Enercare Inc.

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

Year Ended December 31, 2015

Dated March 7, 2016

Table of Contents

Forward-looking Information 3
Overview 3
Portfolio Summary 4
2015 Highlights 10
Recent Developments – 2015 and 2016 to Date 11
Results of Operations 22
Distributable Cash and Payout Ratios 27
Liquidity and Capital Resources 29
Summary of Quarterly Results 33
Summary of Contractual Debt and Long Term Obligations 33
Enercare Shares Issued and Outstanding 34
Fourth Quarter Results of Operations 34
Non-IFRS Financial and Performance Measures 37
Critical Accounting Estimates and Judgments 41
Disclosure and Internal Controls and Procedures 42
Changes in Accounting Policies 43
Risk Factors 44
Outlook 48
Glossary of Terms 50

The consolidated financial statements of Enercare are prepared in accordance with IFRS. Enercare's basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the consolidated financial statements for the period ended December 31, 2015. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units and "per unit" amounts, Shares and "per Share" amounts, Subscription Receipts, SE Subscription Receipts and percentages (except as otherwise noted). Unless otherwise specified, dollar amounts are expressed in Canadian currency.

Enercare operates its businesses in two segments: Home Services – provision of water heaters, furnaces, air conditioners and other HVAC rental products, protection plans and related services and Sub-metering – provision of Sub-metering equipment and billing services.

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

FORWARD-LOOKING INFORMATION

This MD&A, dated March 7, 2016, contains certain forward-looking statements that involve various risks and uncertainties and should be read in conjunction with Enercare's 2015 audited consolidated financial statements. Additional information in respect of Enercare, including the AIF, can be found on SEDAR at www.sedar.com.

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

In respect of the forward-looking statements contained in the sections entitled "*Recent Developments – Enercare Signs Agreement to Acquire Service Experts*" and "*Outlook*", please see the "*Cautionary Note Regarding Forward-Looking Statements*" contained therein. Please see the section entitled "*Risk Factors*" in this MD&A for a thorough discussion in respect of the material risks relating to the business and structure of Enercare.

OVERVIEW

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

Enercare also owns Enercare Connections Inc. (a successor by amalgamation effective January 1, 2012 to Stratacon Inc. and Enercare Connections Inc.). ECI provides sub-metering services for electricity, thermal and water to condominiums and apartments in Ontario, Alberta and elsewhere in Canada. On July 15, 2015, ECI purchased and amalgamated with Triacta Power Technologies Inc., a company in the design and manufacturing of advanced, utility-grade energy management meters for multi-unit residential, commercial and institutional applications. Triacta's primary markets are Canada and the U.S.

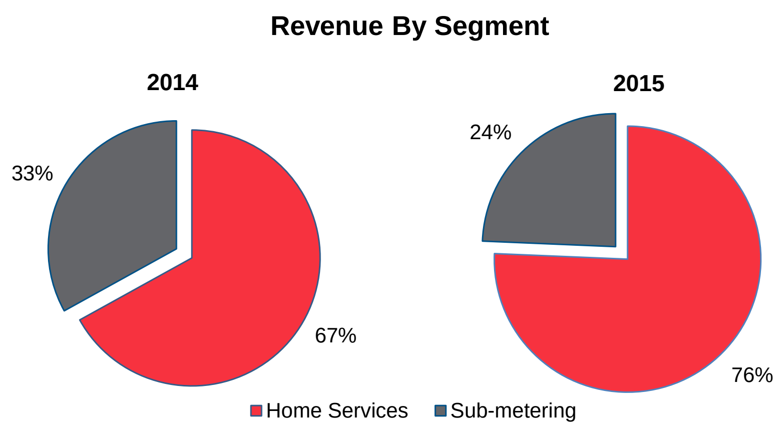
Through its Home Services and Sub-metering businesses, Enercare provides intelligent and energy-efficient products, services, programs and solutions that enable homeowners, multi-unit owners and tenants to make a substantial contribution to Canada's growing culture of energy conservation.

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

Enercare's Shares and Convertible Debentures trade under the symbols "ECI" and "ECI.DB", respectively, on the Toronto Stock Exchange. Enercare is a member of the S&P/TSX Composite Index, S&P/TSX Composite Low Volatility Index and the S&P/TSX Canadian Dividend Aristocrats Index.

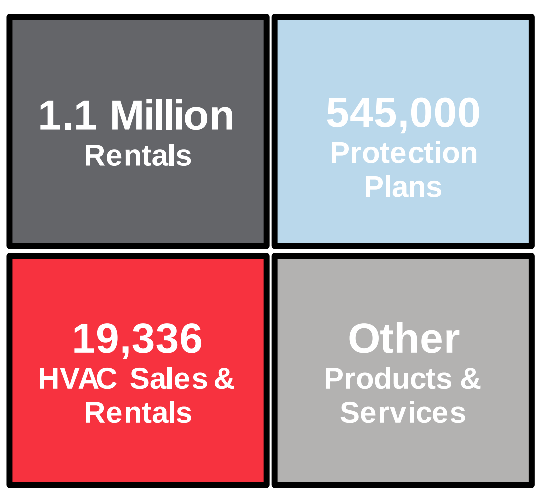
PORTFOLIO SUMMARY

Enercare's primary businesses are comprised of Home Services and Sub-metering. As seen by the graph below, the Home Services business accounted for 76% of the overall revenue during 2015. Prior to October 20, 2014, the Home Services segment was mainly comprised of water heater and HVAC rental products, primarily subject to the origination and servicing arrangements with DE. Since the Acquisition, Home Services includes the other revenue sources discussed below.



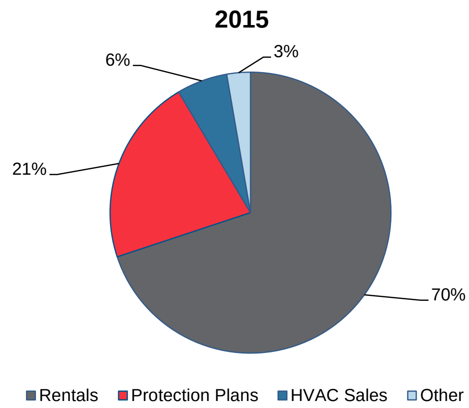
Home Services Business

There are four main business activities within Home Services: Rentals, Protection Plans, HVAC Sales and Other (which includes duct cleaning, chargeable plumbing work and other chargeable services). The following diagram shows the breakdown of customer contracts for each such activity for the year ending December 31, 2015.



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

Home Services Revenue By Category



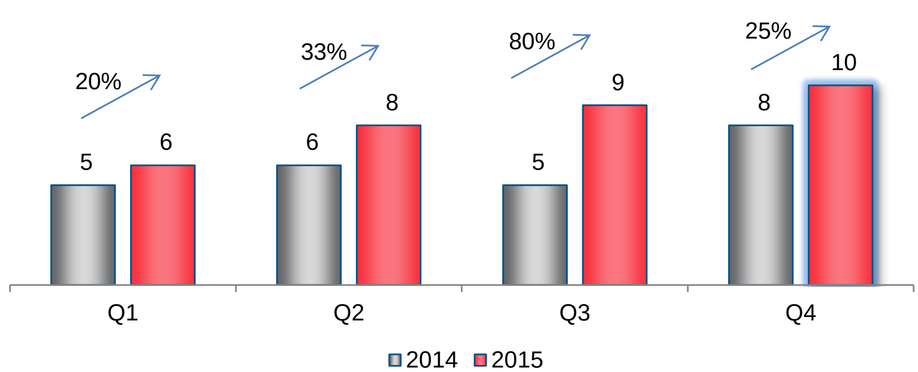
Rentals

Prior to the Acquisition, Enercare had expanded its Home Services business through a number of acquisitions and origination arrangements with various parties; however, approximately 90% of the Rentals revenue was subject to the Co-ownership Agreement.

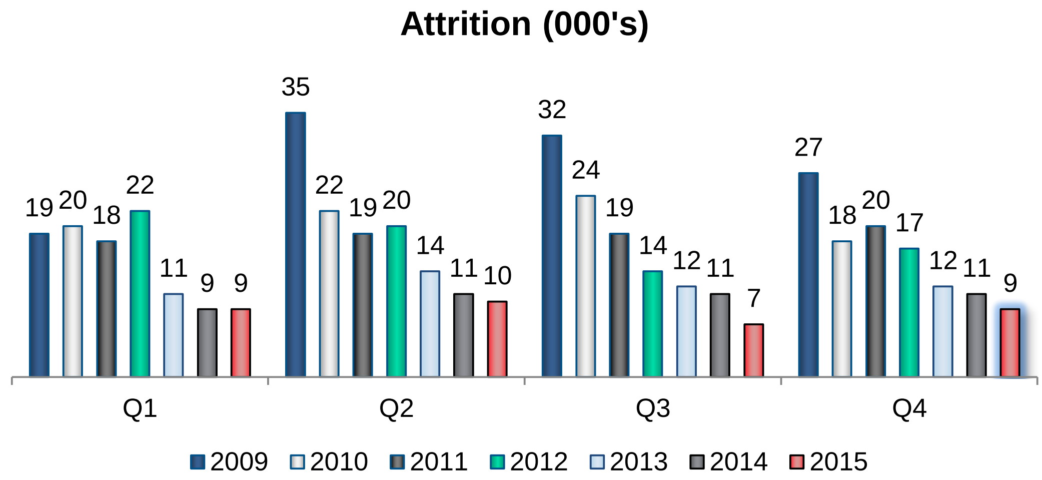
For the portfolios under the Co-ownership Agreement, Enercare was entitled to 65% of the revenue and other payments and DE was entitled to 35% of the revenue. For DE's portion of the revenue, it was responsible for servicing and maintaining the assets. Through its origination agreement with DE, Enercare essentially incurred the capital expenditures in respect of the portfolio. Following the Acquisition, Enercare now receives 100% of the revenues and is responsible for the service and maintenance obligations associated with those assets.

