payable to holders of record of Common Shares on January 31, 2011 (see "Dividend Level"). The Fund also announced that it estimated EnerCare will pay approximately \$6,000 to \$8,500 in cash taxes for the fiscal year ended December 31, 2011.

On November 25, 2010, the Conversion and its related transactions were duly approved at a special meeting of Unitholders and on November 29, 2010, the Ontario Superior Court of Justice granted the final order approving the Conversion pursuant to the Arrangement. The Conversion was completed on January 1, 2011. As a result of the completion of the Conversion and related transactions:

- Holding LP was dissolved;
- each Unit was exchanged for one Common Share;
- EnerCare assumed the Convertible Debentures, which became convertible into Common Shares on the same terms as their conversion into Units;
- the Operating Trust was dissolved and EnerCare Solutions assumed the Senior Indebtedness;
- the Fund was dissolved; and
- the Common Shares and Convertible Debentures were listed on the TSX in substitution for the Units and the Convertible Debentures, respectively.

Further details of the terms of the Conversion, including a copy of the Arrangement, are set out in the Fund's information circular dated October 22, 2010 which is filed under EnerCare's profile on SEDAR at www.sedar.com.

Shareholder Rights Plan

In April 2011, EnerCare adopted a shareholder rights plan (the "Rights Plan"), which was approved by shareholders at the annual and special meeting held on April 29, 2011. At the close of business on April 29, 2011, one right (a "Right") was issued and attached to each Common Share outstanding, and will be issued and attached to each Common Share issued thereafter. The primary objectives of the Rights Plan are (i) to provide the Board of Directors of EnerCare with additional time to explore and develop alternatives for maximizing shareholder value if an unsolicited take-over bid is made for the Common Shares, or any other shares in the capital of EnerCare that carry a right generally to vote in the election of directors (collectively, "Voting Shares"), (ii) to provide every shareholder with an equal opportunity to participate in such a bid, and (iii) to ensure, to the extent possible, that all shareholders are treated fairly in connection with any take-over bid for Voting Shares. The Rights Plan must be reconfirmed by the shareholders every three years after the initial adoption.

The Rights Plan is similar to many other rights plans adopted by Canadian public issuers. The Rights are exercisable only after a person has acquired, commences or announces its intention to acquire 20% or more of the Voting Shares, other than pursuant to a permitted bid (as set out in the Rights Plan) or with the approval of the Directors (or in certain other circumstances described in the Rights Plan). Upon the acquisition by any person, or group of persons acting in concert (an "Acquiring Person"), of 20% or more of the Voting Shares, other than by way of a permitted bid, each Right (other than those held by the Acquiring Person or related party) will

permit the holder of the Right to purchase Voting Shares at a substantial discount (50%) to the prevailing market price (as defined in the Rights Plan).

Amended New Line of Credit

In July 2011, the New Line of Credit was amended and restated as the Amended New Line of Credit to decrease standby fees by approximately 60% and extend the term by one year to July 6, 2014. The Amended New Line of Credit was amended in November 2012 to essentially align the debt incurrence test therein with that in the first supplemental indenture dated as of January 29, 2010 to the Senior Unsecured Indenture and to update the terms of the New Line of Credit to reflect the redemption of the Series 2009 Notes and possible issuances of unsecured debt under the Senior Unsecured Indenture. The Amended New Line of Credit was further amended in February 2013 to decrease standby fees by 20% and the margin on borrowings by 30 basis points at EnerCare Solutions' current debt ratings which is the same margin as the Term Credit Facility. The Amended New Line of Credit is for working capital and general corporate purposes.

The Amended New Line of Credit ranks equally and ratably with the other outstanding Senior Indebtedness. At a "BBB (high)" rating, the Amended New Line of Credit bears interest at a rate of BAs plus 120 basis points and the standby fee for undrawn amounts is 20% of the applicable margin. See "Consolidated Capitalization of EnerCare – Senior Indebtedness – Amended New Line of Credit".

Open Bill Agreement in respect of Rental Portfolio assets not serviced by DE

In May 2011, EnerCare entered into an open bill access and collection services agreement (the "EnerCare OBA") and related agreements with EGD, pursuant to which EGD provided billing and collection services to EnerCare (other than Rental Portfolio assets serviced by DE and customers outside the EGD franchise area which are billed pursuant to the Ex-franchise BSA). The EnerCare OBA was amended and restated effective December 21, 2012, and further amended and restated effective January 6, 2014, on substantially similar terms. The EnerCare OBA is on substantially similar terms as the OBA described below in respect of Rental Portfolio assets serviced by DE (see "Installation and Support From DE – Customer Services; Billing").

Expansion of Rental Portfolio to New Brunswick

In July 2011, EnerCare Solutions entered into an origination and servicing agreement with EGNB. Under the agreement, EGNB will originate and service water heaters and HVAC Equipment in connection with EGNB's fuel switching programs in New Brunswick.

Resignation of Chris Cawston and Appointment of Evelyn Sutherland as Chief Financial Officer

On August 14, 2011, Chris Cawston resigned as interim Chief Financial Officer of EnerCare and its subsidiaries.

On August 15, 2011, Evelyn Sutherland was appointed Chief Financial Officer of EnerCare and its subsidiaries.

Launch of New Water Sub-metering Program

In September 2011, EnerCare announced that its subsidiaries, EECl and Stratacon (now EnerCare Connections) had launched a new water sub-metering program for multi-residential new construction developments. While EnerCare had provided water sub-metering services on

a limited basis for several years prior to the launch, EnerCare had experienced significant levels of new client interest in water sub-metering for multi-residential new construction developments during 2011 as public awareness of the issues surrounding water conservation has grown. In response, EnerCare launched its new water sub-metering offering with a focus on providing affordable and standardized water sub-metering solutions in the new construction multi-residential market.

Dividend Increase

In November 2011, EnerCare announced an increase in its dividends by approximately 2% to \$0.055 per Common Share effective in respect of the dividend payable to shareholders as of the record date in December 2011, which dividend was paid in January 2012.

Amalgamation of Stratacon and EECl

In connection with the consolidation of the Sub-metering business, Stratacon, EECl and New Lendco amalgamated under the laws of Ontario effective January 1, 2012 under the name EnerCare Connections Inc.

Proxy Matters

In December 2011, EnerCare received a request from one of its shareholders, Octavian Advisors, LP ("Octavian"), to hold a meeting of shareholders of EnerCare. The purpose of the meeting was originally to consider a resolution to increase the size of EnerCare's board from six to 10 members and to consider a resolution to add four nominees of Octavian to the board of EnerCare. EnerCare subsequently announced that, after consulting with its legal counsel, it had determined that the request from Octavian for a special meeting of shareholders was invalid as Octavian did not appear on the register of shareholders of EnerCare. EnerCare also announced that its annual and general meeting was to be held on April 30, 2012 and that the record date for such annual and general meeting was March 2, 2012. In late December 2011, EnerCare received a second request from Octavian to hold a special meeting of shareholders of EnerCare. EnerCare subsequently announced that in response to Octavian's second request, a special meeting would be held concurrently with the annual and general meeting previously scheduled for April 30, 2012.

The special meeting was held concurrently with the annual and general meeting on April 30, 2012 and all of management's director nominees were re-elected. At the same time, shareholders defeated Octavian's proposal to increase the size of EnerCare's board to 10 and add four nominees of Octavian to the board of EnerCare.

Dividend Increase

In February 2012, EnerCare announced an increase in its dividends by approximately 1.8% to \$0.056 per Common Share effective in respect of the dividend payable to shareholders of record on March 30, 2012, which dividend was paid in April 2012.

Expiry of Consent Order

In February 2012, the consent order dated February 20, 2002 (the "Consent Order") issued by the Competition Tribunal under the *Competition Act* (Canada) expired. The Consent Order was issued with the consent of DE to address the Competition Bureau's concerns about practices which it argued created barriers for customers who wish to pursue alternate water heating solutions. The Consent Order was binding on DE, EnerCare and its subsidiaries, and the

Custodian. See “Installation and Support from DE – Competition Act – Consent Order” for more information.

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

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

Additionally, early in March 2012, DE sent communication packages to approximately 600,000 water heater rental customers advising them of proposed amendments to the terms and conditions of their rental water heater agreement. The proposed changes provided, among other things, that if a customer wished to terminate their contract before the end of its term, they would need to buyout their rental water heater. In exchange DE provided a service guarantee and a commitment to cap future rental rate increases at the prevailing rate of inflation. Customers were given approximately one month to contact DE if they wished not to accept the amendments and remain on their existing terms and conditions.

Following the deployment of this customer communication, decidedly negative media coverage fanned by competitors drove significant levels of customer concern resulting in significant increases in customer call volumes to DE’s call centers and a resulting back log of orders from customers requesting to stay on their current terms and conditions, buyout their water heater or simply register a complaint about the proposed contract changes. On March 16, 2012, the offer to amend was withdrawn from the market.

Acquisition of Water Heater Rental Business of GreenSource

In February 2012, EnerCare, through ESLP, acquired the GreenSource Assets, which included approximately 3,421 assets, consisting primarily of gas-fired water heaters, for cash consideration of \$2,053, subject to post-closing adjustments. In connection with the acquisition, DE and EnerCare also entered into a transitional services agreement, pursuant to which DE provided service and administrative support to the GreenSource Assets on a fee-for-service basis.

Appointment of Grace M. Palombo as Director

Effective March 16, 2012, Grace M. Palombo was appointed as a Director of EnerCare and its subsidiaries. Ms. Palombo was nominated by DE pursuant to DE's rights under the Nomination Agreement entered into in connection with the Conversion (see “Directors and Officers – Nomination Agreement”). Following DE's nomination of Ms. Palombo, the Governance Committee carefully considered her qualifications and suitability, as well as those of other candidates, and recommended that she be appointed a Director. Ms. Palombo was re-elected at the April 30, 2012 and June 3, 2013 meetings of shareholders. See “Directors and Officers”.

Appointment of William M. Wells as Director

Effective March 20, 2012, William M. Wells was appointed as a Director of EnerCare and its subsidiaries. Mr. Wells was re-elected at the April 30, 2012 and June 3, 2013 meetings of shareholders. See “Directors and Officers”.

Amendments to the Sub-metering Code

In March 2012, the OEB issued amendments to the Sub-metering Code, which came into force on March 15, 2013. The amendments require unit sub-meter providers to, among other things, adopt customer protection measures similar to those provided to consumers of licensed distributors regarding disconnection, security deposits and consumer complaints. EnerCare's operations have been modified to reflect these amendments. See "Sub-metering – Regulatory Developments – Ontario".

Awareness Campaigns

In concert with DE, EnerCare Solutions launched an eight week mass market radio and print campaign starting March 4, 2012 to reinforce anti door-to-door awareness messages with consumers. Additionally, small 10 second spots were added to the radio campaign to emphasize the value of DE's service proposition. Print advertising was run in both community and ethnic papers to reach as broad a cross-section of consumers as possible and over 1.2 million door hangers were distributed during the second quarter. A further four week radio and print campaign was launched on July 12, 2012, with EnerCare distributing 250,000 door hangers during the week of August 2012.

On April 10, 2012, EnerCare launched its 2012 in-person consumer education campaign with the first of several EnerCare Solutions branded street teams visiting customer homes in the areas hardest hit by door-to-door sales activity to provide consumer awareness information to homeowners. The goal of the program was to engage customers directly in a conversation, provide information about how to recognize and respond to some of the most common door-to-door sales tactics, as well as highlight the consumer's rights under Ontario's consumer protection legislation. The campaign ended in early July 2012 and a new in-person consumer awareness campaign was introduced in August 2012. Door-to-door water heater sales were the second highest source of consumer complaints with the Ontario Ministry of Consumer Services in 2011 and 2012.

Expansion of Commercial Rental Program to Nova Scotia

On April 24, 2012, EnerCare Solutions announced that, through DE, it will be originating commercial water heaters and HVAC Equipment in Nova Scotia. Consumers and businesses in Nova Scotia have traditionally used fuel oil and electricity for their heating and water heating needs but the relatively recent introduction of natural gas in the province provides an opportunity for EnerCare Solutions' rental program as businesses seek to make the switch to more affordable natural gas appliances.

Implementation of New Sub-Metering Billing Platform and Internalization of Customer Care

On May 25, 2012, EnerCare Connections deployed a new utility grade customer billing system which consolidates all sub-metering billing functions on to one platform. The billing functions were previously performed by two legacy systems inherited as part of the Stratacon and EECL acquisitions. Additionally, the consolidation of systems has permitted EnerCare Connections to internalize its sub-metering customer care delivery, previously provided by two external suppliers. The new customer care system allows greater automation and consistency of process and allows EnerCare Connections to take advantage of greater economies of scale.

Legal Proceedings

EnerCare has been named in legal proceedings commenced by certain competitors seeking

specified and unspecified damages based on allegations that EnerCare, its service provider, EcoSmart Home Services Inc., and others engaged in unlawful surveillance and other activities aimed at tracking the door-to-door sales efforts of the competitors. At this stage in the proceedings it is impossible to predict the outcomes of such legal proceedings with any certainty. See “Legal Proceedings”.

Filing of EnerCare Solutions’ Short Form Base Shelf Prospectus

On July 20, 2012, EnerCare Solutions filed its short form base shelf prospectus in each of the provinces and territories of Canada qualifying EnerCare Solutions to offer up to an aggregate principal amount of \$600,000 of debt securities. The specific terms of each offering of debt securities offered under the short form base shelf prospectus are set forth in a prospectus supplement. Two such prospectus supplements have been filed in respect of the Series 2012-1 Notes and Series 2013-1 Notes; see “– Issuance of Series 2012-1 Notes” and “– Issuance of Series 2013-1 Notes”.

Amalgamation of EnerCare Solutions Inc.

In September 2012, EnerCare’s subsidiaries, EnerCare Solutions Inc. and Newer Lendco amalgamated under the name EnerCare Solutions Inc.

Same Day Service Campaign

On October 1, 2012, DE announced the launch of a new, industry-leading, same day service campaign. Available to EnerCare water heater customers serviced by DE, the same day service program assures that if a call is received by 5:00 p.m., a DE technician will do everything possible to attend and provide service on the same day.

Resignation of Tom Cooper as Vice-President, Sales and Marketing

Effective October 31, 2012, Tom Cooper resigned as Vice-President, Sales and Marketing of EnerCare and its subsidiaries.

Issuance of Series 2012-1 Notes

On November 21, 2012, EnerCare Solutions issued \$250,000 aggregate principal amount of 4.30% Series 2012-1 Senior Unsecured Notes due November 30, 2017 (the “Series 2012-1 Notes”). The Series 2012-1 Notes were sold at a price of 99.918% of the principal amount, with an effective yield of 4.318% per annum if held to maturity. The Series 2012-1 Notes received ratings of “BBB(high)”, with a “stable” trend from DBRS and “A-”, with a “stable” outlook from S&P. In December 2013, S&P changed its ratings on the Series 2012-1 Notes to “BBB+” from “A-”. See “– Corporate Ratings Update”.

The proceeds from the issuance of the Series 2012-1 Notes were used primarily by EnerCare Solutions to fund the redemption of the Series 2010 Notes on December 21, 2012. See “– Issuance and Redemption of Series 2010 Notes”.

Filing of By-Law No. 2

On December 13, 2012, EnerCare filed its By-Law No. 2 repealing and replacing its By-Law No. 1 dated September 27, 2010 on SEDAR. The new by-law was confirmed by shareholders at EnerCare’s annual and special meeting held on June 3, 2013.

Prior to the introduction of the by-law amendments, EnerCare's board of directors conducted a review of EnerCare's by-laws and approved certain amendments that were consistent with policy updates published by Institutional Shareholder Services and Glass Lewis & Co., two leading independent proxy advisors. The amendments to the by-laws increase the quorum at meetings of shareholders to two persons holding 25% of the eligible vote and require advance notice of director nominations by shareholders.

The "advance notice" requirement in 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.

Competition Bureau Matters

In December 2012, the Interim Commissioner of Competition (the "Commissioner") filed applications with the Competition Tribunal against both DE and Reliance Comfort Limited Partnership under the *Competition Act* (Canada) alleging that they each hold dominant positions in the supply of certain types of water heaters in certain areas of Ontario and that they have each engaged in a practice of anti-competitive acts through their respective water heater return policies and procedures. See "Installation and Support from DE – Competition Act".

Attrition Fighting Programs

In January 2013, EnerCare re-introduced an in-person consumer education program targeting the Greater Toronto Area. This program ran throughout the first two quarters of 2013. As part of the program, educational flyers, outlining consumer rights with respect to door-to-door sales, were distributed.

Term Credit Facility

On January 28, 2013, EnerCare Solutions entered into a \$60,000 term credit facility with a Canadian chartered bank. EnerCare Solutions drew the full amount available under the Term Credit Facility on February 4, 2013 and used the proceeds, along with the proceeds from its issuance of the Series 2013-1 Notes, to fund the redemption of the Series 2009-2 Notes. See "– Issuance and Repayment of Series 2009 Notes" and "– Issuance of Series 2013-1 Notes" and "Consolidated Capitalization of EnerCare – Senior Indebtedness – Term Credit Facility".

Issuance of Series 2013-1 Notes

On February 1, 2013, EnerCare Solutions issued \$225,000 aggregate principal amount of 4.60% Series 2013-1 Senior Unsecured Notes due February 3, 2020 (the "Series 2013-1 Notes"). The Series 2013-1 Notes were sold at a price of 99.94% of the principal amount, with an effective yield of 4.61% per annum if held to maturity. The Series 2013-1 Notes received ratings of "BBB(high)", with a "stable" trend from DBRS and "A-", with a "stable" outlook from S&P. In December 2013, S&P changed its ratings on the Series 2013-1 Notes to "BBB+" from "A-". See "– Corporate Ratings Update".

The proceeds from the issuance of the Series 2013-1 Notes, along with the drawdown of the Term Credit Facility, were used by EnerCare Solutions to fund the redemption of the Series 2009-2 Notes on March 6, 2013, see "– Issuance and Repayment of Series 2009 Notes" and "– Term Credit Facility".

Dividend Increase

In February 2013, EnerCare announced an increase in its dividends by approximately 1.8% to \$0.057 per Common Share to shareholders of record on March 28, 2013, which dividend was paid in April 2013.

EnerCare Connections' Revised Conditions of Service

On March 15, 2013, EnerCare Connections introduced its revised Conditions of Service. EnerCare Connections' Conditions of Service were revised to, among other things, reflect the amendments to the Sub-Metering Code. See “– Amendments to the Sub-metering Code”.

Appointment of Laima Cers as Vice President, Marketing and Business Development

On March 25, 2013, Laima Cers was appointed Vice President, Marketing and Business Development of EnerCare and its subsidiaries.

Launch of New Thermal Sub-metering Program

During the second quarter of 2013, EnerCare completed the meter installation and commissioning on its first new construction thermal sub-metering project. The new product is offered in conjunction with other sub-metering products, such as electricity and water sub-metering, to create a “whole building solution” for landlords and condominium boards.

Appointment of Ross Garland as Senior Vice President and General Manager

On April 15, 2013, Ross Garland was appointed Senior Vice President and General Manager of EnerCare and its subsidiaries.

Dividend Increase

In August 2013, EnerCare announced an increase in its dividends by approximately 1.8% to \$0.058 per Common Share effective in respect of its dividend payable to shareholders as of the record date in September 2013, which dividend was paid in October 2013.

Corporate Ratings Update

On November 19, 2013, S&P published its revised corporate ratings criteria. As a result of this criteria change, S&P lowered the long-term corporate credit rating on EnerCare and EnerCare Solutions and its debt rating on the Series 2012-1 Notes and Series 2013-1 Notes to “BBB+” with a stable outlook from “A-“, while removing the rating from CreditWatch, where S&P placed them with negative implications on November 26, 2013, in conjunction with its global credit criteria redesign. S&P stated that the stable outlook is based on S&P’s expectations that steady cash flow from the Rentals business will support the growth of the Sub-metering business and that debt levels will hold steady over the two-year rating horizon.

Passage of the Stronger Protection for Ontario Consumers Act, 2013

On November 27, 2013, the *Stronger Protection for Ontario Consumers Act, 2013* (“Bill 55”) passed third reading in the Ontario Legislature. Bill 55 is a direct response by the Ontario Government to aggressive and deceptive door-to-door water heater rental sales, which ranked second on the Ontario Ministry of Consumer Services’ consumer complaints list in both 2012 and 2011.

Among other things, Bill 55:

- doubles the existing 10-day cooling-off period to 20 days, providing consumers with more time to consider their decision;
- bans the delivery and installation of water heaters during the new 20-day cooling-off period;
- provides new consumer protection when the rules are not followed, such as requiring the supplier to reimburse the customer for all cancellation, return or removal fees when the 20-day cooling-off period is not observed; and
- gives enhanced authority to the Minister to make regulations governing supplier conduct and agreement content, such as a requirement that companies confirm sales by making scripted and recorded telephone calls to the customer.

The proposals for the regulations to be made in connection with Bill 55 were published for comment in March 2014. The comment period ends on April 22, 2014. EnerCare intends to participate in the regulatory consultation.

Recent Developments

Assignment of Issuer Rating by DBRS

In January 2014, DBRS assigned an issuer rating of “BBB (high)” (with a stable trend) to EnerCare Solutions. DBRS stated that in its assessment of the credit quality of EnerCare Solutions, it factored in the following key items: competition arising from regulatory changes; effects of attrition on customer base; stability of cash flow generated from customer base; flexibility to increase rental rates; limited operational risk through the Co-ownership Agreement; and dependency on new home developments for growth.

Acquisition of Water Heater Rental Business of Energy Services Niagara

In February 2014, EnerCare, through ESLP, acquired approximately 2,441 assets, consisting primarily of electricity and gas-fired water heaters, for cash consideration of \$3,002, subject to post-closing adjustments. In connection with the acquisition, Energy Services Niagara and EnerCare also entered into a transition agreement, pursuant to which Energy Services Niagara provides transitional support and licences its trademarks and logos to EnerCare. Also in connection with the acquisition, Energy Services Niagara, EnerCare and EGD entered into an assignment, assumption and consent agreement pursuant to which the amended and restated open bill access billing and collection services agreement dated as of January 6, 2014 between Energy Services Niagara and EGD (the “Energy Services Niagara OBA”) and related agreements were assigned to EnerCare. The Energy Services Niagara OBA is on substantially similar terms as the OBA and EnerCare OBA.

Dividend Increase

In February 2014, EnerCare announced an increase in its dividends by approximately 4.0% to \$0.0604 per Common Share effective in respect of its dividend payable to shareholders as of the applicable record date in March 2014, which dividend will be paid in April 2014.

WATER HEATER RENTAL BUSINESS IN ONTARIO

The water heater rental program now operated by EnerCare and DE was started by EGD in the late 1950’s in an effort to encourage Ontario customers to switch to natural gas and build year-

round demand for gas supply. Customers were attracted to the program due to both the cost advantages of using gas to heat water and the convenience and efficiency of the energy source. In addition, the rental program offered the homeowner a convenient way of installing and maintaining an important piece of equipment in their house with no capital outlay.

The Canadian water heater rental market is currently limited primarily to Ontario where, for reasons described below, homeowners have generally elected to rent rather than buy water heaters. There are some water heater rental opportunities in other parts of Canada, including parts of Alberta, Manitoba, Québec, Nova Scotia and New Brunswick.

DE services approximately 98% of the Rental Portfolio, including approximately 92% under the Co-ownership Agreement. DE operates principally in Barrie, Caledon, Durham, the Greater Toronto Area, Halton, Hamilton, Kitchener, Mississauga, London, Ottawa and the National Capital Region, the Niagara Region and Windsor. Although DE operates predominantly in EGD's gas distribution territory (as it existed at the time of deregulation of the natural gas industry in Ontario), DE has expanded operations outside of the traditional EGD gas distribution territory.

There have historically been two primary sources of growth in the natural gas water heater rental market in Ontario. These are the replacement of electric, oil and propane fuel burning water heaters with gas appliances and newly constructed homes.

Although there continues to be some replacement of electric, oil and propane water heaters with gas appliances, the majority of growth in the water heater market is currently a result of new home construction. DE's primary customer base is in the detached, semi-detached and row house markets, although it does have some customers in other housing types (such as apartments). Below are the number of newly constructed detached, semi-detached and row homes in Ontario in each of the years indicated.

	2011	2012	2013
Detached, Semi-detached and Row Housing Starts in Ontario	39,314	39,541	35,813

Source: Canadian Mortgage and Housing Corporation

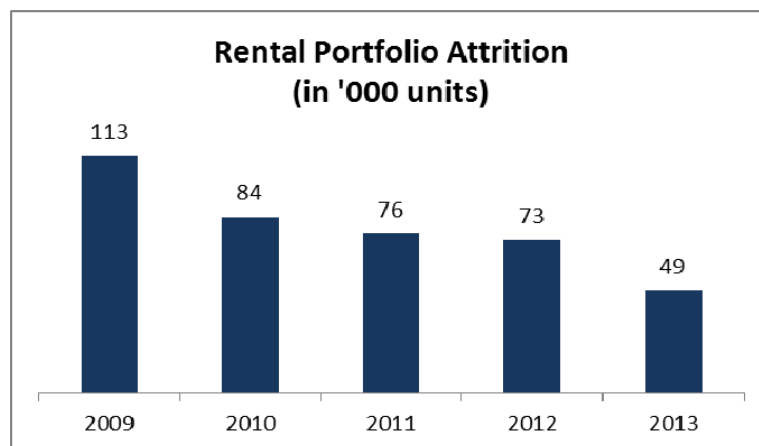
Competition

For customers there are three principal alternatives to renting water heaters from DE or EnerCare: owning their water heaters; renting their water heaters from a competitor and using non-gas fuelled water heaters. More specifically, the major sources of competition are set out below:

- A principal area where EnerCare faces competition is in the new home construction market. EnerCare's main competitor in this area is Reliance Comfort Limited Partnership.
- Reliance Comfort Limited Partnership provides a water heater rental program for Ontario residents, which operates substantially the same way as EnerCare's water heater rental program. Although Reliance Comfort Limited Partnership has historically operated outside of EGD's gas distribution territory, it has increased its level of activity in EGD's gas distribution territory in both the existing and new home construction segment.
- In 2008, a number of other competitors entered the rental water heater business, namely National Energy Corporation, a subsidiary of Just Energy Group Inc. (formerly Just Energy Income Fund), under the name National Home Services, Ontario Consumers Home Services Inc. and other competitors who utilize the OBA billing arrangement.

