ANNUAL INFORMATION FORM

March 27, 2015

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EXPLANATORY NOTES

The information in this annual information form is given as of December 31, 2014, unless otherwise indicated. Dollar amounts are expressed in thousands of Canadian dollars, except "per Common Share" or "per Subscription Receipt" 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 that 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 materially from the results discussed in the forward-looking information. Although the forward-looking information is based on what management believes to be reasonable assumptions, EnerCare cannot assure investors that actual results will be consistent with this forward-looking information. All forward looking information in this 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.

See "Risk Factors" in this annual information form for a thorough discussion in respect of the material risks relating to the business and structure of EnerCare.

ENERCARE INC.

General

EnerCare is engaged in the Home Services and Sub-metering businesses. Through its Home Services and Sub-metering businesses, 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.

As at December 31, 2014, EnerCare had 924 employees (including contract employees), comprised of 783 Home Services employees, 101 Sub-metering employees and 40 corporate (head office) employees. EnerCare also provides services through independent licensed franchisees and third party contractors. EnerCare's operations and borrowings (other than the Convertible Debentures) are principally carried out by its subsidiaries.

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". EnerCare was added to the S&P/TSX Composite Index, S&P/TSX Composite Dividend Index and the S&P/TSX Composite High Dividend Index in December 2014.

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

Corporate History

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 Solutions Inc., a wholly-owned subsidiary of EnerCare, is the successor to The Consumers' Waterheater Operating Trust, following the Conversion pursuant to the Arrangement.

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 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 Operating Trust was an unincorporated open-ended trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated November 18, 2002, as amended and restated on December 17, 2002. The Operating Trust was a wholly-owned subsidiary of the Fund.

The Fund, through EnerCare Solutions Limited Partnership ("ESLP"), purchased Direct Energy Marketing Limited's ("DE") rental portfolio of residential and commercial water heaters and HVAC Equipment and completed its initial public offering on December 17, 2002. Concurrent with the closing of the initial public offering, the Operating Trust raised $500,000 of senior indebtedness through a private placement of a secured floating rate note pursuant to the Senior Indenture. As a result of a number of transaction steps completed in connection with the Fund's initial public

offering, ESLP owned the Rental Portfolio (as it existed at that time) and the EnerCare Co-ownership Interest and DE owned the DE Co-ownership Interest. The aggregate purchase price paid to DE in connection with that acquisition was approximately $995,200, less transaction costs, of which approximately 75% was paid in cash and approximately 25% was paid through the issuance of exchangeable partnership units in Holding LP.

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 of secured notes were used by the Operating Trust to repay the $500,000 secured floating rate note, which secured notes were repaid in accordance with their respective terms from the proceeds of further financings.

Through a series of transactions, DE ceased to own any interest, directly or indirectly, in the Fund, as of June 23, 2006.

On January 1, 2011, the Fund completed the Conversion pursuant to the Arrangement (which had been previously approved by Unitholders at a special meeting of Unitholders on November 25, 2010 and by final order of the Ontario Superior Court of Justice on November 29, 2010). As a result of the completion of the Conversion and related transactions:

- 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 Fund was wound-up and dissolved and its assets and operations were assumed by EnerCare;
- Holding LP was wound-up and dissolved and its assets assumed by the Operating Trust;
- the Common Shares and Convertible Debentures were listed on the TSX in substitution for the Units and the Fund's convertible debentures, respectively; and
- the Operating Trust was wound-up and dissolved and EnerCare Solutions assumed the senior indebtedness that was outstanding at that time.

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 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.

Home Services

The Home Services business is primarily carried out by ESLP and EnerCare Home and Commercial Services Limited Partnership ("EHCS"), each an indirect subsidiary of EnerCare Solutions, through their respective employees, third party contractors (generally on a fee-for-service basis) and independent licensed franchisees. The Home Services business consists of the following: the Rental Portfolio, the Protection Plan Portfolio, HVAC Sales and Other Services.

EnerCare rents residential and commercial water heaters, HVAC Equipment, venting systems and other related assets (the "Rental Portfolio"). Approximately 97% of the Rental Portfolio consists of residential water heaters. All of the Rental Portfolio assets are located in the Province of Ontario, except for approximately 620 units which are located in the Provinces of New Brunswick and Nova Scotia.

EnerCare also owns a portfolio of approximately 553,000 residential and commercial protection plan contracts (the "Protection Plan Portfolio"). The Protection Plan Portfolio consists of full service protection plans and maintenance protection plans for such items as furnaces, air conditioners, plumbing and appliances.

EnerCare also sells HVAC Equipment (the "HVAC Sales"). Customers are provided with the option of purchasing HVAC Equipment outright or through a financing option, which is currently offered by a third party financier.

EnerCare also provides ancillary services such as duct cleaning, plumbing work and other one-time chargeable services (collectively, the "Other Services").

For more information on the Home Services business of EnerCare, see "Home Services".

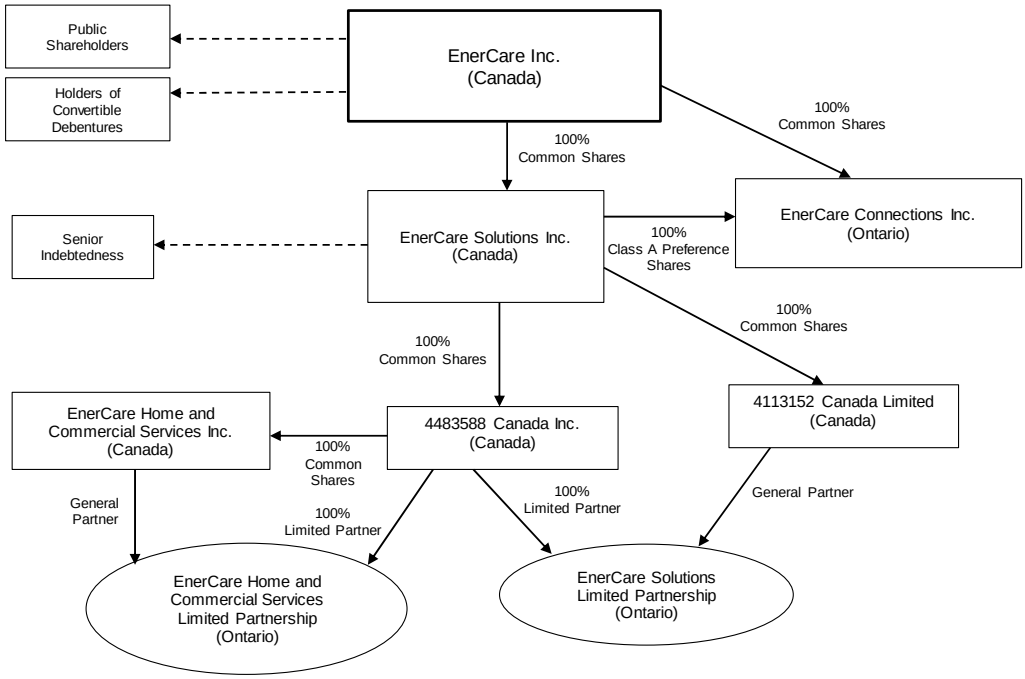
Sub-metering

The Sub-metering business is carried out by EnerCare Connections, a subsidiary of EnerCare, and consists of the sub-metering of electricity, water, thermal energy and gas. EnerCare has been engaged in the business of supplying sub-meters and other equipment and services to customers in Ontario, Alberta and elsewhere in Canada since 2008, with its acquisition of Stratacon. In October 2010, EnerCare acquired Enbridge Electric Connections Inc. (subsequently renamed EnerCare Connections Inc. ("EECI")), also a Sub-metering business. In January 2012, certain of EnerCare's subsidiaries, including Stratacon and EECI, completed the Stratacon-EECI Amalgamation under the name EnerCare Connections Inc. ("EnerCare Connections").

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

Structure of EnerCare

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



Acquisitions and Business Expansion

Home Services

In 2007, the Fund expanded the Rental Portfolio through its acquisition of the water heater rental businesses of Toronto Hydro Energy and Festival Hydro, respectively. The Fund acquired the water heater rental business of Toronto Hydro 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 Hydro for cash consideration of approximately $1,472.

Also in 2007, the Fund entered into the HVAC Agreement with DE pursuant to which the Fund rented HVAC Equipment to residential and commercial customers in Ontario, Alberta and Manitoba.

In 2008, the Fund acquired the water heater portfolio of Thunder Bay Hydro, including 5,935 electric and gas water heaters, for cash consideration of approximately $3,800.

In 2011, EnerCare entered into the EGNB Origination Agreement, pursuant to which EGNB originates and services water heaters and HVAC Equipment in connection with EGNB's fuel switching programs in New Brunswick.

In 2012, EnerCare acquired the rental portfolio comprised 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 $1,944.

Also in 2012, EnerCare announced that, through DE, it began originating commercial water heaters and HVAC Equipment in Nova Scotia as a result of the then relatively recent introduction of natural gas in that province.

In 2014, EnerCare acquired the rental portfolio comprised of water heaters of Energy Services Niagara, which included approximately 2,468 assets, consisting primarily of electric and gas-fired water heaters for cash consideration of approximately $3,035, plus inventory of $38. In connection with the acquisition, Energy Services Niagara and EnerCare entered into a transition agreement and 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.

On October 20, 2014, EnerCare acquired (the “OHCS Acquisition”) the Ontario home and small commercial services business (“OHCS”) of DE in the Province of Ontario, which included the DE Co-ownership Interest. The OHCS Acquisition also included OHCS’ Protection Plans, HVAC Equipment sales, small commercial services and other services businesses. For more information on the OHCS Acquisition, see “– OHCS Acquisition”.

In March 2015, EnerCare acquired the rental portfolio comprised of water heaters of Cobourg Network, comprised of approximately 1,380 electric water heaters, for cash consideration of approximately $890, subject to post-closing adjustments. In connection with the acquisition, Cobourg Network and EnerCare also entered into a transitional agreement, pursuant to which Cobourg Network provides transitional support and billing and collection services on behalf of EnerCare.

For more information on the Home Services business of EnerCare, see “Home Services”.

Sub-metering

In 2008, the Fund entered the Sub-metering business 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 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.

In 2013, EnerCare Connections 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.

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

OHCS Acquisition

General

On October 20, 2014, pursuant to an asset purchase agreement dated July 24, 2014 (the “OHCS Asset Purchase Agreement”) between EnerCare, EHCS and DE, EnerCare, through EHCS, acquired the assets of DE’s Ontario home and small commercial services business (”OHCS”) for a purchase price of approximately $550,390, subject to working capital adjustments (the “OHCS Acquisition”). The OHCS Acquisition and related transaction costs of approximately $23,000 were financed through a combination of debt and equity, including approximately $333,262 from EnerCare’s offering of Subscription Receipts ($317,000 net of fees) (see ““– Developments in 2012, 2013 and 2014 – Offering of Subscription Receipts”), $150,000 from the 2014 Term Credit Facility (see “– Developments in 2012, 2013 and 2014 – 2014 Credit Facility”) and a private placement of 7,692,308 Common Shares to DE. The Common Shares issued to DE were issued at $13.00, the same price as the Subscription Receipts, and are subject to a 12-month lock-up and thereafter, one-half of such Common Shares will be subject to a further 6-month lock-up.

Prior to the OHCS Acquisition, EnerCare had expanded its Home Services business through a number of acquisitions and origination arrangements with various parties, however, approximately 90% of the Rental Portfolio revenue was subject to the Co-ownership Agreement. For the component of the Rental Portfolio under the Co-ownership Agreement, EnerCare was entitled to 65% of the revenue and other payments and DE was entitled to 35% of the revenue. For DE’s

portion of the revenue, it was responsible for servicing and maintaining the assets. Prior to the OHCS Acquisition, under the Co-ownership Agreement, among other things, DE, through OHCS, had the exclusive right to exploit the customer relationship and deal with customers and was also responsible, subject to certain limitations, for determining the rental rates to be charged in respect of the rental units comprising the Rental Portfolio that was subject to the Co-ownership Agreement. In addition to servicing the assets in the Rental Portfolio, DE, through OHCS, was also responsible, pursuant to the Co-ownership Agreement, Origination Agreement and other agreements with ESLP, for the removal, origination and installation of new and replacement water heaters, HVAC Equipment and other assets that were owned by EnerCare and subsequently serviced by DE.

As part of the OHCS Acquisition, the Co-ownership Agreement, Origination Agreement and other servicing agreements between DE and ESLP were either assigned by DE to EHCS and amended to simplify their respective terms to reflect the inter-company nature of such agreements after the closing date of the OHCS Acquisition or terminated. As a result, EnerCare assumed the obligations of DE under those agreements to service the Rental Portfolio previously serviced by DE and is responsible for all of the servicing and maintenance costs associated therewith, and EnerCare is entitled to receive 100% of the revenues from the Rental Portfolio. As a result of the OHCS Acquisition, the ownership of the Custodial Assets, which had been separated into the EnerCare Co-ownership Interest and the DE Co-ownership Interest when the Fund completed its initial public offering in 2002, was reunited and all of the Custodial Assets are owned by EnerCare and EnerCare gained control from DE over key operational aspects of the Rental Portfolio that were previously serviced by DE, such as attrition, customer marketing campaigns and collective bargaining.

Since October 20, 2014, DE has been providing EnerCare with transition services under the Transition Services Agreement described below. The first phase of de-coupling under the Transition Services Agreement is scheduled to be completed during the first half of 2015. EnerCare also began its rebranding initiatives in early 2015 with co-branding on customer invoices, sales literature and advertising.