Enercare is focused on growing its rental portfolio by increasing originations and reducing Attrition. Originations are primarily obtained from the new home builder market and new customers identified through its field technicians. New products, such as rental HVAC (discussed further below in the section entitled "HVAC Sales and Rentals"), have contributed significantly to increasing total originations. As seen in the graph below, additions were 10,000 units in the fourth quarter of 2015 and 33,000 units for the year ended December 31, 2015, increases of 25% and 38%, respectively, compared to the same periods in 2014.

Rental Additions (000's)

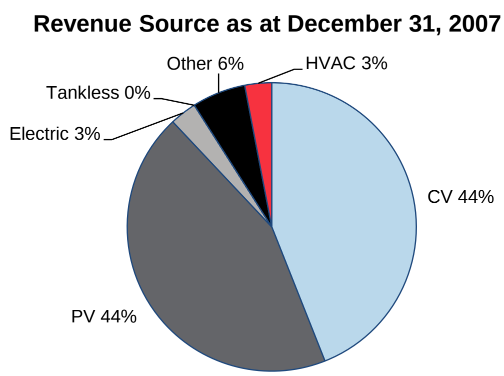


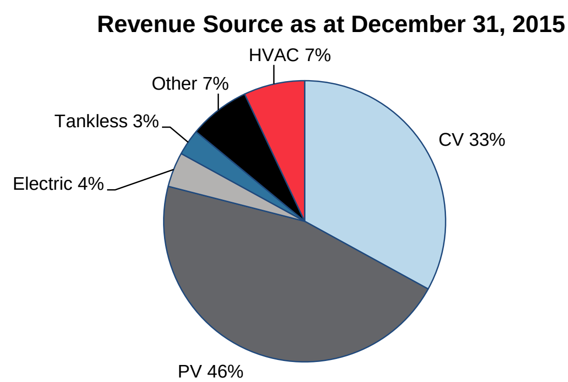
To aid in the reduction of Attrition, Enercare has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with enhancements to our customer value proposition (for example, the "same day service campaign") and the coming into effect of Bill 55 on April 1, 2015, have helped to significantly reduce Attrition. Attrition decreased in the fourth quarter of 2015 by 2,000 units or 18% and by 7,000 units or 17% year to date, compared to the same periods in 2014. Attrition has improved year-over-year since 2009 (see table below).



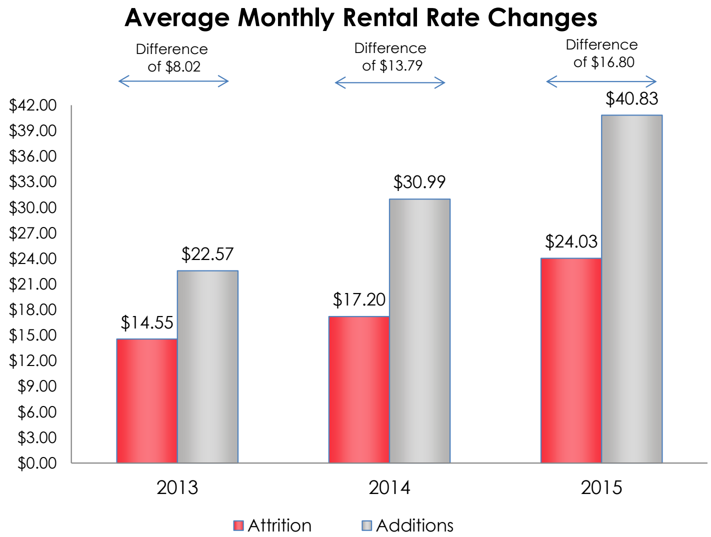
Rental unit growth surpassed Attrition during both of the third and fourth quarters of 2015, the first two consecutive quarters of net unit growth since 2006. The approximately 3,000 net unit growth achieved during these two consecutive quarters was the strongest organic growth for two consecutive quarters in the rental portfolio since 2005. In addition, net attrition for 2015, excluding acquisitions, was approximately 2,000 units, an improvement of 16,000 units compared to 2014.

In recent years changes in water heater technology and consumer trends have led to an increase in originating higher value products. As discussed above, one of Enercare's growth platforms has been to focus on single family and multi-residential HVAC rental units. Although the results have a small impact on the unit continuity, HVAC units provide three to five times more rental revenue than that of a water heater. A comparison of the product mix eight years ago to that of today reveals that the portfolio contains a higher percentage of power vent ("PV"), HVAC and tankless units, all of which provide a higher revenue than conventional vent ("CV") units.



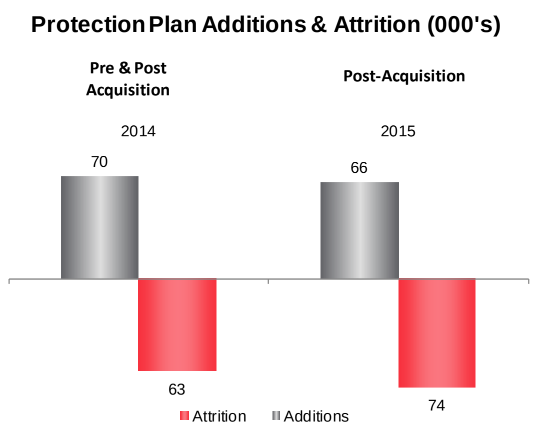


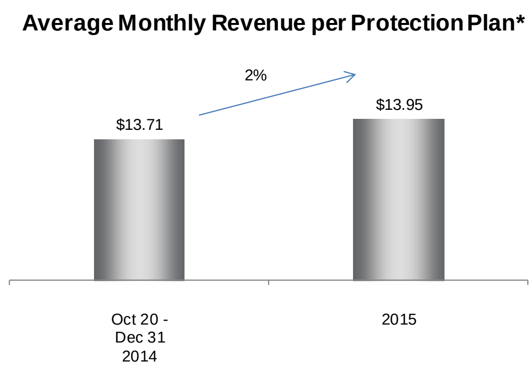
The impact of changes in product mix over time is outlined further in the graph below, which shows revenue for 2015 from unit additions contributing approximately $16.80 per unit more than revenue from units lost on account of Attrition. New customers are worth approximately 1.7 times that of a lost customer.



Protection Plans

Home Services sells a variety of plans 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. Due to the annual nature of the contract, the protection plans tend to have a higher churn rate. The following chart depicts the additions and attrition for the category.





* Average monthly revenue per protection plan has been calculated using the total revenues during the period, divided by the number of days in the period, divided by the average number of protection plans for the period, multiplied by 365 days divided by 12 months.

During 2015, Enercare made changes to protection plan offerings and related promotions. As a result, a number of protection plans were consolidated and pricing was adjusted. As HVAC unit additions in 2015 were more through rentals than sales, the opportunities for protection plan sales were fewer as rentals already include service. Protection plan attrition also increased, primarily as a result of an increase in HVAC rental additions from customers that previously had protection plans, a higher number of terminations as a result of customer moves and non-renewals of one year promotional offers in connection with 2014 HVAC sales. Many of the changes made improved the average monthly revenue per protection plan.

As announced in the first quarter of 2015, Enercare launched an extended protection plan program on heating and air conditioning sales. Prior to the launch of this program, these types of plans were outsourced to a third party extended warranty provider. These plans not only allow Enercare to retain the customer relationship, but also provide for on-going maintenance, whereas the outsourced arrangement covered only limited parts and labour. These plans augment the customer value proposition when a customer chooses to purchase rather than rent. Since inception, approximately 74% of residential HVAC unit sales included an extended protection plan.

The following table illustrates the annualized protection plan contract continuity for 2015 and 2014.