- Customers may elect to purchase their own water heater rather than rent, principally from small HVAC contractors or larger retailers. Larger retailers offering water heaters for sale include Canadian Tire, Home Depot, Rona, Lowe's and Sears. Customers may also buy-out their rented water heaters at prescribed prices.
- Some residents in Ontario prefer to rent or own electric or propane fuelled water heaters even when the property is connected to the gas distribution system. As an example, affiliates of municipal electricity utilities often operate electric water heater rental businesses. However, this area of competition is diminishing, as many of these utilities have sold their water heater portfolios and are no longer in the business of renting such units.

EnerCare experienced decreased competitive pressure in 2013, resulting in an attrition rate of 4.17%, compared to 5.98% in 2012, 6.00% in 2011, 6.35% in 2010, 8.02% in 2009 and 3.2% in 2008. The higher attrition rates that began in 2009 are attributable principally to competitors engaging in aggressive door-to-door promotion. Since 2009, DE and EnerCare have conducted a series of customer communications and marketing initiatives to defend the customer base, including employing print, radio and telemarketing campaigns, door hangers, loyalty programs, in-person awareness campaigns, digital and social media and consumer advocates to improve consumer awareness and educate them about the issues associated with the door-to-door campaigns employed by a number of our competitors. Attrition has declined annually since 2009 as shown below.



In November 2013, Bill 55, a direct response by the Ontario Government to aggressive and deceptive door-to-door water heater rental sales, passed third reading in the Ontario Legislature. EnerCare believes that Bill 55 is a strong enhancement in consumer protection that will provide necessary protection for its customers and greatly assist with EnerCare's continued efforts to combat attrition in its water heater business. For more information on Bill 55, see "Developments in 2011, 2013 and 2013 – Passage of the Stronger Protection for Ontario Consumers Act, 2013".

INSTALLATION AND SUPPORT FROM DE

General

The water heater rental business was conducted by DE and its predecessors prior to the Fund's initial public offering on December 17, 2002, and thereafter, has been conducted by ESLP, with DE acting as servicer to approximately 98% of the Rental Portfolio pursuant to the Co-ownership Agreement and other servicing agreements. See "Co-ownership Agreement" and

“Servicing of Water Heaters”. DE’s principal and registered office is located at 80 Allstate Parkway, Markham, Ontario, L3R 6H3. DE has moved its corporate offices to Houston, Texas, however, its home services offices have not been re-located.

Territory

The Rental Portfolio consists of approximately 1.1 million units, mainly water heaters rented to residential customers in Ontario. DE’s current customer and infrastructure base is located principally in Barrie, Caledon, Durham, the Greater Toronto Area, Halton, Hamilton, Kitchener, Mississauga, London, Ottawa and the National Capital Region, the Niagara Region and Windsor.

Franchisees

Currently, approximately 40% of the servicing and installation of water heaters for which DE is responsible is carried out by DE’s independent franchisees and their subcontractors, with the remaining 60% carried out by DE and its subcontractors. The franchisees are independent owners/operators who directly employ technicians and use subcontractors in order to operate all aspects of DE’s residential HVAC sales and services business (including the installation and servicing of water heaters) in their franchise area. The franchisees operate to the same service levels and standards as DE. On October 1, 2012, DE entered into new franchise agreements that expire in 2034; however, up to two franchisees in any one year are entitled to terminate their franchise agreement on 12 months’ notice.

Pursuant to the Co-ownership Agreement, DE is responsible for the administration of the franchise agreements and has indemnified EnerCare in respect of any claims relating to negligent servicing, whether provided by DE directly or by a franchisee or subcontractor.

Suppliers

DE purchases water heaters from a number of suppliers, with the majority provided by Rheem Canada, GSW Inc. and Bradford White Corporation. DE is one of the largest purchasers of water heaters in Canada and, as such, has been able to negotiate terms of trade with suppliers based on such volume and the depth and length of the relationships. These suppliers provide a range of water heaters, including various tank capacities and venting technologies. Over the past few years the popularity of tankless water heaters has grown, especially in the new housing market. DE acquires tankless water heaters from Rinnai Corporation through its Canadian distributors. Enhancements and refinements to water heater design are introduced from time to time to serve customer needs and preferences, improve performance and efficiency or meet regulatory requirements.

Prior to the start of each calendar year, DE issues a request for quotation to the manufacturers, specifying the terms and conditions on which DE is seeking to purchase its inventory of water heaters for the following year. Once the manufacturer quotes have been received, DE seeks the approval of ESLP to the purchase prices and number of water heaters to be purchased by ESLP.

Servicing Capabilities

DE currently has approximately 500 service technicians available to it, who are employed by DE or its franchisees or their subcontractors, to deal with service calls on water heaters and other equipment serviced by DE. Technicians are available for service calls 365 days per year. These

technicians are trained to deal with all potential servicing requirements of the water heater portfolio and are required to be certified under the TSSA's enabling statute.

Included in the number of service technicians are approximately 200 installation and replacement crews. The function of these teams is to remove, replace or install water heaters and other equipment serviced by DE. This service is also available 365 days per year. These installation crews do not install water heaters in newly-constructed housing, as this is typically done by the home builder's HVAC contractor. Installation crews are also required to be certified under the TSSA's enabling statute. The certification is specific to the individual and therefore the technicians and installation crews are required to meet safety standards or risk losing their certification.

Nearly all of the technicians employed by DE are members of the Communications, Energy and Paperworkers' Union ("CEP"). The previous collective agreement between DE and CEP expired on March 31, 2011, and following a labour disruption of approximately 16 days beginning on April 18, 2012, a new collective agreement was ratified on May 2, 2012. The current collective agreement expires on March 31, 2014. See "Risk Factors – Risks Related to the Structure of EnerCare".

In addition, DE employs office personnel providing management and clerical support to its technicians and installation and replacement crews.

Service Calls

DE does not currently conduct periodic scheduled maintenance of installed water heaters, in large part due to their reliable performance. Water heater service and installation calls are initiated by the customer and, regardless of the district from which they originate, are answered by the DE call centre operated by various service providers. The customer management software system automatically allocates work to the appropriate technician who is dispatched according to proximity and availability. In most cases, the technician is able to repair a faulty water heater on the first visit. As a result of DE's experience in servicing the Rental Portfolio, technicians carry an appropriate mix of replacement parts based on service records so as to reduce the number of required repeat visits and optimize customer service. There are approximately 154,000 water heater service calls each year made by DE and its franchisees and their subcontractors. This means that, on average, a water heater is serviced between two and three times during its installed life, including the service call during which it is determined that replacement of the water heater is required.

The key performance measures for water heater servicing include:

- same-day service for all "loss of hot water" calls received before 6:00 p.m.;
- maximum four-hour response time for leaking equipment; and
- installation of a replacement water heater on the same day if diagnosed before 4:00 p.m.

The goal is to meet or exceed the targets 90% of the time. Performance is reviewed by DE and EnerCare on a regular basis as there are external factors, such as weather or road conditions, that can have an impact.

On October 1, 2012, DE announced the launch of a new, industry-leading, same day service campaign. Available to EnerCare water heater customers serviced by DE, the same day service program assures that if a call is received by 5:00 p.m., a DE technician will do everything possible to attend and provide service on the same day.

Installation - Replacement Water Heaters

In the majority of cases, a service technician will be dispatched to review and assess the problem with the installed water heater. Where it is determined that the water heater is beyond reasonable repair, and the customer chooses to rent a replacement, an installation crew is dispatched to remove the water heater and replace it. The crew will then test the equipment. Customers are given a choice of size of their replacement water heater although the type of equipment (electric, gas, tankless or venting technology) is often determined by the house and service access. Customers are also given the choice of installing a mixing valve which limits the hot water temperature. The cost of the mixing valve, which is not included as part of the rental assets, is paid by the customer.

Installation - Additional Water Heaters

All water heaters installed in newly-constructed housing are installed by the HVAC contractor of the builder developing the property. All of these contractors must also be certified by the TSSA. Subject to any regulatory requirements (see “Risk Factors – Risks Related to the Rental Portfolio Business and Industry”), DE does not require builders to obtain signed Custodial Rental Contracts from customers.

Customer Services; Billing

Billing in the EGD Franchise Area

In conjunction with the sale of DE by Enbridge, Enbridge agreed, unless prohibited by governmental authority and during the term of the Customer Services Agreement, to permit DE to bill its water heaters and other assets on billing statements issued by affiliates of Enbridge in the same manner as at January 2002.

In 2006, EGD was ordered by the OEB to bring forward a comprehensive “Open Bill” solution that would enable other companies in addition to DE to access the EGD bill on an equivalent basis. In 2007, EGD presented its comprehensive Open Bill solution to the OEB which was accepted on an interim basis and resulted in DE and EGD entering into the Old OBA. In December 2009, EGD presented and the OEB accepted EGD’s permanent solution, which resulted in DE and EGD entering into the OBA. In September 2011, DE signed an extension agreement to extend the OBA until December 2012. The OBA was amended and restated effective December 21, 2012, and further amended and restated effective January 6, 2014 (see “– Open Bill Agreements”).

In May 2011, EnerCare entered into the EnerCare OBA with EGD, pursuant to which EGD provided billing and collection services to EnerCare respecting the Rental Portfolio assets not serviced by DE in the EGD franchise area. The EnerCare OBA was amended and restated effective December 21, 2012, and further amended and restated effective January 6, 2014 (see “– Open Bill Agreements”).

Open Bill Agreements

Under the OBA, the EnerCare OBA and the Energy Services Niagara OBA (collectively, the "OBAs"), EGD provides billing and collection services to DE (including those Rental Portfolio assets serviced by DE) and EnerCare (in respect of those Rental Portfolio assets not serviced by DE) in the EGD franchise area in Ontario until March 2015. Each of the OBAs will automatically renew for successive one-year terms unless otherwise terminated in accordance with such OBA; provided, however, that such OBA shall not be automatically renewed if, as applicable: (i) DE or EnerCare is not in good standing under the financial assurances, if any, to be provided by DE or EnerCare under the applicable OBA or the Amended Receivables Trust Agreement, (ii) DE or EnerCare is not in material compliance with all of its obligations or is in material breach of any of its representations or warranties set out in the applicable OBA or the CIS Open Bill Access Biller User Manual established by EGD, or (iii) DE or EnerCare has not provided the annual forecast, where required to do so, in accordance with the applicable OBA. Effective January 6, 2014, suppliers are required to verify certain types of contracts through a sales verification call before such contracts may be billed by EGD.

Under each OBA, EnerCare, directly and through DE and effective January 1, 2014, is entitled to receive from EGD, subject to certain exceptions, 99.56% (99.46% for 2013 and 99.42% for 2012) of all amounts (the "EGD Payment") invoiced to customers (including rental payments for Rental Portfolio assets serviced by DE) on the EGD bill, subject to annual adjustment to reflect EGD's actual bad debt experience.

The OBAs may be terminated by EGD at any time upon (i) DE or EnerCare, as applicable, failing to perform or observe any of their respective obligations under the respective OBA or the Amended Receivables Trust Agreement or being in breach of any representation or warranty made thereunder and such failure or breach not being remedied within a specified cure period; (ii) the occurrence of various insolvency and bankruptcy events in respect of DE or EnerCare, as applicable; (iii) DE or EnerCare, as applicable, ceasing to be a party to the Amended Receivables Trust Agreement; (iv) the enforcement of any execution, distress or other enforcement process that would have a material adverse effect on the financial viability of DE or EnerCare, as applicable, (v) if a compliance order is issued against or in respect of DE or EnerCare or either DE or EnerCare, as applicable, is the subject of any other order made under the Consumer Protection Act (Ontario); (vi) 30 days prior notice, upon the occurrence of a regulatory change established by a governmental authority which causes, results in, requires or necessitates such termination; and (vii) six months prior notice at the expiry of the term or renewal term if DE or EnerCare, as applicable, has not complied with its obligations under the applicable OBA or has not acted in a good faith manner in the performance of its obligations under the applicable OBA or the provision of customer service, as determined by EGD in its sole discretion. In connection with the expiration or termination of any of the OBAs for any reason, EGD will co-operate with DE and/or EnerCare to effect the orderly transition and migration from EGD to DE or EnerCare, as applicable, (or a third-party service provider) of all the billing services then being performed under the applicable OBA for a reasonable period of time.

Amended Receivables Trust Agreement

In connection with the Old OBA, EGD, DE, ABSU, as servicer, and CIBC Mellon, as trustee, among others, entered into the Old Receivables Trust Agreement. In connection with the OBA, EGD, DE, CIBC Mellon, as trustee, among others (including other billers), entered into an amended and restated proceeds transfer, servicing and trust agreement (the "Amended Receivables Trust Agreement") effective February 4, 2010 and applicable under the OBAs, under which DE and EnerCare, as well as the other billers, transferred their interest in proceeds

received from their respective receivables billed on an EGD bill to CIBC Mellon, which proceeds are deposited by EGD on behalf of CIBC Mellon into a designated account held in trust by CIBC Mellon for the benefit of EGD, DE and the other billers. On each business day, proceeds on deposit in such account are allocated by EGD in accordance with an allocation formula set forth in the Amended Receivables Trust Agreement and are to be withdrawn and paid by CIBC Mellon to EGD on such day and to DE and the other billers on the 21st day after such day, net of amounts in respect of such proceeds paid to DE by EGD under the OBA. The allocation formula essentially provides that DE and the other billers will receive, out of the account, 99.56% (99.46% for 2013 and 99.42% for 2012) of the amount billed on an EGD bill with certain structural safeguards in relation to payments as between DE (and the other billers) and EGD. In exchange for and upon receipt of the EGD Payment, DE and EnerCare will transfer to EGD their entitlement to the distributions under the Amended Receivables Trust Agreement in respect of those receivables for which the EGD Payment has been made. To the extent DE does not receive an EGD Payment in respect of any of the receivables, it will, instead, receive the distribution entitlement in respect of such receivables pursuant to the above-described allocation formula under the Amended Receivables Trust Agreement.

The Amended Receivables Trust Agreement may be terminated at any time upon (i) the resignation of EGD from the performance of its duties and obligations thereunder, provided DE has approved such resignation, (ii) notice to the other parties if EGD is prohibited by a governmental authority from participating as a beneficiary under the Amended Receivables Trust Agreement, or (iii) the termination or expiration of the OBA (unless EGD determines otherwise). Pursuant to the Amended Receivables Trust Agreement and related agreements with DE, EnerCare is responsible for the fees and expenses of CIBC Mellon and EGD in respect of certain services they provide thereunder.

Billing Outside the EGD Franchise Area

In August 2009, DE and EGD entered into the Ex-franchise BSA regarding billing customers in south-western Ontario who do not receive services from Enbridge for DE home services and for rental payments for the Rental Portfolio in a single invoice issued in the name of "Direct Energy". This agreement replaced the Customer Services Agreement. In August 2012, DE terminated the Ex-franchise BSA with EGD and outsourced this function to a third party which operates on a billing platform called READi. The services provided through READi essentially mirror those provided by EGD through the Ex-franchise BSA. In connection with the invoicing on DE bills, the Co-owners and DE entered into the Second Receivables Trust Agreement whereby the Co-owners and DE transferred, on substantially the same terms as the Amended Receivables Trust Agreement, to CIBC Mellon, as trustee under the Second Receivables Trust Agreement, all proceeds of their respective receivables arising from the DE invoices. Subject to certain limited exceptions, all payments made by an obligor in respect of the joint-billed receivables of DE and the Co-owners, respectively, and deposited in the designated trust account will be applied to the receivables of DE and the Co-owners, respectively, due from such obligor pro rata based upon the respective amounts outstanding, starting with the oldest receivables of such obligor for which there is an unpaid balance. On each business day, DE will direct the trustee to distribute from the trust property to each of DE and the Custodian on behalf of the Co-owners the proceeds allocated to its receivables.

As described under "Co-ownership Agreement", the benefits of the OBA and the Amended Receivables Trust Agreement have been assigned to the Custodian, to be held by it as Custodial Assets on behalf of DE and ESLP as Co-owners, pursuant to the Co-ownership Agreement.

Removal of Water Heaters

There are a limited number of circumstances where water heaters will be removed from the Rental Portfolio. These are as follows:

- end of the useful life of the water heater;
- customer termination of the Custodial Rental Contract (“customer terminations”); and
- customer acquisition of the water heater (“buy-outs”).

End of Useful Life

Water heaters in the Rental Portfolio have an average useful life of approximately 16 years, and often operate for more than 20 years. However, there are a number of operating parts of a water heater that can and do fail. Where it is not economical to repair a water heater or replace defective parts, a replacement unit will typically be offered to a customer. Eventually, all water heater tanks fail. The main reasons for tank failure are leaks, lime build-up, physical damage and rusting of the tank.

Customer Terminations and Buy-Outs

A customer may terminate his or her water heater rental at any time by notifying DE. If this occurs, unless the customer elects to buy the water heater, either DE will remove the water heater from the customer’s premises (usually for a pick-up charge) or the customer can return, or have the water heater returned. In either case, DE will stop billing the customer on EnerCare’s behalf.

A customer seeking to upgrade his or her water heater from one size or type to another is not charged a fee for this service. In almost all cases, it is not economically viable to refurbish and re-install used equipment. The customer is charged applicable rental rates on the newly installed water heater. However, DE will typically charge customers for additional installation work if the installation requirements warrant it.

Many customers seeking to terminate their rental arrangement choose to buy the installed water heater rather than have it removed. DE specifies a price schedule in the Custodial Rental Contract setting out the buy-out rates that customers are charged to buy their installed water heater.

Buy-outs and customer terminations decreased in 2013; 4.17% of the water heaters in the Rental Portfolio were subject to buy-outs and customer terminations in 2013 compared to 5.98% in 2012, 6.00% in 2011, 6.35% in 2010, 8.02% in 2009 and 3.2% in 2008. The higher incidence of customer terminations and buy-outs which began in 2009 are mainly the result of increased competition. There have been a number of new entrants into EnerCare’s traditional market area, as well as increased penetration in EnerCare’s traditional market area by EnerCare’s major competitors. Some of these new market entrants use aggressive door-to-door promotion. As a result of these competitive pressures, EnerCare may experience increased attrition rates in the future as well as higher expenses in defense of the installed water heater customer base (see “Water Heater Rental Business in Ontario – Competition”).

Summary of Installed Water Heater Rental Arrangements

All installed water heaters are governed by a rental arrangement with the customer. Rental contracts are either reflected in a signed agreement with the customer or by the customer’s course of conduct. All of the Custodial Rental Contracts provide that during the useful life of the water heater, DE will service the water heater with no service charges or parts replacement

charges except in limited circumstances, including damage caused by the customer and in respect of vent or pipe cleaning, repair or replacement. DE provides a 24-hour per day, 7-days per week emergency phone support. All of the Custodial Rental Contracts can be transferred to subsequent homeowners upon the sale of the customer's home. Currently, most standard residential real estate purchase and sale agreements in use in Ontario expressly reference the rental of a water heater where applicable.

In return for the above services provided by DE, the customer agrees to pay monthly rental charges set by DE from time to time. The process for determining rental rates for water heaters as between EnerCare and DE is governed by the Co-ownership Agreement.

Unless authorized by DE, no person other than DE (or its franchisees or agents) is permitted to service the water heater during the term of the Custodial Rental Contract. At the end of the useful life of the water heater, the customer is not obligated to rent, and DE is not obligated to supply, a replacement water heater unless there is mutual agreement to do so.

There are currently essentially two forms of Custodial Rental Contracts. The first form of contract gives a customer the right to purchase his or her water heater at a price discounted based on the age of the water heater, determined with reference to the price of the water heater at the time of installation of the water heater, or to terminate his or her Custodial Rental Contract at any time and return the water heater to DE. The second form of contract, which was implemented in 2010, contains new terms and conditions for certain new customers pursuant to which EnerCare may require these customers to buy-out their water heaters at a pre-determined price if the contract is terminated prior to the end of the useful life of the water heater.

Rental contracts in respect of the TH Water Heaters, Festival Water Heaters, Thunder Bay Water Heaters, New Brunswick Water Heaters and other water heaters that are originated by EnerCare or its service providers other than DE under the Origination Agreement are not Custodial Rental Contracts but do provide the customers with essentially the same terms and conditions found in a Custodial Rental Contract. EnerCare is responsible for the service of these water heaters, and for setting rental rates in respect thereof.

Competition Act

Consent Order

In February 2002, the Consent Order was issued by the Competition Tribunal under the *Competition Act* (Canada) with the consent of DE in order to address the Competition Bureau's concerns about practices which it argued created barriers for customers who wish to pursue alternate water heating solutions. The Consent Order bound DE, EnerCare and its subsidiaries, and the Custodian. The Consent Order expired on February 20, 2012.

Pursuant to the Consent Order, DE agreed to change certain of its practices in connection with the disconnection and return of natural gas water heaters, exit charges, pick-up charges and buy-out pricing. Also, DE could not offer different rental rates or buy-out prices for natural gas water heaters of the same model and age, except where the differences reflect differences in the cost of providing service to different groups of customers. In accordance with the Consent Order, in the first five years following installation, a terminating customer was required to pay an exit charge to recover a portion of the costs of installation and, for so long as such an exit charge was payable, rental charge increases could not exceed the rate of inflation for those customers. In the third quarter of 2004, following discussions with the Competition Bureau, customers were notified that exit charges would no longer be assessed to customers

terminating their rental arrangements. Since these customers were no longer subject to exit charges, DE and EnerCare were no longer subject to the Competition Tribunal requirement that rental rate increases to such customers be limited to the rate of inflation. Pursuant to the terms of the Consent Order, in March 2010 the Competition Bureau approved a new form of water heater rental contract in respect of new water heater installations, where the installation is made in the new home construction market, as replacement of an existing water heater that has reached the end of its useful life and in respect of a new customer. Under the new contract, EnerCare may require these customers to buy-out their water heaters at a pre-determined price if the contract is terminated prior to the end of the useful life of the water heater.

Notice of Actions

In December 2012, the Commissioner filed applications with the Competition Tribunal against both DE and Reliance Comfort Limited Partnership under the *Competition Act* (Canada) alleging that they each hold dominant positions in the supply of certain types of water heaters in certain areas of Ontario and that they have each engaged in a practice of anti-competitive acts through their respective water heater return policies and procedures.

DE has denied the allegations and has publically stated that “it will vigorously defend its position before the Tribunal.” It also stated that “the allegations made by the Competition Bureau question certain of DE’s practices and procedures that are designed to inform and empower consumers. DE strongly believes that all customers and homeowners deserve to have all of the necessary information for them to make informed and intelligent choices. Such practices and procedures do not inhibit competition.”

Although EnerCare believes that the Commissioner’s allegations are without merit, the outcome of the application against DE cannot be predicted with any certainty and may be determined in a manner adverse to EnerCare (see “Risk Factors – Risks Related to the Rental Portfolio Business and Industry Regulatory Matters”).

While the return policies and procedures are a key component to fostering consumer awareness and protection, provided that the Competition Tribunal strikes an appropriate balance between competition and consumer protection, EnerCare does not believe that changes to DE’s return practices and procedures as a result of the Commissioner’s application, if any, will have a material adverse effect on attrition over the long-term.

DE’s Marketing Activities

DE’s marketing activities in relation to the water heater rental program have traditionally been largely directed to the newly constructed housing market and customer retention.

Supply of water heaters in newly constructed housing is a competitive marketplace with local contractors, builders, Reliance Home Comfort and DE, among others, competing to supply water heaters. In most instances, the decision as to which water heater supplier to use is made by the entity building the home. Builders who elect to have DE supply a rental water heater for newly constructed homes in their developments are paid a fee by DE for installation and administration costs.

Since 2009, DE and EnerCare have conducted a series of customer communications and marketing initiatives to defend the customer base, including employing print, radio and telemarketing campaigns, door hangers, loyalty programs, digital and social media and consumer advocates to improve consumer awareness and educate them about the issues associated with the door-to-door campaigns employed by a number of our competitors.

In concert with DE, EnerCare Solutions launched an eight week mass market radio and print campaign starting March 4, 2012 to reinforce anti door-to-door awareness messages with consumers. Additionally, small 10 second spots were added to the radio campaign to emphasize the value of DE's service proposition. Print advertising was run in both community and ethnic papers to reach as broad a cross-section of consumers as possible and over 1.2 million door hangers were distributed during the second quarter. A further four week radio and print campaign was launched on July 12, 2012, with EnerCare distributing 250,000 door hangers during the week of August 2012.

In January 2013, EnerCare re-introduced an in-person consumer education program targeting the Greater Toronto Area. This program ran throughout the first two quarters of 2013. As part of the program, educational flyers, outlining consumer rights with respect to door-to-door sales, were distributed.

DE announced the launch of a new, industry-leading, same day service campaign on October 1, 2012. Available to EnerCare water heater customers serviced by DE, the same day service program assures that if a call is received by 5:00 p.m., a DE technician will do everything possible to attend and provide service on the same day.

DE's strengths include a well-developed servicing infrastructure, qualified workforce and full range of product offerings.

THE RENTAL PORTFOLIO

The following section contains information concerning the Rental Portfolio. In 2011, 2012 and 2013, revenues from the Rental Portfolio accounted for \$186,524 (approximately 73%), \$186,288 (approximately 68%) and \$189,438 (approximately 63%), respectively, of EnerCare's consolidated revenues.