As the OHCS Acquisition was a “significant acquisition” under applicable securities laws, a Business Acquisition Report dated December 22, 2014 was filed by EnerCare, which is available on SEDAR at www.sedar.com.

The following is a summary description of certain material agreements entered into, directly or indirectly, by EnerCare in connection with the OHCS Acquisition. See “Material Contracts”. The summary description includes a summary of the material attributes of such agreements but is not complete and is qualified by reference to the terms of the material agreements, which are available on SEDAR at www.sedar.com. Investors are encouraged to read the full text of such material agreements.

Key Terms of the OHCS Asset Purchase Agreement

The assets of DE’s OHCS business were acquired by EHCS on October 20, 2014 pursuant to the OHCS Asset Purchase Agreement for a purchase price of approximately $550,390, subject to working capital adjustments. The OHCS Asset Purchase Agreement contains representations and warranties customary for transactions of this nature negotiated between sophisticated purchasers and sellers acting at arm’s length, certain of which are qualified as to materiality and knowledge and subject to reasonable exceptions. Subject to certain exceptions, the representations and warranties of DE in the OHCS Asset Purchase Agreement will survive for a period of 18 months from the closing date of the OHCS Acquisition. All OHCS employees covered by a collective agreement and all non-unionized employees from the closing date of the OHCS Acquisition who

received and accepted offers of employment from EnerCare became employees of EnerCare and/or its subsidiaries on October 20, 2014, although certain employees will remain employees of DE until certain decoupling activities are completed by DE pursuant to the Transition Services Agreement.

Pursuant to the OHCS Asset Purchase Agreement, DE has agreed to indemnify EnerCare against any loss arising from (A) a breach of representation, covenant, agreement or obligation given by DE under the OHCS Asset Purchase Agreement and (B) certain other claims, including with respect to excluded liabilities and taxes. The indemnity with respect to breaches of representations and warranties (other than specified fundamental representations and warranties) is subject to certain limitations, including (i) losses from an individual claim (or related claims) are disregarded unless losses exceed $75, (ii) DE is not required to indemnify EnerCare unless and until EnerCare's losses exceed $5,000, in which event DE will be responsible for the aggregate amount of such losses, and (iii) there is a $110,000 cap to DE's indemnification obligation. Centrica plc, the parent company of DE, has guaranteed DE's payment and indemnification obligations under the OHCS Asset Purchase Agreement for a period of 36 months from the closing date of the OHCS Acquisition and up to an amount not to exceed $110,000. EnerCare will not be entitled to recover in respect of any particular losses more than once with respect to the same facts or circumstances.

Pursuant to the OHCS Asset Purchase Agreement, DE has agreed to provide EnerCare with a right of first offer with respect to the portions of its remaining business used to deliver transition services under the Transition Services Agreement in the event DE determines to divest itself of such business to a competitor of EnerCare operating in the Province of Ontario during the period that transition services are being provided by DE under the Transition Services Agreement.

Transition Services Agreement

In connection with the OHCS Acquisition, EnerCare and DE entered into the transition services agreement (the ''Transition Services Agreement''), pursuant to which DE provides certain transition services to EnerCare relating to, among other things, the provision of ongoing information technology and other support services and information technology decoupling services. The term of the Transition Services Agreement is for an initial period of 15-months from the closing date of the OHCS Acquisition, subject to extensions by either party for up to two 3-month terms.

Pension Asset Transfer Agreement

In connection with the OHCS Acquisition, EnerCare, EHCS and DE entered into the pension asset transfer agreement (the "Pension Asset Transfer Agreement") pursuant to which DE transferred certain defined benefit and defined contribution pension assets in respect of OHCS into a new pension plan which will be assumed by EnerCare upon receipt of regulatory approval, which has not been received as of the date hereof. DE funded the new pension plan on a solvency basis prior to the closing of the OHCS Acquisition by placing the estimated deficit amount in an escrow account. Such estimated deficit will be released from the escrow account and funded into the new pension plan once the requisite regulatory approvals have been obtained, at which point the amount required to fund the new pension plan will be fixed. If the estimated deficit originally funded into the escrow account is less than the fixed amount determined as at the transfer date, the difference will be funded by DE directly into the new pension plan on the transfer date. If the estimated deficit is greater than the fixed amount, the difference in the escrow account will be returned to DE. The defined benefit component of the pension plan is closed to new members. Further information regarding the pension plan can be

found in note 14 of EnerCare' financial statements as at and for the year ended December 31, 2014.

Non-Competition and Non-Solicitation Agreement

In connection with the OHCS Acquisition, EnerCare, DE and Centrica plc entered into a non-competition and non-solicitation agreement dated October 20, 2014 (the "Non-Competition Agreement"), pursuant to which DE and Centrica plc are prohibited from competing in Ontario with OHCS, as it existed on October 20, 2014, for a period of 8 years and will be prohibited from soliciting any employees of OHCS for a period of 3 years following the closing date of the OHCS Acquisition, in each case, subject to certain exceptions. EnerCare is prohibited from soliciting certain executive employees of DE for a period of 3 years following the closing date of the OHCS Acquisition, subject to certain exceptions.

The Non-Competition Agreement also provides EnerCare with a right of first offer to acquire any business that may be competitive with OHCS as it existed on October 20, 2014 that may be acquired by DE or Centrica plc after that date as part of a larger acquisition when DE or Centrica plc, as the case may be, sells such competitive business (which it will be required to do within 2 years of the acquisition of that business).

The Non-Competition Agreement replaced the non-competition agreement that existed between DE, Centrica plc and EnerCare, which was entered into in 2002 at the time of the Fund's initial public offering.

Trademark License Agreement

In connection with the OHCS Acquisition, EnerCare and DE entered into the trademark license agreement (the "Trademark License Agreement"), pursuant to which DE granted EnerCare a non-exclusive, royalty-free license to use the ''Direct Energy'' and related trade names and trademarks for marketing purposes and for purposes of rebranding from DE's names and marks. EnerCare is entitled to use these trade names and trademarks for such purposes for 12 months following the closing date of the OHCS Acquisition and will have a further period of 24 months to use the DE trade name and mark for transition purposes only.

Nomination Agreement

The Nomination Agreement was also entered into in connection with the OHCS Acquisition. See "Directors and Officers – Nomination Agreement".

Developments in 2012, 2013 and 2014

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 ten 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.

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 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. As a result of the expiry of the Consent Order, DE and EnerCare initiated a number of changes in the operation of the Rental Portfolio.

Acquisition of Water Heater Rental Business of GreenSource

In February 2012, EnerCare acquired the GreenSource Assets (See "– Acquisitions and Business Expansion").

Awareness Campaigns

In concert with DE, EnerCare 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 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.

Expansion of Commercial Rental Program to Nova Scotia

On April 24, 2012, EnerCare announced that, through DE, it will be originating commercial water heaters and HVAC Equipment in Nova Scotia (See "– Acquisitions and Business Expansion"). 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's rental program as businesses seek to make the switch to more affordable natural gas appliances.

Repayment of Series 2009-1 Notes

On April 30, 2012, EnerCare Solutions used cash on hand to repay the $60,000 principal amount of 6.20% Series 2009-1 Notes due 2012 (the “Series 2009-1 Notes”) issued in February 2009 by the Operating Trust, the relevant covenants and obligations of which were assumed by EnerCare Solutions in connection with the Conversion.

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 EECI acquisitions. Additionally, the consolidation of systems 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

In September 2012, EnerCare was 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”.

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 (now serviced by EnerCare), the same day service program assures that if a call is received by 5:00 p.m., a technician will do everything possible to attend and provide service on the same day.

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. See “Ratings”.

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 “– 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.

Redemption of Series 2010 Notes

On December 21, 2012, EnerCare Solutions used the proceeds from the offering of its Series 2012-1 Notes (see "– Issuance of Series 2012-1 Notes") to redeem the $240,000 principal amount of 5.25% Series 2010-1 Senior Unsecured Notes due 2013 (the "Series 2010 Notes") issued in February 2010 by the Operating Trust, the related covenants and obligations of which were assumed by EnerCare Solutions in connection with the Conversion.

Competition Bureau Matters

In December 2012, the Commissioner filed applications with the Competition Tribunal against both DE and Reliance Comfort Limited Partnership ("Reliance") under the Competition Act 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. In November 2014, Reliance signed a consent agreement with the Competition Bureau, pursuant to which Reliance agreed to pay an administrative penalty and modify its residential rental agreement termination and water heater return policies in certain Ontario markets. Reliance was also required to take certain steps to provide further convenience for customers, should they choose to end their rental agreements and return their water heaters. In connection with the OHCS Acquisition, EnerCare provided voluntary assurance to the Commissioner to address concerns the Competition Bureau had in respect of DE's water heater return policies and procedures. See "– EnerCare Provides Voluntary Assurance to the Competition Bureau regarding Water Heater Returns".

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.

2013 Term Credit Facility

On January 28, 2013, EnerCare Solutions entered into a $60,000 term credit facility (the "2013 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 "– Redemption of Series 2009-2 Notes" and "– Issuance of Series 2013-1 Notes".

The 2013 Term Credit Facility was repaid in full in October 2014 using proceeds from the 2014 Line of Credit and terminated. See "– 2014 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. See "Ratings".

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

Redemption of Series 2009-2 Notes

On March 6, 2013, EnerCare Solutions redeemed the $270,000 principal amount of 6.75% Series 2009-2 Notes due 2014 (the "Series 2009-2 Notes", and together with the Series 2009-1 Notes, the "Series 2009 Notes") issued in February 2009 by the Operating Trust, the relevant covenants and obligations of which were assumed by EnerCare Solutions in connection with the Conversion. The Series 2009-2 Notes were redeemed, including payment of a make-whole payment of approximately $13,754, using proceeds from the offering of the Series 2013-1 Notes and by the drawdown of $60,000 under the 2013 Term Credit Facility.

See "– 2013 Term Credit Facility" and "– Issuance of Series 2013-1 Notes".

EnerCare Connections' Revised Conditions of Service

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. See "Sub-metering – Regulatory Developments". 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.

Launch of New Thermal Sub-metering Program

During the second quarter of 2013, EnerCare Connections completed the meter installation and commissioning on its first new construction thermal sub-metering project (see "– Acquisitions and Business Expansion").

Acquisition of Water Heater Rental Business of Energy Services Niagara

In February 2014, EnerCare acquired approximately 2,468 assets, consisting primarily of electricity and gas-fired water heaters, from Energy Services Niagara (see "– Acquisitions and Business Expansion").

Reconfirmation of the 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 and reconfirmed by shareholders at the annual and special meeting held on May 1, 2014. 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).

EnerCare Responds to Shareholder Letter Issued by Augustus Advisors

In July 2014, EnerCare issued a news release to respond to a letter issued by Augustus Advisors, LLC (an affiliate of EnerCare's then largest shareholder) to EnerCare's shareholders. In that news release, EnerCare indicated that, following receipt of a letter of indication sent by TPG Special Situations Partner, LLC (''TSSP'') to EnerCare in late May 2014 referenced in the letter to shareholders, the Directors met and considered the letter of indication and that, after that consideration, including considering financial and other information provided by EnerCare's advisors, the Directors unanimously determined that the indicated price of between $13.50 and $15.00 per Common Share did not represent full value for the Common Shares and was not sufficient to form the basis of meaningful discussions with TSSP.

Acquisition of OHCS

In October 2014, EnerCare, completed the OHCS Acquisition. See "– OHCS Acquisition".

Offering of Subscription Receipts

In August 2014, EnerCare completed an offering of 25,635,525 Subscription Receipts at a price of $13.00 per Subscription Receipt for gross proceeds of approximately $333,262 (which included 1,788,525 Subscription Receipts sold as a result of the exercise in full of the over-allotment option by the underwriters). The Subscription Receipts were offered under a short form prospectus dated August 11, 2014 filed with the securities regulatory authorities in each of the provinces of Canada.

On October 20, 2014, each outstanding Subscription Receipt was exchanged for one Common Share, resulting in the issuance of 25,635,525 Common Shares and a cash payment equal to $0.1208 per Subscription Receipt. The cash payment was equal to the aggregate amount of dividends per Common Share for which record dates occurred since the issuance of the Subscription Receipts, less withholding taxes, if any.

2014 Credit Facility

In October 2014, EnerCare Solutions entered into the 2014 Credit Facility. The 2014 Credit Facility comprises a 5-year $100,000 revolving, non-amortizing variable rate credit facility with a

maturity date of October 20, 2019 (the "2014 Line of Credit") and a 4-year non-revolving, non-amortizing variable rate term credit facility in the amount of $210,000 with a maturity date of October 20, 2018 (the "2014 Term Credit Facility"). The full amount of the 2014 Term Credit Facility was drawn for the purpose of financing the OHCS Acquisition and re-paying in full the 2013 Term Credit Facility. The 2014 Line of Credit is for working capital and general corporate purposes and is currently undrawn.

The 2014 Line of Credit ranks equally and ratably with the other outstanding Senior Indebtedness. At a "BBB (high)" rating, the 2014 Line of Credit bears interest at a rate of BAs plus 100 basis points and the standby fee for undrawn amounts is 20% of the applicable margin. See "Consolidated Capitalization of EnerCare – Senior Indebtedness – 2014 Credit Facility".

EnerCare Provides Voluntary Assurance to the Competition Bureau regarding Water Heater Returns

In November 2014, EnerCare announced that it resolved concerns that Canada's Competition Bureau had in respect of certain water heater return policies and practices of DE in respect of OHCS. This was the culmination of a co-operative process between EnerCare and the Competition Bureau that was initiated in conjunction with the OHCS Acquisition.