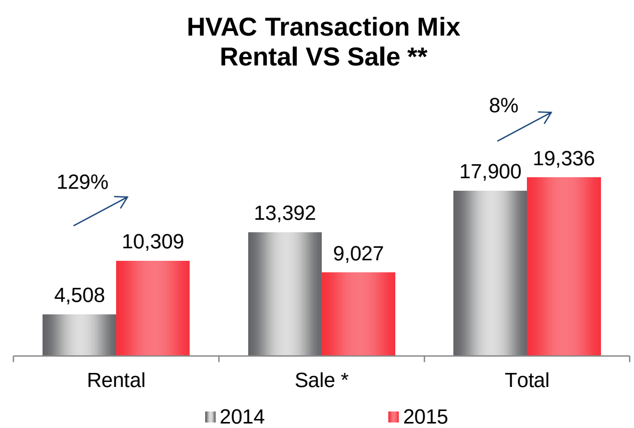
Protection Plan Unit Continuity (000's)	Post-Acquisition	Pre and Post-Acquisition
	2015	2014
Contracts - start of year	**553**	546
Portfolio additions	**66**	70
Attrition	**(74)**	(63)
Contracts - end of year	**545**	553
% change in units during the year	**(1.4%)**	1.3%

HVAC Sales and Rentals

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

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

During 2015, Enercare rented approximately 10,309 new units, an increase of 129% over the prior year and sold approximately 9,027 units for a total of 19,336 HVAC units, compared to 17,900 units in the prior year, an increase of 8%. A year to date comparison between 2015 and 2014 is outlined in the chart below.



* The historical HVAC sale information is being provided as an illustration of the improvement in the overall HVAC segment. Enercare was not party to HVAC sales before the close of the Acquisition. However, Enercare did originate the historical HVAC rentals in 2014.

** HVAC rental and sales units presented include residential, commercial and multi-residential rental additions and sales. HVAC rental additions and sales reported in Enercare's previous quarterly reports represented only residential units and excluded commercial and multi-residential.

Other

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

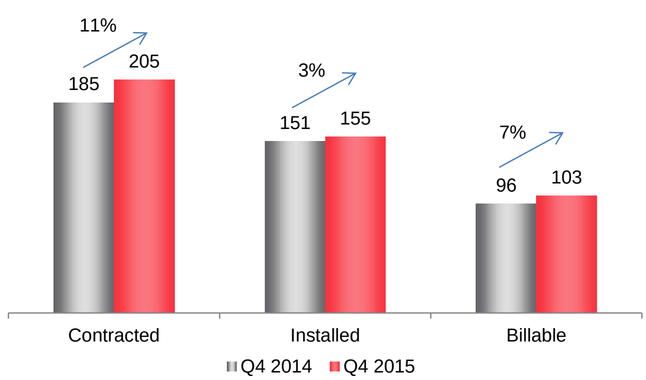
Sub-metering Business

Enercare entered the multi-residential Sub-metering business through two acquisitions made in the last seven years. There are two main market segments for Sub-metering in the multi-residential market: retro-fit sub-metering and new build construction. Within each market, apartments and condos have significantly different revenue streams.

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

Through acquisition and our subsequent growth in contracted units, many of the above-mentioned up-front capital investments have been made. As seen in the graph below, currently we have 205,000 contracted units. Of those contracted units, 155,000 have meters installed and 103,000 units are billing. We expect to experience continued revenue growth as these contracted units are turned into installed units and subsequently Billable units.

Unit Continuity (000's)



Over the past year, Enercare has implemented a number of LEAN and continuous improvement initiatives improving work flow, efficiencies and expanding capacity within Sub-metering. The revenue assurance program, initiated in the second quarter of 2014, has yielded improvements which have contributed more than $3,000 in incremental net revenue in 2015, exceeding the originally anticipated $2,000.

On July 15, 2015, Enercare purchased Triacta, a leader in the design and manufacturing of advanced, utility-grade energy management meters for multi-unit residential, commercial and institutional applications. Triacta's installed base includes the U.S., Canada and off-shore markets. Triacta has generated revenues of $2,239 since the acquisition date.

2015 HIGHLIGHTS

(000's)	**2015**	2014	Change	Percent Change
Rentals	**$426,471**	$242,334	$184,137	76%
Sub-metering	**137,150**	119,613	17,537	15%
Investment income	**205**	806	(601)	(75)%
Total revenues	**$563,826**	$362,753	$201,073	55%
EBITDA[1]	**221,535**	164,716	56,819	34%
Adjusted EBITDA[1]	**224,985**	174,983	50,002	29%
Acquisition Adjusted EBITDA[1]	**234,532**	182,705	51,827	28%
Earnings before income taxes	**68,829**	32,158	36,671	114%
Current tax (expense)	**(10,197)**	(27,287)	17,090	63%
Deferred income tax (expense)/recovery	**(7,677)**	17,405	(25,082)	(144)%
Net earnings	**$ 50,955**	$ 22,276	$28,679	129%
Payout Ratio[2]	**68%**	80%	(12)%	(15)%
Payout Ratio – Maintenance[2]	**45%**	49%	(4)%	(8)%

The following highlights compare 2015 results with those of 2014.

- Total revenues of $563,826 increased by $201,073, or 55% in 2015. Revenues in the Home Services business were $426,471, an increase of $184,137, of which approximately $176,800 of revenue was added through the Acquisition. The remaining increase of approximately $7,400 was primarily as a result of rental rate increases, improved billing completeness, asset mix changes and growth in rental HVAC units. Sub-metering revenues increased to $137,150 from $119,613, primarily as a result of an increase in flow through commodity charges, the acquisition of Triacta and increasing Billable units.
- EBITDA increased by $56,819 to $221,535 in 2015, driven principally by improved total revenues and lower losses on disposal of equipment, partially offset by higher cost of goods sold and SG&A costs, including re-branding and integration expenses, primarily related to the Acquisition. Adjusted EBITDA of $224,985 increased by $50,002 after removing from EBITDA the impact of the net loss on disposal of equipment and including other income. After removing integration costs associated with the Acquisition of $9,168 and Triacta acquisition costs of $379, Acquisition Adjusted EBITDA was $234,532 in 2015, an increase of $51,827 over the same period in 2014.
- EBITDA for the Sub-metering business increased by $6,810, or 89% in 2015, driven primarily by improvements in Billable units, the impact of the revenue assurance program, LEAN and continuous improvement initiatives and a $2,484 gain on disposal of sub-metering equipment.
- Net earnings of $50,955 in 2015, increased by $28,679 or 129% compared to 2014, reflecting increased EBITDA, partly offset by higher amortization expenses and total taxes.
- Attrition in the Rentals portfolio decreased by 17% or 7,000 units in 2015 and has improved year-over-year since 2009. Rental unit growth surpassed Attrition during both of the third and fourth quarters of 2015, the first two consecutive quarters of net unit growth since 2006. The approximately 3,000 net unit growth achieved during these two consecutive quarters was the strongest organic growth for two consecutive quarters in the rental portfolio since 2005.
- The Payout Ratio – Maintenance, which includes only capital expenditures in respect of exchanged assets, was 45% in 2015, compared to 49% during the same period in 2014, primarily from increased Operating Cash Flow[3], offset by higher dividend payments as a result of the 16% increase announced in the first quarter of 2015 and lower acquisition related costs.
- The Payout Ratio was 68% in 2015, versus 80% compared to 2014 (see additional commentary under "*Distributable Cash and Payout Ratios*").

[1] EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.
[2] Payout Ratio and Payout Ratio – Maintenance are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.
[3] Operating Cash Flow is a Non-IFRS financial measure. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

RECENT DEVELOPMENTS – 2015 AND 2016 TO DATE

Stronger Protection for Ontario Consumers Act, 2013

On November 27, 2013, the *Stronger Protection for Ontario Consumers Act, 2013* ("Bill 55") passed third reading in the Ontario Legislature. Bill 55 is a direct response by the Ontario Government to aggressive and deceptive door-to-door water heater rental sales.

On March 7, 2014 and October 10, 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.

The amendments to the *Consumer Protection Act* (Ontario) pursuant to Bill 55 came 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, 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.

Dividend Increase

On March 3, 2015, Enercare increased its monthly dividend to shareholders of record on March 31, 2015 to $0.07, an increase of 16%.

Senior Management Changes

On March 23, 2015, Lorne Solway was appointed Chief Marketing Officer of Enercare and Enercare Solutions and each of their respective subsidiary entities.

On April 27, 2015, Colleen Bailey Moffitt was appointed Vice President, Human Resources of Enercare and Enercare Solutions and each of their respective subsidiary entities.

On January 18, 2016, Irene Zaguskin was appointed Chief Information Officer of Enercare and Enercare Solutions and each of their respective subsidiary entities.

On February 1, 2016, Jenine Krause was appointed Chief Operating Officer of Home Services and an officer of Enercare and Enercare Solutions and each of their respective subsidiary entities.

Acquisition of Water Heaters from Cobourg Network Inc.

On March 2, 2015, Enercare, through a subsidiary of Enercare Solutions, acquired the rental portfolio of CNI, comprised of approximately 1,354 electric water heaters for cash consideration of $863 after post-closing adjustments. In connection with the acquisition, CNI and Enercare entered into a transitional services agreement pursuant to which CNI provided transitional support and billing and collection services on behalf of Enercare.