History of the Rental Portfolio

There are approximately 1.1 million residential and commercial water heaters subject to Custodial Rental Contracts, all of which are located in Ontario. In addition, there are approximately 88,000 TH Water Heaters, Festival Water Heaters, Thunder Bay Water Heaters, New Brunswick Water Heaters and other water heaters owned by ESLP. In February 2014, ESLP also acquired approximately 2,400 Niagara Water Heaters (see "Recent Developments – Acquisition of Water Heater Rental Business of Energy Services Niagara").

The chart below shows the net change in the Rental Portfolio since the inception of the Fund. In 2007, the growth in the installed base was due mainly to acquisitions, while in previous years, the net growth reflected the level of new home construction in Ontario and the expansion of the water heater rental program by DE. In 2009, 2010, 2011, 2012 and 2013, despite new construction and conversion additions to the Rental Portfolio, the Rental Portfolio declined by 6.1%, 4.3%, 3.9%, 3.6% and 2.4%, respectively, due to customer terminations and buy-outs.

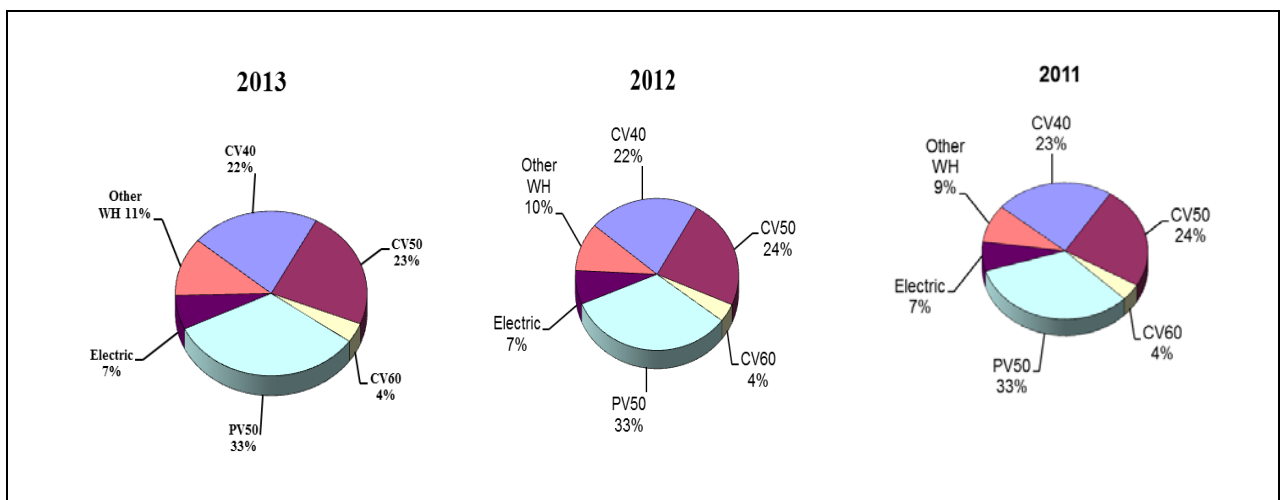


Since 2009, DE and EnerCare have conducted a series of customer communications and marketing initiatives to defend the customer base, including employing print, radio and telemarketing campaigns, door hangers, loyalty programs, digital and social media and consumer advocates to improve consumer awareness and educate them about the issues associated with the door-to-door campaigns employed by a number of our competitors (See “Installation and Support From DE – DE’s Marketing Activities”).

Different Types of Water Heaters

The charts below set out the different sizes and types of water heaters in the Rental Portfolio for 2011, 2012 and 2013. The types of equipment indicate the volume of the tank in U.S. gallons. For example, power vented 50 (or “PV50”) is a power vented water heater with a 50 gallon tank and conventional 40 (or “CV40”) is a conventional vented water heater with a 40 gallon tank. “Electric” refers to electric water heaters. “Other WH” refers to all other types of residential water heaters not otherwise included in the charts, such as tankless.

WATER HEATER RENTAL PORTFOLIO COMPOSITION BY TYPE

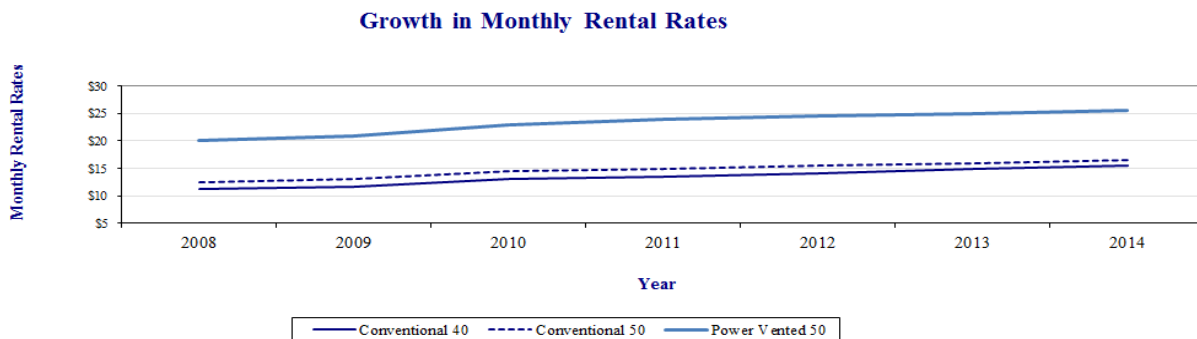


Typical Manufacturers' Warranty

Manufacturers' express warranties comprise two elements: parts and labour, and integrity of the tank. Water heaters in the Rental Portfolio are, and have in the past been, typically purchased from manufacturers with express one-year parts and labour warranties and six-year tank failure warranties. In 2006, the tank failure warranties were extended to eight years. At December 31, 2013, approximately 52% of the water heaters in the Rental Portfolio were covered under manufacturer's express warranties.

Rental Rates

The following chart shows historical rental rates per month for the specified types of natural gas water heaters for the six years to 2013. Effective January 2012, 2013 and 2014, ESLP implemented an average increase in rental rates of 2.9%, 3.8% and 3.1%, respectively, for the substantial majority of residential water heaters in the Rental Portfolio.



Product Faults

Across the Rental Portfolio of water heaters, there are inevitably product and component failures. These failures are typically attributable to:

- normal wear and tear - in these circumstances DE, as Servicer, will be required to service at its own cost or, if required, remove the water heaters; and
- manufacturer defects - historically there have been instances where water heaters (or components) have been subject to recall or a retrofit program for defects inherent in the manufacture or design of the equipment. On these occasions, DE has worked with the manufacturer to ensure that the defects are remedied on a timely basis with the minimum disruption to customers. Where the defect is discovered when a manufacturer's warranty is still in effect, DE has typically sought to enforce its rights under the terms of the warranty. Where the warranty has expired, DE has worked with the manufacturer to find a mutually acceptable resolution. Under the Co-ownership Agreement, ESLP, as owner of the water heater, is responsible for the costs incurred by DE, as Servicer, in conducting Extraordinary Servicing or replacing the defective water heater (or component) which is not covered by the manufacturer, although DE, as Servicer, will negotiate the terms of any after warranty coverage from manufacturers on the same basis that it would if it was the owner of the water heater.

Subject to certain exceptions, DE remains responsible for the servicing (or, if required, replacement) of these water heaters at its cost pursuant to the Co-ownership Agreement. In addition, under the Asset Purchase Agreement, DE is responsible for all other product defects known to it as at December 17, 2002 (being the date on which DE's rental portfolio of residential and commercial water heaters and HVAC Equipment was purchased from DE).

Other Rental Portfolio Assets

In addition to residential water heaters, the Rental Portfolio consists of other assets, including commercial water heaters, residential furnaces and boilers, commercial boilers and air conditioning units and both residential and commercial conversion burners. These other assets account for approximately 2.4% of the number of assets in the Rental Portfolio.

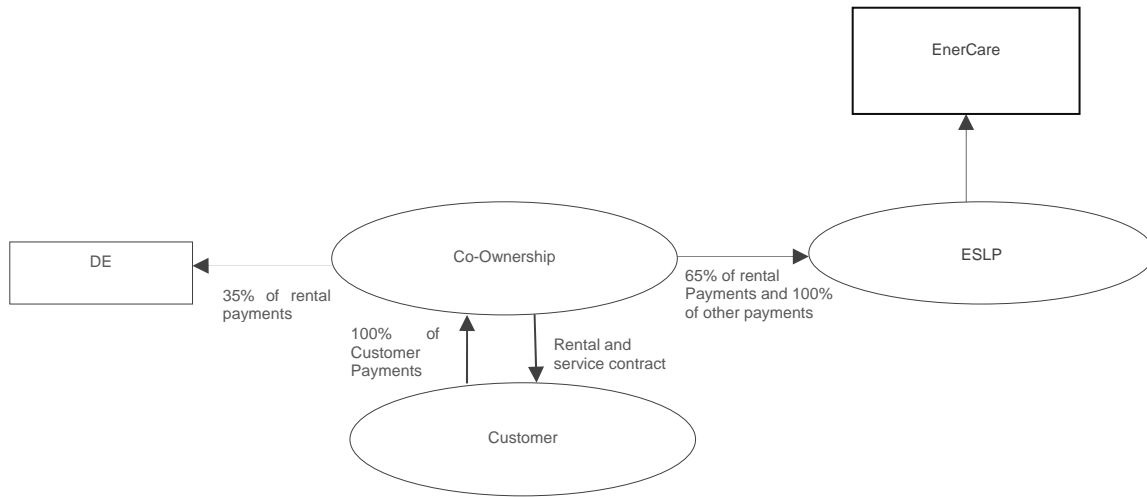
CO-OWNERSHIP AGREEMENT

Approximately 92% of the Rental Portfolio is subject to Custodial Rental Contracts and serviced under the Co-ownership Agreement, with the remaining 8%, comprised mainly of the TH Water Heaters, Festival Water Heaters, the Thunder Bay Water Heaters and the New Brunswick Water Heaters. Pursuant to the Co-ownership Agreement and subject to certain exceptions, (i) DE has agreed to provide or cause to be provided the financial, administrative and asset management services required to service the Custodial Assets and the water heaters and other assets that are subject to Custodial Rental Contracts; (ii) the respective entitlements of the holders of the EnerCare Co-ownership Interest and DE Co-ownership Interest are described; (iii) ESLP has agreed to continue leasing the water heaters and other assets that are subject to Custodial Rental Contracts to the Custodian; and (iv) DE transferred initially to itself and Newco as tenants-in-common and subsequently by DE and Newco to the Custodian, their respective right, title and interest in and to the Custodial Assets. The Co-ownership Agreement provides that neither of the Co-owners is entitled to unilaterally deal with any of the Custodial Assets except as may be expressly provided as part of the DE Co-ownership Interest or the EnerCare Co-ownership Interest. EnerCare and its affiliates have no interest or rights in the DE Co-ownership Interest and DE and its affiliates have no rights in the EnerCare Co-ownership Interest.

DE retains exclusive beneficial ownership of its trademarks, subject to a limited licence to the Custodian upon the occurrence of a Servicer Termination Event. In addition, except for the rights thereto granted to the Custodian, DE has the exclusive right to use all customer data. In particular, DE has an exclusive contact arrangement with customers, and has the exclusive use of the billing channel for the sale of all products and services, provided that the Custodian will have a right to use (or sublicense a replacement servicer to use) the billing channel if DE is replaced as Servicer, but only to the extent necessary to collect rents, service the Rental Portfolio, install replacement water heaters and perform its other obligations under the Custodial Rental Contracts, and for no other purpose.

The EnerCare Co-ownership Interest entitles EnerCare to 65% of the aggregate rent paid by customers under the Custodial Rental Contracts (subject to possible adjustments in accordance with the Co-ownership Agreement) and requires the holder thereof to bear 100% of the obligation to pay any costs of Extraordinary Servicing. The DE Co-ownership Interest entitles the holder thereof to 35% of the aggregate rent paid by customers under the Custodial Rental Contracts and requires DE to perform the Services or cause the Services to be performed. The cash flow entitlements of the Co-owners are subject to reduction (including in the event of DE's insolvency) by the servicing expenses incurred by the Custodian upon termination of DE as servicer. Such reduction is to be applied first against the 35% entitlement of the holder of the DE Co-ownership Interest and, secondly, against the 65% entitlement of the holder of the EnerCare Co-ownership Interest.

The following simplified diagram sets out the cash flow structure under the Co-ownership Agreement:



As described under “Installation and Support from DE – Customer Services; Billing”, Enbridge has agreed to permit DE to bill the Rental Portfolio receivables on billing statements issued by affiliates of Enbridge. Under the Co-ownership Agreement, DE has agreed, following expiry of EGD’s consolidated billing commitment, to permit the Co-owners to bill the Rental Portfolio rental receivables subject to Custodial Rental Contracts on a gas or power billing statement, if any, issued by DE or an affiliate of DE to those customers of DE (or such affiliate) that are also generating the Rental Portfolio rental receivables. The Co-ownership Agreement does not obligate DE or any affiliate thereof to have or maintain any such billing statement. In the event that such co-billing arrangements are made with DE or its affiliates, it is expected that an agreement similar in effect to the Second Receivables Trust Agreement will be entered into whereby each of the parties on the co-billing statement will transfer to a trustee all proceeds of their respective receivables. Pursuant to the Co-ownership Agreement, the Custodian has established the Collection Account. All EGD payments and all collections in respect of the Rental Portfolio distributed by the trustee under the Amended Receivables Trust Agreement and the trustee under the Second Receivables Trust Agreement (or by the applicable trustee under any further alternative trust arrangement in the event of co-billing arrangements described above) are made directly to the Collection Account and are not co-mingled with any other funds of ESLP, Rentco or DE. All collections of rent under the Custodial Rental Contracts (net of taxes required to be remitted) are distributed to the Co-owners out of the Collection Account every second business day in accordance with their respective entitlements under the Co-ownership Agreement. The Custodian invests any monies held on behalf of the Co-owners in permitted investments as directed by the Servicer.

The Co-ownership Agreement provides for a mechanism between DE and EnerCare in determining rental charges, although the average monthly rental rates for all installed water heaters subject to Custodial Rental Contracts cannot decrease below the average monthly rental rates in effect on the last day of the then current calendar year without the consent of EnerCare. No later than November 1 in each year, DE will make recommendations on the rental charges for the installed water heaters subject to Custodial Rental Contracts as well as all new water heaters to be sold to ESLP pursuant to the Origination Agreement and installed in the following calendar year. Provided that the rental charges for all replacement water heaters are set at competitive market rates, DE will not require the approval of ESLP to set those rates; provided, however, EnerCare retains the right to refuse to purchase such water heaters in

accordance with the Origination Agreement. DE will be entitled to propose any rental charge for all additional water heaters, subject to ESLP's right to refuse to purchase such water heaters in accordance with the Origination Agreement. Any objection by ESLP must be made to DE on or before December 1 for the following year. In addition, DE may not reduce the rental rates for any installed water heaters subject to Custodial Rental Contracts in respect of the following calendar year without ESLP's consent unless, after such reduction, the average monthly rental rates for all installed water heaters subject to Custodial Rental Contracts would not decrease below the average monthly rental rates in effect on the last day of the current calendar year. All of the foregoing arrangements regarding determining rental charges are subject to any regulatory or legal restrictions that may be applicable. Rental rates for other assets in the Rental Portfolio that are subject to Custodial Rental Contracts are determined by agreement between EnerCare and DE.

The Co-ownership Agreement does not contain any termination rights, except that the Custodian may, upon written instructions from the holder of the EnerCare Co-ownership Interest, terminate DE as Servicer if there is a Servicer Termination Event. DE may resign as Servicer at any time on 12 months' written notice provided that it arranges for a replacement servicer acceptable to ESLP acting reasonably. There is no restriction on ESLP's ability to sell or transfer the Rental Portfolio. There are no restrictions on the ability of the Co-owners to assign the benefit of their respective Co-ownership Interests, provided that both the Co-owners remain subject to all of their respective obligations under the Co-ownership Agreement, unless (i) such assignment takes place by operation of law where a successor entity succeeds to all the assets and liabilities of the assigning Co-owner, (ii) in the case of DE, its water heater servicing business is sold as an entirety to an assignee of the DE Co-ownership Interest or its affiliate and such assignee assumes all obligations of DE under the Co-ownership Agreement, or (iii) the other parties to the Co-ownership Agreement consent to such assignment and the assumption of the obligations of the assignor under the Co-ownership Agreement, such consent not to be unreasonably withheld.

SERVICING OF WATER HEATERS

Under the Co-ownership Agreement, DE is the exclusive servicer of the Custodial Assets and Rental Portfolio assets subject to Custodial Rental Contracts. As servicer, DE will provide, at its own expense, the financial, administrative, and asset management services required to service the Custodial Assets and such Rental Portfolio. DE will not receive any fee for providing the Services, other than in respect of Extraordinary Servicing, provided, however, any costs incurred by DE in the disposition of a Rental Portfolio asset will be for the account of ESLP and in the first instance will be paid out of the exit charges or other fees which would otherwise be payable to ESLP as owner thereof. DE may delegate, at its cost, such of its servicing obligations under the Co-ownership Agreement as it determines is desirable.

As Servicer, DE performs, directly or through delegates, the following Services, among others:

- (a) assume responsibility for all day-to-day administration of the Custodial Assets;
- (b) service, repair and remove Rental Portfolio assets subject to Custodial Rental Contracts and assume responsibility for providing the vehicles, equipment and personnel used in the performance of such servicing, repair and removal;
- (c) co-ordinate and facilitate the services to be provided under the Customer Services Agreement;
- (d) train its own staff providing the Services;

- (e) manage relationships with all suppliers of water heaters and spare parts, with EnerCare having certain veto rights (under the Origination Agreement) over material terms and conditions, and negotiate the terms of any warranty coverage from manufacturers on the same basis that it would if it was both the water heater owner and Servicer;
- (f) administer the franchise agreements and supervise its own subcontractors;
- (g) maintain and implement prudent and reasonable administrative and operating procedures and keep and maintain all information reasonably necessary or advisable for the collection of amounts payable in respect of the Custodial Assets;
- (h) invoice customers and ensure that all collections from customers allocable to Rental Portfolio assets subject to Custodial Rental Contracts including, where applicable, all taxes, are paid into the Collection Account;
- (i) use its reasonable commercial efforts to collect from customers in arrears and enforce appropriate remedies under the Custodial Rental Contracts;
- (j) perform obligations of the lessor under the Custodial Rental Contracts including the servicing of Rental Portfolio assets subject to Custodial Rental Contracts;
- (k) assume sole responsibility for customer communications and customer service;
- (l) provide portfolio reports and other required financial reports to, among others, the Co-owners relating to the Custodial Assets;
- (m) provide to ESLP appropriate rights of access to be agreed for audit purposes and periodically to assess portfolio trends;
- (n) provide 24 hour, 7 days-a-week responses to customer service requests;
- (o) employ or cause to be employed a reasonable and adequate number of call centre representatives and service agents trained in accordance with DE's standard procedures; and
- (p) bill all service costs associated with abuse, upgrades and, subject to the Consent Order, removals to the relevant customer.

DE, as Servicer, is liable for negligent servicing of the Rental Portfolio and for the replacement of parts to the extent necessitated by reasonable wear and tear. ESLP, as owner of the Rental Portfolio subject to Custodial Rental Contracts, is liable for any product liability claims and product defects which were not known to DE as at December 17, 2002, including all costs of Extraordinary Servicing, replacing defective water heaters and replacing defective parts of such Rental Portfolio assets.

Upon the occurrence and continuance of a Servicer Termination Event, ESLP, as holder of the EnerCare Co-ownership Interest, may initiate a process to appoint a replacement servicer to perform the Services. Following receipt of notice from the holder of the EnerCare Co-ownership Interest, each of DE and ESLP will deliver to each other and the Custodian a list of three proposed replacement servicers who are not affiliates of one another or of DE. DE and ESLP will then negotiate in good faith to finalize a list of at least three potential replacement servicers who are capable of providing the Services in accordance with the Servicing Standard. ESLP is thereafter to use its reasonable commercial efforts to obtain offers (on a sealed bid basis) from the potential replacement servicers, which offers are to include the servicing fee or fees that each such person is prepared to accept as full compensation for the assumption of the obligation to provide the Services. ESLP is required to select the person, from among those persons submitting offers, who is prepared to immediately accept employment as replacement servicer and whose specified servicing fee or fees as set forth in the offer is the lowest annual amount. DE will have an opportunity to review the details of each offer and, if necessary,

contest ESLP's choice to a mutually acceptable arbitrator. Immediately upon selection, such person will be appointed by the Custodian, on behalf of the Co-owners, as the replacement servicer and the Custodian must immediately give notice to DE and ESLP of the appointment of the replacement servicer. In certain circumstances, including where DE contests ESLP's proposals for, or choice of, replacement servicer, the Custodian, on behalf of the Co-owners, will be entitled to appoint an interim replacement servicer to act in such capacity until a permanent replacement servicer is appointed.

In the event of the occurrence and continuance of a Servicer Termination Event, in addition to being entitled to appoint a replacement servicer, the Custodian will have the following additional rights:

- (a) the Custodian will be entitled to dual brand the Custodial Assets for a transition period of six months but thereafter will not be entitled to use any of the brands used or owned by DE (provided that neither the Co-owners nor ESLP will have any obligation to remove or cover any brand from any Rental Portfolio asset except it shall remove or cover any such brand if the replacement servicer otherwise has cause to visit the customer); and
- (b) the Custodian will have the right to use (or sublicense a replacement servicer to use) the billing channel and all other customer information only to the extent necessary to collect rents and provide the Services, perform its obligations under the Custodial Rental Contracts and install replacement water heaters, and for no other purpose.

The costs of any replacement servicer and all other reasonable and justifiable costs incurred by the Custodian and any Co-owner as a result of the occurrence of a Servicer Termination Event are to be borne by DE out of, and with recourse limited to, the DE Co-ownership Interest.

The TH Water Heaters, Festival Water Heaters, Thunder Bay Water Heaters, New Brunswick Water Heaters and other water heaters originated by ESLP directly or through third parties, such as EcoSmart Energy Savings Inc., are not subject to the servicing arrangements under the Co-ownership Agreement, but rather are serviced in a similar manner on a fee-for-service basis. For the TH Water Heaters, EnerCare has entered into an agreement with DE to service these water heaters on a fee-per-service call basis and to handle the administration and billing of these units on a fee per transaction basis. For the New Brunswick Water Heaters, EnerCare has entered into an agreement with EGNB to service these water heaters on a fee-per-service call basis and to handle the administration and billing of these units on a fee per transaction basis. The Festival Water Heaters, the Thunder Bay Water Heaters as well as other water heaters originated by ESLP directly or through third party contractors are billed through a billing service provider under an agreement made as of March 20, 2009. In both cases, EnerCare has contracted local third party contractors to service these water heaters on a fee-per-service call basis.

ORIGINATION AGREEMENT

Pursuant to the Origination Agreement, DE offers to sell prior to installation, on an exclusive basis, to ESLP all rental water heaters that it originates in Canada on the condition that such water heaters will be subject to the Co-ownership Agreement; provided, however, DE is only required to offer rental water heaters outside of Ontario to ESLP once the number of such water heaters exceeds 10% of the number of installed water heaters subject to Custodial Rental Contracts in Ontario and ESLP has acquired such portfolio pursuant to the Non-competition Agreement. EnerCare has the opportunity, on an ongoing basis, to maintain and increase its portfolio of water heaters by investing in new water heaters originated by DE and sold to it pursuant to the Origination Agreement. DE is obligated to originate rental water heaters for sale

to ESLP pursuant to the Origination Agreement only for so long as it is economic, including a reasonable rate of return, to DE for it to do so. If, based on DE's good faith determination, DE believes that it will no longer be economic for it to originate water heaters in respect of the following calendar year or years on substantially the terms then in effect, it must notify ESLP by no later than October 1 in the then current calendar year of such determination. Such notice must include a good faith offer from DE indicating the terms (without adjustment to its entitlement under the Co-ownership Agreement to receive a portion of the aggregate rent paid by customers under the Custodial Rental Contracts) on which it would be willing to continue to originate water heaters in the following calendar year or years. If ESLP agrees to such terms, provided such terms are considered by DE, acting reasonably, to be commercially reasonable to customers, DE must originate water heaters for sale to ESLP in the following calendar year on the terms agreed. If ESLP and DE fail to agree on such terms, or if such terms are not considered by DE, acting reasonably, to be commercially reasonable to customers, DE will thereafter be under no obligation to originate water heaters.

Beginning in January 2013, the Origination Agreement also requires DE to install upgraded venting whenever the installation of a replacement water heater requires such venting upgrade in order for the installation to be in compliance with applicable regulatory requirements, at no charge to the applicable rental customer, in the following circumstances: (a) a replacement of a power vented water heater due to tank failure; (b) an upgrade in the size of a power vented water heater; and (c) a power vented water heater relocation. DE and EnerCare have also agreed to originate commercial water heaters and HVAC Equipment.

DE exclusively manages the relationship with suppliers and has sole responsibility for the negotiating of terms and conditions of supply and warranty with ESLP having veto rights over material terms and conditions with major suppliers to the extent materially different from industry norms, and DE will negotiate the terms of any after warranty coverage from manufacturers on the same basis that it would if it was both the water heater owner and servicer. ESLP has the right to approve any warranty terms that are materially different from industry norms. In addition, DE is responsible for maintaining an adequate inventory of water heaters for installation.