As noted in the Competition Bureau's own announcement, EnerCare had not engaged in any anti-competitive behaviour. However, following the completion of the OHCS Acquisition, EnerCare voluntarily provided written assurance to the Competition Bureau regarding EnerCare's water heater return policies and practices, including:

- no longer requiring customers to obtain authorization numbers before returning a rented water heater;
- honouring agreements whereby a new supplier can terminate a customer's account on his or her behalf and return the old water heater; and
- opening two new return depots to facilitate the return of its water heaters.

EnerCare does not expect that the changes will have a significant impact on its operating costs or attrition in the Rental Portfolio.

Recent Developments

Changes to the Consumer Protection Act, 2002

In November 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.

In March 2014 and October 2014, the Ontario Ministry of Consumer Services (the "Ministry") issued proposals for regulations to implement Bill 55 and invited public consultation on the proposals. EnerCare submitted its comments on the proposals to the Ministry in respect of both consultations.

In January 2015, EnerCare announced that the amendments to the *Consumer Protection Act, 2002* (Ontario) (the "Consumer Protection Act") pursuant to Bill 55 will come into force on April 1, 2015.

Among other things, Bill 55 provides the following changes in respect of direct agreements for the supply of water heaters:

- doubles the existing 10-day cooling-off period to 20 days, providing consumers with more time to consider their decision;
- subject to certain exceptions, including where the consumer initiates contact with the supplier, bans the delivery and installation of water heaters during the new 20-day cooling-off period; and
- 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.

Concurrently with the coming into force of Bill 55, new or amended regulations under the Consumer Protection Act (the "Regulations") are also to come into effect. Among other things, the Regulations require the following in respect of direct agreements for the supply of water heaters:

- companies must confirm sales by making scripted and recorded telephone calls to the customer, subject to certain exceptions including where the consumer initiates contact with the supplier; and
- enhanced disclosure must be provided, including the requirement to include mandatory cover pages and the comparable retail price, rental rate, total amounts payable under the contract and any termination charges.

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.

Acquisition of Water Heater Rental Business of Cobourg Network

In March 2015, EnerCare acquired the rental portfolio of Cobourg Network. See "– Acquisitions and Business Expansion".

Dividend Increase

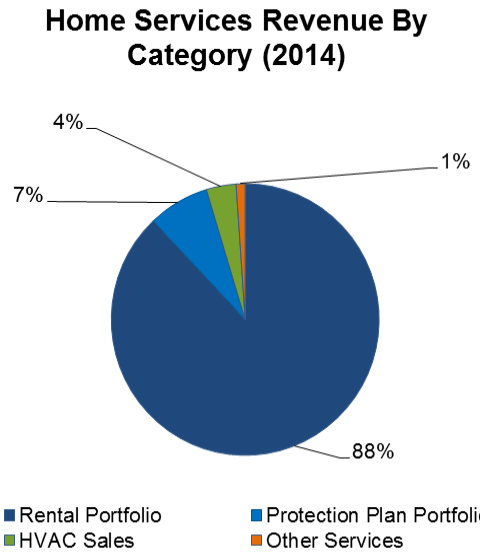
In March 2015, EnerCare announced an increase in its dividends by approximately 15.9% to $0.07 per Common Share effective in respect of its dividend payable to shareholders as of the applicable record date in March 2015, which dividend will be paid in April 2015. This is EnerCare's fifth dividend increase in the last three years. See "Dividend Level".

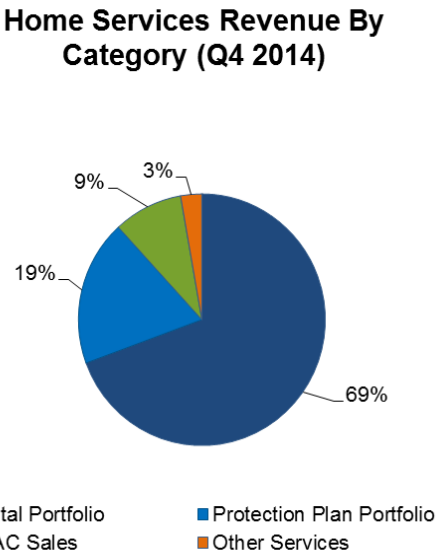
HOME SERVICES

General

The Home Services business consists of the following: the Rental Portfolio, the Protection Plan Portfolio, HVAC Sales, and Other Services. In 2012, 2013 and 2014, revenues from the Home Services business, which, until the OHCS Acquisition on October 20, 2014, did not include the revenues in respect of the DE Co-ownership Interest, Protection Plan Portfolio, HVAC Sales and Other Services, accounted for $186,288 (approximately 68%), $189,438 (approximately 63%), and $242,334 (approximately 67%), respectively, of EnerCare's consolidated revenues.

Of the four main business activities, the Rental Portfolio component produces the largest portion of revenue, followed by the Protection Plan Portfolio, HVAC Sales and Other Services, as illustrated in more detail by the following charts.





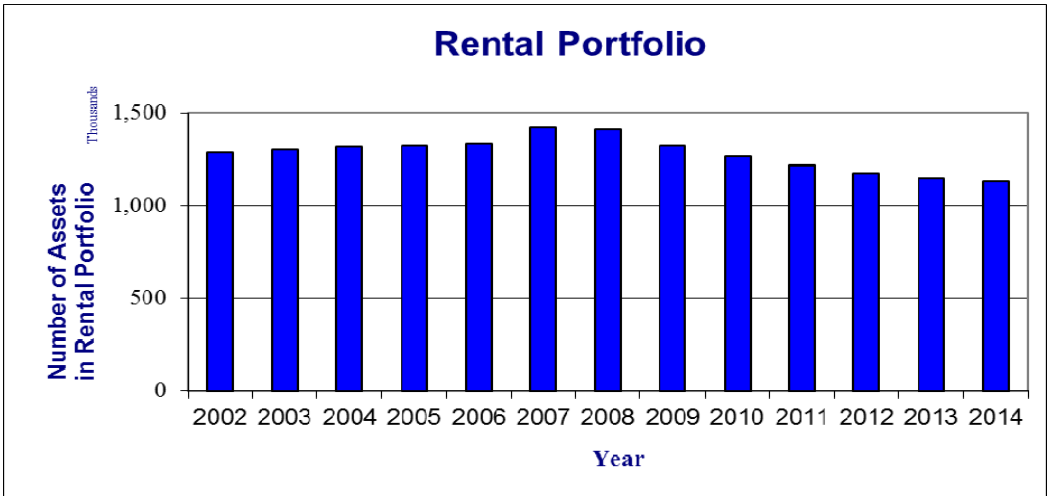
The Rental Portfolio

The following sections contain information concerning the Rental Portfolio.

History of the Rental Portfolio

There are approximately 1.1 million customers for residential and commercial rental water heaters and HVAC Equipment in the Rental Portfolio, all of which are located in Ontario, other than approximately 620 units located in New Brunswick and Nova Scotia.

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. From 2010 to 2014, despite new construction and other new customer additions to the Rental Portfolio, the Rental Portfolio declined by 4.3%, 3.9%, 3.6%, 2.4% and 1.5% in each calendar year, due to customer terminations and buy-outs.

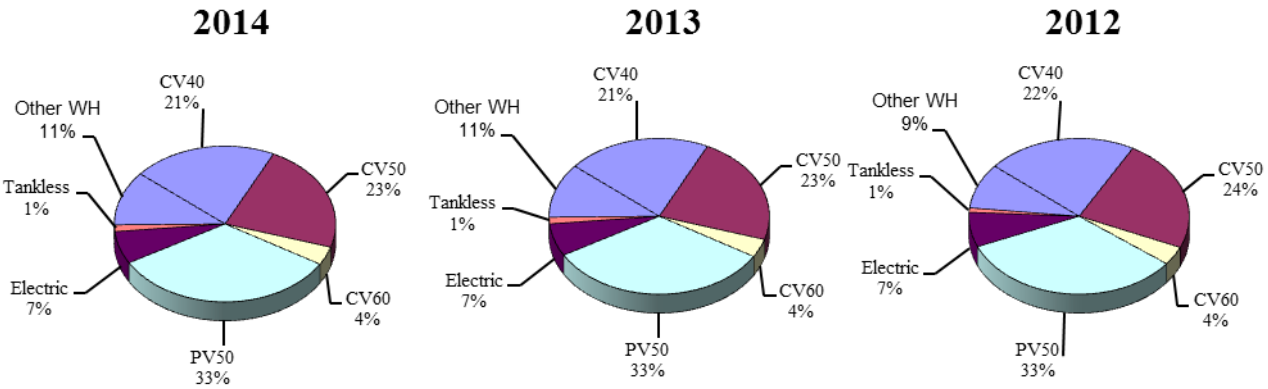


Since 2009, DE and EnerCare have conducted a series of customer communications and marketing initiatives to defend the customer base, including employing print, radio and telemarketing campaigns, door hangers, loyalty programs, digital and social media and consumer advocates to improve consumer awareness and educate them about the issues associated with the door-to-door campaigns employed by a number of EnerCare's competitors (See "– Marketing Activities" and see also "EnerCare Inc. – Developments in 2012, 2013 and 2014").

Different Types of Water Heaters

The charts below set out the different sizes and types of water heaters in the Rental Portfolio as at December 31, 2012, 2013 and 2014, respectively. The types of equipment indicate whether the water heaters are gas-fired water heaters (referred to as "CV40", "CV50" or "PV50"), electric water heaters (referred to as "Electric"), tankless water heaters (referred to as "Tankless") or other types of residential water heaters not otherwise included in the charts (referred to as "Other"). In the case of gas-fired water heaters, the volume of the tank is indicated 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.

Water Heater Rental Portfolio Composition by Type



Other Rental Portfolio Assets

In addition to residential water heaters, the Rental Portfolio consists of other rental assets, including commercial water heaters, and residential and commercial furnaces, air conditioning units, boilers and conversion burners. These other assets account for approximately 2.6% of the number of assets in the Rental Portfolio.

Typical Manufacturers' Warranty

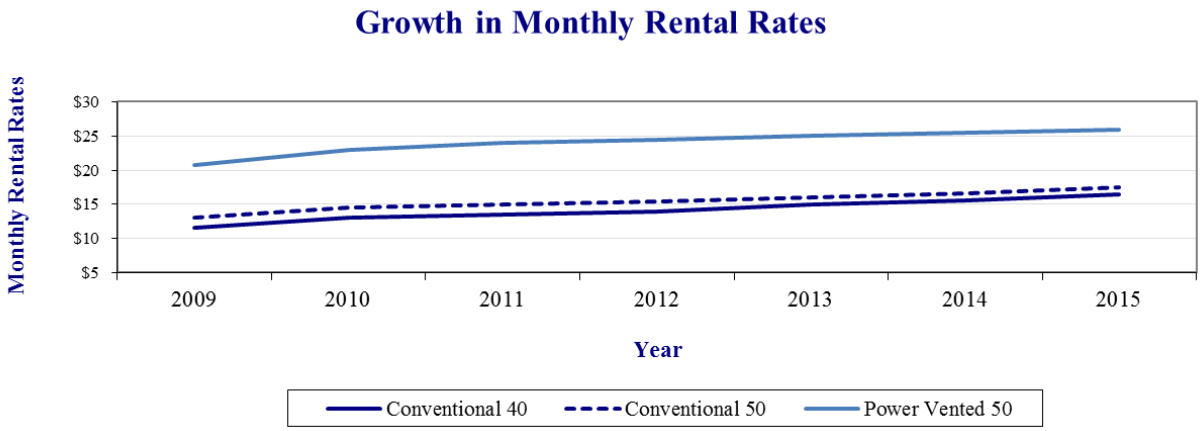
Water heaters in the Rental Portfolio are, and have in the past been, typically purchased from manufacturers with express one-year parts and labour warranties and six-year tank failure warranties. In 2006, the tank failure warranties were extended to eight years. At December 31, 2014, approximately 52% of the water heaters in the Rental Portfolio were covered under manufacturer's express warranties.

HVAC Equipment in the Rental Portfolio is, and has in the past been, typically purchased from manufacturers with express five-year parts warranties. Upon online registration in accordance with manufacturer requirements, such parts warranties are increased to 10 years for EnerCare.

Rental Rates

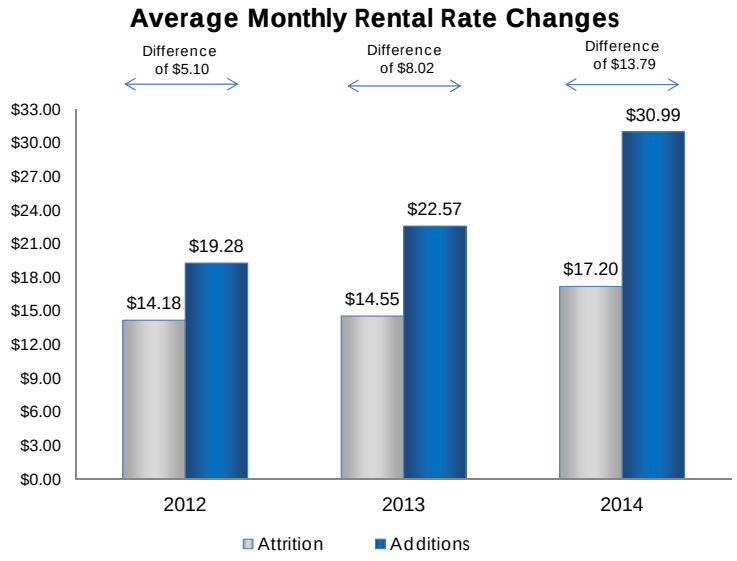
In January 2013, 2014 and 2015, EnerCare increased its weighted average rental rate in the Rental Portfolio by 3.2%, 3.0% and 3.5%, respectively.