Enercare Launches Extended Protection Plan Program

On May 1, 2015, Enercare launched an extended protection plan program on heating and air conditioning sales. Prior to May 1, 2015, these types of plans were outsourced to a third party extended warranty provider. These plans not only allow Enercare to retain the customer relationship, but also provide ongoing maintenance whereby the outsourced arrangement covered only limited parts and labour. These plans augment the customer value proposition when a customer chooses to purchase rather than rent. During 2015, there were 3,705 plans sold representing an approximately 74% uptake on HVAC unit sales since the launch of the program.

Enercare Completes Acquisition of Triacta Power Technologies Inc.

On July 15, 2015, Enercare, through its wholly-owned subsidiary, ECI completed its acquisition of Triacta.

Enercare acquired all of the issued and outstanding shares of Triacta, through a plan of arrangement under the Ontario Business Corporations Act. The purchase price for the acquisition was $7.5 million, subject to certain working capital and other adjustments, and payment in full by Triacta of its existing indebtedness. Enercare paid the purchase price using cash on hand.

Triacta, headquartered outside Ottawa, Canada, is a leader in the design and manufacturing of advanced, utility-grade energy management meters for multi-unit residential, commercial and institutional applications. Triacta's primary markets are the United States and Canada. With a large installed base of Triacta meters, Enercare has and will continue to use Triacta's products extensively.

Triacta will continue to offer the same range of hardware, complete with software that combines meter management, automated data collection, powerful analysis tools and flexible billing capabilities.

On July 15, 2015, Triacta amalgamated with ECI, and continued as Enercare Connections Inc.

Enercare Announces Normal Course Issuer Bid

On July 16, 2015, Enercare announced that it had filed with the TSX a Notice of Intention to make a Normal Course Issuer Bid ("NCIB"), as approved by Enercare's board of directors, pursuant to which Enercare may purchase for cancellation up to 9,161,779 Shares, representing approximately 10% of its public float of issued and outstanding Shares as of July 3, 2015. As of July 3, 2015, there were 91,940,571 Shares outstanding. The average daily trading volume from January 1, 2015 to June 30, 2015 was 213,430 Shares. Daily purchases will be limited to 53,357 Shares, other than block purchase exceptions. The purchases may commence on July 20, 2015 and will terminate on July 19, 2016, or on such earlier date as Enercare may complete its purchases under its NCIB. The purchases made by Enercare will be implemented through the facilities of the TSX or other Canadian marketplaces and in accordance with applicable rules at market prices prevailing at the time of purchase. The actual amount of Shares that may be purchased under the NCIB is subject to, and cannot exceed, limits referred to above and the timing of such purchases will be determined by Enercare.

All Shares purchased under the NCIB will be cancelled. In addition to purchases under the NCIB, Enercare may from time to time make other purchases of its Shares in accordance with applicable securities laws and rules of the TSX.

Enercare believes that, from time to time, the market price of its Shares does not fully reflect the value of its business and its future business prospects. As a result, Enercare believes that the purchase of its Shares represents an appropriate and desirable use of its available funds. In addition, purchases, including purchases under the NCIB, may increase the liquidity of the Shares.

Enercare Announces Block Trade Purchase of its Shares

On November 20, 2015, Enercare announced that it had purchased for cancellation 3,846,154 Shares under the NCIB at a price of $15.61 per Share for an aggregate price of approximately $60,000. The Shares were purchased from DE by way of a block trade and were then cancelled. The Shares were originally issued to DE as partial consideration for the Acquisition.

The purchase price for the Shares was funded from cash on hand and a drawdown on the New Revolver. Enercare estimates that the purchase of the Shares will add approximately $2,200 on to its cash flow in 2016 as a result of its costs of funds being lower than its dividend rate.

Enercare is Included in the S&P/TSX Composite Low Volatility Index

On September 11, 2015, the S&P Dow Jones Canadian Index Services announced Enercare was to be included in the S&P/TSX Composite Low Volatility Index after the close of trading on Friday, September 18, 2015. The S&P/TSX Composite Low Volatility Index is designed to measure the performance of the 50 least-volatile stocks within the S&P/TSX Composite Index. Volatility is defined as the standard deviation of the security's daily price returns over the prior one-year trading period.

Enercare Announces Successful Completion of Information Technology Transition and Exit from Transition Services Agreement with DE

On December 21, 2015, Enercare announced the successful completion of its information technology transition from DE and, as a result, the exit from the related transition services agreement (the "TSA").

Enercare entered into the TSA on October 20, 2014, concurrent with the closing of the Acquisition. Pursuant to the TSA, DE provided certain transition services to Enercare relating to, among other things, the provision of ongoing information technology and decoupling from DE's information technology platform for an initial period of up to 15-months and a proviso that either party could extend the TSA for up to two additional 3-month terms. With the transition complete, the agreement was not extended and expired on December 20, 2015.

Enercare Signs Agreement with Quadlogic Meters Canada Inc. ("QMC") for Exclusive Supply of World-Class GWF Thermal Metering Technology in Ontario

On January 5, 2016, ECI announced that it entered into an agreement with QMC for the exclusive supply of thermal sub-metering technology from GWF MessSysteme AG ("GWF") of Switzerland. Under the terms of the agreement, QMC will supply thermal meters exclusively in Ontario to Enercare, other than to certain local Ontario utilities.

The deal follows Enercare's acquisition of Triacta in July 2015, and underscores ECI's commitment to providing leading edge sub-metering technology and solutions to developers, landlords and property managers.

Manufactured in Switzerland and deployed to measure both heating and cooling in residential, commercial and institutional applications, GWF thermal meters meet some of the highest international standards for accuracy and reliability, including EN 1434.

Enercare is Included in the S&P/TSX Canadian Dividend Aristocrats Index

On January 22, 2016, the S&P Dow Jones Canadian Index Services announced Enercare was to be included in the S&P/TSX Canadian Dividend Aristocrats Index after the close of trading on Friday, January 29, 2016. The S&P/TSX Canadian Dividend Aristocrats Index is designed to measure the performance of companies included in the S&P Canada BMI that have consistently increasing dividends every year for at least five years. Index constituents are weighted according to their indicated yield as of the last trading date in November.

Enercare Completes the Transfer of the Pension Assets and Liabilities from DE

On December 1, 2015, Enercare received regulatory approval for the settlement and transfer of pension assets and liabilities from the DE Plan to the DE established mirror pension plan ("RPP") with respect to employees transferred in the Acquisition. This transfer was completed on January 28, 2016. Also, on January 28, 2016, the Reimbursement Right – Pension was settled through a $11,107 payment received from DE representing $84,360 of pension liabilities net of $73,453 of pension assets and $200 of wind up expenses, as of December 22, 2015. Effective as of January 28, 2016, Enercare assumed all responsibilities related to the sponsorship and administration of the RPP.

Enercare Signs Agreement to Acquire Service Experts

On March 7, 2016, Enercare and Enercare Solutions announced that Enercare Solutions entered into a definitive merger agreement (the "Merger Agreement") pursuant to which an indirect wholly-owned subsidiary of Enercare Solutions will acquire, through a merger, SEHAC Holdings Corporation ("Service Experts" or "SE") (the "Transaction") for consideration of US$340,750, excluding transaction costs (the "Consideration"), subject to customary working capital and other adjustments.

Transaction Highlights

- Estimated to be 25% accretive to Normalized pro forma Distributable Cash per Share[4] in 2016.
- Attractive free cash flow reduces Normalized pro forma 2015 Payout Ratio from 82% to 70%[4].
- Provides Enercare with North American market leadership in home services.
- Geographic diversification provides access to large U.S. HVAC services market.
- Allows Enercare to introduce its rental products and service offerings to Service Experts' customers.
- Step up in tax basis provides an estimated US$65,000 in tax shelter value.
- The Transaction is expected to close in the second quarter of 2016.

In conjunction with the Transaction, Enercare also announced that it entered into an agreement with a syndicate of underwriters to issue, on a bought deal basis, approximately $218,000 of subscription receipts (the "SE Subscription Receipts") to finance a portion of the Consideration with the remainder being financed with a committed term loan provided by Enercare Solutions' existing lenders (the "Lenders").

In addition to the SE Subscription Receipts to be issued in the Offering, the Chief Executive Officer and certain other officers of Service Experts have indicated to Enercare that, concurrently with the closing of the Offering (as defined below) they intend, to subscribe for approximately $1,600 of SE Subscription Receipts at the Offering Price (as defined below) on a private placement basis (the "Concurrent Private

[4] Excludes transaction costs estimated to be $16,500 and potential synergies in the Transaction. Refer to the Non-IFRS Financial and Performance Measures in this section of this MD&A.

Placement"). It is expected that the SE Subscription Receipts (and underlying Shares) issued in the Concurrent Private Placement will be subject to a contractual hold period of six months from closing.