No later than November 1 in each calendar year, DE will advise ESLP of its estimated installations of replacement water heaters, additional water heaters and venting upgrades for the following calendar year. DE will also advise ESLP of the estimated installation costs and venting fees that will apply to each different type of water heater. The total costs will include: (i) the actual capital cost of the water heater; (ii) a margin of 10% applied to the capital cost to cover administration and inventory management services; (iii) either (a) an installation fee (to cover labour and sundry materials), being fixed for the term of the Origination Agreement, adjusted only for inflation, in connection with the installation of replacement water heaters, (b) usual and customary fees charged by DE, or its subcontractor, to ESLP on a "most favoured customer" basis (which fee will include a reasonable profit component, and will be comparable to the fees charged by an arm's length installer of comparable equipment) in connection with the installation of additional water heaters, or (c) fees paid to construction contractors in connection with the installation of additional water heaters; and (iv) effective in January 1, 2013, a venting fee, being fixed for the term of the Origination Agreement, adjusted only for inflation, in connection with the installation of an eligible venting upgrade as specified in the Origination Agreement. In July 2013, the Origination Agreement was also amended to set fixed amounts, adjusted only for inflation, for: (x) the installation fee described in (iii)(a) above in respect of installations of a tankless water heater in replacement of a water heater that was not tankless from August 1, 2013 to December 2016; and (y) the usual and customary fees described in (iii)(b) above in respect of installations of additional water heaters from August 1, 2013 to December 2016.

As noted above under “Co-ownership Agreement”, DE must also advise as to the rental rates it will charge for all types of water heaters and other assets for the following calendar year. ESLP must decide by no later than December 1 in each calendar year whether or not it will purchase either replacement water heaters or additional water heaters or both, and whether or not it will accept venting upgrades, from DE for such calendar year in accordance with the estimated number of installations and installation costs, and venting upgrades and venting fees, as applicable, advised by DE. To the extent that ESLP chooses not to accept replacement water heaters or additional water heaters or both, DE will be free to finance or sell such water heaters that were not accepted for such calendar year and such water heaters will not be subject to the Co-ownership Agreement or the Non-competition Agreement; provided that, in the case of sales, DE will not offer such water heaters for sale at a higher initial yield (having regard to the purchase price, rental rates and the relative percentage charged for servicing) than would have been received by ESLP without offering to ESLP the exclusive right to purchase such water heaters under the Origination Agreement on terms that would give ESLP such higher initial yield. If DE retains such water heaters for its own account, the rental rates that DE may charge its own customers for the first five years may not be more than the rental rates proposed to ESLP unless it first offers ESLP the right to purchase such water heaters on terms that will produce such higher yield. ESLP may at any time during a calendar year in which it has determined not to purchase all new water heaters originated by DE, on at least three months’ notice, commit to DE that it will resume purchasing replacement water heaters or additional water heaters or both during the remainder of the calendar year provided that (i) at DE’s option, ESLP may be required to acquire the backlog for the current calendar year of replacement water heaters or additional water heaters or both, as applicable, and (ii) at ESLP’s option, DE may be required to sell up to the entire backlog of water heaters accumulated and not sold by DE since ESLP last ceased purchasing replacement water heaters or additional water heaters or both, in each case, to the extent that DE has not previously sold them or the associated rental contracts. The purchase price of a backlog water heater will be determined in the same manner as for a new water heater, save that (i) the initial capital cost will be assumed to be equal to the depreciated capital cost (calculated monthly) as set out in DE’s accounts, and (ii) if the backlog is purchased at ESLP’s option, ESLP will be responsible for DE’s costs of terminating any financing arrangements incurred by it to finance the backlog of water heaters.

If, in any calendar year, the capital cost of the replacement water heaters or additional water heaters or both that ESLP had previously committed to purchase increases above the amount estimated by DE, ESLP will have the right to cease purchasing replacement water heaters or additional water heaters or both for the balance of that calendar year.

If, in any calendar year, ESLP decides not to purchase all new water heaters originated by DE, then unless ESLP has resumed purchasing all such new water heaters, ESLP may not purchase water heaters from any other person that are substantially similar to the water heaters that it did not purchase from DE (with regard to number, type, manufacturer and quality) at a price that would generate a lower initial yield (with regard to purchase price, rental rates and the relative percentage charged for servicing) for ESLP than the initial yield that would have resulted had it purchased the new water heaters from DE, without first offering to purchase the entire backlog of new water heaters.

DE will replace installed water heaters in accordance with the agreed replacement policy under the Co-ownership Agreement. Specifically, this provides that DE will replace an installed water heater if a prudent owner would choose to replace such water heater having regard to its whole-of-life costs (including service history, operating expenditures, capital expenditures and financing). In addition, DE will be permitted (but not required) to replace an installed water heater (i) in relation to which three service calls have been made within the preceding one-year

period, or (ii) in relation to which a service call is made and the age of such installed water heater is greater than 15 years (eight years in respect of commercial water heaters).

DE may terminate the Origination Agreement in the following circumstances:

- (a) bankruptcy, insolvency or receivership of EnerCare or its subsidiaries;
- (b) the appointment of a replacement servicer under the Co-ownership Agreement due to a Servicer Termination Event; and
- (c) EnerCare fails to pay the purchase price of new water heaters that it has elected to acquire, after the expiry of an applicable cure period following receipt of notice of such failure.

DE may terminate the Origination Agreement as it relates to replacement or additional water heaters if ESLP, during any consecutive period of 60 months, elects not to acquire all replacement or additional water heaters, as applicable, offered to it by DE for 30 or more of these months. The Origination Agreement has an initial 20-year term (expiring December 16, 2022) and will renew thereafter for five-year terms if approved by DE and ESLP unless terminated in accordance with its terms. ESLP may terminate the Origination Agreement at any time upon 12 months' written notice prior to the expiry of the current initial or renewal term, upon the bankruptcy, insolvency or receivership of DE or upon the appointment of a replacement servicer under the Co-ownership Agreement.

During each year of the Origination Agreement, DE may be entitled to be paid an incentive fee by ESLP out of its entitlement to receive 65% of rental and other payments as holder of the EnerCare Co-ownership Interest. The incentive fee will be the product of the incentive fee percentage (as defined in the table below) applied to Adjusted Available Cash in excess of the higher of (i) Adjusted Available Cash of \$48,200, and (ii) Adjusted Available Cash for the most recent year in which ESLP purchased replacement and/or additional water heaters pursuant to the Origination Agreement. The incentive fee percentage will be determined on the basis of the Adjusted Available Cash per Common Share in excess of the higher of (i) Adjusted Available Cash per Common Share of \$0.9735, and (ii) Adjusted Available Cash per Common Share for the most recent year in which ESLP purchased replacement and/or additional water heaters pursuant to the Origination Agreement; provided, however, no incentive fee will be payable in respect of any year in which the number of installed water heaters subject to Custodial Rental Contracts has decreased, in each case, in accordance with the following table:

Increase in Adjusted Available Cash Per Common Share	Incentive Fee
CPI plus <1%	0%
CPI plus 1% <2%	5%
CPI plus 2% <3%	10%
CPI plus 3% <4%	15%
CPI plus 4% <5%	20%
CPI plus 5% or more	25%

The incentive fee earned by DE for 2011, 2012 and 2013 was nil.

NON-COMPETITION ARRANGEMENTS

Pursuant to the Non-Competition Agreement, DE has agreed that it shall not, during the term of the Origination Agreement, except as expressly provided in the Origination Agreement with respect to water heaters not purchased by ESLP, directly or indirectly, in any manner

whatsoever including, without limitation, either individually, in partnership, jointly or in conjunction with any other person, or as principal, agent or shareholder:

- (a) be engaged in any undertaking;
- (b) have any financial or other interest (including an interest by way of royalty or other compensation arrangements) in or in respect of the business of any person which carries on a business; or
- (c) advise, lend money to, guarantee the debts or obligations of or permit the use of DE's corporate names or trade names or any part thereof by any person which carries on a business,

in Canada which is the same as or substantially similar to or which competes with or would compete with the business of marketing, installing, maintaining and servicing rental water heaters and other assets conducted by Rentco and ESLP on December 17, 2002 (except in respect of commercial water heaters, in which case the applicable date is January 1, 2005) pursuant to the Co-ownership Agreement; provided, however, nothing will preclude DE from: (i) selling, servicing and financing the sale of (a) water heaters and commercial water heaters (other than by renting) outside of Ontario and (b) equipment which, if owned by Rentco on December 17, 2002, would constitute "Other Rental Portfolio Assets" under the Co-ownership Agreement, except commercial water heaters ("Other Equipment") (other than by renting) in Canada (both in Ontario and elsewhere); (ii) renting water heaters outside Ontario and renting Other Equipment in Canada (both in Ontario and elsewhere) subject to its obligation to offer to sell these (a) water heaters to ESLP once this portfolio exceeds 10% of the number of installed water heaters subject to Custodial Rental Contracts within Ontario and (b) Other Equipment to ESLP once this portfolio exceeds 10% of the rental revenues from the Rental Portfolio subject to Custodial Rental Contracts; (iii) selling and financing the sale of water heaters through DE's retail stores and call centres within Ontario provided (a) such sales do not exceed 10% of all new water heaters in Ontario in any year, and (b) sales are at a price no less than the price at which the same water heaters would be offered to ESLP under the Origination Agreement or selling and financing the sale of commercial water heaters through DE's retail stores and call centres within Ontario, provided that DE uses its reasonable commercial efforts to promote the rental of commercial water heaters by EnerCare; (iv) entering into and performing water heater servicing or servicing contracts for individual households, other than where the referral arises from a competitor other than as set out in (v) below; (v) entering into and performing water heater servicing contracts for portfolios of water heaters and commercial water heaters (including on new housing developments) provided that where DE has bid unsuccessfully for a water heater rental and servicing arrangement on a new housing development (a) DE had not agreed to act as servicer for the successful bidder, and (b) DE does not provide the servicing on terms more favourable than those provided under the Co-ownership Agreement; (vi) entering into and performing Other Equipment servicing or servicing contracts (other than water heaters) including for individual households and portfolios of such equipment (including on new housing developments); (vii) owning up to 10% of the voting securities of any publicly traded company that would otherwise be a prohibited investment pursuant to the Non-Competition Agreement; or (viii) purchasing, merging or amalgamating with or otherwise acquiring any entity which would otherwise be a prohibited investment pursuant to the Non-Competition Agreement provided it offers ESLP the right to acquire, to the extent of such competition, each competing entity at a price determined by DE with reference to the price paid therefor by DE. If ESLP fails to so acquire, DE shall be free to own such competing business provided any new water heaters and commercial water heaters originated by DE shall continue to be subject to the Origination Agreement.

SUB-METERING

Overview

EnerCare entered the Sub-metering business in August 2008 with the acquisition of Stratacon (the business of which was predominantly in the retro-fit rental apartment sector), and substantially expanded its Sub-metering business in October 2010 with the acquisition of EECl (the business of which was predominantly in the new and retro-fit condominium sector). Stratacon and EECl were amalgamated effective January 1, 2012 under the name EnerCare Connections Inc. In 2011, 2012 and 2013, revenues from the Sub-metering business accounted for \$67,789 (approximately 27%), \$88,833 (approximately 32%) and \$109,338 (approximately 37%), respectively, of EnerCare's consolidated revenues.

The Sub-metering business involves supplying, installing and remotely reading meters to measure individual suite consumption of electricity, gas, heat, cooling and water in apartment buildings and condominiums, as well as commercial buildings, and billing and collecting for the cost of the energy or water and the administrative charges for the services provided. Studies have shown that the amount of energy consumed is reduced following the implementation of the individual suite metering. This can benefit both the suite occupant as well as help reduce overall energy consumption in a particular building. Most of the Sub-metering business to date is in Ontario and Alberta and in respect of reading electricity consumption.

The business model for EnerCare's Sub-metering business is generally to contract with building owners and condominium corporations for the provision of sub-metering services for individual apartments and condominium units. EnerCare Connections charges residents monthly fees for the provision of the sub-metering measurement and billing, as well as related customer care services, which in most cases can be increased over the term of the agreement, subject to certain limitations. In a growing number of instances, EnerCare Connections bills and collects the charges for commodity consumption, pays the utility service provider, and assumes the collection risk for the receivables. EnerCare Connections is licensed by the OEB to provide sub-metering systems to condominiums and apartments in Ontario.

On May 25, 2012, EnerCare Connections deployed a new utility grade customer billing system which consolidated all sub-metering billing functions on to one platform. The billing functions were previously performed by two legacy systems inherited as part of the Stratacon and EECl acquisitions. Additionally, the consolidation of systems has permitted EnerCare Connections to internalize its sub-metering customer care delivery, previously provided by two external suppliers. The new customer care system allows greater automation and consistency of process and allows EnerCare Connections to take advantage of greater economies of scale.

The supply of meters and other equipment and installation services related to the Sub-metering business have been carried out substantially through third party entities. EnerCare Connections purchases meters from a number of suppliers, with the majority provided currently by Triacta Power Technologies Inc., Quadlogic Controls Corp. and Elster Metering. Installation services are provided by a number of locally-based, licensed contractors under the direction of the employees of EnerCare Connections.

The portfolio of sub-meters is measured at various stages of completion. As of December 31, 2013, the Sub-metering business had approximately 166,000 contracted units, 136,000 installed units and 82,000 billing units (156,000, 115,000 and 71,000, respectively, as of December 31, 2012). The lag in the number of units billing as opposed to contracted and installed is due primarily to the time required to plan, equip, install and verify the sub-meters and also the time

required to transition apartment rental agreements to accept the metering of individual suites, primarily in the Ontario residential tenancy market.

There are a number of competitors providing sub-metering services, including CARMA Industries Inc., Provident Energy Management, Priority Submetering Solutions Inc., Yardi Energy Solutions, Wyse Meter Solutions Inc., and certain local utility distribution companies.

Prior to EnerCare's acquisition of Stratacon, Stratacon financed the majority of its capital expenditures by securing its sub-metering services contracts with Maxium Financial Services Inc. ("Maxium"). In addition, Stratacon had operating lines of credit provided by Maxium. In connection with the acquisition, the operating lines were repaid and the secured debt was continued. No new secured debt has been undertaken since May 2008, and at December 31, 2013, the balance of the secured debt amounted to \$4,285.

Regulatory Developments

Ontario

In March 2009, the OEB Bulletin was issued regarding installation of sub-metering systems in residential complexes in Ontario to all licensed smart sub-metering providers, including Stratacon and EECI, and all unlicensed and licensed electricity distributors indicating that the compliance office took the view that the installation of smart sub-metering systems in residential complexes was not authorized under the *Electricity Act* (Ontario), other than in condominiums, and therefore such activities were prohibited. The OEB Bulletin further indicated that the compliance office expected all non-compliant activities to cease immediately.

In May 2009, the compliance office issued a notice to commence a written proceeding to determine whether, and if so, under what conditions, certain entities should be authorized to conduct discretionary metering activities. The Fund, through Stratacon, made written submissions to the proceeding, both on its own behalf and as part of the sub-metering working group.

In August 2009, the OEB issued the OEB Order authorizing "exempt distributors" (i.e., landlords) to conduct discretionary metering activities under the *Electricity Act* (Ontario) in respect of certain residential complexes and industrial and commercial and office buildings. This OEB Order was an interim solution by the OEB pending the introduction of a formal regulatory regime in Ontario and has been superseded by the Sub-metering Legislation.

The OEB Order required residential landlords to obtain consents from each of its sub-metered tenants in buildings where the sub-metering system was installed after November 3, 2005, regardless of whether consent had previously been obtained. Residential landlords were also required to meet other conditions such as conducting an independent energy audit, using a licensed sub-metering provider such as Stratacon or EECI and providing tenants with a comprehensive information package, including the amount of any sub-metering administrative charges, the specific amount of the rent reduction being offered to the customer and a detailed description of the methodology used to arrive at such reduction. Stratacon and EECI restarted activities in the Ontario apartment market segment, reflecting the requirements of the OEB Order.

In April 2010, the Sub-metering Act was passed by the Ontario Legislature. The Sub-metering Act sets out a high level framework to, among other things, permit individual suite sub-metering in prescribed apartment buildings and condominium complexes in Ontario.

In October 2010, the Government of Ontario published the Sub-metering Regulations. The Sub-metering Legislation became effective on January 1, 2011 and permits individual suite sub-metering in apartment buildings, condominium complexes and commercial buildings in Ontario. Among other things, the Sub-metering Legislation, (i) amends the RTA to permit sub-metering, subject to first providing tenants with required information and subject to receiving consent from a sitting tenant; (ii) confirms the right of sub-metering providers to shut off the distribution of electricity for non-payment, subject to prescribed conditions and exceptions; (iii) provides the OEB with oversight over security deposit policies chargeable by sub-metering providers and imposes licensing requirements on sub-metering providers; (iv) requires the installation of suite meters in “new” residential buildings; (v) sets information, rent reduction and refrigerator efficiency requirements; (vi) disallows suite metering of electric heat in residential rental buildings, except in respect of sub-meters installed prior to January 1, 2011, subject to certain conditions; and (vii) transitions existing suite meter arrangements and existing licenses of sub-meter providers into the new regime.

In December 2010, the OEB issued the Sub-metering Code, which sets out the minimum conditions and standards that a licensed unit sub-meter provider must meet when providing unit sub-metering services on behalf of exempt distributors. The Sub-metering Code came into force on January 1, 2011.

In March 2012, the OEB issued amendments to the Sub-metering Code, which came into force on March 15, 2013. The amendments require unit sub-meter providers to, among other things, adopt customer protection measures similar to those provided to consumers of licensed distributors regarding disconnection, security deposits, and consumer complaints. EnerCare Connections’ operations have been modified to reflect these amendments.

Alberta

In November 2009, the Government of Alberta passed regulations providing, among other things, that landlords are not allowed to use a heat sub-meter to bill tenants unless the heat sub-meter is certified by Measurement Canada under the federal Weights and Measures Act. Stratacon had approximately 4,000 contracted units for which it is providing sub-metering, none of which has been so certified as Measurement Canada has yet to establish the standards to be met for certifications. Measurement Canada is in the process of establishing the standards.

DIVIDEND LEVEL

In connection with the Conversion, the Fund announced that EnerCare would maintain the Fund’s previous distribution level of \$0.648 per Common Share annually as monthly dividends of \$0.054 per Common Share. In November 2011, EnerCare announced an increase in its dividends to \$0.055 per Common Share effective in respect of the dividend payable to shareholders as of the record date in December 2011, for payment in January 2012. In February 2012, EnerCare announced an increase in its dividends to \$0.056 per Common Share effective in respect of the dividend payable to shareholders of record on the applicable date in March 2012, which dividend was paid in April 2012. In February 2013, EnerCare announced an increase in its dividends to \$0.057 per Common Share effective in respect of the dividend payable to shareholders of record on the applicable date in March 2013, which dividend was paid in April 2013. In August 2013, EnerCare announced an increase in its dividends to \$0.058 per Common Share effective in respect of its dividend payable to shareholders of record on the applicable date in September 2013, which dividend was paid in October 2013. In February 2014, EnerCare announced an increase in its dividends to \$0.0604 per Common Share effective in respect of its dividend payable to shareholders of record on the applicable date in March 2014, which dividend will be paid in April 2014. Dividends are intended to be paid

monthly to shareholders of record on the last business day of each month with actual payments to be made to such shareholders on or about the last business day of the following month.

The dividend level is intended to allow for internally generated cash flow to support organic growth, maintain a strong balance sheet and provide sustainable monthly dividends to holders of Common Shares. However, the amount of dividends payable by EnerCare will be at the discretion of the Board of Directors and will be evaluated periodically and may be revised depending on, among other factors, EnerCare's earnings, the financial requirements of EnerCare's operations, the satisfaction of solvency tests imposed by corporate law for the declaration and payment of dividends and other conditions that may exist from time to time (including contractual restrictions on dividends under agreements entered into with lenders to EnerCare or its subsidiaries). There can be no guarantee that EnerCare will maintain its current dividend level (see "Risk Factors – Risks Related to the Structure of EnerCare – Uncertainty of Dividend Payments").

Based on announced dividends to December 31, 2011, the dividend history of EnerCare for 2011 and 2012 is as follows:

Month ⁽¹⁾	Per Share Cash Dividend	
	2011	2012
January	\$0.054	\$0.055
February	\$0.054	\$0.055
March	\$0.054	\$0.056
April	\$0.054	\$0.056
May	\$0.054	\$0.056
June	\$0.054	\$0.056
July	\$0.054	\$0.056
August	\$0.054	\$0.056
September	\$0.054	\$0.056
October	\$0.054	\$0.056
November	\$0.054	\$0.056
December	\$0.055	\$0.056

(1) Dividends were declared at least seven business days prior to the end of the month to persons who held Shares on the last business day of such month.

All of the foregoing dividends were paid in cash.

Based on announced dividends to March 20, 2014, the dividend history of EnerCare for 2013 and 2014 is as follows:

Month ⁽¹⁾	Per Share Cash Dividend	
	2013	2014
January	\$0.056	\$0.058
February	\$0.056	\$0.058
March	\$0.057	\$0.058
April	\$0.057	N/A
May	\$0.057	N/A
June	\$0.057	N/A
July	\$0.057	N/A
August	\$0.057	N/A
September	\$0.057	N/A

Month⁽¹⁾	Per Share Cash Dividend	
October	\$0.058	N/A
November	\$0.058	N/A
December	\$0.058	N/A

(1) Dividends were declared at least seven business days prior to the end of the month to persons who held Shares on the last business day of such month.

All of the foregoing dividends were paid or are payable in cash.

RATINGS

Credit Rating

EnerCare Solutions has received ratings on its Series 2012-1 Notes and Series 2013-1 Notes of “BBB+” with a “stable” outlook from S&P and “BBB (high)” (with a stable trend) from DBRS. S&P has also provided each of EnerCare and EnerCare Solutions with a long-term corporate credit rating of “BBB+” with a “stable” outlook and DBRS has provided EnerCare Solutions with an issuer rating of “BBB (high)” (with a stable trend).

A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner, with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally AAA) to very highly speculative (generally C). Each rating category of DBRS, other than AAA and D, is denoted by the subcategories “high” and “low” and each rating category of S&P from “AA” to “CCC” is denoted by the subcategories “plus (+)” and “minus (-)”. Absence of either a “high” or “low” or “plus (+)” or “minus (-)” designation indicates the rating is in the “middle” of the category. According to the DBRS rating system, debt securities rated “BBB” are of adequate credit quality and the capacity for the payment of financial obligations is considered acceptable, and entities in this category may be vulnerable to future events. A “BBB (high)” rating indicates the rating is in the higher end of the “BBB” category. Rating trends provide guidance in respect of DBRS’s opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories – “Positive”, “Stable” or “Negative”. A rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. In general, DBRS’s view is based primarily on an evaluation of the issuing entity or guarantor itself, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates.

According to the S&P rating system, a “BBB” rating indicates that the obligations rated are more subject to adverse economic conditions than obligations in higher-rated categories. However, S&P indicates that the obligor’s capacity to meet its financial commitment on the obligation is adequate. The addition of a plus (+) or minus (-) shows the relative standing within a rating category. A rating outlook, expressed as positive, stable, negative or developing, assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given by S&P to any changes in the economic and/or fundamental business conditions. S&P indicates that a security rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. There can be no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely if in the Rating Agency’s judgment circumstances so warrant. A revision or withdrawal of a rating on the Series 2012-1 Notes or Series 2013-1 Notes may have an adverse effect on the market price of the Common Shares and Senior Notes.

DESCRIPTION OF CAPITAL STRUCTURE

EnerCare's authorized share capital consists of an unlimited number of Common Shares and 10,000,000 preferred shares, issuable in series. As at March 14, 2014, there were 58,462,285 Common Shares issued and outstanding. No preferred shares have been issued by EnerCare.

The following is a brief summary of EnerCare's authorized share capital, as set forth in its Articles. This summary may not be complete and is subject to, and qualified in its entirety by reference to, the Articles, which are available on SEDAR at www.sedar.com.

Common Shares

Holders of Common Shares will be entitled to one vote per share at meetings of shareholders of EnerCare, to receive dividends if, as and when declared by the Board of Directors and to receive *pro rata* the remaining property and assets of EnerCare upon its dissolution or winding-up, subject to the rights of shares having priority over the Common Shares.

The Common Shares are listed on the TSX under the symbol "ECI".

Preferred Shares

Pursuant to the Articles, series of preferred shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board of Directors prior to the issuance thereof. Holders of preferred shares, except as required by law, will not be entitled to vote at meetings of shareholders of EnerCare. EnerCare will not issue preferred shares as a defensive tactic in a take-over bid. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of EnerCare, whether voluntary or involuntary, the preferred shares are entitled to preference over the Common Shares and any other shares ranking junior to the preferred shares from time to time and may also be given such other preferences over the Common Shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of such series.

Convertible Debentures

As at March 14, 2014, there was \$3,839 aggregate principal amount of Convertible Debentures outstanding. The Convertible Debentures are convertible into Common Shares at the option of the holder at any time prior to 4:00 p.m. (Toronto time) on the earlier of June 30, 2017 and the business day immediately preceding the date fixed for redemption of the Convertible Debentures. See "Consolidated Capitalization of EnerCare – Convertible Debentures."

The Convertible Debentures are listed on the TSX under the symbol "ECI.DB".

DESCRIPTION OF ENERCARE SOLUTIONS

The articles of amalgamation of EnerCare Solutions (the "EnerCare Solutions Articles"), contain provisions substantially similar to those of the Articles, the major exception being the authorized capital of EnerCare Solutions consists only of an unlimited number of common shares.

General

EnerCare Solutions was amalgamated on September 30, 2012 pursuant to the provisions of the CBCA for the sole purpose of participating in an internal reorganization. EnerCare Solutions is governed by the CBCA pursuant to the EnerCare Solutions Articles.

Directors/Governance

The EnerCare Solutions Articles provide that EnerCare Solutions will have a minimum of three and a maximum of ten directors. The directors of EnerCare Solutions (the “EnerCare Solutions Directors”) are to supervise the activities and manage the affairs of EnerCare Solutions. The directors and executive officers of EnerCare Solutions are the same as those of EnerCare (see “Directors and Officers”).

Capital Structure

The authorized capital of EnerCare Solutions consists of an unlimited number of common shares (the “EnerCare Solutions Shares”). As at the date hereof, there were 1,001 EnerCare Solutions Shares issued and outstanding.

The following is a brief summary of EnerCare Solutions’ authorized share capital, as set forth in the EnerCare Solutions Articles. This summary may not be complete and is subject to, and qualified in its entirety by reference to, the EnerCare Solutions Articles, which are available on SEDAR at www.sedar.com.