The following chart shows historical rental rates per month for the specified types of natural gas water heaters for the six years to 2014. Effective January 2013, 2014 and 2015, EnerCare implemented an average increase in rental rates of 3.8%, 3.1% and 4.0%, respectively, for the specified types of natural gas water heaters below, which, as demonstrated above, represent the substantial majority of residential water heaters in the Rental Portfolio.



One of EnerCare's growth platforms has been to focus on single family and multi-residential rental HVAC Equipment. HVAC Equipment provide three to five times more rental revenue than that of a water heater.

The impact of changes in product mix over time is outlined in the graph below which shows revenue for 2014 from unit additions contributing approximately $13.79 per unit more than revenue from units lost on account of attrition in the Rental Portfolio. New customers are worth approximately 1.8 times that of a lost customer.



Product Faults

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

- normal wear and tear – in these circumstances EnerCare will be required to service at its own cost or, if required, remove the water heaters or HVAC Equipment, as applicable; and
- manufacturer defects – historically there have been instances where water heaters or HVAC Equipment, as applicable (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, EnerCare (or, previously, 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, EnerCare has typically sought to enforce its rights under the terms of the warranty. Where the warranty has expired, EnerCare has worked with the manufacturer to find a mutually acceptable resolution.

Summary of Rental Arrangements

All installed rental water heaters and HVAC Equipment 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. Subject to any regulatory requirements (see "Risk Factors – Risks Related to the Home Services Business and Industry"), EnerCare did not historically require builders to obtain signed rental contracts from customers.

Nearly all of the rental contracts provide that during the useful life of the water heater or HVAC Equipment, as applicable, EnerCare will service the water heater or HVAC Equipment, as applicable, with no service charges or parts replacement charges except in limited circumstances, including damage caused by the customer and, in the case of a water heater, in respect of vent or pipe cleaning, repair or replacement. EnerCare provides 24 hours per day, 7 days per week emergency phone support. All of the 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 contemplate the possibility of rental water heater or HVAC Equipment.

In return for the above services provided by EnerCare, the customer agrees to pay, usually on a monthly basis, rental charges set by EnerCare from time to time.

Unless authorized by EnerCare, no person other than EnerCare (or its franchisees or agents) is permitted to service the water heater or HVAC Equipment, as applicable, during the term of the rental contract. At the end of the useful life of the water heater or HVAC Equipment, as applicable, the customer is not obligated to rent, and EnerCare is not obligated to supply, a replacement water heater or HVAC Equipment, as applicable, unless there is mutual agreement to do so.

There are currently essentially two forms of rental contracts. The first form of contract, referred to as the "non-buy out form of contract", only applies to water heaters and gives a customer the right to purchase his or her water heater at a pre-determined purchase 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 rental contract at any time and return the water heater to EnerCare. Approximately 70% of EnerCare's rental water heater customers are under the non-buy out form of contract.

The second form of contract, referred to as the "buy-out form of contract", was implemented in 2010 in respect of water heaters and applies to all HVAC Equipment. The buy-out form of contract requires customers to buy-out their water heaters or HVAC Equipment, as applicable, at a pre-determined price discounted based on the age of the equipment if the contract is terminated prior to the end of the useful life of the water heater or HVAC Equipment, as applicable. Approximately 30% of EnerCare's rental water heater customers are under the buy-out form of contract.

Water Heater Rental Market in Ontario

The water heater rental program now operated by EnerCare 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.

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.

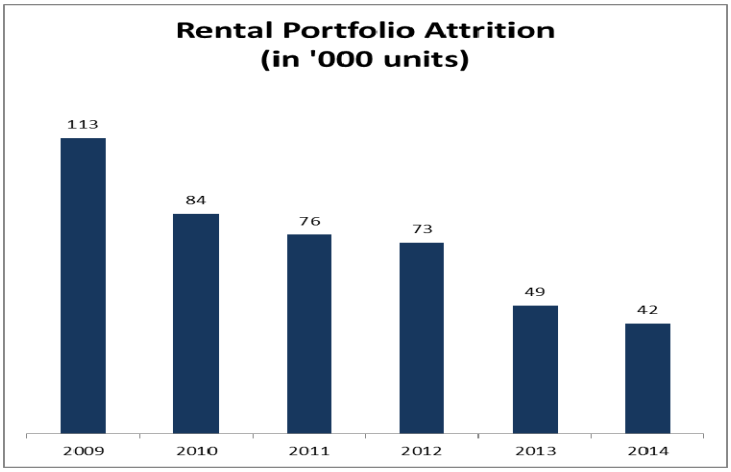
Although there continues to be some replacement of electric, oil and propane water heaters with gas appliances, the majority of growth in the water heater market is currently a result of new home construction. The Rental Portfolio's customer base is primarily in the detached, semi-detached and row house markets, although there are 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.

	2012	**2013**	**2014**
Detached, Semi-Detached and Row Housing Starts in Ontario	39,541	35,813	36,408

Source: Canadian Mortgage and Housing Corporation

Attrition

EnerCare experienced decreased competitive pressure in 2014, resulting in an attrition rate of 3.66%, compared to 4.17% in 2013, 5.98% in 2012, 6.00% in 2011, 6.35% in 2010 and 8.02% in 2009. Higher attrition rates began in 2009 principally due 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 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. The amendments to the Consumer Protection Act pursuant to Bill 55 will come into force on April 1, 2015. 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 "EnerCare Inc. – Recent Developments – Changes to the Consumer Protection Act, 2002".

Removal of Water Heaters or HVAC Equipment

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

- end of the useful life;
- customer termination of the rental contract ("customer terminations"); and
- customer acquisition of the underlying water heater or HVAC Equipment ("buy-outs").

End of Useful Life

Water heaters and HVAC Equipment 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 that can and do fail. The main reasons for water heater failure are leaks, lime build-up, physical damage and rusting of the tank. The main reason for HVAC Equipment failure is normal wear and tear. Where it is not economical to repair the water heater or HVAC Equipment, as applicable, or replace defective parts, a replacement unit under a new rental contract will typically be offered to a customer.

Customer Terminations and Buy-Outs

There are currently essentially two forms of rental contracts (see "– Summary of Rental Arrangements"). Under the non-buy out form of contract, a customer may terminate his or her rental at any time by notifying EnerCare. If this occurs, unless the customer elects to buy the water heater at a pre-determined price set forth in the rental contract, either EnerCare will remove the water heater from the customer's premises (a pick-up charge may apply) or the customer can return, or have the water heater returned.

Under the buy-out form of contract, a customer can only terminate his or her rental contract prior to the end of the useful life of the water heater or HVAC Equipment, as applicable, by purchasing their water heater or HVAC Equipment, as applicable, at a pre-determined price.

A customer seeking to upgrade his or her water heater 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 water heaters. The customer is charged applicable rental rates on the newly installed water heater. However, EnerCare will typically charge customers for additional installation work if the installation requirements warrant it.

Buy-outs and customer terminations decreased in 2014: 3.66% of the water heaters in the Rental Portfolio were subject to buy-outs and customer terminations in 2014 compared to 4.17% in 2013, 5.98% in 2012, 6.00% in 2011, 6.35% in 2010 and 8.02% in 2009. The higher incidence of customer terminations and buy-outs which began in 2009 is 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 "– Competition – Rental Portfolio Competition").

Protection Plan Portfolio

The following sections contain information concerning the Protection Plan Portfolio, which was acquired by EnerCare as part of the OHCS Acquisition.

General

EnerCare has approximately 553,000 residential and commercial protection plan customers in the Protection Plan Portfolio, all of which are located in Ontario. EnerCare sells a variety of plans (each, a "Protection Plan") covering such items as furnaces, air conditioning, plumbing and appliances. There are essentially two types of protection plans: maintenance protection plans and full service protection plans. Maintenance protection plans essentially only provide for maintenance services, whereas full service protection plans provide a broader suite of protections, such as parts and labour. The plans are typically one year in length with monthly, quarterly or annual payment options.

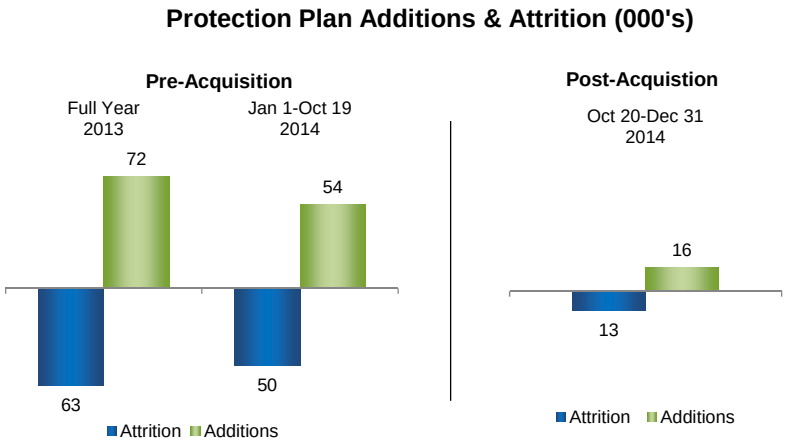
Summary of Terms and Conditions

The Protection Plans are governed by terms and conditions that set out, among other things, the parts and service coverage inclusions and exclusions of each Protection Plan. The Protection Plan terms and conditions generally provide service and/or maintenance in exchange for a fixed fee that is paid by lump sum or through monthly or quarterly installments billed to the customer. Protection Plan contracts are generally entered into for an initial term of one-year, subject to automatic annual renewal unless either the customer or EnerCare provides advanced notice of non-renewal. If a customer cancels a Protection Plan or if EnerCare cancels the Protection Plan due to non-payment, any remaining installments on the annual fees will immediately become due. EnerCare has the right to modify the terms and conditions, including pricing, by giving notice to the customer no less than 30 days, and no more than 90 days, prior to the anniversary date of each Protection Plan contract. The Protection Plan terms and conditions generally provide that Protection Plans can be transferred to a customer's new residence (provided the new residence is located within EnerCare's service area) in the event the customer moves and notifies EnerCare of

the move in advance. Customers cannot assign the Protection Plan without EnerCare's written consent.

Attrition

Due to the annual nature of the contract, Protection Plans tend to have a higher churn rate. The following chart depicts the additions and attrition for the Protection Plan Portfolio from October 20, 2014 to December 31, 2014.



Other than non-renewals, other reasons for attrition include customers purchasing HVAC Equipment from EnerCare or its competitors, customers moving out of EnerCare's service area or customers moving into homes with HVAC Equipment and/or appliances that are not eligible for coverage.

HVAC Sales

The following sections contain information concerning the HVAC Sales business, which was acquired by EnerCare as part of the OHCS Acquisition.

General

From October 20, 2014 to December 31, 2014, EnerCare sold approximately 2,700 units of HVAC Equipment to customers. Annual HVAC Equipment sales by OHCS are approximately 17,000 units.

Payment Terms

Customers are provided the option of paying the purchase price for HVAC Equipment outright or financing all or a portion of the purchase price. EnerCare currently offers financing for HVAC Equipment sales through a third party financing provider.

Other Services

General

The Other Services business was acquired by EnerCare as part of the OHCS Acquisition. The Other Services division includes ancillary services such as duct cleaning, plumbing work and other one-time chargeable services in exchange for a fixed fee.

Installation and Servicing

Service Territory and Delivery Models

The Home Services business operates principally in Barrie, Caledon, Durham, the Greater Toronto Area, Halton, Hamilton, Kitchener, London, Mississauga, the Niagara Region, Ottawa and the National Capital Region and Windsor. Although the Home Services business operates predominantly in EGD's gas distribution territory (as it existed at the time of deregulation of the natural gas industry in Ontario), operations have been expanded outside of the traditional EGD gas distribution territory. The Home Services business uses two service delivery models depending on the geographic territory: corporate districts and licensed franchisee districts. Currently, approximately 40% of servicing and installation, as applicable, is carried out by EnerCare's independent licensed franchisees and their subcontractors, with the remaining 60% carried out by EnerCare's employees and subcontractors.

Corporate Districts

As at December 31, 2014, EnerCare had 333 service and maintenance technicians, 99 installers and helpers, 132 clerical and sales staff, and 24 energy management consultants (salespersons) available to it. The service and maintenance technicians, installers and clerical staff providing residential services are covered by the collective agreement with the Communications, Energy and Paperworkers Union (now Unifor Local 975) that was negotiated and ratified in 2012 and 2014, and expires in 2017. The other such employees providing commercial services are covered by the collective agreement with the unionized Maintenance and Service Contract members of ORAC and Local 787 of the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada that was entered into in 2013 and expires in 2016. See "Risk Factors – Risks Related to the Home Services Business and Industry – Labour Relations".

In addition to the corporate employees, EnerCare uses approximately 43 independent contractors to install and service assets in the corporate districts, in accordance with the CBA.

Franchisees

EnerCare's licensed franchisee districts consist of seven licensed franchisees each operating in exclusive districts. The licensed franchisees collectively employ approximately 195 service and maintenance technicians and 145 installers. The licensed franchisees are independent owners/operators who directly employ technicians and subcontractors. EnerCare collects payments from customers, retains royalty fees as revenue from licensed franchisees and pays the licensed franchisee an agreed percentage of sales. Costs, however, are borne by the licensed franchisee. As a result, EnerCare requires little to no capital in order to generate revenue from such licensed franchisees. Although each licensed franchisee has an exclusive district, EnerCare reserves the right to re-assign work where the franchisee cannot meet service standards. The licensed franchisees and their subcontractors are, to management's knowledge, not unionized. In 2012, DE renegotiated the franchisee agreements and, beginning in October 2012, royalty fees increased by approximately 1.69% across all districts. The new franchise agreements expire in 2034; however, up to two of the franchisees in any one year are entitled to terminate their franchise agreement on 12 months' notice.