The Transaction

Founded in 1996, Service Experts is a leading provider of HVAC service and repairs and related services to residential and commercial customers in 29 states in the United States and 3 provinces in Canada. Headquartered in Dallas, Texas, Service Experts is one of North America's largest heating and air conditioning companies, with 90 locations, 41 of which are located in the top 100 U.S. metropolitan statistical areas, and approximately 2,800 employees serving approximately 2,000 homes and businesses, on average, each working day.

The segments of the market served by Service Experts include:

- residential HVAC service and replacement;
- ancillary residential home services, including plumbing, indoor air quality and energy audits;
- commercial HVAC service and replacement for both light commercial customers and national accounts; and
- HVAC installation in commercial and residential new construction.

Service Experts focuses primarily on service and replacement offerings with approximately 95% of revenue coming from these segments.

Closing of the Transaction, which is expected to occur in the second quarter of 2016, is subject to customary closing conditions, including antitrust approvals in the United States and Canada. The Transaction is not subject to any due diligence or financing conditions.

Pro Forma Financial Highlights for Enercare

For the year ended December 31, 2015, if Service Experts and Enercare had been combined, the following would be the pro forma impact on certain of Enercare's metrics:

- pro forma revenue of approximately $1,118,854, an increase of 98%
- pro forma Acquisition Adjusted EBITDA[5] of approximately $271,840, an increase of 16%
- Normalized pro forma Distributable Cash[5] of approximately $124,289, an increase of 37%
- Normalized pro forma Distributable Cash per Share[5] of approximately $1.18, an increase of 18%
- Normalized pro forma Payout Ratio[5] improves to 70% from 82%
- assuming the successful closing of the Offering, total debt outstanding will be approximately $1,006,209 including the US$200,000 term loan under the Credit Facility referenced below.

Financing the Transaction

Equity Financing

In order to finance a portion of the Consideration and costs related to the Transaction, Enercare has entered into an agreement with a syndicate of underwriters (the "Underwriters") to sell 14,296,000 SE Subscription Receipts on a bought deal basis. The SE Subscription Receipts will be offered at a price of $15.25 per SE Subscription Receipt (the "Offering Price"), for gross proceeds to Enercare of $218,000 (the "Offering"). Enercare has also granted the Underwriters an over-allotment option to purchase up to an additional 1,429,600 SE Subscription Receipts (or, in certain circumstances, Shares), on the same terms and conditions as the Offering, exercisable no later than 30 days after the closing of the Offering.

Each SE Subscription Receipt represents the right of the holder to receive, upon closing of the Transaction, without payment of additional consideration, one Share plus an amount per Share, equal to

[5] Excludes transaction costs estimated to be $16,500 and potential synergies in the Transaction. Refer to the Non-IFRS Financial and Performance Measures in this section of this MD&A.

the amount per Share of any dividends for which record dates have occurred during the period from the closing date of the Offering to the date immediately preceding the closing date of the Transaction, less withholding taxes, if any. Closing of the Offering is expected to occur on or about March 30, 2016, subject to TSX and other necessary regulatory approvals. The net proceeds from the Offering will be used to finance, in part, the Transaction, as well as Transaction-related costs and general working capital requirements, once the proceeds are released from escrow.

Debt Financing

In order to finance the remainder of the Consideration, Enercare Solutions has entered into a commitment with the “Lenders” pursuant to which the Lenders have committed, subject to customary conditions, to provide debt financing to Enercare Solutions in the form of an unsecured 4-year variable rate term credit facility in an aggregate amount of US$200,000 (the "Credit Facility"), which Enercare Solutions expects to fully draw at closing of the Transaction.

In addition, the Lenders have also provided a fully committed bridge facility in the amount of US$140,750 should the Offering not close.

Selected Historical and *Pro Forma* Financial Information

The selected historical and *pro forma* consolidated financial statement information set forth below is based upon the audited consolidated financial statements of Enercare for the year ended December 31, 2015 and the unaudited consolidated financial statements of Service Experts for the year ended December 31, 2015 (prepared in accordance with US GAAP in US dollars), which have been converted from US GAAP to IFRS and from US dollars to Canadian dollars using an exchange rate of 1.273 for the year 2015 and unaudited Pro Forma Financial Information as presented in this MD&A. The unaudited Pro Forma Financial Information gives effect to the Transaction, the Offering, the exchange of Subscription Receipts for Shares and the Credit Facility as if it has been completed as at December 31, 2015 for the unaudited Pro Forma Consolidated Statement of Financial Position and January 1, 2015, for unaudited Pro Forma Consolidated Statement of Income. Also see “Non-IFRS Financial and Performance Measures”.

Unaudited *Pro Forma* Consolidated Statement of Income

For the year ended December 31, 2015

(in thousands of Cdn $, except per share amounts)	EnerCare Inc.	SE	Pro Forma Adjustments	Pro Forma Consolidated Total
Revenues:				
Contracted revenue	$ 524,161	$ -	$ -	$ 524,161
Sales and other services	39,460	555,028	-	594,488
Investment income	205	-	-	205
Total revenue	**563,826**	**555,028**	**-**	**1,118,854**
Expenses:				
Cost of goods sold and services provided				
Commodity	106,203	-	-	106,203
Maintenance and servicing costs	61,164	-	-	61,164
Sales and other services	27,538	320,820	-	348,358
Selling, general & administrative	144,311	198,555	-	342,866
Amortization				
Capital assets	58,497	8,477	-	66,974
Intangible assets	66,919	2,905	23,529	93,353
Stock appreciation rights	-	5,724	-	5,724
Net loss on disposal of equipment	3,017	-	-	3,017
Gain on retirement of finance lease obligations	(147)	-	-	(147)
Total interest expense	28,075	116	5,048	33,239
Total expenses	**495,577**	**536,597**	**28,577**	**1,060,751**
Other income	**580**	**-**	**-**	**580**
Earnings/(loss) for the year before income taxes	**68,829**	**18,431**	**(28,577)**	**58,683**
Current tax expense	10,197	5,628	(5,628)	10,197
Deferred income tax expense/(recovery)	7,677	1,156	(5,314)	3,519
Total tax expense/(recovery)	**17,874**	**6,784**	**(10,942)**	**13,716**
Net earnings for the year	**$ 50,955**	**$ 11,647**	**$ (17,635)**	**$ 44,967**

Pro Forma adjustments affecting net earnings for the year primarily consist of amortization associated with the estimated fair value of customer relationships acquired and total interest expense associated with the Credit Facility and related tax impacts.

Unaudited Pro Forma Non-IFRS Measures

I. Reconciliation of *Pro Forma* Net earnings to (a) *Pro Forma* EBITDA, (b) *Pro Forma* Adjusted EBITDA, (c) *Pro Forma* Acquisition Adjusted EBITDA before SE *Pro Forma* Adjustments, and (d) *Pro Forma* Acquisition Adjusted EBITDA

For the year ended December 31, 2015

(in thousands of Cdn $, except per share amounts)	EnerCare Inc.	SE	Pro Forma Adjustments	Pro Forma Consolidated Total
Net earnings for the year	$ 50,955	$ 11,647	$ (17,635)	$ 44,967
Total tax expense/(recovery)	17,874	6,784	(10,942)	13,716
Amortization expenses	125,416	11,382	23,529	160,327
Interest expense	28,075	116	5,048	33,239
Investment (Income)	(205)	-	-	(205)
Other (Income)	(580)	-	-	(580)
EBITDA	**$ 221,535**	**$ 29,929**	$ -	**$ 251,464**
Net Loss on disposal of equipment	2,870	-	-	2,870
Other income/(expense)	580	-	-	580
Adjusted EBITDA	**$ 224,985**	**$ 29,929**	$ -	**$ 254,914**
Acquisition SG&A	9,547			9,547
Acquisition Adjusted EBITDA before SE Pro Forma Adjustments	**$ 234,532**	**$ 29,929**	$ -	**$ 264,461**
Stock appreciation rights	-	5,724	-	5,724
Management and other fees	-	1,655	-	1,655
Pro forma Acquisition Adjusted EBITDA	**$ 234,532**	**$ 37,308**	$ -	**$ 271,840**

Pro Forma Acquisition Adjusted EBITDA amounts include $5,724 of stock appreciation rights which will be realized upon closing of the Transaction as well as certain management and other fees paid by Service Experts which will not continue following the closing of the Transaction.