Common Shares

Holders of EnerCare Solutions Shares will be entitled to one vote per EnerCare Solutions Share at meetings of shareholders of EnerCare Solutions, to receive dividends if, as and when declared by the EnerCare Solutions Directors and to receive *pro rata* the remaining property and assets of EnerCare Solutions upon its dissolution or winding-up, subject to the rights of shares having priority over the EnerCare Solutions Shares.

Senior Notes

As at the date hereof, there were \$250,000 aggregate principal amount of Series 2012-1 Notes and \$225,000 aggregate principal amount of Series 2013-1 Notes outstanding (see “Consolidated Capitalization of EnerCare – Senior Indebtedness – The Senior Notes”).

DESCRIPTION OF ENERCARE SOLUTIONS LIMITED PARTNERSHIP

General

ESLP is a limited partnership established under the laws of the Province of Ontario to own, hold, secure and manage a portfolio of water heaters and other gas-fired rental equipment and such other businesses as the board of directors of WGP Inc. may determine, including all activities ancillary or incidental thereto. In particular, ESLP owns the Rental Portfolio, the EnerCare Co-ownership Interest and is entitled to the benefits of the Origination Agreement.

General Partner

The sole general partner of ESLP is WGP Inc. The directors and executive officers of WGP Inc. are the same as those of EnerCare (see “Directors and Officers”).

Partnership Units

ESLP is entitled to issue various classes of partnership interests. Holders of limited partnership units in ESLP is entitled to notice of, and to attend and vote at, all meetings of holders of partnership units except in certain specified circumstances in which the rights of a holder of another class of units are affected. Rentco is ESLP's sole limited partner.

Distributions

ESLP will distribute to WGP Inc. and to limited partners (listed on the record) on the last day of each month, their *pro rata* portions of available cash. Distributions will be made on the third day preceding the last day of each month following such record date (or if such third day is not a business day, on the first business day preceding such day) and are intended to be received by limited partners prior to their related distribution obligations. ESLP may, in addition, make a distribution at any other time. Cash distributions to limited partners will be limited to their allocations of taxable income. Any excess cash available within ESLP will be distributed to the limited partners as a return of capital.

Distributable cash will represent, in general, all of ESLP's income for tax purposes. If ESLP has available cash in excess of its income for tax purposes and after:

- satisfaction of its debt service obligations (principal and interest);
- satisfaction of its other expense obligations; and
- retaining reasonable reserves for administrative and other expense obligations and reasonable reserves for capital expenditures as may be considered appropriate by the board of directors of WGP Inc.

ESLP's policy is to distribute the excess to Holding LP or Rentco as a return of capital in the respective amounts determined by WGP Inc. as general partner.

Allocation of Net Income and Losses

The income or loss of ESLP for each fiscal year will be allocated to WGP Inc. and to the limited partners as to 0.001% and 99.999%, respectively. The amount of income allocated to a limited partner may exceed or be less than the amount of cash distributed by ESLP to that limited partner.

Income and loss of ESLP for accounting purposes is allocated to each partner in the same proportion as income or loss that is allocated for tax purposes.

If, with respect to a given fiscal year, no cash distribution is made by ESLP to its partners, or ESLP has a loss for tax purposes, one twelfth of the income or loss, as the case may be, for tax purposes of ESLP for that fiscal year will be allocated to WGP Inc. and the limited partners at the end of each month ending in that fiscal year, as to 0.001% and 99.999%, respectively, and to each limited partner in the proportion that the number of partnership units held at each of those dates by that limited partner is of the total number of partnership units issued and outstanding at each of those dates.

Functions and Powers of WGP Inc.

WGP Inc., as general partner of ESLP, has exclusive authority to manage the business and affairs of ESLP, to make all decisions regarding the business of ESLP and to bind ESLP. WGP Inc. is to exercise its powers and discharge its duties honestly, in good faith and in the

best interests of ESLP and to exercise the care, diligence and skill of a reasonable prudent person in comparable circumstances. WGP Inc. cannot dissolve ESLP, wind up its affairs or effect a sale of all or substantially all of ESLP's assets, except in accordance with the provisions of the Partnership Agreement.

The authority and power vested in WGP Inc. to manage the business and affairs of ESLP includes all authority necessary or incidental to carry out the objects, purposes and business of ESLP, including, without limitation, the ability to engage agents to assist WGP Inc. to carry out its management obligations and administrative functions.

The Partnership Agreement provides that all material transactions and agreements involving ESLP must be approved by the board of directors of WGP Inc.

Restrictions on the Authority of WGP Inc.

The authority of WGP Inc. is limited in certain respects under the Partnership Agreement. WGP Inc. is prohibited, without the prior approval of the limited partners given by ordinary resolution, from selling, exchanging or otherwise disposing of all or substantially all of the assets of ESLP.

DESCRIPTION OF ENERCARE CONNECTIONS

General

EnerCare Connections was formed as the result of the Stratacon-EECI Amalgamation, which became effective January 1, 2012. EnerCare Connections is governed by the *Business Corporations Act* (Ontario) pursuant to the articles of amalgamation of EnerCare Connections (the "EnerCare Connections Articles").

Directors/Governance

The EnerCare Connections Articles provide that EnerCare Connections will have a minimum of one and a maximum of ten directors. The directors of EnerCare Connections (the "EnerCare Connections Directors") are to supervise the activities and manage the affairs of EnerCare Connections. The directors and executive officers of EnerCare Connections are the same as those of EnerCare, other than the Vice President of Sales and Vice President, Installations of EnerCare Connections (see "Directors and Officers").

Capital Structure

The authorized capital of EnerCare Connections consists of an unlimited number of common shares (the "EnerCare Connections Shares") and an unlimited number of Class A Preference Shares (the "EnerCare Connections Preference Shares"). As at the date hereof, there was one EnerCare Connections Share and 50,000,000 EnerCare Connections Preference Shares issued and outstanding. All of the issued and outstanding EnerCare Connections Preference Shares are held by EnerCare Solutions.

EnerCare Connections Shares

Holders of EnerCare Connections Shares will be entitled to one vote per EnerCare Connections Share at meetings of shareholders of EnerCare Connections, to receive dividends if, as and when declared by the EnerCare Connections Directors and to receive *pro rata* the remaining property and assets of EnerCare Connections upon its dissolution or winding-up, subject to the

rights of holders of the EnerCare Connections Preference Shares and any other shares ranking senior to the EnerCare Connections Shares.

EnerCare Connections Preference Shares

Pursuant to the EnerCare Connections Articles, holders of the EnerCare Connections Preference Shares, except as required by law, will not be entitled to vote at meetings of shareholders of EnerCare Connections. With respect to dividends, holders of the EnerCare Connections Preference Shares will be entitled to receive if, as and when declared by the EnerCare Connections Directors cumulative preferential dividends at the rate of 6.9% per annum, such rate to be applied to the amount of \$1.00 per EnerCare Connections Preference Share. Holders of the EnerCare Connections Preference Shares will be entitled to require EnerCare Connections to redeem at any time all or any of the EnerCare Connections Preference Shares registered in the name of such holder. In addition, subject to the *Business Corporations Act* (Ontario) and the EnerCare Connections Articles, EnerCare Connections may upon giving 30 days' notice redeem at any time the whole or from time to time any part of the then outstanding EnerCare Connections Preference Shares on payment for each EnerCare Connections Preference Share to be redeemed. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of EnerCare Connections, whether voluntary or involuntary, holders of the EnerCare Connections Preference Shares shall be entitled to receive from the property and assets of EnerCare Connections a sum equal to the redemption price of the EnerCare Connections Preference Shares held by them respectively. After payment to holders of the EnerCare Connections Preference Shares, holders thereof will not be entitled to share in any further distribution of the property or assets of EnerCare Connections. In addition, in the event of liquidation, dissolution or winding-up of EnerCare Connections, the EnerCare Connections Preference Shares are entitled to preference over the EnerCare Connections Shares and any other shares ranking junior to the EnerCare Connections Preference Shares from time to time.

DIRECTORS AND OFFICERS

The Articles provide that EnerCare will have a minimum of three and a maximum of ten Directors. The Directors are to supervise the activities and manage the investments and affairs of EnerCare. Directors are elected to serve until the next annual meeting or until their successors are elected or appointed, unless their office is earlier vacated.

The names and municipalities of residence of the Directors and senior management of EnerCare, their respective positions and offices held with EnerCare and their principal occupation for the last five or more years are shown below. As at the date hereof, the Directors and senior management of EnerCare as a group owned, directly or indirectly, 267,311 Common Shares (representing approximately 0.46% of the outstanding Common Shares). The Directors and executive officers of EnerCare are also the directors and senior officers of its subsidiaries, other than the Vice President, Sales and Vice President, Installations of EnerCare Connections.

Name and Municipality of Residence	Principal Occupation	Date of Initial Appointment as Director/Senior Management of EnerCare	Independent
Directors			

Name and Municipality of Residence	Principal Occupation	Date of Initial Appointment as Director/Senior Management of EnerCare	Independent
Jim Pantelidis ⁽⁵⁾⁽⁶⁾ Toronto, Ontario	Chair of the Board of Directors, EnerCare and Chairman of the Board of Directors, Parkland Fuel Corporation	December 4, 2002	Yes
Lisa de Wilde ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁶⁾ Toronto, Ontario	Chief Executive Officer, The Ontario Educational Communications Authority (TVO)	July 26, 2006	Yes
John A. Macdonald ⁽⁶⁾ Aurora, Ontario	President and Chief Executive Officer, EnerCare	April 26, 2007	No
Grace M. Palombo ⁽³⁾⁽⁴⁾ Aurora, Ontario	Executive Vice-President, Head of Human Resources, TD Bank, North America	March 16, 2012	Yes
Jerry Patava ⁽¹⁾⁽³⁾⁽⁶⁾ Toronto, Ontario	Chief Executive Officer, Great Gulf Group of Companies	December 4, 2002	Yes
Roy J. Pearce ⁽²⁾⁽³⁾⁽⁶⁾ Stouffville, Ontario	Director, EnerCare	June 4, 2004	Yes
Michael Rousseau ⁽¹⁾⁽²⁾⁽⁶⁾ St-Lambert, Quebec	Executive Vice President and Chief Financial Officer, Air Canada	December 4, 2002	Yes
William M. Wells ⁽¹⁾⁽²⁾⁽⁴⁾ St. James, Barbados	Chairman, Evizone Limited	March 20, 2012	Yes
Senior Management			
John A. Macdonald ⁽⁶⁾ Aurora, Ontario	President and Chief Executive Officer, EnerCare	November 27, 2006	-
Evelyn Sutherland Toronto, Ontario	Chief Financial Officer, EnerCare	August 15, 2011	-
John Toffoletto ⁽⁶⁾ Toronto, Ontario	Senior Vice President, General Counsel and Corporate Secretary, EnerCare	January 5, 2009	-
Ross Garland Peterborough, Ontario	Senior Vice-President and General Manager	April 15, 2013	-
Laima Cers Toronto, Ontario	Vice President, Marketing and Business Development	March 25, 2013	-
Larry Ryan King Township, Ontario	Executive Advisor, EnerCare	November 27, 2006	-

(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

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

(6) In respect of dates prior to January 1, 2011, the corresponding individual was initially appointed as a trustee and/or member of senior management, as applicable, of the Fund on the dates indicated and appointed as a director and/or member of senior management, as applicable, of EnerCare on December 22, 2010.

The following are biographies of the Directors and members of senior management:

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.

Evelyn L. Sutherland, Chief Financial Officer. Ms. Sutherland was appointed Chief Financial Officer of EnerCare and each of its subsidiaries in August 2011. Ms. Sutherland has fifteen years of experience in finance and marketing roles. Prior to joining EnerCare, Ms. Sutherland was Chief Financial Officer of Scott’s Real Estate Investment Trust, where she had overall responsibility for financial reporting and corporate governance. She is also the former Chief Financial Officer of the United Purchasing Group of Canada, where she played a significant role in building its finance team, assisting with the creation of their strategic plan and working with management groups to improve reporting and overall processes. Ms. Sutherland is a Chartered Professional Accountant, Chartered Accountant. She became a Chartered Accountant in 2000 and is a member of Chartered Professional Accountants of Ontario. Ms. Sutherland holds a Bachelor of Commerce, Honours - Accounting, from the University of Windsor and a Bachelor of Arts from the University of Western Ontario.

John Toffoletto, Senior Vice President, General Counsel and Corporate Secretary. Mr. Toffoletto was appointed Senior Vice President, General Counsel and Corporate Secretary of EnerCare and each of its subsidiaries in January 2009. Before joining EnerCare, Mr. Toffoletto practiced law at Torys LLP from 2001, where he played a significant role in the Fund’s formation in 2002 and its subsequent legal affairs, including financings, acquisitions and commercial arrangements. Mr. Toffoletto has a Bachelor of Arts Honours Degree (with High Distinction) from the University of Toronto and a Bachelor of Laws Degree (with Honours) from the Faculty of Law, University of Toronto.

Ross Garland, Senior Vice President and General Manager. Mr. Garland was appointed Senior Vice President and General Manager of EnerCare and each of its subsidiaries in April 2013. Prior to joining EnerCare, Mr. Garland was an executive with General Electric Canada Co. for 11 years, including serving as the General Manager of Thermal Power Generation Services, Energy Services, and Large Motors and Generators and a member of the board of directors and Pension Committee. Mr. Garland also previously held executive positions with Siemens-Milltronics Ltd. and is a director of the Peterborough Regional Health Centre. Mr. Garland has a Bachelor of Business Administration, Hons. and a Masters in Business Administration from the University of Manitoba.

Laima Cers, Vice President, Marketing and Business Development. Ms. Cers was appointed Vice President, Marketing and Business Development of EnerCare and each of its subsidiaries in March 2013. Prior to joining EnerCare, Ms. Cers was a marketing consultant and also a part-time professor at George Brown College, Centre of Business. From 2007 to 2011, she was the Senior Vice President and Chief Marketing Officer of Meridian Credit Union, where she was responsible for brand planning; new product, service and customer experience development; customer insight and loyalty; and integrated marketing and corporate communications. Ms. Cers holds a Masters in Business Administration in Marketing and Finance from York University (Schulich) and a Bachelors of Arts in Psychology from McGill University.

Larry Ryan, Executive Advisor. Mr. Ryan, as President of the Administrative Agent until November 27, 2006, was responsible for all operational and technical issues as they relate to the portfolio of rental assets and was the primary liaison between the Fund and DE, as servicer. In 2003, Mr. Ryan assumed the role of Senior Vice-President, Home Services (Canada) of DE, responsible for the strategic development of home services and the execution of new business development as it related to home services at DE. Previous to this appointment, Mr. Ryan held the position of Senior Vice-President, Home Services, Ontario Operations. Mr. Ryan is a graduate of York University and has completed the University of Colorado Executive Education Program for the Energy Industry and “The General Managers Program” at Harvard Business School.

Nomination Agreement

In lieu of the appointment rights of DE set forth in the 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 under the Co-ownership Agreement, DE is entitled to put forth one individual (the “DE Nominee”) for consideration by the Governance Committee and the Board of Directors, 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 of Directors 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 of Directors, and after having considered other candidates, Ms. Palombo was appointed as a Director on March 16, 2012, was elected as a Director at the annual and special meetings held on April 30, 2012, and following a further nomination by DE, re-elected as a Director at the annual and special meeting held on June 3, 2013. In March 2014, DE again nominated Ms. Palombo for inclusion in EnerCare’s next management information circular for re-election as a Director.

Individual Voting Policy

The Directors have unanimously adopted a policy that requires that shareholders of EnerCare 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 of Directors 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.

The Governance Committee shall, within 30 days of receipt of such Director's resignation, consider the offer of resignation and shall recommend to the Board of Directors whether or not to accept it. The Governance Committee shall be expected to accept the resignation except in situations where extenuating circumstances would warrant the applicable Director to continue to serve on the Board of Directors. In considering whether or not to accept the resignation, the Governance Committee will consider all factors deemed relevant by members of such Committee including, without limitation, any stated reasons why shareholders of EnerCare "withheld" votes from the election of that nominee, the length of service and the qualifications of the Director whose resignation has been offered, such Director's contributions to the Board of Directors and its committees, EnerCare's governance policies, and the effect of such resignation on EnerCare's compliance with any law, rule, regulation, stock exchange listing standards, or contractual obligations.

The Board of Directors shall act on the Governance Committee's recommendation within 60 days following such Governance Committee's recommendation. If a resignation is accepted, the Board of Directors may, subject to applicable law, the Articles and the Nomination Agreement, appoint a new Director to fill any vacancy created by resignation, reduce the size of the Board of Directors or call a meeting of shareholders of EnerCare to appoint a replacement.

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*.

Committees of the Board of Directors

The Board has appointed an audit committee, investment committee, governance committee and corporate responsibility and risk management committee.

Audit Committee

Audit Committee Mandate

The Audit Committee Mandate is attached as Appendix A to this annual information form.

Composition of the Audit Committee

The Board has appointed an audit committee (the "Audit Committee") consisting of four Directors, all of whom are, and are required to be, "independent" and "financially literate" as defined in National Instrument 52-110 – Audit Committees. The members of the Audit Committee are: Michael Rousseau (Chair), William M. Wells, Jerry Patava and Lisa de Wilde.

Relevant Education and Experience of Audit Committee Members

For a description of the education and experience of each member of the Audit Committee, see biographies above.

Pre-approval Policies and Procedures

The Audit Committee approves and where required, recommends, to the Board of Directors all audit and non-audit fees and terms of service provided by the independent auditor, pursuant to the Audit Committee Mandate and related policies.

In January 2011, the Board of Directors adopted policies and procedures in respect of the approval of external auditor fees, including non-audit services and fees. Under the policy, at each regularly scheduled Audit Committee meeting, management will provide the Audit Committee with details of the known or planned non-audit services to be provided by the auditors, together with the estimated fees proposed for the work. The Audit Committee will review and discuss the requests, make any changes to the scope or timing of the services to be performed, and approve the services and fees with which they are satisfied.

To facilitate the ongoing process, in addition to any services and fees approved by the Audit Committee in its regularly scheduled meetings or as approved by the Chair or individual Audit Committee member as described below, management of EnerCare has been pre-approved for non-audit fees for the following services in an aggregate amount up to \$50. Management is required to advise promptly the Audit Committee of each non-audit service to be undertaken by the external auditors, together with the related fees.

- statutory or regulatory filings or engagements,
- due diligence support on acquisitions,
- planning, analysis and support regarding international financial reporting standards,
- preparation and support regarding the income and other tax returns for EnerCare and its affiliates, and
- analysis and support of hedge accounting.

In the event that management believes other non-audit services are required to be committed between Audit Committee meetings, the Chair of the Audit Committee (or in his absence, any other member of the Audit Committee) has the authority of the Audit Committee to approve such services and fees. The details of any such projects would be brought forward to the Audit Committee at the next meeting of the Audit Committee.

Auditors' Fees

The fees billed by the external auditors in respect of the years 2012 and 2013 for EnerCare, including ESLP and its subsidiaries, were as follows:

	2012	2013
Audit Fees	\$325	\$299
Audit Related Fees ⁽¹⁾	166	107
Tax Fees ⁽²⁾	103	73
All Other Fees ⁽³⁾	159	5
Total	\$753	\$484

(1) In respect of 2012: Fees paid for the offering of the Series 2012-1 Notes and reporting requirements. In respect of 2013: Fees paid for the offering of the Series 2013-1 Notes and reporting requirements.

(2) In respect of 2012: Fees paid for tax compliance analysis and corporate tax reporting efficiency. In respect of 2013: Fees paid for tax compliance analysis and analysis of EnerCare's performance share unit plan and option plan.

(3) In respect of 2012: Fees paid for services provided in respect of potential transactions. In respect of 2013: Fees paid for fraud prevention workshops.

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" as defined in National Instrument 58-101 – Disclosure of Corporate Governance Practices. The Investment Committee is responsible for (i) reviewing all proposals regarding investments, dispositions and borrowings of EnerCare and making recommendations in

connection therewith to the Directors; (ii) approving any material changes to EnerCare's investment policy, if any; (iii) reviewing reports pertaining to new water heaters and other rental assets 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; (iv) financing and interest rate hedging strategies; and (v) target leverage ratios, target ratings on EnerCare, EnerCare's shares and debt securities of EnerCare, and target dividends on EnerCare's shares.

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" as defined in National Instrument 58-101 – Disclosure of Corporate Governance Practices and 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. The Governance Committee is responsible for (i) considering, and providing a recommendation on, any conflict of interest involving the Servicer before such conflict of interest is approved by the Directors; (ii) annually reviewing: (a) compliance by EnerCare and its subsidiaries of their respective undertakings in respect of EnerCare's continuous disclosure obligations; (b) the performance of the Servicer; and (c) adjustments to be made pursuant to the Co-ownership Agreement; (iii) developing EnerCare'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; (x) assisting in developing and managing benefit plans for employees; and (xi) 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.

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" as defined in National Instrument 58-101 – Disclosure of Corporate Governance Practices. The Corporate Responsibility and Risk Management Committee is responsible for (i) 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; (ii) overseeing key stakeholder engagement on social, environmental and ethical issues; (iii) approving EnerCare's Code of Business Conduct (the "Code"), monitoring compliance with the Code and approving any waivers related to the Code with respect to any Director or senior management; (iv) identifying and monitoring EnerCare's key Risks and evaluating their management; (v) reviewing and approving Risk management policies, systems and metrics to manage Risk; and (vi) providing a forum for "big picture" analysis of future Risks, including the consideration of Risk trends.

CONSOLIDATED CAPITALIZATION OF ENERCARE

General

All indebtedness of EnerCare will rank *pari passu* with all other indebtedness (other than indebtedness which is expressly subordinated to other indebtedness) and all such indebtedness, including the Senior Indebtedness, will rank ahead of the entitlements of shareholders.

The following table sets forth the consolidated capitalization of EnerCare as at December 31, 2011, 2012 and 2013:

	December 31, 2011	December 31, 2012	December 31, 2013
Indebtedness			
Convertible Debentures	\$ 18,361	\$ 6,760	\$ 4,081
Senior Indebtedness			
Series 2009-1 Notes ⁽¹⁾	60,000	-	-
Series 2009-2 Notes ⁽⁴⁾	270,000	270,000	-
Series 2010-1 Notes ⁽²⁾	240,000	-	-
Series 2012-1 Notes	-	250,000	250,000
Series 2013-1 Notes	-	-	225,000
Term Credit Facility	-	-	60,000
Bank Indebtedness	-	-	-
Total Senior Indebtedness	588,361	526,760	539,081
Stratacon secured debt	6,703	5,571	4,285
Total Indebtedness	595,064	532,331	543,366
Shareholders' Equity ⁽³⁾	509,722	520,997	523,676
Total Capitalization	\$1,104,786	\$1,053,328	\$ 1,067,042

(1) EnerCare Solutions repaid the Series 2009-1 Notes with cash on hand on their maturity date of April 30, 2012.

(2) EnerCare Solutions redeemed on December 21, 2012 the Series 2010 Notes with the proceeds from the issuance on November 21, 2012 of the Series 2012-1 Notes.

(3) Authorized – unlimited Common Shares and 10,000,000 preferred shares; 58,424,942 Common Shares issued and outstanding as at December 31, 2013 and 58,462,285 as at March 14, 2014.

(4) EnerCare Solutions redeemed on March 6, 2013 the Series 2009-2 Notes with the proceeds from the issuance on February 1, 2013 of the Series 2013-1 Notes.

Convertible Debentures

In 2010, the Fund issued \$27,833 of Convertible Debentures. In connection with the Conversion, all of the covenants and obligations of the Fund pursuant to the Convertible Debentures were assumed by EnerCare.

Each Convertible Debenture is convertible into Common Shares at the option of the holder at a conversion price of \$6.48 per Common Share (or 154.3210 Common Shares per \$1,000 principal amount of Convertible Debentures), subject to adjustment in certain circumstances. The Convertible Debentures are not redeemable by EnerCare prior to June 30, 2013. On and after June 30, 2013, and prior to June 30, 2015, EnerCare may redeem the Convertible Debentures with proper notice provided that the volume weighted average trading price of the Common Shares for the 20 trading days prior to the fifth trading day before the redemption notification date is not less than 125% of the conversion price. On or after June 30, 2015, EnerCare may redeem the Convertible Debentures with proper notice for the principal amount plus accrued and unpaid interest.

As at March 14, 2014, there were \$3,839 aggregate principal amount of Convertible Debentures outstanding. Since issuance, \$24,044 aggregate principal amount of Convertible Debentures have been converted by the holders thereof for an aggregate of 3,710,454 Common Shares.

Senior Indebtedness

The Senior Notes

The Operating Trust was dissolved in connection with the Conversion and all of the covenants and obligations of the Operating Trust with respect to the Senior Unsecured Indenture, Series 2009 Notes and Series 2010 Notes were assumed by EnerCare Solutions.

On April 30, 2012, EnerCare Solutions repaid the Series 2009-1 Notes with cash on hand.

On November 21, 2012, EnerCare Solutions issued \$250,000 aggregate principal amount of 4.30% Series 2012-1 Senior Unsecured Notes due November 30, 2017 (the "Series 2012-1 Notes"). The Series 2012-1 Notes were sold at a price of 99.918% of the principal amount, with an effective yield of 4.318% per annum if held to maturity. Interest on the Series 2012-1 Notes is payable in semi-annual instalments on May 30 and November 30 in each year commencing May 30, 2013. The proceeds from the offering of the Series 2012-1 Notes were used primarily to redeem the Series 2010 Notes on December 21, 2012.