Servicing Capabilities

EnerCare currently has approximately 528 service and maintenance technicians available to it, who are employed by EnerCare, the licensed franchisees or their respective subcontractors, to deal with service calls on water heaters, HVAC Equipment and other equipment serviced by EnerCare in the Home Services business. 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.

EnerCare also currently has approximately 244 installers and helpers available to it, who are employed by EnerCare, the licensed franchisees or their respective subcontractors. The function of these installation crews is to remove, replace or install water heaters, HVAC Equipment and other equipment serviced by EnerCare in the Home Services business. This service is also available 365 days per year. These installation crews do not install water heaters and HVAC Equipment 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.

Suppliers

EnerCare purchases water heaters, HVAC Equipment and other necessary parts and materials to support the Home Services business from a number of suppliers.

In respect of water heaters, the majority is supplied by GSW Inc., Rheem Canada and Bradford White Corporation. EnerCare is (and DE was) one of the largest purchasers of water heaters in Canada and, as such, EnerCare and DE have 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. EnerCare 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, EnerCare issues a request for quotation to the manufacturers, specifying the terms and conditions on which EnerCare is seeking to purchase its inventory of water heaters for the following year.

Service Calls

EnerCare does not currently conduct periodic scheduled maintenance of installed rental water heaters, in large part due to their reliable performance. EnerCare does conduct periodic scheduled maintenance of installed rental HVAC Equipment, as well as under certain Protection Plans.

Service and installation calls are initiated by the customer and, regardless of the district from which they originate, are answered by the EnerCare 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 or HVAC Equipment on the first visit. As a result of their 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. In 2014, there were approximately 422,000 service calls made by EnerCare, its franchisees and their respective subcontractors.

The key performance measures for servicing include:

- same-day service for all non-operational furnace, air conditioner or water heater calls received before 5:00 p.m.;
- maximum four-hour response time for leaking water heaters, or non-operational furnaces or air conditioners; and
- in respect of water heaters, 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 on a regular basis as there are external factors, such as weather or road conditions, that can have an impact.

Installation – Replacements

In the majority of cases, a service technician will be dispatched to review and assess the problem with an installed water heater or HVAC Equipment, whether or not rented from EnerCare. Where it is determined that the water heater or HVAC Equipment is beyond reasonable repair, and the customer chooses to rent a replacement, an installation crew is dispatched to remove the water heater or HVAC Equipment and replace it. The crew will then test the equipment. In the case of a water heater, 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 – New Additions

With the exception of installations in newly-constructed housing, installations are typically completed by an installation crew that installs and tests the equipment. All water heaters and HVAC Equipment installed in newly-constructed housing are installed by the HVAC contractor of the builder developing the property. All installation crews, including any such contractors, must be certified by the TSSA.

Customer Services; Billing

Billing under the OBAs

In 2002, Enbridge agreed, unless prohibited by governmental authority, 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 connection with the OHCS Acquisition, the OBA was assigned by DE to EnerCare effective October 20, 2014.

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 then 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").

In February 2014, in connection with its acquisition of the water heater rental business of Energy Services Niagara, the Energy Services Niagara OBA was assigned by Energy Services Niagara to EnerCare (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 EnerCare in the EGD franchise area in Ontario until March 2015, after which 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) EnerCare is not in good standing under the financial assurances, if any, to be provided by EnerCare under the applicable OBA or the Amended Receivables Trust Agreement, (ii) 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 related user manual established by EGD, or (iii) EnerCare has not provided the annual forecast, where required to do so, in accordance with the applicable OBA. Effective January 6, 2014, suppliers were required to verify certain types of contracts through a sales verification call before such contracts may be billed by EGD.

Under each of the OBAs, effective January 1, 2015, EnerCare is entitled to receive from EGD, subject to certain exceptions, 99.49% (99.56% for 2014 and 99.46% for 2013) of all amounts (the "EGD Payment") invoiced to customers 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) EnerCare 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 EnerCare; (iii) EnerCare 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 EnerCare, (v) if a compliance order is issued against or in respect of EnerCare or EnerCare is the subject of any other order made under the Consumer Protection Act; (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 EnerCare 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 EnerCare to effect the orderly transition and migration from EGD to EnerCare (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 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, which was assigned by DE to EnerCare effective October 20, 2014, and applicable under the OBAs, under which 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, EnerCare 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 EnerCare and the other billers on the 21st day after such day, net of amounts in respect of such proceeds paid to EnerCare by EGD under the OBA. The allocation formula essentially provides that EnerCare and the other billers will receive, out of the account, 99.49% (99.56% for 2014 and 99.46% for 2013) of the amount billed on an EGD bill with certain structural safeguards in relation to payments as between EnerCare (and the other billers) and EGD. In exchange for and upon receipt of the EGD Payment, EnerCare will transfer to EGD its 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 EnerCare 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 EnerCare 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, EnerCare is responsible for the fees and expenses of CIBC Mellon and EGD in respect of certain services they provide thereunder.

Billing Outside of the OBAs

EnerCare has also outsourced to third party providers the billing of customers not billed under the OBAs, including customers both within and outside of the EGD franchise area.

Competition

Rental Portfolio Competition

There are two principal alternatives to renting water heaters and/or HVAC Equipment from EnerCare: owning (including purchasing HVAC Equipment from EnerCare) and renting from a competitor. 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.
- Reliance provides a rental program for Ontario residents, which operates substantially the same way as EnerCare's rental program. Although Reliance 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.
- Since 2008, a number of other competitors entered the rental water heater and/or HVAC Equipment business, namely National Energy Corporation, under the name National Home Services, Ontario Consumers Home Services Inc., Eco Energy and other competitors who utilize the OBA billing arrangement. Reliance acquired National Home Services in November 2014.

- Customers may elect to purchase, principally from small HVAC contractors or larger retailers in the case of water heaters or also from EnerCare in the case of HVAC Equipment, their own water heater and/or HVAC Equipment rather than rent. Larger retailers offering water heaters and HVAC Equipment for sale include Canadian Tire, Home Depot, Rona, Lowe's and Sears.
- In the case of water heaters, historically affiliates of municipal electricity utilities often operated 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.

Protection Plan Portfolio Competition

There are two alternatives to purchasing Protection Plans from EnerCare: purchasing protection plans from competitors and not purchasing any protection plans at all and paying for service and maintenance as required. More specifically, the major sources of competition are set out below:

- Reliance provides a protection plan program covering HVAC Equipment for Ontario residents, which operates substantially the same way as EnerCare's Protection Plans.
- Other providers of protection plans covering HVAC Equipment and/or appliances include Sears, Comerco Services Inc. and TransGlobal Service, a part of The Brick Group.

HVAC Sales Competition

For customers, the alternatives to purchasing HVAC Equipment from EnerCare are purchasing or renting their HVAC Equipment from a competitor or renting from EnerCare (see "– Rental Portfolio Competition").

Other Services Competition

There are various competitors who provide products and services similar to the Other Services provided by EnerCare, including small HVAC contractors.

Marketing Activities

Marketing activities in relation to rental water heaters have historically 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 and EnerCare, 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 EnerCare supply a rental water heater for newly constructed homes in their developments are paid a fee by EnerCare 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 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.

The industry-leading, same day service campaign was launched by DE in October 2012. The same day service program assures that if a call from an EnerCare customer is received by 5:00 p.m. for a non-operational water heater, air conditioner or furnace, a technician will do everything possible to attend and provide service on the same day.

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 EECI (the business of which was predominantly in the new and retro-fit condominium sector). Stratacon and EECI were amalgamated effective January 1, 2012 under the name EnerCare Connections Inc. In 2012, 2013 and 2014, revenues from the Sub-metering business accounted for $88,833 (approximately 32%), $109,338 (approximately 37%) and $119,613 (approximately 33%), 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 electricity sub-metering.

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.

In May 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 EECI 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, 2014, the Sub-metering business had approximately 185,000 contracted units, 151,000 installed units and 96,000 billing units (166,000, 136,000 and 82,000, respectively, as of December 31, 2013). 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.

In 2014, EnerCare Connections implemented a number of LEAN and continuous improvement initiatives improving work flow, efficiencies and expanding capacity within the Sub-metering business. “LEAN” is a set of tools and an operational discipline that assist in the identification and steady elimination of process waste. As waste is eliminated, quality improves while cycle time and cost are reduced.

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, 2014, the balance of the secured debt amounted to $3,071.

Regulatory Developments

In April 2010, the *Energy Consumer Protection Act, 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 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. 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 were modified to reflect these amendments.

DIVIDEND LEVEL

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 March 20, 2015, the dividend history of EnerCare for 2012, 2013, 2014 and 2015 is as follows:

Month[1]	**Per Common Share Cash Dividend**			
	2012	**2013**	**2014**	**2015**
January	$0.055	$0.056	$0.058	$0.0604
February	$0.055	$0.056	$0.058	$0.0604
March	$0.056	$0.057	$0.0604	$0.0604
April	$0.056	$0.057	$0.0604	$0.07
May	$0.056	$0.057	$0.0604	N/A
June	$0.056	$0.057	$0.0604	N/A
July	$0.056	$0.057	$0.0604	N/A
August	$0.056	$0.057	$0.0604	N/A
September	$0.056	$0.057	$0.0604	N/A
October	$0.056	$0.058	$0.0604	N/A
November	$0.056	$0.058	$0.0604	N/A
December	$0.056	$0.058	$0.0604	N/A

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

All of the foregoing dividends were paid in cash.

RATINGS

EnerCare Solutions has ratings on its Series 2012-1 Notes and Series 2013-1 Notes of "BBB+" with a "negative" 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 "negative" outlook and DBRS has provided EnerCare Solutions with an issuer rating of "BBB (high)" (with a stable trend).

EnerCare Solutions and its Series 2012-1 Notes and Series 2012-2 Notes, and EnerCare, previously had ratings of "A-" from S&P. In November 2013, S&P published its revised corporate ratings criteria and, as a result of this criteria change, lowered the above ratings to "BBB+" with a stable outlook. In July 2014, S&P confirmed the above ratings of "BBB+", but changed its outlook from "stable" to "negative". The negative outlook was based on S&P's view that the OHCS Acquisition will increase EnerCare's debt leverage modestly over the following year, while EnerCare faces ongoing pressure for shareholder returns that could result in higher debt leverage. S&P also indicated that it believed the OHCS Acquisition has only a modestly favorable effect on EnerCare's competitive position that is offset by slightly higher earnings volatility. S&P expected that EnerCare will realize modest competitive benefits from the OHCS Acquisition, allowing it to control the servicing of its water heater portfolio more readily with minimal disruption. Because EnerCare previously outsourced most servicing of its water heaters to DE, S&P expected that integration would be straightforward with clear, achievable cost savings from reduced overhead. Notwithstanding similar margins, S&P expected that the volatility of EnerCare's profitability will increase with the OHCS Acquisition, as EnerCare internalizes direct fixed costs for the maintenance of the Rental Portfolio, along with the earnings volatility from other businesses like the Protection Plan Portfolio and HVAC Sales. DBRS confirmed its ratings of "BBB (high)" (with a stable outlook) in connection with the OHCS Acquisition.

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". The 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 exhibit adequate protection parameters; however, adverse economic conditions or changing circumstances are more likely to lead to weakened capacity of the obligor to meet its financial commitment on the obligation. 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, developing or not meaningful, 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. According to S&P, an outlook is not necessarily a precursor of a rating change or future action.

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.

EnerCare has paid customary rating fees to DBRS and S&P in connection with the above-mentioned ratings and will pay customary rating fees to DBRS and S&P in connection with (a) the confirmation of such ratings for purposes of offerings of Senior Notes, and (b) credit ratings to be assigned to Senior Notes, if any, which may be offered for sale from time to time in the future. EnerCare did not make any payments to DBRS or S&P in respect of any other service provided to EnerCare by DBRS or S&P.

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 20, 2015, there were 91,936,252 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 20, 2015, there was $2,892 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".

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 March 20, 2015, the Directors and senior management of EnerCare as a group owned, directly or indirectly, 292,038 Common Shares (representing approximately 0.3% of the outstanding Common Shares). The Directors and executive officers of EnerCare are also the directors and senior officers of its subsidiaries, other than: (i) the Vice President, Sales and Vice President, Installations of EnerCare Connections, who are only officers of EnerCare Connections; and (ii) the Interim Senior Vice President and General Manager, Home Services of EnerCare, who is an officer of EnerCare and its subsidiaries other than EnerCare Connections.