II. Reconciliation of *Pro Forma* Net earnings to (a) *Pro Forma* Cash Provided by Operating Activities, (b) *Pro Forma* Distributable Cash before SE Pro Forma Adjustments, and (c) *Pro Forma* Distributable Cash

For the year ended December 31, 2015

(in thousands of Cdn $, except per share amounts)	EnerCare Inc.	SE	Pro Forma Adjustments	Pro Forma Consolidated Total
Net earnings for the year	$ 50,955	$ 11,647	$ (17,635)	$ 44,967
Items not affecting cash				
Amortization expenses	125,416	11,382	23,529	160,327
Net Loss on disposal of equipment	2,870	-	-	2,870
Non-cash interest expense	1,970	-	210	2,180
Provisions	-	549	-	549
Defined benefit plan expense	4,256	-	-	4,256
Employee share options and stock purchase plan	512	-	-	512
Stock appreciation rights	-	5,724	-	5,724
Deferred income tax expense/(recovery)	7,677	1,156	(5,314)	3,519
Deferred customer inducements	(1,538)	-	-	(1,538)
Contributions to defined benefit pension plan	(2,584)	-	-	(2,584)
Operating Cash Flow	189,534	30,458	790	220,782
Net change in non-cash working capital	(25,648)	648	-	(25,000)
Cash provided by operating activities	**$ 163,886**	**$ 31,106**	**$ 790**	**$ 195,782**
Net change in non-cash working capital	25,648	(648)	-	25,000
Operating Cash Flow	189,534	30,458	790	220,782
Capital expenditures (excluding growth and acquisitions)				
Rentals additions and exchanges	(96,188)	-	-	(96,188)
Total proceeds on disposal of rental equipment	7,553	-	-	7,553
Other income	(580)	-	-	(580)
Integration and acquistion costs	9,547	-	-	9,547
Distributable Cash before SE Pro Forma Adjustments	**$ 109,866**	**$ 30,458**	**$ 790**	**$ 141,114**
Tax reductions	-	521	-	521
Management and other fees	-	1,655	-	1,655
Pro forma Distributable Cash	**$ 109,866**	**$ 32,634**	**$ 790**	**$ 143,290**
Pro forma Payout Ratio				**60.6%**
Pro forma Distributable Cash per Share				**$ 1.36**

The Pro Forma Payout Ratio and Pro Forma Distributable Cash per Share give effect to the issuance of additional Shares and dividends based upon the Offering (does not include the over-allotment option or Concurrent Private Placement).

III. Reconciliation of *Pro Forma* Net earnings to (a) *Pro Forma* Cash Provided by Operating Activities, (b) *Pro Forma* Distributable Cash before SE Pro Forma Adjustments, (c) *Pro Forma* Normalized Distributable Cash before SE Pro Forma Adjustments, and (d) *Pro Forma* Normalized Pro Forma Distributable Cash

For the year ended December 31, 2015

(in thousands of Cdn $, except per share amounts)	EnerCare Inc.	SE	Pro Forma Adjustments	Pro Forma Consolidated Total
Net earnings for the year	$ 50,955	$ 11,647	$ (17,635)	$ 44,967
Items not affecting cash				
Amortization expenses	125,416	11,382	23,529	160,327
Net Loss on disposal of equipment	2,870	-	-	2,870
Non-cash interest expense	1,970	-	210	2,180
Provisions	-	549	-	549
Defined benefit plan expense	4,256	-	-	4,256
Employee share options and stock purchase plan	512	-	-	512
Stock appreciation rights	-	5,724	-	5,724
Deferred income tax expense/(recovery)	7,677	1,156	(5,314)	3,519
Deferred customer inducements	(1,538)	-	-	(1,538)
Contributions to defined benefit pension plan	(2,584)	-	-	(2,584)
Operating Cash Flow	189,534	30,458	790	220,782
Net change in non-cash working capital	(25,648)	648	-	(25,000)
Cash provided by operating activities	**$ 163,886**	**$ 31,106**	**$ 790**	**$ 195,782**
Net change in non-cash working capital	25,648	(648)	-	25,000
Operating Cash Flow	189,534	30,458	790	220,782
Capital expenditures (excluding growth and acquisitions)				
Rentals additions and exchanges	(96,188)	-	-	(96,188)
Total proceeds on disposal of rental equipment	7,553	-	-	7,553
Other income	(580)	-	-	(580)
Integration and acquistion costs	9,547	-	-	9,547
Distributable Cash before SE Pro Forma Adjustments	**$ 109,866**	**$ 30,458**	**$ 790**	**$ 141,114**
Normalized tax	(19,001)	-	-	(19,001)
Normalized Distributable Cash before SE Pro Forma Adjustments	**$ 90,865**	**$ 30,458**	**$ 790**	**$ 122,113**
Tax reductions	-	521	-	521
Management and other fees	-	1,655	-	1,655
Normalized Pro forma Distributable Cash	**$ 90,865**	**$ 32,634**	**$ 790**	**$ 124,289**
Normalized Pro forma Payout Ratio				**69.9%**
Normalized Pro forma Distributable Cash Per Share				**$ 1.18**

Normalized *Pro Forma* Distributable Cash, Normalized *Pro Forma* Payout Ratio and Normalized *Pro Forma* Distributable Cash per Share reflect the Offering as noted previously, (excluding the over-allotment option and Concurrent Private Placement); however, also include the impact of an Enercare normalized tax expense of $19,001 for 2015 arising from the Acquisition.

Cautionary Note Regarding Forward-Looking Statements

This section of this MD&A contains forward-looking information within the meaning of applicable Canadian securities laws ("forward-looking statements"). Statements other than statements of historical fact contained in this section of this MD&A may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to Enercare, including Enercare's business operations, business strategy and financial condition. Forward-looking statements may include words such as “anticipates”, “believes”, “budgets”, “could”, “estimates”, “expects”, “goal”, “intends”, “may”, “outlook”, “plans”, “strive”, “target” and “will”, although not all forward-looking information contains these words.

Some of the specific forward-looking statements in this presentation include, but are not limited to, statements with respect to the following:

- timing and completion of the Transaction;
- the investment by the Chief Executive Officer and certain other officers of Service Experts in SE Subscription Receipts pursuant to the Concurrent Private Placement;
- Enercare’s ability to pay dividends to shareholders;
- other statements made in this section of this MD&A regarding accretion or other financial enhancements anticipated to arise as a result of the Transaction;
- the impact of the Transaction on Enercare’s business and current and anticipated economic conditions.

These forward-looking statements may reflect the internal projections, expectations, future growth, results of operations, performance, business prospects and opportunities of Enercare and are based on information currently available to Enercare and/or assumptions that Enercare believes are reasonable. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements, as they are subject to a number of risks and uncertainties. In developing these forward-looking statements, certain material assumptions were made. These forward-looking statements are also subject to certain risks. These factors include, but are not limited to:

- actual future market conditions being different than anticipated by management;
- the failure to realize the anticipated benefits of the Transaction; and
- the risks and uncertainties described under “Risk Factors” in this MD&A.

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

- the view of management regarding current and anticipated market conditions;
- industry trends remaining unchanged;
- the successful completion of the Transaction and the financing thereof;
- the financial and operating attributes of Enercare and Service Experts as at the date hereof and the anticipated future performance of Enercare and Service Experts following the Transaction;
- assumptions regarding the interest rates of the Credit Facility and foreign exchange rates;
- the extent to which the Transaction is accretive, which may be impacted by final financing arrangements, the realization and timing of synergies and the operating performance of Enercare and Service Experts post Transaction;
- assumptions regarding non-recurring transaction costs estimated to be incurred by Enercare in connection with the Transaction; and
- assumptions regarding future selling, general and administration costs estimated to be incurred by Enercare in connection with the running of Service Experts by it following the Transaction.

There can be no assurance that the Transaction will occur or that the anticipated strategic benefits and operational, competitive and cost synergies will be realized. The Transaction is subject to various conditions, including anti-trust approvals in the United States and Canada, and there can be no assurance that any such approvals will be obtained and/or any such conditions will be met. The Transaction could be modified, restructured or terminated at any time.

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

RESULTS OF OPERATIONS

Overview

Consolidated Financial Highlights (000's)	**2015**	2014	2013
Total revenues	**$ 563,826**	$ 362,753	$299,149
Earnings before income taxes	**68,829**	32,158	12,620
Current tax expense	**(10,197)**	(27,287)	(21,852)
Deferred income tax (expense)/recovery	**(7,677)**	17,405	18,050
Net earnings	**$ 50,955**	$ 22,276	$ 8,818
EBITDA	**221,535**	164,716	152,493
Adjusted EBITDA	**224,985**	174,983	168,580
Acquisition adjusted EBITDA	**234,532**	182,705	168,580
Per Share information			
Shareholder dividends declared	**$ 0.82**	$ 0.74	$ 0.69
Net earnings	**$ 0.56**	$ 0.34	$ 0.15
Total assets	**1,376,247**	1,406,061	778,880
Total debt	**737,212**	688,111	540,320
Cash provided by operating activities	**163,886**	145,629	115,691
Distributable Cash	**$ 109,866**	$ 59,929	$ 51,050
Payout Ratio - Maintenance	**45%**	49%	49%
Payout Ratio	**68%**	80%	78%

2015 vs. 2014

Total revenues increased by approximately 55% or $201,073 to $563,826 in 2015. The improved revenues were the result of an increase in Home Services revenue of $184,137 or 76% to $426,471, driven by approximately $176,800 of revenues generated following the Acquisition and approximately $7,400 from a rental rate increase effective January 2016, improved billing completeness, asset mix changes and growth in rental HVAC units. Increases in commodity charges and Billable units in the Sub-metering business increased revenues by $17,537 to $137,150 in 2015. Investment income of $205 was lower by $601, primarily from $531 of one-time interest earned from the Subscription Receipts proceeds received in the third quarter of 2014 in connection with the Acquisition. Net earnings were $50,955 in 2015, $28,679 higher than 2014 primarily from improved EBITDA, partly offset by higher amortization expenses and total taxes.