On February 1, 2013, EnerCare Solutions issued \$225,000 aggregate principal amount of 4.60% Series 2013-1 Senior Unsecured Notes due February 3, 2020 (the "Series 2013-1 Notes"). The Series 2013-1 Notes were sold at a price of 99.94% of the principal amount, with an effective yield of 4.61% per annum if held to maturity. Interest on the Series 2013-1 Notes is payable in semi-annual instalments on February 3 and August 3 in each year commencing August 3, 2013. The proceeds from the issuance of the Series 2013-1 Notes, along with the drawdown of the Term Credit Facility, were used by EnerCare Solutions to fund the redemption of the Series 2009-2 Notes on March 6, 2013.

The Senior Unsecured Indenture contains terms, covenants and events of default that are customary for senior unsecured indebtedness. In particular, the Senior Unsecured Indenture includes a negative pledge and a right of EnerCare Solutions to redeem each series of Senior Notes. EnerCare Solutions will have the right to redeem each series of Senior Notes in whole or in part, at any time, upon not less than 30 nor more than 60 days' prior written notice by EnerCare Solutions. The redemption price for each series of Senior Notes to be redeemed will be equal to the greater of (a) the principal amount thereof as at the date set for redemption, and (b) the applicable Canada Yield Price in respect thereof as at the business day prior to the giving of such redemption notice, together, in each case, with accrued and unpaid interest to the date of redemption.

The Senior Unsecured Indenture precludes the incurrence of additional indebtedness (other than certain refinancing debt, working capital debt in the amount of up to \$35,000 and Subordinated Debt) if, after giving pro forma effect to such incurrence (including the application or use of the resulting net proceeds), the ratio of "Incurrence EBITDA" to "Net Interest Expense" is equal to or greater than 3.8 to 1.0 at such time.

The Senior Unsecured Indenture essentially defines "Incurrence EBITDA" as the aggregate of consolidated net earnings of EnerCare Solutions, excluding (a) interest income and expense, (b) income tax expense or recovery, (c) depreciation and amortization expense, (d) extraordinary or non-recurring items, (e) losses on disposal of property and equipment, and (f) non-cash gains or losses on hedging contracts generated (i) on a 100% basis from direct or

indirect investments in portfolios of water heaters, gas fired equipment and renewable energy equipment and the cash flows generated therefrom and any related assets, and (ii) on a 50% basis from all other investments. The Senior Unsecured Indenture essentially defines “Net Interest Expense” as the interest expense with respect to debt of EnerCare Solutions and the Guarantors less the amount of interest income on permitted investments held thereby and less the amount of interest expense on Subordinated Debt and working capital debt of up to \$35,000, and excluding amortization of gains or losses on hedging contracts.

The Senior Unsecured Indenture also contains a restriction on asset sales in excess of 3% of the total assets of EnerCare Solutions in any financial year (other than sales in the ordinary course of business) unless the net proceeds of disposition are (i) used to redeem the Senior Notes, *pro rata*; provided, however, no such redemption is required (i) if after giving pro forma effect to the disposition (including the application or use of the net proceeds thereof) the ratio of Incurrence EBITDA to Net Interest Expense is equal to or greater than 3.8 to 1.0 at the time of a disposition, or (ii) if such pro forma ratio is less than 3.8 to 1.0 at such time, to the extent that any net proceeds are used in the business of EnerCare Solutions or any Guarantor or are retained by EnerCare Solutions or Guarantor.

EnerCare Solutions has covenanted in the Senior Unsecured Indenture that, in the event (i) all or substantially all of the property, assets and undertaking of EnerCare on a consolidated basis becomes the property of any other person who is not an affiliate of EnerCare Solutions or of EnerCare, or (ii) a person who is not an affiliate of EnerCare Solutions or of EnerCare, or group of such persons acting jointly or in concert, acquires Common Shares or EnerCare Solutions Shares representing greater than 50% of the Common Shares or EnerCare Solutions Shares, as applicable (each an “Indenture Change of Control”), and provided that, within 60 days of the Indenture Change of Control, a definitive rating of a series of Senior Note is downgraded to a rating of BBB- (or lower), or is withdrawn, solely as a result of such Indenture Change of Control, each holder of a Senior Note of the affected series may require EnerCare Solutions to repurchase some or all of such Senior Notes held thereby, in whole or in part, at a price of (i) 101% of the principal amount thereof plus (ii) all accrued and unpaid interest thereon to the date of repurchase.

As a result of the terms of the Senior Unsecured Indenture, neither the consent of the trustee under the Senior Unsecured Indenture nor the holders of the Senior Notes was required for the Conversion, nor did the Conversion give rise to an Indenture Change of Control.

Events of default in the Senior Unsecured Indenture include the occurrence of a default under the terms of any agreement or instrument relating to debt (other than Subordinated Debt) of EnerCare Solutions or a subsidiary of EnerCare Solutions in an aggregate amount in excess of \$35,000.

Each Guarantor has guaranteed, among other things, the payment of principal and interest on the Senior Notes and the performance by EnerCare Solutions of its other payment obligations under the Senior Unsecured Indenture.

Amended New Line of Credit

In connection with the Conversion, the Revolver Credit Agreement was amended and restated to, among other things, confirm EnerCare Solutions as the borrower thereunder in place of the Operating Trust. The New Line of Credit was amended and restated in July 2011 (the “Amended New Line of Credit”) to decrease standby fees by approximately 60% and extend the term by one year to July 6, 2014. The Amended New Line of Credit was amended in November 2012 to essentially align the debt incurrence test therein with that in the first supplemental

indenture dated as of January 29, 2010 to the Senior Unsecured Indenture and to update the Amended New Line of Credit's terms to reflect the redemption of the Series 2009 Notes and possible issuances of unsecured debt pursuant to the Senior Unsecured Indenture. The Amended New Line of Credit was further amended in February 2013 to decrease standby fees by 20% and the margin on borrowings by 30 basis points to EnerCare Solutions' current debt ratings which is the same margin as in the Term Credit Facility.

The Amended New Line of Credit, as amended, contains representations, warranties, covenants and events of default that are customary for credit facilities of this kind. In particular, the Amended New Line of Credit, as amended, includes a negative pledge, restrictions on asset sales and reorganizations, limits on distributions to EnerCare (and, therefore, in effect, holders of Common Shares) in excess of the aggregate of consolidated operating cash flows of EnerCare Solutions plus proceeds of disposal of water heaters in the ordinary course less capital expenditures. The distributions of EnerCare Solutions for the period subsequent to the reduction in distributions by the Fund in September 2009 to date are below this required limit. The Amended New Line of Credit, as amended, also contains a positive covenant to the effect that all additional incurrences of senior debt, with certain exceptions, must, on the date of incurrence, result in a pro forma ratio equal to or greater than 3.8 to 1.0 of Incurrence EBITDA (as defined in the Senior Unsecured Indenture) to Net Interest Expense (as defined in the Senior Unsecured Indenture).

The Amended New Line of Credit also contains the following financial covenants (i) the ratio of total debt (other than subordinated debt) to "Adjusted EBITDA" must be less than 4.25:1; (ii) the ratio of Adjusted EBITDA to "Cash Interest Expense" must be greater than 3.00:1; and (iii) the ratio of Adjusted EBITDA less capital expenditures to Cash Interest Expense must be greater than 1.75:1. EnerCare Solutions was in compliance with each of these financial covenants as at December 31, 2013. Although the calculations can only be done at the end of a fiscal quarter, EnerCare has no reason to believe that EnerCare Solutions is not in compliance with each of these covenants as of the date of this annual information form.

The Amended New Line of Credit essentially defines "Adjusted EBITDA" as the consolidated net income of EnerCare Solutions and any losses on dispositions of assets less, to the extent included in calculating such net income, all interest income and income tax recoveries, gains on hedging contracts and all extraordinary, non-recurring and unusual income items, plus, to the extent deducted in calculating such net income, amounts for total interest expense, fees payable under the Origination Agreement, amortization and depreciation expenses, income taxes and any other non-cash items, losses on hedging contracts, and proceeds of disposal of water heaters in the ordinary course of business, determined on a consolidated basis. The Amended New Line of Credit essentially defines "Cash Interest Expense" as the aggregate amount of interest and other financing charges payable in cash and expensed by EnerCare Solutions with respect to debt (other than subordinated debt between EnerCare Solutions and EnerCare or any subsidiary of EnerCare Solutions or between subsidiaries of EnerCare Solutions), but excluding any make-whole, prepayment, penalty or premium or other yield maintenance amount with respect to debt.

Events of default in the Amended New Line of Credit include the occurrence of a default under the terms of any agreement or instrument relating to debt of EnerCare Solutions or a subsidiary of EnerCare Solutions in an aggregate amount in excess of \$15,000, or the occurrence of a "Change of Control". The Amended New Line of Credit defines "Change of Control" as the occurrence of any of the following: (i) all or substantially all of the property, assets and undertaking of EnerCare on a consolidated basis becomes the property of any other person who is not an affiliate of EnerCare Solutions or EnerCare; or (ii) a person who is not an affiliate of EnerCare Solutions or EnerCare, or group of such persons acting jointly or in concert,

acquires Common Shares or EnerCare Solutions Shares (and/or securities convertible into Common Shares or EnerCare Solutions Shares, as applicable) representing (on a diluted basis, but only giving effect to the conversion or exercise of convertible securities held by such person or group of persons) greater than 50% of the Common Shares or EnerCare Solutions Shares, as applicable.

Each Guarantor has guaranteed, and each other subsidiary of EnerCare Solutions will guarantee, the payment of principal and interest under the Amended New Line of Credit and the performance by EnerCare Solutions of its other payment obligations thereunder.

Term Credit Facility

In connection with the redemption of the Series 2009-2 Notes, EnerCare Solutions and the Guarantors entered into a \$60,000 term credit facility with a Canadian chartered bank on January 28, 2013. The Term Credit Facility is payable interest only until maturity in January 2016 and is pre-payable in whole or in part at any time without penalty. The Term Credit Facility bears interest at a rate of bankers' acceptances plus 120 basis points or prime plus 20 basis points at EnerCare's credit rating as of the date hereof and otherwise has substantially similar terms as the Amended New Line of Credit with respect to its representation, warranties, covenants and events of default. EnerCare Solutions drew the full amount available under the Term Credit Facility on February 4, 2013 along with the proceeds from its issuance of the Series 2013-1 Notes to fund the redemption of the Series 2009-2 Notes.

RISK FACTORS

EnerCare and its subsidiaries face a number of risks, including the risk factors set out below.

Risks Related to the Rental Portfolio Business and Industry

Billing Arrangements

As a result of the billing agreements, EnerCare's shareholders are reliant on the personnel, expertise, technical resources, proprietary information and judgment of EGD, among others, in providing the Customer Services to DE. EnerCare and its subsidiaries are therefore exposed to adverse developments in the business and affairs of EGD, and to its management and financial strength. Although EGD is required, under each of the OBAs, directly and through DE, to make the EGD Payment to EnerCare, thereby effectively guaranteeing EnerCare's collection of 99.56% (99.46% for 2013 and 99.42% for 2012) of the amount invoiced by EnerCare on the EGD bill, there can be no assurance that EGD will have the financial capability to honour such obligation.

In the event that EnerCare and DE do not enter into further arrangements with EGD upon expiration of the OBAs, DE and EnerCare Solutions may provide the billing and collection services and issue stand-alone bills in the EGD billing territory, either themselves or through contracts with other third parties.

Any provision of Customer Services by DE or EnerCare and stand-alone billing could have a material adverse effect on EnerCare's financial condition and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes as there can be no assurance that the Customer Services delivered by EnerCare, DE, or other third parties, will be of the same standard as those delivered under the OBAs and stand-alone billing may result in increased bad debt. Bad debt experience may also increase if any arrangement relating to stand-alone billing and collection services does not include a collection guarantee. It

is also possible that transitional issues may arise following a termination of the OBAs and associated arrangements, and those issues may have a material adverse effect on EnerCare's financial condition and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes.

Furthermore, any failure to maintain such billing and trust arrangements may have an adverse impact on the credit rating of EnerCare Solutions' outstanding indebtedness, EnerCare's and EnerCare Solutions' respective issuer credit ratings and EnerCare Solutions' ability to refinance any of its indebtedness.

Regulatory Matters

As the vast majority of EnerCare's customers are consumers, DE and EnerCare are subject to consumer protection laws and regulations (including the *Consumer Protection Act, 2005* (Ontario)). Although EnerCare believes that DE and EnerCare are in compliance with such consumer protection laws and regulations in all material respects, given the likelihood that regulatory determinations are likely to favour consumers in the event of any ambiguity in such laws or regulations (of which there are many), no assurance can be given that DE or EnerCare will be able to comply with such laws or regulations. Furthermore, changes to any of the laws, rules, regulations or policies respecting the installation, contracting, servicing or billing practices in relation to water heaters could have a significant impact on ESLP's business. There can be no assurance that DE or EnerCare will be able to comply with any future laws, rules, regulations and policies. Failure by DE or EnerCare to comply with applicable laws, rules, regulations and policies may subject ESLP to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on EnerCare's financial condition and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes.

In addition, although the Consent Order expired in accordance with its terms in February 2012 and EnerCare believes that the competitive landscape in the EGD gas distribution territory has significantly changed since the imposition of the Consent Order in 2002 (most particularly subsequent to 2008; see "Water Heater Rental Business in Ontario – Competition", "Installation and Support from DE – Customer Services; Billing" and "– Attrition and Competition"), no assurance can be given that DE and EnerCare will not in the future be subject to constraints on their respective business operations under the *Competition Act* (Canada) or otherwise in respect of the Rental Portfolio (see also "Installation and Support from DE – Competition Act").

Attrition and Competition

EnerCare operates in a competitive environment and hence its growth and sustainability may be negatively impacted by loss of market share to new competition or due to change in consumers' behaviour (see "Water Heater Rental Business in Ontario – Competition"). In 2009, EnerCare encountered increased competitive pressure and a resulting increase in the attrition rate (customer buy outs and terminations). The attrition rate for 2013 was 4.17%, compared to 5.98% in 2012, 6.00% in 2011, 6.35% in 2010 and 8.02% in 2009. The attrition rate in 2008 was 3.2%. The higher attrition rates that began in 2009 are attributable principally to increased competition, from both traditional entities and new entrants. Some of these new market entrants used aggressive door to door promotion. As a result of these and other competitive pressures, EnerCare may experience increased attrition rates in the future as well as higher expenses in defense of the installed water heater customer base. Increased attrition rates could have a material adverse effect on EnerCare's financial condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations on the Senior Notes.

Buy-outs and Returns of Water Heaters

Pursuant to the terms of the Custodial Rental Contracts and as required pursuant to the Consent Order, customers are permitted to purchase their installed water heaters at a price discounted based on the age of the water heater, determined with reference to the price of the water heater at the time of installation of the water heater. Since the third quarter of 2004, customers have been permitted to terminate their Custodial Rental Contract without charge. Prior to that time, in accordance with the Consent Order, the exit charge permitted to be charged to customers in the first five years following installation was not sufficient to cover the capital cost of the installed water heaters and, if the water heater was installed for over five years, there was no exit charge payable. In 2010, EnerCare implemented new terms and conditions for certain new customers pursuant to which EnerCare may require these customers to buy-out their water heaters at a pre-determined price if the contract is terminated prior to the end of the useful life of the applicable equipment. If customers choose to buy their installed water heaters or terminate their Custodial Rental Contracts, the number of installed water heaters and the composition of the portfolio of installed water heaters could change. Any loss of customers could have a material adverse effect on EnerCare's financial condition and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes.

Social or Technological Changes

Within Canada, the Province of Ontario marketplace is unique in that the vast majority of homeowners rent their water heaters. There can be no assurance that homeowners will continue to rent their water heaters for an indefinite period. It is also possible that more economical or efficient water heating technology than that which is currently used by customers will be developed or that the economic conditions in which the current technology is applied will change resulting in a reduction in the number of installed water heaters. Any material change in homeowners' rental practices or in technology may have a material adverse effect on EnerCare's financial condition and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes. It is also possible that new types of water heaters will, for regulatory or competitive reasons, be required to be installed by DE that necessitates an adjustment to the relative entitlements to rents under the Custodial Rental Contracts to reflect changing servicing requirements in relation to this new type of water heater. Any reduction in EnerCare's entitlement to receive 65% of the aggregate rent paid by customers under the Custodial Rental Contracts could have a material adverse effect on EnerCare's financial condition and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes.

Useful Life of Water Heaters

Past experience indicates that the average useful life of a water heater is approximately 16 years. However, there can be no assurance that water heaters will continue to have a useful life of that length. EnerCare, as indirect owner of water heaters, will be responsible for, among other things, the capital cost and installation fees related to the purchase and installation of replacement water heaters. There can be no assurance that EnerCare will have sufficient cash flow or financing capabilities to fund the purchase and installation of replacement water heaters. Lack of such funds could limit the ability of ESLP to maintain the portfolio of water heaters which could have a material adverse effect on EnerCare's financial condition and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes.

Concentration of Suppliers, Product Faults and Costs

Although there are a number of manufacturers of water heaters outside Canada, DE relies principally on three suppliers for its supply of water heaters, GSW Inc., Rheem Canada Ltd. and Bradford White Corporation. Should any of these suppliers fail to deliver in a timely manner, the result could be delays or disruptions in the supply and installation of water heaters. In addition, as many of the installed water heaters are of the same or similar type manufactured by these two manufacturers, manufacturer's defects or product recalls relating to a particular production model or type of water heater could affect a material portion of the Rental Portfolio. Furthermore, different water heater manufacturers may, from time to time, source components from the same manufacturers for use in their water heaters. As a result, a parts defect relating to a commonly sourced component could affect water heaters produced by more than one manufacturer. DE does not insure against this risk of product defects or product recalls and EnerCare does similarly not insure. All water heaters manufactured by GSW Inc. that are purchased by DE are currently made in Canada. If GSW Inc. moved production out of Canada, the capital cost of their water heaters may increase. Rheem Canada Ltd. moved production to Mexico in June of 2006. Bradford White Corporation's production facilities are located in the United States.

ESLP's business will expose it to potential product liability and product defect risks that are inherent in the ownership of water heaters (see for example "The Rental Portfolio - Product Faults"). While ESLP currently maintains what it believes to be suitable product liability insurance, there can be no assurance that ESLP will be able to maintain such insurance on acceptable terms or that any such insurance will provide adequate protection against potential liabilities. In the event of a successful claim against ESLP, a lack of sufficient insurance coverage could have a material adverse effect on EnerCare's financial condition and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes. Moreover, even if ESLP maintains adequate insurance, any successful claim could have a material adverse effect on EnerCare's financial condition and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes. DE does not insure against the risk of product defects or product recalls and EnerCare does similarly not insure.

While there are several major suppliers of water heaters, HVAC Equipment and other rented equipment, the cost of the equipment is affected by commodity prices, such as steel and copper, and currency fluctuations, mainly the U.S. currency relative to the Canadian currency. EnerCare and DE do not hedge these types of exposures, so in any given year, there can be no assurance that increases in capital costs will be able to be recovered fully in rental rates charged to customers.

Geographic Concentration and New Home Construction

Essentially all of the Rental Portfolio assets are located in the Province of Ontario. In addition, as described under "Water Heater Rental Business in Ontario", the Canadian water heater rental market is primarily limited to the Province of Ontario. Furthermore, as described under "Water Heater Rentals Business in Ontario" most of the growth in the number of installed water heaters is principally as a result of new home construction of detached, semi-detached and row houses, which is a particularly competitive section of the water heater rental industry in Ontario. Consequently, EnerCare is particularly reliant on the economy of the Province of Ontario to maintain and to grow the Rental Portfolio. The recent downturn and uncertainty in the Ontario economy and corresponding slowdown in new home construction of detached, semi-detached and row houses has had in 2008 and 2009, and to a lesser extent in 2010, 2011, 2012 and 2013, an adverse effect on demand for water heaters.

Uninsured or Underinsured Risks

EnerCare's current insurance coverage in respect of potential liabilities of EnerCare and the accidental loss of value of the assets of EnerCare from risks is in the form of comprehensive property and casualty insurance in respect of claims for bodily injury or property damage arising out of assets or operations (subject to deductible amounts). However, not all risks are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of DE or ESLP.

Lack of Written Custodial Rental Contracts

In many cases, DE has not entered into written agreements with customers or has not entered into updated written agreements to reflect the current rental terms and conditions. As a result, those customers may assert a right to terminate their relationship with DE at any time or DE may be unable to enforce payment of certain charges payable by such customers. Any loss of customers or inability to enforce payment of certain charges paid by customers for installed water heaters could have a material adverse effect on EnerCare's financial condition and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes.

Litigation Risk

In the normal course of EnerCare's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to, among other things, personal injuries, property damage, contract disputes and its business activities. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to EnerCare and as a result, could have a material adverse effect on its financial condition and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes. Even if EnerCare prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from EnerCare's business operations which could have a material adverse effect on its financial condition and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes. In particular, EnerCare has been named in legal proceedings commenced by certain competitors, the outcomes of which, at this stage of the proceedings, are impossible to predict with any certainty. Furthermore, no assurance can be given that EnerCare won't become involved in litigation, whether as defendant or plaintiff, in other matters from time to time.

Risks Related to the Sub-metering Business and Industry

Unknown Liabilities

Stratacon and EECI were each acquired through the acquisition of shares. As a result, and notwithstanding the due diligence of Stratacon and EECI undertaken by EnerCare and its legal and financial advisors, Stratacon and EECI may be subject to liabilities unknown to EnerCare. As a result, if liabilities are asserted against EnerCare Connections, EnerCare may have to pay substantial amounts to settle them and may not be entitled to, or able to obtain, recourse against the vendors. EnerCare Connections may not meet financial or operational expectations as a result of general investment risks inherent in any acquisition.

Reliance on Key Executives

EnerCare Connections' operations and prospects are dependent upon the participation of key executives. The loss of their services and EnerCare's inability to attract and retain qualified and experienced personnel may materially affect EnerCare's ability to operate and grow EnerCare Connections. As the Sub-metering business is in the early stages of development, EnerCare Connections may require significant management attention, capital expenditures and other financial support that would otherwise be allocated to EnerCare's existing business.

Regulatory Changes

The Sub-metering business in Ontario is subject to the Sub-metering Legislation and the Sub-metering Code, as well as existing electrical code regulations. Furthermore, as is the case with EnerCare generally, changes to any of the laws, rules, regulations, policies or codes respecting the installation, servicing or billing practices in relation to the Sub-metering business could have a significant impact on EnerCare Connections' business. There can be no assurance that EnerCare will be able to comply with any future laws, rules, regulations, policies and codes. Failure by EnerCare to comply with applicable laws, rules, regulations, policies and codes in respect of its Sub-metering business may subject it to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on EnerCare's financial position and results of operations.

Concentration of Suppliers

EnerCare relies principally on three suppliers for its supply of meters, Triacta Power Technologies Inc., Quadlogic Controls Corp. and Elster Metering. Should any of these suppliers fail to deliver or fail to deliver in a timely manner, the result could be delays or disruptions in the installation of meters.

Uninsured or Underinsured Risks

The current insurance coverage for the Sub-metering business is in the form of comprehensive property and casualty insurance in respect of claims for bodily injury or property damage arising out of assets or operations (subject to deductible amounts). However, not all risks are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Sub-metering business.

Risks Related to the Structure of EnerCare

Reliance on DE

Shareholders are relying on DE's ability to originate water heaters, commercial water heaters and HVAC Equipment in order for the Rental Portfolio to be sustained and to grow, including the availability of its personnel, proprietary information and related information systems. DE's obligation to continue to originate new water heaters is dependent, in part, on terms proposed annually by DE to ESLP that are economic for DE, acceptable to ESLP and are commercially reasonable to customers, as determined by DE acting reasonably. There can be no assurance that terms that are economic for DE will continue to be commercially reasonable to customers or that ESLP will continue to accept the terms proposed by DE. Shareholders are also relying on DE to establish rental rates on installed water heaters subject to Custodial Rental Contracts in order for the portfolio of installed water heaters to generate the same level of cash flow as

historically experienced by EnerCare. Shareholders are also relying on the Servicer's personnel, good faith, expertise, historical performance, technical resources and information systems, proprietary information and judgment in servicing the Rental Portfolio. EnerCare is therefore exposed to adverse developments in the business and affairs of DE, to its management and financial strength and to its ability to operate its business profitably.

Reliance on DE itself will increase further in the event it directly provides Customer Services (see "Installation and Support from DE – Customer Services; Billing").

In particular, following the September 2009 billing system conversion implemented by DE, which coincided with a billing system conversion by EGD, the Fund's internal controls identified issues principally associated with DE's system conversion impacting the Fund's customers, including issues in respect of the allocation of customer payments, customer collections, and billing issues, including completeness of billing, billing in respect of new customers and implementation of new rental rates. EnerCare has been working closely with DE to identify and rectify these issues. For further discussion, see "Critical Accounting Estimates – DE Earnings Items" in the Management's and Discussion and Analysis of the Financial Condition and Results of Operations of EnerCare for the year ended December 31, 2013, which is available on SEDAR at www.sedar.com.

Conflicts of Interest

The Fund was originally established at the initiative of DE. Shareholders are in part dependent on DE to originate water heaters, commercial water heaters and HVAC Equipment in order for EnerCare to be sustained and to grow, and are dependent on DE to service approximately 98% of the Rental Portfolio. Negotiations with respect to transactions and agreements among the Fund, DE and its affiliates should not be regarded as having been conducted on an arm's length basis. In addition, the former Trustees of the Fund did not receive independent advice pertaining to the agreements that were entered into by the Fund and DE in connection with the investment in Rentco and the Fund's initial public offering and follow-on offerings of Units.

EnerCare may be subject to various conflicts of interest because DE, its directors, officers and associates, as well as the Directors, are engaged in various business activities, some of which might compete with the business of EnerCare. EnerCare may become involved in transactions which conflict with the interests of the foregoing. From time to time, these persons may be competing with EnerCare for available investment opportunities. Certain conflicts of interest may arise as a result of DE or an affiliate thereof pursuing its own business interests, which may render DE and its affiliates in competition with EnerCare. The Non-Competition Agreement contains provisions to address certain of these potential conflicts of interest. See "Non-Competition Arrangements".