Name and Municipality of Residence	Principal Occupation	Date of Initial Appointment as Director/Senior Management of EnerCare	Independent
Directors			
Jim Pantelidis[5] Toronto, Ontario	Chair of the Board, EnerCare and Chairman of the Board of Directors, Parkland Fuel Corporation	December 4, 2002	Yes
Scott F. Boose Sarasota, Florida, USA	President, Direct Energy Services	October 27, 2014	Yes
Lisa de Wilde[1][3][4][5] Toronto, Ontario	Chief Executive Officer, the Ontario Educational Communications Authority (TVO)	July 26, 2006	Yes
John A. Macdonald[5] Aurora, Ontario	President and Chief Executive Officer, EnerCare	April 26, 2007	No
Grace M. Palombo[3][4] Aurora, Ontario	Executive Vice-President, Chief Human Resources Officer, Great-West Lifeco Inc.	March 16, 2012	Yes
Jerry Patava[1][3][5] Toronto, Ontario	Chief Executive Officer, Great Gulf Group of Companies	December 4, 2002	Yes
Roy J. Pearce[2][3][5] Stouffville, Ontario	Director, EnerCare	June 4, 2004	Yes
Michael Rousseau[1][2][5] 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

Name and Municipality of Residence	Principal Occupation	Date of Initial Appointment as Director/Senior Management of EnerCare	Independent
Senior Management			
John A. Macdonald[5] Aurora, Ontario	President and Chief Executive Officer, EnerCare	November 27, 2006	-
Evelyn Sutherland Toronto, Ontario	Chief Financial Officer, EnerCare	August 15, 2011	-
John Toffoletto[5] Toronto, Ontario	Senior Vice President, Chief Legal Officer and Corporate Secretary, EnerCare	January 5, 2009	-
Ross Garland Peterborough, Ontario	Senior Vice President and General Manager, Sub-metering	April 15, 2013	-
Larry Ryan[6] King Township, Ontario	Interim Senior Vice President and General Manager, Home Services	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) 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.
(6) Mr. Ryan was previously the Executive Advisor. Mr. Ryan was appointed as Interim Senior Vice President and General Manager, Home Services on January 16, 2015.

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

Jim Pantelidis, 69, 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.

Scott F. Boose, 43, Director. Mr. Boose is the President of Direct Energy Services. Prior to this role, Mr. Boose was President of the Clockwork Home Services business (a Direct Energy company), which operates its franchise network in 48 states and has company-owned operations in the United States in 11 states, as well as 2 Canadian provinces. Mr. Boose joined Direct Energy in 2004 through the acquisition of the Residential Services Group, in which he held several senior positions over a ten year period. From 2007 to 2010, Mr. Boose served as the Managing Director of the Heating Services business for British Gas, an operating unit of Centrica PLC whereby he oversaw a team of 11,000, including 8,000 frontline engineers and installers. Mr. Boose also served on the board of British Gas Insurance during his time in the United Kingdom. Mr. Boose resides in Sarasota, Florida and has a B.S. in Business, Accounting and Finance from Wright State University and graduated with Honors.

Lisa de Wilde, 59, 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 CEO of Astral Television Networks Inc., and practiced law in private practice and as Legal Counsel to the CRTC. Ms. de Wilde serves as a member of the board of TELUS Corporation and as Chair of the Board of Directors of the Toronto International Film Festival. She served as a member of the Board of Trustees of Noranda Income Fund from 2002 to 2010 as well as AT&T Canada Inc. (2002 to 2003) and Cinar Corp. (2002 to 2004). Her other advisory appointments include: the University of Toronto's Mowat Centre for Policy Innovation; the Canadian Digital Media Network; and the Asia Pacific Foundation's Toronto Advisory Group. She is a member of the Institute of Corporate Directors (ICD.D) and the Law Society of Upper Canada. She holds an LL.B. and an Honours Bachelor of Arts degree, both from McGill University.

John A. Macdonald, 58, Director. Mr. Macdonald has been the President and Chief Executive Officer of EnerCare since November 27, 2006. 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, 51, Director. Ms. Palombo is the Executive Vice President, Chief Human Resources Officer of Great-West Lifeco Inc., a position she has held since November 2014. From 2011 to 2014, Ms. Palombo was the Executive Vice President, Head of Human Resources, TD Bank, America's Most Convenient Bank based in the U.S.A. Prior to 2011, 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, 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 in the Greater Toronto area. Ms. Palombo holds an LL.B. degree from Osgoode Hall Law School in Toronto and a Bachelor of Arts in Psychology from York University. Ms. Palombo is a member of the Institute of Corporate Directors (ICD.D), 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, 61, 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 Chair of the Governance and Compensation Committees of Capstone Infrastructure Corporation. 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 prior thereto 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, 72, 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, 57, 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, 54, 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 and the Founder and Chairman of HLS Therapeutics Inc. a privately held pharmaceutical company. 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 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, Chief Legal Officer 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 and Senior Vice President, Chief Legal Officer and Corporate Secretary in March 2015. 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, Sub-metering. 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.

Larry Ryan, Interim Senior Vice President and General Manager, Home Services. Mr. Ryan served as Executive Advisor to EnerCare from 2006 to 2015 and was appointed Interim Senior Vice President and General Manager, Home Services of EnerCare in January 2015. As President of the Fund's administrative agent until November 27, 2006, he 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. Prior to his role as Executive Advisor, 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 connection with the OHCS Acquisition, EnerCare and DE entered into a nomination agreement on October 20, 2014 (the ''Nomination Agreement''), pursuant to which, for so long as DE controls not less than 3,846,154 Common Shares (as adjusted for any share dividends, combinations, splits, recapitalizations and the like), DE will be entitled to nominate 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 to nominate an individual who, in its good faith judgment, (i) possesses appropriate expertise and/or background knowledge of EnerCare's business, and (ii) is otherwise qualified to serve as a member of the Board of Directors 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 the Board of Directors generally applies for

other nominees and either include such individual as a nominee of the Board of Directors or give notice to DE that such DE Nominee has not been approved. In the event the Governance Committee and the Board of Directors does not grant approval, DE will be entitled to designate one alternative individual as its nominee. In October 2014, DE formally notified EnerCare that it was putting forth Mr. Scott Boose as the DE Nominee. Following the favourable evaluation of the DE Nominee by the Governance Committee and the Board of Directors, Mr. Boose was appointed as a Director on October 27, 2014.

Majority 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, other than in a contested election of Directors, any nominee for Director (including any DE Nominee) who receives a greater number of votes "withheld" from his or her election than votes "for" such election (a "Majority Withheld Vote") shall immediately tender his or her resignation to the Board of Directors following the meeting (to the attention of the Chair of the Board of Directors or to each member of the Governance Committee if the affected Director is such Chair). The Board of Directors shall determine whether or not to accept the resignation within 90 days after the shareholder meeting. The Board of Directors shall be expected to accept the resignation except in situations where exceptional circumstances would warrant the applicable Director to continue to serve on the Board. The resignation will be effective when accepted by the Board of Directors. A "contested election" means an election where the number of nominees for Directors is greater than the number of Directors to be elected.

If a resignation is accepted, the Board of Directors may, subject to applicable law and the Articles, appoint a new Director to fill any vacancy created by resignation, reduce the size of the Board of Directors, leave the vacancy unfilled 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 Board of Directors under the Majority Voting Policy *mutatis mutandis*.

In the event that any Director who received a Majority Withheld Vote does not tender his or her resignation in accordance with the Majority Voting Policy, he or she will not be re-nominated by either the Governance Committee or the Board of Directors.

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), Lisa de Wilde, Jerry Patava and William M. Wells.

Relevant Education and Experience of Audit Committee Members

For a description of the education and experience of each member of the Audit Committee, see their respective 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 polices.

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 2013 and 2014 for EnerCare, including its subsidiaries, were as follows:

	2013	2014
Audit Fees	$304	$606
Audit Related Fees[(1)]	107	1,255
Tax Fees[(2)]	76	282
All Other Fees[(3)]	5	1,303
Total	$492	$3,446

(1) In respect of 2013: Fees paid for the offering of the Series 2013-1 Notes and reporting requirements. In respect of 2014: Fees paid for services in respect of OHCS Acquisition due diligence, the offering of the Subscription Receipts and reporting requirements, including translation services.

(2) In respect of 2013: Fees paid for tax compliance analysis and analysis of EnerCare's performance share unit plan and option plan. In respect of 2014: Fees paid for tax compliance analysis and planning, including in respect of the OHCS Acquisition.

(3) In respect of 2013: Fees paid for fraud prevention workshops. In respect of 2014: Fees paid in respect of integration planning in connection with the OHCS Acquisition.

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) financing and interest rate hedging strategies; and (iv) 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) annually reviewing compliance by EnerCare and its subsidiaries of their respective undertakings in respect of EnerCare's continuous disclosure obligations; (ii) developing EnerCare's approach to corporate governance; (iii) advising the Directors in filling Director vacancies; (iv) periodically reviewing the compensation and effectiveness of the Directors and the contribution of individual Directors; (v) assisting in orientating and providing for continuing education for the Directors; (vi) advising the Directors in the selection and retention of senior management; (vii) periodically reviewing the compensation and performance of senior management; (viii) assisting in the professional development of senior management; (ix) assisting in developing and managing benefit plans for employees; and (x) 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, 2012, 2013 and 2014:

	December 31, 2012	December 31, 2013	December 31, 2014
Indebtedness			
Convertible Debentures	$ 6,760	$ 4,081	$ 3,257
Senior Indebtedness			
Series 2009-1 Notes[(1)]	-	-	-
Series 2009-2 Notes[(4)]	270,000	-	-
Series 2010-1 Notes[(2)]	-	-	-
Series 2012-1 Notes	250,000	250,000	250,000
Series 2013-1 Notes	-	225,000	225,000
2013 Term Credit Facility	-	60,000	-
2014 Term Credit Facility	-	-	210,000
Bank Indebtedness	-	-	-
Total Senior Indebtedness	526,760	539,081	688,257
Stratacon secured debt	5,571	4,285	3,071
Total Indebtedness	532,331	543,366	691,328
Shareholders' Equity[(3)]	520,997	523,676	956,281
Total Capitalization	$1,053,328	$ 1,067,042	$1,647,609

(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; 91,879,927 Common Shares issued and outstanding as at December 31, 2014 and 91,936,252 as at March 20, 2015.

(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 20, 2015, there were $2,892 aggregate principal amount of Convertible Debentures outstanding. Since issuance, $24,991 aggregate principal amount of Convertible Debentures have been converted by the holders thereof for an aggregate of 3,856,588 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. As of December 31, 2014, the only Senior Notes outstanding are the $250,000 aggregate principal amount of Series 2012-1 Notes and the $225,000 aggregate principal amount of Series 2013-1 Notes (see "EnerCare Inc. – Developments in 2012, 2013 and 2014").

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.

2014 Credit Facility

In connection with the OHCS Acquisition, EnerCare Solutions entered into the Third Amended and Restated Credit Agreement in respect of the 2014 Credit Facility. The 2014 Credit Facility comprises the 2014 Line of Credit, which is a 5-year $100,000 revolving, non-amortizing variable rate credit facility with a maturity date of October 20, 2019 and the 2014 Term Credit Facility,

which is a 4-year non-revolving, non-amortizing variable rate term credit facility in the amount of $210,000 with a maturity date of October 20, 2018. The full amount of the 2014 Term Credit Facility was drawn for the purpose of financing the OHCS Acquisition and re-paying the 2013 Term Credit Facility. The 2014 Line of Credit is for working capital and general corporate purposes and is currently undrawn.

The 2014 Term Credit Facility is payable interest only until maturity in October 20, 2018 and is pre-payable in whole or in part at any time without penalty. The 2014 Term Credit Facility bears interest at a rate of bankers' acceptances plus 100 basis points or prime plus 20 basis points at EnerCare's credit rating as of the date hereof.

The 2014 Credit Facility contains representations, warranties, covenants and events of default that are customary for credit facilities of this kind. In particular, the 2014 Credit Facility 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 2014 Credit Facility 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 2014 Credit Facility also contains the following financial covenants (i) the ratio of total debt (other than subordinated debt) to “Adjusted EBITDA” must be less than 4.75:1; and (ii) the ratio of Adjusted EBITDA to “Cash Interest Expense” must be greater than 3.00:1. EnerCare Solutions was in compliance with each of these financial covenants as at December 31, 2014. 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 2014 Credit Facility 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, (i) amounts for total interest expense, (ii) fees payable under the Origination Agreement, (iii) amortization and depreciation expenses, income taxes and any other non-cash items, (iv) losses on hedging contracts, (v) proceeds of disposal of water heaters in the ordinary course of business, and (vi) with respect to the OHCS Acquisition, transaction expenses, one-time rebranding costs and information technology system harmonization costs up to $23,500 in the aggregate, determined on a consolidated basis. The 2014 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 2014 Credit Facility 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 $25,000, or the occurrence of a “Change of Control”. The 2014 Credit Facility 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 after 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 2014 Credit Facility and the performance by EnerCare Solutions of its other payment obligations thereunder.

RISK FACTORS

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

Risks Related to the OHCS Acquisition and Integration

Continued Reliance on DE Following the OHCS Acquisition

Under the OHCS Asset Purchase Agreement, EnerCare did not acquire certain assets owned by DE that were used in both OHCS and in DE's other business segments. As a result, EnerCare and DE entered into the Transition Services Agreement on the closing of the OHCS Acquisition that provides for, among other things, the continuing provision by DE of information technology and other "back office" services and support to EnerCare in respect of OHCS for up to a 21-month transition period. As a result, EnerCare continues to be reliant on DE's personnel, good faith, expertise, historical performance, technical resources and information systems, proprietary information and judgment in providing the services under the Transition Services Agreement. Accordingly, EnerCare continues to be exposed to adverse developments in the business and affairs of DE, to its management and financial strength. Furthermore, as the definitive decoupling plan contemplated by the Transition Services Agreement is not yet fully negotiated, no assurance can be given as to the terms of such plan or the financial or operational impact that such plan will have on OHCS or EnerCare's ability to operate OHCS in the same or substantially the same manner as operated by DE as of closing of the OHCS Acquisition. Management can give no assurance as to the estimated transition costs as the definitive decoupling plan is not yet settled, and these costs could be substantial.