EBITDA increased by 34% or $56,819 as a result of improved revenues and lower losses on disposal of equipment, partially offset by higher combined cost of goods sold and SG&A expenses of $151,844 driven primarily by the Acquisition, including related rebranding and integration costs, and increased flow through commodity charges. Adjusted EBITDA increased by $50,002 or 29% after removing from EBITDA the impact of a reduced loss on disposal of equipment and including other income. After removing net expenditures of $9,168 associated with the Acquisition and Triacta acquisition costs of $379, Adjusted EBITDA was $234,532 in 2015, an increase of $51,827 over the same period in 2014.

Total assets decreased by approximately $29,814 in 2015, primarily due to the amortization of intangible assets and equipment. Total debt increased by $49,101 to $737,212 primarily from $50,000 which was drawn on the New Revolver to partially fund the Shares purchased from DE by way of a block trade under the NCIB. Cash flow from operating activities increased by $18,257 in 2015, primarily as a result of improved EBITDA, higher amortization and deferred income taxes partly offset by higher accounts receivable (see the discussion in "Liquidity and Capital Resources – Cash from Financing" in this MD&A). The Payout Ratio decreased to 68% from 80%, primarily from improved Operating Cash Flow (see the discussion in "Non-IFRS Financial and Performance Measures" in this MD&A), partly offset by higher dividend payments as a result of the 16% increase announced in the first quarter of 2015, higher capital expenditures and Acquisition related integration costs.

2014 vs. 2013

Total revenues increased by approximately 21% or $63,604 to $362,753 in 2014. The improved revenues were the result of an increase in Home Services revenue of $52,896 or 28% to $242,334, driven primarily by $46,065 of revenues generated following the Acquisition and $6,831 from a rental rate increase effective January 2014. Increases in commodity charges and Billable units in the Sub-metering business increased revenues by $10,275 to $119,613 in 2014. Investment income of $806 was higher by $433, primarily from $531 of interest earned from the Subscription Receipts proceeds received in the third quarter in connection with the Acquisition. Net earnings were $22,276 in 2014, $13,458 higher than 2013 as a result of improved EBITDA, lower interest expense and the non-recurring make-whole payment of $13,754 incurred in 2013, partially offset by reduced other income, higher interest on Subscription Receipts, bridge financing charges, professional fees associated with the Acquisition and total taxes payable.

EBITDA increased by 8% or $12,223 as a result of improved revenues and lower losses on disposal of equipment, partially offset by a combined increase in cost of goods sold and SG&A expenses of $52,729, of which $46,067 was driven by expenses incurred in the Home Services business following the Acquisition. Adjusted EBITDA increased by $6,403 or 4% after removing from EBITDA the impact of a reduced loss on disposal of equipment and including other income. After removing net expenditures of $7,722 associated with the Acquisition, Adjusted EBITDA was $182,705 in 2014, an increase of $14,125 over the same period in 2013.

Total assets increased by approximately $627,181 in 2014, primarily due to the Acquisition, partly offset by the amortization of intangible assets and equipment. Total debt increased to $688,111 as a result of the New Debt Financing related to the Acquisition, partly offset by reductions in Convertible Debentures with conversions into Shares, repayment of the Previous Term Loan and principal repayments on the Stratacon Debt. Cash flow from operating activities increased by $29,938 in 2014, primarily as a result of improved EBITDA and lower accounts receivable (see the discussion in "Liquidity and Capital Resources – Cash from Financing" in this MD&A). The Payout Ratio increased to 80% from 78%, primarily as a result of an increase in capital expenditures, the non-recurring early redemption of the 2009-2 Notes net of a tax amount of $11,751 incurred in 2013 and current taxes, partially offset by improved Operating Cash Flow (see the discussion in "Non-IFRS Financial and Performance Measures" in this MD&A), inclusive of $11,063 of net Acquisition costs.

Earnings Statement

(000's)	**Home Services**	**Sub-Metering**	**Corporate**	**2015 Total**	Home Services	Sub-Metering	Corporate	2014 Total
Revenues:								
Contracted revenue	**$390,509**	**$133,652**	**$ -**	**$524,161**	$231,454	$119,132	$ -	$350,586
Sales and other services	**35,962**	**3,498**	**-**	**39,460**	10,880	481	-	11,361
Investment Income	**186**	**19**	**-**	**205**	242	17	547	806
Total revenue	**$426,657**	**$137,169**	**$ -**	**$563,826**	$242,576	$119,630	$ 547	$362,753
Expenses:								
Cost of goods sold:								
Commodity	**-**	**(106,203)**	**-**	**(106,203)**	-	(97,673)	-	(97,673)
Maintenance & servicing costs	**(61,164)**	**-**	**-**	**(61,164)**	(10,600)	-	-	(10,600)
Sales and other services	**(25,448)**	**(2,090)**	**-**	**(27,538)**	(7,743)	(378)		(8,121)
Total cost of goods sold	**(86,612)**	**(108,293)**	**-**	**(194,905)**	(18,343)	(98,051)	-	(116,394)
SG&A expenses	**(104,970)**	**(16,846)**	**(22,495)**	**(144,311)**	(39,604)	(13,877)	(17,497)	(70,978)
Amortization expense	**(118,011)**	**(5,849)**	**(1,556)**	**(125,416)**	(98,392)	(4,800)	(1,689)	(104,881)
Net (loss) on disposal	**(5,354)**	**2,484**	**-**	**(2,870)**	(9,859)			(9,859)
Interest expense:								
Interest expense payable in cash				**(26,105)**				(27,978)
Non-cash interest expense				**(1,970)**				(913)
Total interest expense				**(28,075)**				(28,891)
Total expenses				**(495,577)**				(331,003)
Other income	**-**	**580**	**-**	**580**	408	-	-	408
Earnings before income taxes				**68,829**				32,158
Current tax (expense)				**(10,197)**				(27,287)
Deferred tax (expense)/recovery				**(7,677)**				17,405
Net earnings				**$50,955**				$22,276
EBITDA	**$229,535**	**$14,495**	**$(22,495)**	**$221,535**	$174,528	$7,685	$(17,497)	$164,716
Adjusted EBITDA	**$234,889**	**$12,591**	**$(22,495)**	**$224,985**	$184,795	$7,685	$(17,497)	$174,983
Acquisition Adjusted EBITDA	**$244,057**	**$12,970**	**$(22,495)**	**$234,532**	$192,517	$7,685	$(17,497)	$182,705

Revenues

Total revenues of $563,826 in 2015 increased by $201,073 or 55% compared to 2014.

Home Services revenues, excluding investment income, increased by $184,137 to $426,471 compared to 2014, primarily as a result of additional revenue added through the Acquisition of approximately $176,800. The remaining increase of approximately $7,400 was primarily due to a rental rate increase implemented in January 2015, improved billing completeness, changes in asset mix and growth in rental HVAC units. Contracted revenue in Home Services represents revenue generated by the Rentals portfolio and protection plan contracts, while sales and other services revenue mainly pertains to one-time sales and installations of residential furnaces, boilers and air conditioners as well as plumbing, duct cleaning and other services.

Sub-metering revenues, excluding investment income, in 2015 were $137,150, an increase of $17,537 or 15% over the comparable period in 2014, primarily as a result of an increase in flow through commodity charges, Billable units and revenue assurance initiatives. Sub-metering revenue includes total pass through energy charges of $106,203 in 2015, an increase of $8,530 or 9% over the same period in 2014. The remaining increase was primarily due to approximately $2,239 of additional revenues added through the acquisition of Triacta and $784 of increased sales and installations of water conservation products in apartments and condominiums.

Investment income was $205 in 2015, a reduction of $601 compared to 2014. The change in investment income was primarily attributable to $531 of non-recurring interest earned in 2014, from the Subscription Receipts proceeds received in connection with the Acquisition.

Cost of Goods Sold

Total cost of goods sold were $194,905 in 2015, an increase of $78,511 or 67%, compared to the same period in 2014.

Home Services cost of goods sold increased by $68,269 in 2015, compared to the same period in 2014, primarily due to expenses resulting from the increased scope of the business following the Acquisition offset by approximately $1,300 relating to supplier reimbursements and other items recorded in the second quarter of 2015. Maintenance and servicing costs in Home Services primarily consist of protection plan expenses and servicing costs related to the rental portfolio, while sales and other services expenses mainly pertain to one-time sales and installations of residential furnaces, boilers, air conditioners and small commercial products as well as plumbing, duct cleaning and other cleaning services.

Sub-metering cost of goods sold of $108,293 in 2015, increased by $10,242 or 10%, as a result of an increase in pass through energy charges, approximately $1,012 of increased costs added through the acquisition of Triacta and $700 of increased costs from higher sales and installations of water conservation products in apartments and condominiums, over the same period in 2014.