Reliance on Management

EnerCare's operations and prospects are dependent upon the participation of key executives. The loss of their services and EnerCare's inability to attract and retain qualified and experienced personnel may materially affect EnerCare's ability to operate and grow.

Investment Eligibility

There can be no assurance that the Common Shares will continue to be qualified investments for Registered Plans under the Income Tax Act.

Restrictive Covenants

EnerCare Solutions has significant debt service obligations under its Senior Indebtedness. See “Consolidated Capitalization of EnerCare – Senior Indebtedness”. The degree to which EnerCare is leveraged could have important consequences to Shareholders including (i) EnerCare’s ability to obtain additional financing, (ii) a substantial portion of the cash flow from EnerCare Solutions will be dedicated to the payment of interest on its Senior Indebtedness; and (iii) EnerCare’s failure to refinance its Senior Indebtedness will have a material adverse effect on EnerCare’s financial condition and results of operations.

The Senior Unsecured Indenture, Revolver Credit Agreement and Term Credit Facility contain restrictive covenants of a customary nature, including covenants that limit the discretion of the Board of Directors of EnerCare with respect to certain business matters. These covenants place restrictions on, among other things, the ability of EnerCare to incur, through EnerCare Solutions and the Guarantors, additional indebtedness, to pay distributions or make certain other payments, and to sell or otherwise dispose of significant assets or consolidate with another entity. In addition, there are also a number of financial covenants that require EnerCare Solutions to meet certain financial ratios and financial condition tests. A failure to comply with these obligations could result in an event of default which, if not cured or waived, could permit acceleration of the Senior Indebtedness. If the Senior Indebtedness were to be accelerated, there could be no assurance that the assets of EnerCare would be sufficient to repay in full the Senior Indebtedness. There can also be no assurance that the Senior Indebtedness or any other indebtedness will be able to be refinanced.

Credit Ratings and Credit Risk

There can be no assurance that any credit ratings assigned to EnerCare, the Senior Notes and/or EnerCare Solutions will remain in effect for any given period of time or that the ratings will not be withdrawn or revised by either or both of DBRS and S&P at any time. Real or anticipated changes in credit ratings on any of EnerCare, the Senior Notes or EnerCare Solutions may affect the market value of the Common Shares, Convertible Debentures and/or Senior Notes. In addition, real or anticipated changes in credit ratings can affect the cost at which EnerCare can access the capital markets.

Market Value Fluctuations

Prevailing interest rates will affect the market value of the Senior Notes, as they carry a fixed interest rate. Assuming all other factors remain unchanged, the market value of the Senior Notes, which carry a fixed interest rate, will decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

Risks Relating to the Convertible Debentures

The likelihood that holders of the Convertible Debentures will receive payments owing to them under the terms of the Convertible Debentures will depend on EnerCare’s financial condition and creditworthiness. In addition, the Convertible Debentures are unsecured obligations of EnerCare and are subordinate in right of payment to all of EnerCare’s existing and future Senior Indebtedness. Therefore, if EnerCare becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, EnerCare’s assets will be available to pay its obligations with respect to the Convertible Debentures only after it has paid all of its Senior Indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Convertible Debentures then outstanding. The Convertible Debentures are also

effectively subordinate to claims of creditors of EnerCare's subsidiaries except to the extent that EnerCare is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The Convertible Debenture Indenture does not prohibit or limit the ability of EnerCare or its subsidiaries to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions. The Convertible Debenture Indenture does not contain any provision specifically intended to protect holders of Convertible Debentures in the event of a future leveraged transaction involving EnerCare.

In the case of certain transactions, each Convertible Debenture will become convertible into the securities, cash or property receivable by a holder of EnerCare Shares under the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Convertible Debentures in the future. For example, if EnerCare were acquired in a cash merger, each Convertible Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on EnerCare's future prospects and other factors.

The Convertible Debentures may be redeemed, at the option of EnerCare, at any time and from time to time on and after June 30, 2013, subject to certain conditions for redemptions prior to June 30, 2015, at a price equal to the principal amount thereof plus accrued and unpaid interest. Holders of Convertible Debentures should assume that this redemption option will be exercised if EnerCare is able to refinance at a lower interest rate or it is otherwise in the interest of EnerCare to redeem the Convertible Debentures.

If a "change of control" (as defined in the Convertible Debenture Indenture) occurs, EnerCare will be required to make an offer to purchase, within 30 days following consummation of the change of control, all of the Convertible Debentures at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest. It is possible that following a change of control EnerCare will not have sufficient funds at that time to make any required purchase of outstanding Convertible Debentures or that restrictions contained in other indebtedness will restrict those purchases.

Reliance on Directors

In assessing the risk of an investment in Common Shares, potential investors should be aware that they will be relying on the good faith, experience and judgment of the Board of Directors. Although investments made by EnerCare are carefully chosen, there can be no assurance that such investments will earn a positive return in the short or long term or that losses may not be suffered by EnerCare from such investments.

Dilution of Shareholders

EnerCare is authorized to issue an unlimited number of Common Shares and 10,000,000 preferred shares issuable in series for consideration and on terms and conditions to be established by the Board of Directors without the approval of any Shareholders. EnerCare may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of EnerCare which may be dilutive. Shareholders will have no preemptive rights in connection with such further issues.

Uncertainty of Dividend Payments

As a corporation, EnerCare's dividend level is at the discretion of the Board of Directors and will be evaluated periodically and may be revised depending on, among other factors, EnerCare's earnings, the financial requirements of EnerCare's operations, the satisfaction of solvency tests

imposed by corporate law for the declaration and payment of dividends and other conditions that may exist from time to time. The dividend level is intended to allow for internally generated cash flow to support organic growth, maintain a strong balance sheet and provide sustainable monthly dividends to holders of Common Shares. There can be no guarantee that EnerCare will maintain its current dividend level. Any reduction or suspension of dividends may affect the market price of the Common Shares and Convertible Debentures.

MARKET FOR SECURITIES

The Common Shares are listed on the TSX under the symbol “ECI”. The following table sets forth the high and low sales prices per outstanding Common Share and average trading volumes for the outstanding Common Shares on the TSX for the periods indicated.

2013	Price Per Unit		Unit Trading Volume
	High \$	Low \$	(000's)
January	8.77	7.90	1,752
February	8.96	8.49	1,042
March	9.25	8.59	1,463
April	9.44	9.04	1,122
May	9.60	9.11	1,413
June	9.33	8.55	1,122
July	9.61	8.96	1,141
August	9.88	9.31	1,125
September	9.89	9.26	1,399
October	9.99	9.33	1,406
November	10.15	9.69	1,195
December	10.14	9.71	850

The Convertible Debentures are listed on the TSX under the symbol “ECI.DB”.

The following table sets forth the price range for and trading volume of the Convertible Debentures as reported by the TSX for the periods indicated.

2013	Price		Trading Volume
	High \$	Low \$	
January	126.02	126.02	8,821
February	133.00	131.10	196,461
March	140.00	135.00	77,704
April	145.24	140.00	280,108
May	146.00	144.00	175,603
June	142.00	137.27	61,091
July	146.33	140.91	361,318
August	146.97	145.54	74,424
September	149.20	140.00	580,865
October	153.14	144.62	926,860
November	152.40	145.00	147,817
December	153.19	150.03	303,772

Prior Sales

On March 4, 2013, EnerCare issued 363,513 options under its option plan (the “Option Plan”) with an exercise price of \$8.88. On March 25, 2013, EnerCare issued 30,871 options under the Option Plan with an exercise price of \$9.07. On April 1, 2013, EnerCare issued 33,010 options

under the Option Plan with an exercise price of \$9.27. The exercise price of each grant was based on the closing price of the Common Shares on the TSX on the day immediately preceding the grant.

PRINCIPAL SHAREHOLDERS

The following table sets forth the only person who, as of March 20, 2014, to the knowledge of management and the Directors of EnerCare, 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 a meeting of shareholders.

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.

LEGAL PROCEEDINGS

EnerCare has been named in legal proceedings commenced by certain competitors seeking specified and unspecified damages based on allegations that EnerCare, its service provider, EcoSmart Home Services Inc., and others engaged in unlawful surveillance and other activities aimed at tracking the door-to-door sales efforts of the competitors. At this stage in the proceedings it is impossible to predict the outcomes of such legal proceedings with any certainty. See “Risk Factors – Risks Related to the Rental Portfolio Business and Industry – Litigation Risk”.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent (the “Registrar”) for the Common Shares is Computershare Investor Services Inc. at its principal office in Toronto, Ontario. Registers for the registration and transfer of the Common Shares are kept at the principal office of the Registrar in the City of Toronto or such other location as it may designate from time to time.

MATERIAL CONTRACTS

The following are the contracts which are in effect and material to EnerCare and which have been entered into by EnerCare, EnerCare Solutions, ESLP, EnerCare Connections or any other subsidiary of EnerCare:

- (a) the Co-ownership Agreement;
- (b) the Origination Agreement;
- (c) the Asset Purchase Agreement;
- (d) the Share Purchase Agreement;
- (e) the Partnership Agreement;
- (f) the Non-Competition Agreement;
- (g) the Senior Unsecured Indenture;
- (h) the Term Credit Facility;
- (i) the Stratacon Purchase Agreement;

- (j) the Convertible Debenture Indenture;
- (k) the Arrangement Agreement; and
- (l) the Nomination Agreement.

A general description of the Asset Purchase Agreement, Share Purchase Agreement and Stratacon Purchase Agreement is set out below. A general description of the other material contracts listed above can be found elsewhere in this annual information form. Copies of the above material contracts are available on SEDAR at www.sedar.com.

Asset Purchase Agreement

ESLP and Rentco entered into the Asset Purchase Agreement in conjunction with the establishment of the Fund. Pursuant to the terms of the Asset Purchase Agreement, ESLP acquired from Rentco certain assets of Rentco, including its then existing rental portfolio of residential and commercial water heaters and HVAC Equipment, the EnerCare Co-ownership Interest and its benefits under the Origination Agreement, for consideration consisting of a promissory note in the principal amount equal to the unamortized capital costs of the existing water heaters and other assets and limited partnership units in ESLP representing approximately a 79.9% equity interest in ESLP (after the investment by Holding LP in ESLP).

The Asset Purchase Agreement contained certain customary representations and warranties from Rentco and DE relating to the assets of Rentco, including representations and warranties regarding organization, residence, contractual obligations, regulatory approvals, taxes and authority to enter into the Asset Purchase Agreement and complete the transactions contemplated thereby. The Asset Purchase Agreement also contained certain customary representations and warranties from Rentco and DE relating to the acquired assets including title and, limited to the knowledge of DE, asset condition and defects.

The Asset Purchase Agreement provided for indemnification from DE in favour of ESLP, limited to the purchase price paid by ESLP, in respect of certain matters relating to the acquired assets, including in respect of a breach of the representations and warranties contained in the Asset Purchase Agreement (including in respect of product defects known by DE as at the date of the Co-ownership Agreement).

Share Purchase Agreement

Holding LP and DE entered into the Share Purchase Agreement in conjunction with the establishment of the Fund. Pursuant to the terms of the Share Purchase Agreement, Holding LP acquired from DE all of the issued and outstanding shares of Rentco and the debt of Rentco for consideration consisting of a promissory note in the principal amount of \$750,000, less transaction costs (of which \$735,000, less transaction costs, was immediately paid in cash) and Class B Exchangeable Units.

The Share Purchase Agreement contained certain customary representations and warranties from DE relating to Rentco, including representations and warranties regarding organization, residence, contractual obligations, regulatory approvals, taxes and authority to enter into the Share Purchase Agreement and complete the transactions contemplated thereby.

The Share Purchase Agreement provided for indemnification from DE in favour of Holding LP, limited to the purchase price paid by ESLP, in respect of certain matters, including in respect of a breach of the representations and warranties contained in the Share Purchase Agreement.

Stratacon Purchase Agreement

Stratacon was acquired pursuant to the Stratacon Purchase Agreement for cash consideration of approximately \$21,755 (including acquisition costs) plus approximately \$7,200 of net secured debt. As part of the acquisition, additional amounts were payable as an earn-out in each of 2009, 2010 and 2011 depending on achievement of agreed targets. The annual earn-out amount would have amounted to approximately 60% of the total purchase price if planned targets were met. At EnerCare's option, subject to certain conditions, any earn-out payment owing in excess of \$1,667 in any year can be satisfied by the issuance of Common Shares with an equivalent value or any combination of Common Shares and cash. A total amount of \$2,582 under the earn-out provision has been paid, all of which was satisfied in cash.

The Stratacon Purchase Agreement contained customary terms, conditions, representations and warranties, including representations and warranties from the shareholders of Stratacon, for share purchase transactions of this type. The representations and warranties from the shareholders included representations and warranties regarding title and ownership of the shares and contractual and regulatory approvals. The representations and warranties from Stratacon included representations and warranties regarding organization, contractual and regulatory approvals, licenses, financial and debt matters, taxes, contractual matters, operational matters, equipment, inventory, employment matters, intellectual property, customers, and conduct of the Sub-metering business.

The Stratacon Purchase Agreement provided for indemnification from the shareholders of Stratacon in favour of the Fund's subsidiary, generally limited to the purchase price paid by the Fund (indirectly) to that shareholder, in respect of representations and warranties given by that shareholder in the Stratacon Purchase Agreement. The Stratacon Purchase Agreement also provided for indemnification from the shareholders of Stratacon in favour of the Fund's subsidiary, generally limited to the earn-out payment, if any, to be paid by the Fund (indirectly) to that shareholder, in respect of representations and warranties given by Stratacon in the Stratacon Purchase Agreement. In September 2010, the Fund and the vendors under the Stratacon Purchase Agreement reached a settlement in respect of various claims for indemnification made by the Fund pursuant to the Stratacon Purchase Agreement. The settlement included the release of \$1,000 plus interest to the Fund from the escrow account established at the time of acquisition and a reduction of 15% to amounts to be paid to the vendors pursuant to the earn-out under the Stratacon Purchase Agreement.

INTERESTS OF EXPERTS

EnerCare's auditors are PricewaterhouseCoopers, LLP, Chartered Accountants, Licensed Public Accountants, PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario M2J OB2, who are independent with respect to EnerCare and its subsidiaries within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to EnerCare, including the documents referenced under "Material Contracts", can be found on SEDAR at www.sedar.com. Additional information, including directors' remuneration and indebtedness, principal holders of securities and securities authorized for issuance under equity compensation plans is contained in EnerCare's information circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in EnerCare's annual consolidated financial statements as at and for the period ended December 31, 2013, including the notes thereto, and

related management's discussion and analysis, contained in EnerCare's 2013 annual report to shareholders, all of which can be found on SEDAR at www.sedar.com.

GLOSSARY OF TERMS

“2009 Bridge” means the \$240,000 line of credit and indebtedness under the Revolver Credit Agreement, the proceeds of which were used to repay in full the Series A-2 Secured Notes and which was repaid in full and terminated in February 2010.

“Amended New Line of Credit” means the New Line of Credit, as amended and restated on July 6, 2011 and as further amended on November 15, 2012 and February 26, 2013.

“Amended Receivables Trust Agreement” means the amended and restated proceeds transfer, serving and trust agreement effective February 4, 2010 between, among others, EGD, DE and CIBC Mellon, as trustee, pursuant to which, among other things, collections on joint billing statements issued pursuant to the OBA on behalf of DE and EGD are transferred to CIBC Mellon, as trustee, and allocated by EGD.

“ABSU” means Accenture Business Services for Utilities Inc.

“Administration Agreement” means the administration agreement dated October 28, 2002 between, among others, the Fund and the Administrative Agent, as amended and restated and as terminated in December 2007.

“Administrative Agent” means 1544546 Ontario Limited, the former administrative agent under the Administration Agreement.

“Articles” means the articles of incorporation of EnerCare, as restated on January 20, 2011.

“Arrangement” means the arrangement under section 192 of the CBCA as set out in the plan of arrangement attached as a schedule to the Arrangement Agreement, pursuant to which, on January 1, 2011, the Fund converted from an income fund structure to a corporate structure.

“Arrangement Agreement” means the arrangement agreement dated as of October 12, 2010 among the Fund, the Operating Trust, Holding LP, EnerCare and EnerCare Solutions.

“Asset Purchase Agreement” means the asset purchase agreement dated December 17, 2002 between DE, Rentco and ESLP pursuant to which, among other things, Rentco contributed the then existing Rental Portfolio and EnerCare Co-ownership Interest to ESLP on that date.

“Canada Yield Price” means, on any day with respect to a Series 2010 Note, Series 2009-1 Note, a Series 2009-2 Note, a Series 2012-1 Note and a Series 2013-1 Note, a price equal to the net present value of all scheduled payments of interest (other than accrued and unpaid interest) and principal on such note to (a) in respect of a Series 2010 Note, its maturity date discounted to such day using as a discount rate the sum of the Government of Canada Yield plus 0.82% per annum; (b) in respect of a Series 2009-1 Note, its maturity date, discounted to such date as a discount rate equal to the sum of Government of Canada Yield plus 1.10% per annum; (c) in respect of a Series 2009-2 Note, its maturity date, discounted to such date as a discount rate equal to the sum of Government of Canada Yield plus 1.12% per annum; (d) in respect of a Series 2012-1 Note, its maturity date, discounted to such day using as a discount rate equal to the sum of the Government of Canada Yield plus 0.745% per annum; and (e) in respect of a Series 2013-1 Note, its maturity date, discounted to such day using as a discount rate equal to the sum of the Government of Canada Yield plus 0.71% per annum.

“**CBCA**” means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, including the regulations promulgated thereunder.

“**CIBC Mellon**” means CIBC Mellon Trust Company.

“**Class B Exchangeable Units**” means a class of limited partnership units of Holding LP which were exchangeable for Units.

“**Collection Account**” means a segregated account to be established in the name of the Custodian for the benefit of the Co-owners.

“**Commissioner**” means the Interim Commissioner of Competition at the Competition Tribunal

“**Common Shares**” means the common shares in the capital of EnerCare.

“**Conversion**” means the reorganization of the Fund’s income trust structure to a corporate structure, pursuant to the Arrangement.

“**Convertible Debentures**” means EnerCare’s 6.25% convertible unsecured subordinated debentures, due June 30, 2017.

“**Convertible Debenture Indenture**” means the trust indenture dated as of June 8, 2010 between the Fund and Computershare Trust Company of Canada pursuant to which the Convertible Debentures were issued. The Fund was wound-up and dissolved in connection with the Conversion and all of the covenants and obligations of the Fund with respect to the Convertible Debentures were assumed by EnerCare.

“**Consent Order**” means the consent order dated February 20, 2002 between The Commissioner of Competition and DE issued pursuant to the *Competition Act* (Canada), which expired on February 20, 2012.

“**Co-owners**” means, collectively, the holders from time to time of the DE Co-ownership Interest and the EnerCare Co-ownership Interest.

“**Co-ownership Agreement**” means the co-ownership agreement dated December 17, 2002 between DE, Rentco, Newco and the Custodian, as assigned by Rentco to ESLP on December 17, 2002, as amended on February 6, 2003, January 1, 2005, December 29, 2006, February 8, 2007 and April 25, 2007, and as may be further amended, modified, supplemented, restated or replaced from time to time.

“**Co-ownership Interests**” means, collectively, the DE Co-ownership Interest and the EnerCare Co-ownership Interest.

“**Custodial Assets**” include the following:

- (a) Custodial Rental Contracts (including all receivables generated thereby on and after December 17, 2002),
- (b) all customer records and information required for billing and collecting Rental Portfolio rentals and performing the Custodian’s obligations under the Custodial Rental Contracts (as updated from time to time by the Servicer),
- (c) Customer Services Agreement to the extent relating to collections under the Custodial Rental Contracts, as amended by the Accenture Subcontracting Agreement,

- (d) OBA,
- (e) Amended Receivables Trust Agreement,
- (f) all product warranty rights from manufacturers relating to the Rental Portfolio which have not been assigned to ESLP, as owner of the Rental Portfolio, and
- (g) a limited licence to use DE's trademarks in accordance with the terms of the Co-ownership Agreement.

“Custodial Rental Contracts” means all present and future rental contracts or arrangements with customers (whether or not in writing) relating to (i) water heaters (A) owned by Rentco on December 17, 2002, (B) originated and sold to Rentco or ESLP pursuant to the terms of the Origination Agreement, or (C) as the Co-owners may otherwise expressly agree, and (ii) certain other Rental Portfolio assets, but does not include present and future rental contracts and arrangements (whether or not in writing) relating to (x) TH Water Heaters, Festival Water Heaters, Thunder Bay Water Heaters or HVAC Equipment purchased by ESLP pursuant to the HVAC Agreement, or (y) a water heater, commercial water heater or HVAC Equipment rented pursuant to a rental contract or arrangement with ESLP or an affiliate thereof in replacement of water heaters or commercial water heaters or HVAC Equipment that immediately prior thereto were water heaters, commercial water heaters or HVAC Equipment subject to (x).

“Custodian” means CIBC Mellon Trust Company in its capacity as agent and nominee of the Co-owners under the terms of the Co-ownership Agreement, and includes its successors and assigns in such capacity.

“Customer Services” means call centre, customer care, billing and customer information systems services in respect of the Rental Portfolio assets serviced by DE.

“Customer Services Agreement” means the customer services agreement made as of May 7, 2002 between DE and CustomerWorks, as amended and restated on March 15, 2007, which was terminated in August 2009.

“Customer Services Provider” means EGD and ABSU, in their capacity as providers of Customer Services, whether directly or indirectly, under the OBA and Ex-franchise BSA.

“CustomerWorks” means CustomerWorks Limited Partnership and includes its successors and assigns.

“DBRS” means DBRS Limited, and its successors.

“DE” means Direct Energy Marketing Limited.

“Declaration of Trust” means the declaration of trust dated October 28, 2002 providing for the establishment of The Consumers' Waterheater Income Fund as a trust under the laws of the Province of Ontario, as amended and restated on December 4, 2002 and further amended on July 26, 2006 and April 26, 2007, amended and restated on May 1, 2008 and amended on December 1, 2010.

“DE Co-ownership Interest” means the undivided co-ownership interest in the Custodial Assets owned by DE under the Co-ownership Agreement.

“Directors” means the directors of EnerCare.

“EC SI” means Enbridge Commercial Services Inc. and includes its successors and assigns.

“EECI” means Enbridge Electric Connections Inc., a corporation existing under the laws of Ontario, which was subsequently renamed EnerCare Connections Inc. and amalgamated with Stratacon and New Lendco effective January 1, 2012.

“EGD” means Enbridge Gas Distribution Inc. (formerly The Consumers’ Gas Company Ltd.) and includes its successors and assigns.

“EGD Payment” means the payment made by EGD to DE pursuant to the OBAs constituting, subject to certain exceptions, 99.56% (99.46% for 2013 and 99.42% for 2012) of all amounts invoiced to applicable customers on the EGD bill.

“EGNB” means Enbridge Gas New Brunswick Limited Partnership and includes its successors and assigns.

“EGNB Origination Agreement” means the origination and servicing agreement dated as of July 7, 2011 between EGNB and ESLP, as amended on May 31, 2012 and as the same may be further amended, modified, restated or replaced from time to time.

“Enbridge” means Enbridge Inc. and includes its successors and assigns.

“EnerCare” means EnerCare Inc., a corporation incorporated under the laws of Canada.

“EnerCare Connections” means EnerCare Connections Inc., a corporation amalgamated under the laws of Ontario.

“EnerCare Co-ownership Interest” means the undivided co-ownership interest in the Custodial Assets initially owned by Newco (now owned by ESLP) under the Co-ownership Agreement.

“EnerCare OBA” means the amended and restated open bill access and collection services agreement and related agreements effective January 6, 2014 between EnerCare and EGD, and in respect of the period from December 21, 2012 to January 5, 2014, the amended and restated open bill access and collection services agreement and related agreements effective December 21, 2012 between DE and EGD, and in respect of the period prior to December 21, 2012, the open bill access and collection services agreement effective May 2, 2011 between DE and EGD to give effect to the permanent solution for open bill access to the EGD bill pursuant to the settlement approved by the OEB on December 2, 2009 in connection therewith.

“EnerCare Solutions” means EnerCare Solutions Inc., a corporation amalgamated under the laws of Canada.

“EnerCare Solutions Articles” means the articles of amalgamation of EnerCare Solutions.

“EnerCare Solutions Shares” means the common shares of EnerCare Solutions.

“Energy Services Niagara” means Energy Services Niagara Inc. and includes its successors and assigns.

“Energy Services Niagara OBA” means the amended and restated open bill access and collection services agreement and related agreements effective January 6, 2014 between Energy Services Niagara and EGD, as assigned to ESLP.

“**ESLP**” means EnerCare Solutions Limited Partnership (formerly named Waterheater Operating Limited Partnership), a limited partnership existing under the laws of Ontario with WGP Inc. as its general partner and Rentco as its limited partner.

“**Ex-franchise BSA**” means the ex-franchise billing service agreement dated as of August 11, 2009 between DE and EGD, as the same may be amended, modified, restated or replaced from time to time.

“**Extraordinary Servicing**” means (i) servicing undertaken by the Servicer in respect of an installed water heater (or component) that is defective required by reason of a demand or notification by a governmental authority (including, without limitation, the TSSA and Canadian Standards Association), or a general product recall or retrofit recommended by the manufacturer of the water heater (or component) in question, or (ii) servicing undertaken at the initiative of the Servicer following a determination by the Servicer that such servicing is required, determined in accordance with prudent business practice as if it was the owner and servicer of the installed water heater, but does not include (X) servicing undertaken by the Servicer where servicing described in (i) or (ii) above is combined with a service call to a customer’s premises following a customer initiated call prior to a remediation program being established, and (Y) servicing undertaken by the Servicer in respect of product defects which were known to DE as at December 17, 2002.

“**Festival**” means Festival Hydro Services Inc.

“**Festival Water Heaters**” means water heaters and commercial water heaters acquired in November 2007 pursuant to the asset purchase agreement dated October 15, 2007 between ESLP and Festival.