Risks Related to the Integration of OHCS into EnerCare's Business

In order to achieve the anticipated benefits of the OHCS Acquisition, EnerCare will rely upon its ability to successfully retain staff, consolidate functions and integrate operations, procedures and personnel in a timely and efficient manner and to realize the anticipated growth opportunities from combining OHCS and related operations with those of EnerCare. The integration of OHCS and related operations requires the dedication of management effort, time and resources, which may divert management's focus and resources away from other strategic opportunities and from operational matters during the integration process. The integration process may result in the disruption of ongoing business and customer relationships that may materially adversely affect EnerCare's ability to achieve the anticipated benefits of the OHCS Acquisition.

In addition, completing the information technology systems integration upon the expiry of the Transition Services Agreement, as will be set out in the definitive decoupling plan, will require continued focus and investment by both DE and EnerCare. Failure to successfully migrate the necessary information technology from DE's legacy systems to a stand-alone system (or the recreation of DE's systems by EnerCare), or a significant disruption in the information technology

systems during the decoupling of the OHCS system and/or upon the expiry of the Transition Services Agreement, could result in a lack of data and processes to enable management to effectively manage day-to-day operations of OHCS or achieve its operational objectives, causing significant disruptions to OHCS and potential material financial losses.

Risks Related to Replacement of Shared Information Technology Assets

OHCS depended in large part on DE's corporate information technology services and, pursuant to the Transition Services Agreement, certain information technology and other related assets will continue to be utilized by OHCS and other DE lines of business. Although under the OHCS Asset Purchase Agreement and Transition Services Agreement many of those shared assets are to be replaced by EnerCare at an appropriate time at the cost of DE, other shared assets are to be replaced at EnerCare's cost. There is a risk, therefore, that not all of the assets utilized by DE in operating OHCS can or will be replaced by EnerCare in a timely manner, and that those assets replaced by EnerCare, whether at its cost or at the cost of DE, may not be as effective as the assets utilized by DE, which 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.

Possible Failure to Realize Expected Returns on the OHCS Acquisition

There can be no assurance that management of EnerCare will be able to fully realize some or all of the expected benefits of the OHCS Acquisition. The ability to realize these anticipated benefits will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on the ability to realize growth opportunities and potential synergies from integrating OHCS with EnerCare's existing business. There is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management. The realization of some or all of such benefits may be affected by a number of factors, many of which are beyond the control of EnerCare.

Risks Related to Rebranding

OHCS is in the process of being rebranded by EnerCare. No assurance can be given that EnerCare's brand will be as valuable as the "DE" brand or that rebranding will not result in a loss of customers due to a lack of brand recognition or otherwise.

Assumption of Liabilities

EnerCare assumed certain liabilities arising out of or related to OHCS, and agreed to indemnify DE for, among other matters, such liabilities. In addition, there may be liabilities that EnerCare failed to discover or was unable to quantify during its due diligence and which could have a material adverse effect on EnerCare's business, financial condition or future prospects. DE's representations and warranties, and related indemnification, may not apply or be sufficient so as to fully indemnify EnerCare for such liabilities.

Internalization of OHCS

The success of the OHCS Acquisition will depend in large part on the ability of management to integrate DE personnel and systems into EnerCare (or to recreate DE's systems under the Transition Services Agreement). Going forward, EnerCare will depend on the diligence, experience and skill of the former DE personnel that joined EnerCare in conjunction with the closing of the OHCS Acquisition and the future success of EnerCare will depend on the continued service of these individuals. EnerCare may be unable to retain former employees of DE to the same extent that DE has been able to do so in the past. Such individuals may depart because of

issues relating to the uncertainty or difficulty associated with the integration, including potential differences in corporate cultures and management philosophies. Furthermore, pursuant to the OHCS Asset Purchase Agreement, senior management employees of DE that had responsibility for overseeing OHCS or corporate support functions did not become employees of EnerCare and therefore EnerCare does not have the benefit of their experience in the management of OHCS. The departure of a significant number of OHCS employees is not expected but if this occurs for any reason, the failure to appoint qualified or effective successors in the event of such departures or the failure to replace senior management employees of DE that were not employed by EnerCare on closing of the OHCS Acquisition could have a material adverse effect on EnerCare's ability to achieve its objectives, the market price or value of EnerCare's securities and on EnerCare Solutions' ability to satisfy its debt service obligations.

Indemnities in the OHCS Asset Purchase Agreement

The representations and warranties provided by DE pursuant to the OHCS Asset Purchase Agreement are customary for a transaction of this nature. There can be no assurance, however, of adequate recovery by EnerCare from DE for any breach of the representations, warranties and covenants of DE under the OHCS Asset Purchase Agreement or Transition Services Agreement, or that the length and amounts of the indemnities provided will be sufficient to satisfy such obligations, or that DE will have the financial ability to satisfy such obligations. Similarly, there can be no assurance of recovery from Centrica plc.

Risks Related to the Home Services Business and Industry

Billing Arrangements

As a result of current billing agreements, EnerCare is reliant on the personnel, expertise, technical resources, proprietary information and judgment of EGD, among others, in providing customer services in respect of Home Services. 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 to make the specified payments to EnerCare, thereby effectively guaranteeing EnerCare's collection of 99.49% (99.56% for 2014 and 99.46% for 2013) of the amount invoiced by EnerCare on the EGD bill effective January 1, 2015, subject to adjustments in accordance with the terms of the OBAs, there can be no assurance that EGD will have the financial capability to honour such obligation.

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

Any provision of customer services in respect of the Rental Portfolio by EnerCare and stand-alone billing 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 as there can be no assurance that the customer services delivered by EnerCare, 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 EnerCare Solutions' ability to satisfy its debt service obligations.

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

Reliance on Call Centres

EnerCare utilizes third party service providers in the Home Services business in the provision of most customer care services, including dealing with customer telephone queries, protection plan sales and renewals and other direct telephonic communications with customers. As a result, EnerCare is reliant on the personnel, good faith, expertise, technical resources and information systems, proprietary information and judgment of those service providers in providing such customer care services. Accordingly, EnerCare will be exposed to adverse developments in the business and affairs of such service providers, their management and their financial strength.

Regulatory Matters

As the vast majority of EnerCare's customers are consumers, EnerCare is subject to consumer protection laws and regulations (including the Consumer Protection Act). Although EnerCare believes that it is 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 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, including Bill 55, could have a significant impact on EnerCare's business, including its compliance costs. There can be no assurance that EnerCare will be able to comply with any future laws, rules, regulations and policies or, if it does so comply, what the impact may be on its costs to so comply or ability to originate or retain customers. Failure by EnerCare to comply with applicable laws, rules, regulations and policies 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 condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations.

In November 2014, following the OHCS Acquisition, EnerCare voluntarily provided written assurance to the Commissioner under the Competition Act so as to fully resolve concerns that the Commissioner had in respect of certain water heater return policies and practices of DE. Although EnerCare does not expect that the changes provided for in such written assurance, which was the culmination of a co-operative process between EnerCare and the Commissioner, will have a significant impact on its operating costs or attrition in the Rental Portfolio, no assurance can be given in that regard and no assurance can be given that EnerCare will not in the future be subject to other constraints on its business operations under the Competition Act or otherwise in respect of Home Services.

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 changes in consumer behaviour (see "Home Services – Competition"). In 2009, EnerCare encountered increased competitive pressure and a resulting increase in its attrition rate in the Rental Portfolio. 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 Rental Portfolio 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.

Buy-Outs and Returns of Water Heaters

Since the fourth quarter of 2004, customers have been permitted to terminate their rental contracts 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 determined with reference to the price of the water heater at the time of installation of the water heater 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 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 EnerCare Solutions' ability to satisfy its debt service obligations.

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 EnerCare Solutions' ability to satisfy its debt service obligations.

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 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. The lack of such funds could limit the ability of EnerCare 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 EnerCare Solutions' ability to satisfy its debt service obligations.

Concentration of Suppliers, Product Faults and Costs

Although there are a number of manufacturers of water heaters outside Canada, EnerCare will rely 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 three 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. EnerCare does not insure against this risk of product defects or product recalls. All water heaters manufactured by GSW Inc. that were purchased by DE or EnerCare 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. and Bradford White Corporation's production facilities are located in Mexico and the United States, respectively.

Prior to the OHCS Acquisition, DE had the principal relationship with these three suppliers for the supply of water heaters. There can be no assurance that EnerCare's relationship with any or all of these suppliers will not be adversely affected as a result of the OHCS Acquisition or that the costs of water heaters will not rise as a result.

Although there are a number of suppliers of HVAC Equipment, no assurance can be given that EnerCare will have the same purchasing power as that previously enjoyed by DE in the purchase of HVAC Equipment from one or more of such HVAC Equipment suppliers as EnerCare's purchases will principally be limited to purchases to serve the Ontario marketplace only.

EnerCare's business exposes it to potential product liability and product defect risks that are inherent in the ownership and servicing of water heaters and HVAC Equipment rentals (see for example "Home Services – The Rental Portfolio"). While EnerCare currently maintains what it believes to be suitable product liability insurance, there can be no assurance that EnerCare 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 EnerCare, a lack of sufficient insurance coverage 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. Moreover, even if EnerCare maintains adequate insurance, any successful claim 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. EnerCare does not insure against the risk of product defects or product recalls.

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. dollar relative to the Canadian dollar. EnerCare does not hedge these types of exposures, so in any given year, there can be no assurance that increases in capital costs and expenses will be able to be recovered fully in rental rates charged to customers.

Franchisee Independence and Relationships

Approximately 40% of the Home Services portfolio is serviced by licensed franchisees. Licensed franchisees are independent businesses and, as a result, their operations may be adversely affected by factors beyond EnerCare's control which, in turn, could adversely affect EnerCare's reputation, operations and financial performance. Revenues and earnings could also be adversely affected, and EnerCare's reputation could be harmed, if a significant number of licensed franchisees were to experience operational failures, health and safety exposures or were unable to perform the necessary services under the rental contracts. The franchise system is also subject to franchise legislation in the Province of Ontario. Any new legislation or failure to comply with existing legislation could adversely affect operations and could add administrative costs and burdens, any of which could adversely affect EnerCare's relationship with its licensed franchisees.

EnerCare provides various services to the licensed franchisees to assist with management of their operations and dedicated personnel manage EnerCare's obligations to its licensed franchisees. Despite these efforts, relationships with licensed franchisees could pose significant risks if they are disrupted, which could adversely affect the reputation, operations and financial performance of EnerCare.

Labour Relations

EnerCare's workforce is comprised of both unionized and non-union employees. With respect to those employees that are covered by collective bargaining agreements, including the CBA, there can be no assurance as to the outcome of any negotiations to renew such agreement on satisfactory terms. Failure to renegotiate collective bargaining agreements, including the CBA, could result in strikes, work stoppages or interruptions, and if any of these events were to occur, they could have a material adverse effect on EnerCare's reputation, operations and financial performance and EnerCare Solutions' ability to satisfy its debt service obligations. If non-unionized employees become subject to collective agreements, the terms of any new collective agreements would have implications for the affected operations, and those implications could be material.

Pension Plan and Other Post-Employment Benefits Obligations

OHCS participates in a hybrid pension plan sponsored by DE which provides defined benefits to a closed group of active employees, and offers other post-employment benefits. The notes to EnerCare's financial statements as at and for the year ended December 31, 2014 include a discussion of the most significant sources of risk for EnerCare as a result of the defined benefit portion of the pension plan, including a sensitivity analysis. EnerCare will be subject to similar risks as it will assume the pension-related obligations of OHCS pursuant to a new pension plan established pursuant to the OHCS Asset Purchase Agreement following regulatory approval and DE's full funding of that new pension plan on a solvency basis at the time of transfer to EnerCare.

Geographic Concentration and New Home Construction

Essentially all of Home Services assets are located in the Province of Ontario as the Canadian water heater rental market is primarily limited to the Province of Ontario. As a result, the income generated by Home Services and the performance of the Rental Portfolio business will be highly sensitive to changes in economic conditions in the Province of Ontario, which may differ from those affecting other regions of Canada. Adverse changes in the economic conditions in the Province of Ontario may have a material adverse effect on EnerCare's business, cash flows, financial condition and results of operations and ability to pay dividends to holders of its Common Shares.

Furthermore, most of the growth in the number of installed rental 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 the Province of 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 Province of Ontario's 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 from 2010 to 2014, an adverse effect on demand for water heaters and HVAC Equipment.

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 EnerCare.

Lack of Written Rental Contracts

In many cases, DE did not enter into written agreements with customers or did not enter 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 EnerCare at any time or EnerCare 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 or HVAC Equipment 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.

Protection Plan Renewal Risk

Protection plans typically have a 12-month term. Upon the expiry of any protection plan, there can be no assurance that the protection plan will be renewed or, if it is renewed, that the terms thereof will be as favourable to EnerCare as the expiring contract terms. The failure to achieve renewals and/or price increases may have a material adverse effect on the financial position and results of operations of EnerCare and on EnerCare Solutions' ability to satisfy its debt service obligations.

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 EnerCare Solutions' ability to satisfy its debt service obligations. 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 away from EnerCare's business operations which could have a material adverse effect on its financial condition and results of operations and on EnerCare Solutions' ability to satisfy its debt service obligations. In particular, EnerCare and a subsidiary of EnerCare have 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 will not become involved in litigation, whether as defendant or plaintiff, in other matters from time to time.

Foreign Exchange Impacts

Since December 31, 2013, the Canadian dollar has continued to weaken compared to the US dollar. The Home Services business incurs significant capital and operating expenditures, such as water heaters, HVAC Equipment and other parts costs, that are denominated in U.S. dollars. The continued devaluation of the Canadian dollar may significantly increase EnerCare's and EnerCare Solutions' capital and operating expenditures in Canadian dollar terms. EnerCare continuously monitors, evaluates and mitigates foreign exchange impacts to EnerCare's margins through price adjustments that are passed on to customers.