“**Fund**” means The Consumers’ Waterheater Income Fund, which was wound-up and dissolved on January 1, 2011 in connection with the Conversion.

“**Government of Canada Yield**” means, on any day, an interest rate per annum equal to the effective yield to maturity, compounded semi-annually, which a non-callable Government of Canada bond would produce if issued, in Canadian dollars in Canada, at 100% of its principal amount with a term to maturity approximately equal to the remaining term to maturity in respect of a Senior Note and bearing interest payable semi-annually.

“**GreenSource**” means GreenSource Capital Inc. and includes its successors and assigns.

“**GreenSource Purchase Agreement**” means the asset purchase agreement dated February 29, 2012 among GreenSource, DE and ESLP, as the same may be amended, modified, supplemented, restated or replaced from time to time.

“**GreenSource Assets**” means the rental portfolio comprising of water heaters and HVAC Equipment acquired by EnerCare pursuant to the GreenSource Purchase Agreement.

“**Guarantors**” means, collectively, ESLP, Rentco and WGP Inc., and prior to January 1, 2011, Holding LP, and “**Guarantor**” means any one of them.

“**Holding LP**” means Waterheater Holding Limited Partnership, which was wound-up and dissolved on December 1, 2010 in connection with the Conversion.

“HVAC Agreement” means the HVAC origination and servicing agreement dated as of April 25, 2007 between ESLP and DE, as the same may be amended, modified, supplemented, restated or replaced from time to time.

“HVAC Equipment” means commercial and residential mechanical systems which provide heating, cooling, ventilation and/or domestic hot water within a building, to provide a controlled environment for the occupants, whether fuelled by natural gas, electricity or otherwise.

“IFRS” means International Financial Reporting Standards.

“Income Tax Act” means the *Income Tax Act* (Canada) and the regulations thereunder, each as may be amended from time to time.

“Lendco” means 6814867 Canada Limited, which was continued into Ontario as New Lendco effective December 2, 2011.

“New Brunswick Water Heaters” means water heaters originated by EGNB pursuant to the EGNB Origination Agreement.

“Newco” means 4104285 Canada Limited.

“New Lendco” means 1759857 Ontario Limited, which was Lendco continued from federal jurisdiction. New Lendco was amalgamated with Stratacon and EECI effective January 1, 2012.

“Newer Lendco” means 8018308 Canada Limited, which was incorporated on September 28, 2012 and amalgamated with EnerCare Solutions Inc. effective September 30, 2012.

“New Line of Credit” means the \$35,000 revolving line of credit and indebtedness pursuant to the Revolver Credit Agreement, as amended on January 1, 2011 in connection with the Conversion. The New Line of Credit was further amended and restated in July 2011 as the Amended New Line of Credit.

“Niagara Purchase Agreement” means the asset purchase agreement dated February 26, 2014 between Energy Services Niagara and ESLP, as the same may be amended, modified, supplemented, restated or replaced from time to time.

“Niagara Water Heaters” means the water heaters acquired in February 2014 pursuant to the Niagara Purchase Agreement.

“Non-Competition Agreement” means the agreement dated December 17, 2002 between DE and the Fund which restricts DE from engaging in certain businesses as amended on January 1, 2005 and December 29, 2006, and as may be further amended, modified, supplemented, restated or replaced from time to time.

“OBA” means the amended and restated open bill access and collection services agreement and related agreements effective January 6, 2014 between DE and EGD, and in respect of the period from December 21, 2012 to January 5, 2014, the amended and restated open bill access and collection services agreement and related agreements effective December 21, 2012 between DE and EGD, and in respect of the period prior to December 21, 2012, the open bill access and collection services agreement effective February 4, 2010 between DE and EGD to give effect to the permanent solution for open bill access to the EGD bill pursuant to the settlement approved by the OEB on December 2, 2009 in connection therewith.

“**OBA**” means collectively the OBA, the EnerCare OBA and the Energy Services Niagara OBA.

“**OEB**” means the Ontario Energy Board.

“**OEB Bulletin**” means the bulletin issued in March 2009 by the compliance office of the OEB regarding installation of sub-metering systems in residential complexes in Ontario.

“**OEB Order**” means the decision and order of the OEB dated August 13, 2009 in respect of discretionary metering in residential complexes in Ontario.

“**Old Line of Credit**” means the line of credit and indebtedness pursuant to the credit agreement dated June 26, 2008 between the Operating Trust and a Canadian chartered bank, as amended in February 2009, as the same was terminated in January 2010.

“**Old OBA**” means the open bill access and collection services agreement effective March 10, 2008 between DE and EGD to give effect to the interim solution for open bill access to the EGD bill pursuant to the settlement approved by the OEB on February 13, 2007 in connection therewith, as the same was terminated and replaced with the OBA in February 2010.

“**Old Receivables Trust Agreement**” means the proceeds transfer, servicing and trust agreement effective March 10, 2008 between EGD, DE, ABSU and CIBC Mellon, as trustee, pursuant to which collections on joint billing statements issued pursuant to the Old OBA on behalf of DE and EGD were transferred to CIBC Mellon and allocated by ABSU, as the same was terminated and replaced with the Amended Receivables Trust Agreement in February 2010.

“**Operating Trust**” means The Consumers’ Waterheater Operating Trust, which was wound-up and dissolved on January 1, 2011 in connection with the Conversion.

“**Origination Agreement**” means the origination agreement dated December 17, 2002 between Rentco and DE providing for the sale to ESLP of rental water heaters originated by DE, as amended on January 1, 2005, December 29, 2006, January 1, 2013 and August 1, 2013, and as may be further amended, modified, supplemented, restated or replaced from time to time.

“**Partnership Agreement**” means the partnership agreement dated December 17, 2002 governing, among other things, the rights and obligations of the limited partners and general partner of ESLP, as the same may be amended, modified, supplemented, restated or replaced from time to time.

“**Rating Agency**” means DBRS or S&P (in their capacity as rating agencies in respect of the Senior Notes) or, if neither DBRS nor S&P is in existence, a nationally recognized statistical rating organization or other comparable entity substituted therefor by EnerCare from time to time.

“**Registered Plans**” means qualified investments under the Income Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

“**RTA**” means the *Residential Tenancies Act* (Ontario) and the regulations promulgated thereunder.

“Receivables Trust Agreement” means the proceeds transfer, servicing and trust agreement made as of May 7, 2002 between EGD, DE, CustomerWorks, Enbridge, ECSI and CIBC Mellon, as trustee, pursuant to which collections on joint billing statements issued by the Customer Services Provider on behalf of DE and EGD were transferred to CIBC Mellon and allocated by the Customer Services Provider between receivables owing to EGD and receivables owing to DE, as the same was terminated effective in March 2008.

“Rental Portfolio” means residential and commercial water heaters, HVAC Equipment and other related assets owned by ESLP.

“Rentco” means 4483588 Canada Inc. (formerly, Direct Waterheater Rentals Inc.), a corporation amalgamated under the laws of Canada.

“Revolver Credit Agreement” means the credit agreement made as of December 18, 2009 between the Operating Trust, the Guarantors, a Canadian chartered bank, and the financial institutions a party thereto, as amended and restated by an amended and restated credit agreement made as of January 1, 2011 between EnerCare Solutions, the Guarantors, a Canadian chartered bank, and the financial institutions a party thereto, and as amended and restated by a second amended and restated credit agreement made as of July 6, 2011 between EnerCare Solutions, the Guarantors, a Canadian chartered bank, and the financial institutions a party thereto.

“S&P” means Standard & Poor’s Ratings Services and its successors.

“Second Receivables Trust Agreement” means a proceeds transfer, servicing and trust agreement dated as of August 8, 2005 between CIBC Mellon, as agent and nominee for and on behalf of the Co-owners, as an assignor and a beneficiary, DE, as an assignor and a beneficiary, CIBC Mellon, as Custodian under the Co-ownership Agreement, CIBC Mellon, as trustee for the beneficiaries, CustomerWorks, as servicer and DE, as servicer under the Co-ownership Agreement, as amended in August 2009 to have DE replace CustomerWorks as servicer thereunder, pursuant to which collections on DE invoices issued by the EGD on behalf of DE and the Co-owners are transferred to CIBC Mellon, as trustee, and allocated by DE between receivables owing to DE and receivables owing to the Co-owners, as the same may be amended, modified, supplemented, restated or replaced from time to time.

“Senior Indebtedness” means any indebtedness outstanding under the Senior Unsecured Indenture from time to time, including the Series 2012-1 Notes and the Series 2013-1 Notes, under the Amended New Line of Credit or the Term Credit Facility.

“Senior Indenture” means the trust indenture dated December 17, 2002 between the Operating Trust, as issuer, the Guarantors, as guarantors, and The Canada Trust Company (now Computershare Trust Company of Canada), as indenture trustee, as the same was replaced with the Senior Unsecured Indenture in January 2010.

“Senior Notes” means the Series 2012-1 Notes and the Series 2013-1 Notes and prior to March 6, 2013, the Series 2009-2 Notes, and prior to December 21, 2012, the Series 2010-1 Notes and prior to April 30, 2012, the Series 2009-1 Notes, and any other series of senior notes authorized, issued and certified in accordance with the terms of the Senior Unsecured Indenture and for the time being outstanding.

“Senior Unsecured Indenture” means the trust indenture dated as of January 29, 2010 between the Operating Trust, as issuer, the Guarantors, as guarantors, and Computershare Company of Canada, as indenture trustee, as supplemented by the first supplemental indenture dated as of January 29, 2010, the second supplemental indenture dated as of February 19, 2010, the third supplemental indenture dated as of December 1, 2010, the fourth supplemental indenture dated as of January 1, 2011, the fifth supplemental indenture dated as of September 30, 2012, the sixth supplemental indenture dated as of November 21, 2012 and the seventh supplemental indenture dated as of February 1, 2013, as the same may be amended, modified, supplemented, restated or replaced from time to time. The Operating Trust was wound-up and dissolved in connection with the Conversion and all of the covenants and obligations of the Operating Trust with respect to the Senior Unsecured Indenture were assumed by EnerCare Solutions.

“Series 2009 Notes” means, collectively, the Series 2009-1 Notes and the Series 2009-2 Notes.

“Series 2009-1 Notes” means the \$60,000 principal amount of 6.20% Series 2009-1 Senior Notes of EnerCare Solutions, which were repaid on April 30, 2012.

“Series 2009-2 Notes” means the \$270,000 principal amount of 6.75% Series 2009-2 Senior Notes of EnerCare Solutions, which were redeemed on March 6, 2013.

“Series 2009 Indenture” means the Senior Indenture as supplemented by the tenth supplemental indenture dated February 13, 2009 between the Operating Trust, the Guarantors, as guarantors and Computershare Trust Company of Canada, as indenture trustee, as the same was replaced with the Senior Unsecured Indenture in January 2010.

“Series 2010 Notes” means the \$240,000 principal amount of 5.25% Series 2010-1 Senior Unsecured Notes of EnerCare Solutions, which were redeemed on December 21, 2012.

“Series 2012-1 Notes” means the \$250,000 principal amount of 4.30% Series 2012-1 Senior Unsecured Notes of EnerCare Solutions due November 30, 2017.

“Series 2013-1 Notes” means the \$225,000 principal amount of 4.60% Series 2013-1 Senior Unsecured Notes of EnerCare Solutions due February 3, 2020.

“Series A-1 Secured Notes” means the 4.70% Series 2003-1 A-1 Secured Notes of the Operating Trust, which were repaid on January 28, 2008.

“Series A-2 Secured Notes” means the 5.245% Series 2003-1 A-1 Secured Notes of the Operating Trust, which were repaid on January 28, 2010.

“Servicer” means DE, in its capacity as provider of the Services, and includes its successors and assigns in such capacity, and includes any replacement servicer.

“Servicer Termination Event” means:

- (a) DE materially defaulting in the observance or performance of any of its material covenants or obligations contained in the Co-ownership Agreement, the default remains unremedied for a period of up to 90 days following notice by the Custodian (given on the written instructions of the holder of the EnerCare Co-ownership Interest) of such default such that DE's overall performance in relation to its material undertakings or obligations falls below that of the Servicing Standard (subject to force majeure), and there has been a concurrent

(but not necessarily consequential) reduction in the number of installed water heaters subject to Custodial Rental Contracts by (i) at least 10% since notice of the default was first given, or (ii) by at least 5% since notice of the default was first given (excluding any reduction caused by the failure of ESLP to purchase replacement water heaters under the Origination Agreement) and the declaration of a Servicer Termination Event is required by any Rating Agency; or

- (b) the dissolution, liquidation or winding-up or a bankruptcy, liquidation, receivership or insolvency in respect of, DE.

“Services” means the services to be provided by the Servicer in respect of the Custodial Rental Contracts and the Rental Portfolio assets subject to Custodial Rental Contracts and pursuant to the Co-ownership Agreement.

“Servicing Standard” means, at any time, such policies and procedures relative to the Services as would be followed by a reasonable and prudent servicer of equipment similar to the Rental Portfolio carrying on business in Ontario.

“Share Purchase Agreement” means the share purchase agreement dated December 17, 2002 between DE and Holding LP pursuant to which, among other things, on that date DE contributed all of the issued and outstanding shares in the capital of Rentco to Holding LP.

“SIFT Rules” means Bill C-52, the Budget Implementation Act, 2007, which received Royal Assent on June 22, 2007, which contained legislation to implement the taxation of “specified investment flow-through” entities announced as part of the Tax-Fairness Plan.

“Stratacon” means Stratacon Inc., a corporation incorporated under the laws of Ontario, which was amalgamated with EECl and New Lendco effective January 1, 2012.

“Stratacon-EECl Amalgamation” means the amalgamation of Stratacon, EECl and New Lendco under the laws of Ontario effective January 1, 2012.

“Stratacon Purchase Agreement” means the share purchase agreement made as of August 6, 2008, but with effect on August 1, 2008, among The Sum Group Inc., PJB Woodbridge Inc., 2076411 Ontario Limited, 6754457 Canada Ltd., Quarters Management Inc., The Hamilton Group Inc., Penteliuk Financial Corporation and 6814867 Canada Limited, the Fund and Stratacon, among others.

“Sub-metering Act” means the *Electricity Consumer Protection Act, 2009* (Ontario).

“Sub-metering Legislation” means, collectively, the Sub-metering Act and the Sub-metering Regulations.

“Sub-metering Regulations” means, collectively, the regulations promulgated under the Sub-metering Act and the RTA.

“Subordinated Debt” means, unsecured indebtedness of any of EnerCare Solutions and its subsidiaries which is expressly subordinate and postponed in right of payment to the Senior Indebtedness.

“Term Credit Facility” means the \$60,000 term credit facility maturing in January 2016 between, among others, EnerCare Solutions, as borrower, the Guarantors, as guarantors and a Canadian chartered bank, as lender.

“TH Energy” means Toronto Hydro Energy Services Inc.

“TH Purchase Agreement” means the asset purchase agreement dated January 30, 2007 between ESLP and TH Energy, as the same may be amended, modified, supplemented, restated or replaced from time to time.

“TH Water Heaters” means water heaters and commercial water heaters acquired in February 2007 pursuant to the TH Purchase Agreement.

“Thunder Bay Water Heaters” means water heaters and commercial water heaters acquired in September 2008 pursuant to the asset purchase agreement dated September 19, 2008 between ESLP and Thunder Bay Hydro, as the same may be amended, modified, supplemented, restated or replaced from time to time.

“Thunder Bay Hydro” means Thunder Bay Hydro Energy Services Inc.

“TSSA” means the Technical Standards and Safety Authority, a provincial safety regulator in respect of, among other things, natural gas devices, established pursuant to the *Technical Standards and Safety Act* (Ontario).

“Unitholder” means a holder of Units.

“Units” means trust units of the Fund.

“water heaters” means natural gas water heaters and electric water heaters.

“WGP Inc.” means 4113152 Canada Limited, a special purpose wholly-owned subsidiary of EnerCare Solutions which is the general partner of ESLP.

APPENDIX A - AUDIT COMMITTEE MANDATE

Last reviewed by the Board of Directors on March 5, 2014

INTRODUCTION:

A. ESTABLISHMENT OF COMMITTEE AND PROCEDURES

Composition of Committee

The Board of Directors (the "Board") shall appoint an Audit Committee (the "Committee") consisting of at least three Directors, all of whom shall, in the judgment of the Board meet the criteria for independence contained in National Instrument 52-110 -- Audit Committees, as replaced or amended from time to time (including any successor rule or policy thereto) ("NI 52 - 110"). Each member shall hold office until his or her term as a member of the Committee expires or is terminated.

Each member of the Committee shall be financially literate, in that he or she must have the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, and otherwise be financially literate within the meaning of NI 52-110.

At least one member of the Committee shall be a financial expert. The Board will consider a person to be a financial expert if that person has the following attributes:

- (i) an understanding of financial statements and generally accepted accounting;
- (ii) experience preparing, auditing, analyzing or evaluating financing statements that are comparable to the Corporation's financial statements;
- (iii) an understanding of internal controls and procedures for financial reporting; and
- (iv) an understanding of audit committee functions obtained through education and experience as a principal financial officer or actively supervising a principal financial officer or principal accounting officer, controller, auditor or person performing similar functions or overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements.

Determinations as to whether a particular Director satisfies the requirements for membership on the Committee shall be made by the Board.

Governance and Procedure

Unless otherwise determined by the Directors, a quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board.

Chair of the Audit Committee

The Board shall appoint one member to be Chair of the Audit Committee. If, in any year, the Board does not appoint a Chair, the incumbent Chair shall continue in office until a successor is appointed.

The Corporation's Auditors

The Committee shall have the direct responsibility for the oversight of the external auditors. The Committee shall serve as the ultimate authority to which the Corporation's external auditors are accountable and the Corporation's external auditors shall report directly to the Committee. The Corporation shall provide appropriate funding, as determined by the Committee, for payment of compensation to the external auditors and any experts or advisors employed by the Committee.

The Committee shall meet with the external auditors, as the Committee may deem appropriate, to consider any matter which the Committee or auditors believe should be brought to the attention of the Board or the shareholders of the Corporation.

Review of Mandate

The Committee shall review this mandate at least annually or otherwise as it deems appropriate, and propose recommended changes to the Board.

Frequency of Meetings

The Committee shall meet at least once per fiscal quarter, or more frequently as circumstances dictate.

Reporting

The Committee shall report to the Board on all significant matters dealt with by the Committee.

Retention of Advisors

The Committee may engage such advisors, without approval of the Board of Directors and at the expense of the Corporation, as it considers necessary to perform its duties.

Disclosure

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

B. GENERAL MANDATE OF COMMITTEE

The role of the 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 Marketing Limited ("DEML") pursuant to the origination agreement dated December 17, 2002 between a subsidiary of the Corporation and DEML, as amended and as amended from time to time. In furtherance of this role, the Committee provides assistance to the Board in fulfilling its oversight responsibility to the

shareholders of the Corporation, the investment community and others, relating to the integrity of the Corporation's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the external auditors' qualifications, independence, performance and reports, the legal and environmental compliance programs as may be established by management and the Board, and the risk identification, assessment and management program. In so doing, it is the Committee's responsibility to maintain an open avenue of communication between the Committee, the external auditors, the internal auditors and management of the Corporation.

Management is responsible for the preparation, presentation and integrity of the financial statements of the Corporation. Management and the internal audit group (if available) of the Corporation are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. While the Committee has the responsibilities and powers set forth herein, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the external auditors. Management is responsible for preparing the interim and annual financial statements and financial disclosure of the Corporation and for maintaining a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, executed, recorded and reported properly. The Committee's role is to provide meaningful and effective oversight and counsel to management without assuming responsibility for management's day-to-day duties.

C. DUTIES AND RESPONSIBILITIES

The Committee shall have the following specific duties and responsibilities:

Audit and Financial Matters

The Committee shall:

- (a) have responsibility for recommending to the Board the external auditors to be nominated for appointment and the compensation and retention of the external auditors and shall have responsibility for approving non-audit services and fees and in doing so, shall:
 - (i) review the experience and qualifications of the external auditors' senior personnel who are providing audit services to the Corporation and the quality control procedures of the external auditors;
 - (ii) review the basis and amount of the external auditors' fees;
 - (iii) review and discuss with the external auditors all relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the external auditors' independence, including, without limitation (i) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the

- external auditors with respect to the Corporation, (ii) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (iii) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence;
- (iv) resolve disagreements between management and the external auditors regarding financial reporting;
 - (v) approve audit services;
 - (vi) pre-approve the appointment of the external auditor for any non-audit service to be provided to the Corporation or its subsidiaries. The Committee may establish policies and procedures, from time to time, pre-approving the appointment of the external auditor for certain non-audit services. In addition, the Committee may delegate to one or more members of the Committee the authority to pre-approve the appointment of the external auditor for any non-audit service to the extent permitted by applicable law, provided that any pre-approvals granted pursuant to such delegation shall be reported to the full Committee at its next scheduled meeting;
 - (vii) inform the external auditors and management that the external auditors shall have access directly to the Committee at all times, as well as the Committee to the external auditors; and
 - (viii) instruct the external auditors that they are ultimately accountable to the Committee and are required to report directly to the Committee;
- (b) review the Corporation's annual and quarterly financial statements and management's discussion and analysis in connection thereto with management and the external auditors to gain reasonable assurance that the statements are accurate, complete, represent fairly the Corporation's financial position and performance and are in accordance with GAAP and report thereon to the Board before such financial statements are approved by the Board;
 - (c) review the Corporation's annual and interim earnings press releases before they are publicly disclosed;
 - (d) review all other financial statements of the Corporation that require approval by the Board before they are released to the public, including, without limitation, financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities;
 - (e) review disclosures made to the Committee by the President and Chief Executive Officer and Chief Financial Officer of the Corporation during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses in the design or

operation of the Corporation's internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information, and any fraud involving management or other employees who have a significant role in the Corporation's internal control over financial reporting;

- (f) review with management and the external auditors the appropriateness of the Corporation's accounting policies, disclosures, reserves, key estimates and judgments, including changes or variations thereto and obtain reasonable assurance that they are presented fairly in accordance with GAAP and report thereon to the Board;
- (g) review major issues regarding accounting principles and financial statement presentation, including any significant changes in the selection or application of accounting principles to be observed in the preparation of the accounts of the Corporation;
- (h) review with management and the external auditors:
 - (i) the degree of conservatism of the Corporation underlying accounting policies, key estimates and judgments and reserves;
 - (ii) the co-operation that the external auditors received during the course of their review and their access to all records, data and information that they requested;
 - (iii) any significant transactions that were out of the ordinary course of the Corporation's business; and
 - (iv) all significant adjustments proposed by the external auditors;
- (i) satisfy itself that there are no unresolved issues between management and the external auditors that could reasonably be expected to materially affect the financial statements;
- (j) review annually the approach taken by management in the preparation of earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
- (k) satisfy itself that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements in order to satisfy itself that such information is fairly presented and periodically assess the adequacy of these procedures;
- (l) review with senior management, the senior legal executive member of management and, as necessary, outside legal advisors, and the Corporation's internal (if applicable) and external auditors the effectiveness of the Corporation's internal controls to ensure the Corporation is in compliance with legal and regulatory requirements and with the Corporation's policies;

- (m) review at least quarterly with the senior legal executive member of management, and, if necessary, outside legal advisors, significant legal, compliance or regulatory matters that may have a material effect on the business of the Corporation;
- (n) discuss with management the Corporation's policies and procedures for identifying and managing the principal risks of its business (other than risks assumed directly by the Board or one of its other committees), to determine that management has implemented and is maintaining systems and procedures to manage or mitigate those risks, including programs of insurance and risk reduction;
- (o) review the audit plans of the internal (if applicable) and external auditors of the Corporation, including the degree of detail of those plans and the coordination between those plans;
- (p) review and consider, as appropriate, any significant reports and recommendations made by internal audit (if applicable) relating to internal audit issues, together with management's response thereto;
- (q) review management's plans regarding any changes in accounting practices or policies and the financial impact thereof;
- (r) discuss with the external auditors their perception of the Corporation's financial and accounting personnel, any recommendations that the external auditors may have, including those contained in the management letter, with respect to improving internal financial controls, choice of accounting principles or management reporting systems;
- (s) review all management letters from the external auditors together with management's written responses thereto;
- (t) review with management, the external auditors and, as necessary, internal and external legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters may be, or have been, disclosed in the financial statements;
- (u) review annually the internal audit (if applicable) department charter, review with the internal auditors the Corporation's internal control procedures, the scope and plans for the work of the internal audit group, the annual checklist of responsibilities of the Committee, as prepared by the internal auditors; review the adequacy of resources and ensure that the internal auditors have unrestricted access to all functions, records, property and personnel of the Corporation and inform the internal auditors and management that the internal auditors shall have unfettered access directly to the Committee at all times, as well as the Committee to the internal auditors;

- (v) at least quarterly, meet separately with management, the external auditors and internal auditors (if applicable) to review issues and matters of concern respecting audits and financial reporting;
- (w) review incidents or alleged incidents of fraud, illegal acts and conflict of interest;
- (x) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding accounting or auditing matters;
- (y) discuss with management and the external auditors any correspondence from or with regulators or governmental agencies, any employee complaints or any published reports that raise a material issue regarding the Corporation's financial statements or accounting policies;
- (z) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;
- (aa) review the annual information form of the Corporation in respect of the disclosure required by Form 52-110F1 or Form 52-110F2, as applicable;
- (bb) conduct a self assessment of Committee performance in comparison to responsibilities outlined in its mandate and report to the Board in respect of same; and
- (cc) at least annually or otherwise as it deems appropriate, review and reassess the adequacy of the Committee's policies and procedures for the approval of non-audit services and approve any changes thereto.

The Committee may, at the request of the Board or on its own initiative, investigate such other matters as are considered necessary or appropriate in carrying out its mandate and in such matters shall have the authority to retain such counsel, experts or other advisors (financial or otherwise) as it may determine are necessary or appropriate and to set and pay the compensation for such advisors.