Risks Related to the Sub-metering Business and Industry

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, including its compliance costs. There can be no assurance that EnerCare will be able to comply with any future laws, rules, regulations, policies and codes or, if it does so comply, what the impact may be on its costs to so comply or ability to originate or retain customers. 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

Leverage Risk and Restrictive Covenants

EnerCare Solutions has significant debt service obligations under its Series 2012-1 Notes, Series 2013-1 Notes and 2014 Credit Facility (see "Consolidated Capitalization – Senior Indebtedness"). The degree to which EnerCare Solutions is leveraged could have material adverse consequences for EnerCare, including: (i) limiting EnerCare's ability to obtain additional financing for working capital, capital expenditures (which are important to its growth and strategies), product development, debt service requirements, acquisitions and general corporate or other purposes; (ii) having to dedicate a portion of EnerCare's cash flows from operations to

the payment of interest on EnerCare Solutions' existing indebtedness and not having such cash flows available for other purposes, including operations, capital expenditures and future business opportunities; (iii) restricting EnerCare's flexibility and discretion to operate its business; (iv) limiting EnerCare's ability to declare dividends on its Common Shares; (v) exposing EnerCare to increased interest expense on borrowings at variable rates (including the 2014 Credit Facility); (vi) limiting EnerCare's ability to adjust to changing market conditions; (vii) placing EnerCare at a competitive disadvantage compared to its competitors that have incurred less debt; (viii) making EnerCare more vulnerable in a downturn in general economic conditions; and (ix) EnerCare Solutions' failure to refinance its Series 2012-1 Notes, Series 2013-1 Notes and 2014 Credit Facility will have a material adverse effect on EnerCare Solutions' ability to satisfy its debt service obligations. The interest payable on the 2014 Credit Facility is variable, and as such, the interest rate may fluctuate significantly. Historical levels, fluctuations and trends in interest rates are not necessarily indicative of future levels. Any significant upward movement in interest rates could materially increase the cost of borrowing under the 2014 Credit Facility.

The Senior Unsecured Indenture and the Third Amended and Restated Credit Agreement contain restrictive covenants of a customary nature, including covenants that limit the discretion of the board with respect to certain business matters. These covenants place restrictions on, among other things, the ability of EnerCare, through EnerCare Solutions and the Guarantors, to incur additional indebtedness, to pay distributions or dividends 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. 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 Notes and 2014 Credit Facility. If the Series 2012-1 Notes, Series 2013-1 Notes or 2014 Credit Facility were to be accelerated, there could be no assurance that the assets of EnerCare Solutions would be sufficient to repay in full such indebtedness. There can also be no assurance that the Senior Notes, 2014 Credit Facility or any other indebtedness will be able to be refinanced by EnerCare Solutions on commercially reasonable terms, or at all.

Credit Ratings and Credit Risk

There can be no assurance that any credit ratings assigned to EnerCare, 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, the Convertible Debentures and the Senior Notes. In addition, real or anticipated changes in credit ratings can affect the cost at which EnerCare can access the capital markets and the interest payable under the 2014 Credit Facility.

Reliance on Key Executives

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 EnerCare.

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 Common 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 EnerCare, potential investors should be aware that they will be relying on the good faith, experience and judgment of the board. Although investments made by EnerCare are carefully selected, 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 pre-emptive 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 materially adversely affect the market price or value 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.

	Price		Trading Volume
2014	**High $**	**Low $**	**(000's)**
January	10.14	9.65	878
February	10.44	9.48	879
March	11.45	10.04	1,406
April	11.39	10.70	898
May	11.38	10.90	976
June	12.22	11.21	1,679
July	13.95	11.71	5,676
August	13.98	13.40	6,268
September	14.00	13.33	4,295
October	15.06	13.46	5,959
November	15.70	14.50	3,654
December	15.70	13.76	10,931

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.

	Price		Trading Volume
2014	**High $**	**Low $**	**$**
January	154.52	150.92	104
February	160.00	148.75	101
March	174.29	169.80	17
April	174.07	170.00	95
May	174.25	169.94	342
June	185.55	173.87	87
July	190.00	186.07	26
August	205.00	205.00	10
September	211.43	200.00	19
October	223.12	223.00	16
November	238.70	238.70	119
December	223.00	223.00	20

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As of December 31, 2014, the following securities of EnerCare were, to EnerCare's knowledge, subject to a contractual restriction on transfer:

Designation of Class	Number of Securities Subject to Contractual Restriction on Transfer	Percentage of Class
Common Shares	7,602,308	8%

The above-noted Common Shares were issued to DE in connection with the OHCS Acquisition and are subject to a 12-month lock-up from the closing date of the OHCS Acquisition and thereafter, one-half of such Common Shares will be subject to a further 6-month lock-up.

PRINCIPAL SHAREHOLDERS

As of March 27, 2015, to the knowledge of management and the Directors of EnerCare, no person beneficially owns, or controls or directs, directly or indirectly, Common 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.

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 Home Services 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 material contracts (other than those entered into in the ordinary course of business) of EnerCare or its subsidiaries entered into within the last financial year or before the last financial year and still in effect:

(a) the Senior Unsecured Indenture;

(b) the Convertible Debenture Indenture;

(c) the OHCS Asset Purchase Agreement;

(d) the Transition Services Agreement;

(e) the Pension Asset Transfer Agreement;

(f) the Non-Competition Agreement;

(g) the Nomination Agreement; and

(h) the Third Amended and Restated Credit Agreement.

A general description of the 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.

INTERESTS OF EXPERTS

EnerCare's auditors are PricewaterhouseCoopers, LLP, Chartered Professional Accountants, Licensed Public Accountants, PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario M5J 0B2, 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, 2014, including the notes thereto, and related management's discussion and analysis, contained in EnerCare's 2014 annual report to shareholders, all of which can be found on SEDAR at www.sedar.com.

GLOSSARY OF TERMS

"2013 Term Credit Facility" means the $60,000 term credit facility that was to mature in January 2016 between, among others, EnerCare Solutions, as borrower, the Guarantors, as guarantors and a Canadian chartered bank, as lender, which was repaid in full in October 2014 and terminated.

"2014 Credit Facility" means the 2014 Line of Credit and the 2014 Term Credit Facility under the Third Amended and Restated Credit Agreement.

"2014 Line of Credit" has the meaning given to it under "EnerCare Inc. – Developments in 2012, 2013 and 2014 – 2014 Credit Facility".

"2014 Term Credit Facility" has the meaning given to it under "EnerCare Inc. – Developments in 2012, 2013 and 2014 – 2014 Credit Facility".

"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 all billers on the OBA and EGD are transferred to CIBC Mellon, as trustee, and allocated by EGD, which agreement was assigned by DE to EHCS in connection with the OHCS Acquisition.

"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.

"Bill 55" has the meaning given to it under "EnerCare Inc. – Recent Developments".

"Canada Yield Price" means, on any day with respect to 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 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 (b) 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.

"Cobourg Network" means Cobourg Network Inc. and includes its successors and assigns.

"Commissioner" means the Commissioner of Competition at the Competition Tribunal.

"Common Shares" means the common shares in the capital of EnerCare.

"Competition Act" means the *Competition Act* (Canada).

"Consumer Protection Act" means the *Consumer Protection Act, 2002* (Ontario).

"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 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, among others, DE, Rentco 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, as assigned by DE to EHCS on October 20, 2014, as further amended on January 1, 2015, as assigned by the Custodian to EHCS GP Inc., as successor custodian, on January 1, 2015, 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) OBA,

(d) Amended Receivables Trust Agreement,

(e) 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

(f) 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) Toronto Hydro Water Heaters, Festival Hydro 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 until January 1, 2015 when EHCS GP Inc. was appointed as successor custodian under the Co-ownership Agreement.

"DBRS" means DBRS Limited, and its successors.

"DE" means Direct Energy Marketing Limited.

"DE Co-ownership Interest" means the undivided co-ownership interest in the Custodial Assets owned by DE, as assigned by DE to EHCS on October 20, 2014, under the Co-ownership Agreement.

"Directors" means the directors of EnerCare.

"**EECI**" means Enbridge Electric Connections Inc., a corporation existing under the laws of Ontario, which was subsequently renamed EnerCare Connections Inc. and amalgamated with certain subsidiaries of EnerCare, including Stratacon, 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, 99.49% (99.56% for 2014 and 99.46% for 2013) 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 and restated on May 31, 2012, and as further amended on April 1, 2013 and April 1, 2014 and as the same may be further amended, modified, restated or replaced from time to time.

"EHCS" means EnerCare Home and Commercial Limited Partnership (formerly named EnerCare Acquisition Limited Partnership), a limited partnership existing under the laws of Ontario with EHCS GP Inc. as its general partner and Rentco as its limited partner.

"EHCS GP Inc." means EnerCare Home and Commercial Services Inc., a wholly-owned subsidiary of EnerCare Solutions which is the general partner of EHCS.

"EHCS Partnership Agreement" means the partnership agreement dated July 23, 2014 governing, among other things, the rights and obligations of the limited partners and general partner of EHCS, as the same may be amended, modified, supplemented, 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 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.

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

"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.

"ESLP 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.

"Festival Hydro" means Festival Hydro Services Inc.

"Festival Hydro 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 Hydro.

"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 on and after October 20, 2014, EHCS and EHCS GP Inc., 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.

"**Home Services**" means EnerCare's business division that provides the Rental Portfolio, Protection Plan Portfolio, HVAC Sales and Other Services.

"HVAC Agreement" means the HVAC origination and servicing agreement dated as of April 25, 2007 between ESLP and DE, as the same was terminated on October 20, 2014.

"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.

"**HVAC Sales**" has the meaning given to it under "EnerCare Inc. – Home Services".

"IFRS" means International Financial Reporting Standards.

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

"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.

"Non-Competition Agreement" means the non-competition and non-solicitation agreement dated October 20, 2014 between EnerCare, EHCS, DE and Centrica plc, as may be amended, modified, supplemented, restated or replaced from time to time.

"Nomination Agreement" means the nomination agreement dated October 20, 2014 between DE and EnerCare, as may be 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, which was assigned by DE to ESLP in connection with the OHCS Acquisition.

"OBAs" 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.

"**OHCS**" has the meaning given to it under "EnerCare Inc. – Acquisitions and Business Expansion".

"**OHCS Acquisition**" has the meaning given to it under "EnerCare Inc. – Acquisitions and Business Expansion".

"OHCS Asset Purchase Agreement" means the asset purchase agreement dated as of July 24, 2014 between EHCS, EnerCare and DE.

"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.

"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, as assigned by DE to EHCS on October 20, 2014 and as may be further amended, modified, supplemented, restated or replaced from time to time.

"**Other Services**" has the meaning given to it under "EnerCare Inc. – Home Services".

"Previous Nomination Agreement" means the agreement dated January 1, 2011 between DE and EnerCare, which was terminated by written agreement of the parties on October 20, 2014 and replaced with the Nomination Agreement.

"**Protection Plan**" has the meaning given to it under "Home Services – Protection Plan Portfolio".

"**Protection Plan Portfolio**" has the meaning given to it under "EnerCare Inc. – Home Services".

"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.

"**Reliance**" has the meaning given to it under "EnerCare Inc. – Developments in 2012, 2013 and 2014".

"Rental Portfolio" has the meaning given to it under "EnerCare Inc. – Home Services".

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

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

"S&P" means Standard & Poor's Ratings Services and its successors.

"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 2014 Line of Credit and under the 2014 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 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, the seventh supplemental indenture dated as of February 1, 2013 and the eighth supplemental indenture dated as of October 20, 2014, 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 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.

"Stratacon" means Stratacon Inc., a corporation incorporated under the laws of Ontario, which was amalgamated with certain subsidiaries of EnerCare, including EECI, effective January 1, 2012.

"Stratacon-EECI Amalgamation" means the amalgamation of certain subsidiaries of EnerCare, including Stratacon and EECI, 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**" means, in the context of EnerCare's business, EnerCare's business division that provides sub-metering equipment and billing services.

"Sub-metering Act" means the *Energy Consumer Protection Act, 2010* (Ontario).

"**Sub-metering Code**" has the meaning given to it under "Sub-Metering – Regulatory Developments".

"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.

"Toronto Hydro Energy" means Toronto Hydro Energy Services Inc.

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

"Toronto Hydro Water Heaters" means water heaters and commercial water heaters acquired in February 2007 pursuant to the Toronto Hydro Purchase Agreement.

"Third Amended and Restated 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, 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, which was further amended on November 15, 2012, February 26, 2013 and July 4, 2014, and as further amended and restated by a third amended and restated credit agreement made as of October 20, 2014 between EnerCare Solutions, the Guarantors, a Canadian chartered bank, and the financial institutions a party thereto.

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

“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.

“Transition Services Agreement” means the transition services agreement dated October 20, 2014 between DE and EHCS, as may be amended, modified, supplemented, restated or replaced from time to time.

“Trademark License Agreement” means the trademark license agreement dated October 20, 2014 between DE and EnerCare, as may be amended, modified, supplemented, restated or replaced from time to time.

“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 November 12, 2014

INTRODUCTION:

A. ESTABLISHMENT OF COMMITTEE AND PROCEDURES

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. Frequency of Meetings

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

7. Reporting

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

8. 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.

9. 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; and (iv) budgets. 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:

1. 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 IFRS 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 IFRS 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.