Selling, General & Administrative Expenses

Total SG&A expenses were $144,311 in 2015, an increase of $73,333, compared to the same period in 2014.

Home Services and corporate expenses of $127,465, increased by $70,364 compared to 2014, primarily due to additional expenses resulting from the increased scope of the business following the Acquisition. The $70,364 increase was primarily as a result of approximately $35,800 in wages and benefits, $13,000 of billing and servicing costs, $12,100 in selling expenses, $7,300 in office expenses, $2,000 in bad debts and $550 in claims expenses, partly offset by $400 of lower professional fees. During the third quarter of 2015 there were one-time items totaling approximately $1,400, resulting in improvements to SG&A expenses. These improvements arose from revisions to estimates related to costs resulting from the Acquisition.

During 2015, Home Services and corporate SG&A expenses included $9,168 of integration costs associated with the Acquisition, primarily from marketing spend related to rebranding and IT integration activities. In 2014, SG&A expenses included $7,722 of Acquisition expenditures primarily consisting of professional fees associated with the entering into of the Asset Purchase Agreement and marketing related rebranding expenditures.

Sub-metering SG&A expenses in 2015 were $16,846, an increase of $2,969 over the comparable period in 2014, primarily from higher wages and benefits of $1,050, professional fees of $1,000, selling and office expenses of $530 and bad debts of $490, partly offset by lower billing and servicing costs of $100.

During 2015, Sub-metering SG&A expenses included $379 of costs associated with the acquisition of Triacta, primarily related to professional fees associated with the entering into of the purchase agreement.

Amortization Expense

Amortization expense increased by $20,535 or 20% to $125,416 in 2015, primarily due to additional Acquisition related amortization from intangible and capital assets of $16,037 and $2,947, respectively. The remaining increase of $1,551 over 2014, was primarily from an increasing capital asset base from asset mix changes in the Rentals portfolio and increased Sub-metering capital investments, which are amortized over a shorter life than those of the Home Services business.

Loss on Disposal of Equipment

Enercare reported a net loss on disposal of equipment of $2,870 in 2015, a reduction of $6,989 or 71%, over the same period in 2014. The loss on disposal amount is influenced by the number of assets retired, proceeds on disposal of equipment, changes in the retirement asset mix and the age of the assets retired.

Home Services recorded a net loss on disposal of equipment of $5,354, a reduction of $4,505 or 46%, over the same period in 2014. Partly offsetting this net loss on disposal was a $2,484 gain on disposal of sub-metering equipment resulting from a customer that exercised its buy-out option, during the fourth quarter.

Interest Expense

(000s)	**2015**	2014
Interest expense payable in cash	**$26,105**	$24,065
Interest paid on subscription receipts	**-**	3,097
Equity bridge financing fees	**-**	775
Non-cash items:		
Notional interest on employee benefit plans, net	**1,096**	254
Amortization of financing costs	**874**	700
Interest expense	**$28,075**	$28,891

Interest expense payable in cash increased by $2,040 to $26,105 in 2015 compared to 2014. This increase was primarily related to the increase in the New Term Loan related to the financing of the Acquisition, partially offset by the conversion of Convertible Debentures to Shares.

As part of the Acquisition, Subscription Receipts were issued during the third quarter of 2014 and subsequently converted to Shares upon the closing of the Acquisition on October 20, 2014. While the Subscription Receipts remained outstanding, they were classified as debt, resulting in an interest expense liability of $3,097, which was equivalent to the dividend payments on such Subscription Receipts if they had been Shares. Equity bridge financing fees of $775 were also incurred as part of the Acquisition.

Notional interest of $1,096 in 2015 relate to the employee benefits plans acquired as part of the Acquisition. Amortization of financing costs includes the previously unamortized costs associated with the 2012 Notes, 2013 Notes, Convertible Debentures and in 2015 the New Term Loan.

Other Income

During the second quarter of 2015, Enercare realized a settlement of $580 from a supplier of sub-metering equipment.

During the first quarter of 2014, Enercare realized a settlement of $408 from DE on account of the reclassification of certain water heaters under the Co-ownership Agreement to Enercare’s owned portfolio, originally associated with the Toronto Hydro Energy Services Inc. portfolio acquisition.

Income Taxes

Enercare reported current tax expenses of $10,197 in 2015, a reduction of $17,090 over 2014, primarily as a result of a one year tax deferral available through a subsidiary of Enercare Solutions. The deferred income tax expenses of $7,677 for 2015 was $25,082 higher compared to the deferred tax recovery recorded in the same period in 2014, primarily as a result of temporary difference reversals in the Home Services and Sub-metering businesses.

Net Earnings

Net earnings in 2015 were $50,955 or $28,679 higher than 2014, as previously described.

EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA

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

(000's)	**Q4/15**	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14
Net earnings	**$13,725**	$13,124	$16,204	$ 7,902	$ 5,672	$ 2,133	$ 7,457	$ 7,014
Deferred tax expense / (recovery)	**1,069**	2,376	1,323	2,909	(3,222)	(6,852)	(3,810)	(3,521)
Current tax expense	**2,784**	2,169	2,290	2,954	5,949	8,924	6,335	6,079
Amortization expense	**31,917**	31,606	31,044	30,849	30,319	25,186	24,870	24,506
Interest expense	**6,988**	6,955	7,021	7,111	7,129	9,827	5,963	5,972
Other (income)	**-**	-	(580)	-	-	-	-	(408)
Investment (income)	**(35)**	(44)	(49)	(77)	(211)	(478)	(80)	(37)
EBITDA	**56,448**	56,186	57,253	51,648	45,636	38,740	40,735	39,605
Add: Net (gain) / loss on disposal	**(1,455)**	1,001	1,572	1,752	2,180	2,304	2,371	3,004
Add: Other income	**-**	-	580	-	-	-	-	408
Adjusted EBITDA(1)	**54,993**	57,187	59,405	53,400	47,816	41,044	43,106	43,017
Add: Acquisition SG&A	**3,028**	3,946	1,961	612	4,138	2,882	702	-
Acquisition Adjusted EBITDA	**$58,021**	$61,133	$61,366	$54,012	$51,954	$43,926	$43,808	$43,017

(1) Historical Adjusted EBITDA has been conformed to the current presentation which includes other income and expense.

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

1. Net earnings are impacted by rental rate increases, generally implemented in January of each year, and accruals related to billing and servicing matters and the Acquisition results commencing in the fourth quarter of 2014.
2. Increasing current taxes from higher taxable income. Commencing in the first quarter of 2015, current taxes reflect the impact of a one year tax deferral available through a subsidiary of Enercare Solutions.
3. In the third quarter of 2014, additional interest expense was incurred as part of the Acquisition, related to the bridge financing and treatment of Subscription Receipts for accounting purposes. Commencing in the fourth quarter of 2014, interest expense reflects higher debt related to the financing of the Acquisition.
4. Amortization and net loss on disposal of equipment are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units. Commencing in the fourth quarter of 2014, amortization reflects increases from the amortization of capital assets and intangibles following the Acquisition.
5. In the fourth quarter of 2015, net (gain) / loss on disposal reflects a $2,484 gain on disposal of sub-metering equipment resulting from a customer that exercised its buy-out option.
6. In the second quarter of 2015, Enercare realized a settlement of $580 from a supplier of sub-metering equipment. Other income in periods prior to 2015 relates to settlements with DE on account of installation and billing matters.

DISTRIBUTABLE CASH AND PAYOUT RATIOS

Enercare amended its payout ratio calculation in 2013. As a transition to the new calculation, Enercare has chosen to show both the historical calculation, Payout Ratio and our new calculation, Payout Ratio - Maintenance. Historically, Enercare included both the Rentals capital associated with maintaining (other than Sub-metering and acquisitions) the current customer base (exchanges) as well as the capital associated with acquiring new customers. With the significant improvement in Attrition over the last five years, combined with the success of transitioning Rentals customers into higher revenue generating rental products, Enercare has started to grow revenue beyond annual rate increases. As a result, Enercare changed the calculation to remove the capital required to acquire new Rentals customers. Enercare believes that the new calculation better reflects the on-going cash requirements to maintain the revenue from the current Rentals customer base.

Payout Ratio (000s)	**2015**	2014
Cash provided by operating activities	**$163,886**	$145,629
Net change in non-cash working capital	**25,648**	(24,615)
Operating Cash Flow[6]	**189,534**	121,014
Capital expenditures: (excluding growth capital and acquisitions)		
Rentals additions	**(62,079)**	(42,359)
Rentals exchanges	**(34,109)**	(34,807)
Subtotal	**(96,188)**	(77,166)
Total proceeds on disposal of rental equipment	**7,553**	5,419
Net capital rental expenditures	**(88,635)**	(71,747)
Other income	**(580)**	(408)
Triacta acquisition costs	**379**	-
OHCS acquisition costs	**9,168**	11,063
Total reductions	**(79,668)**	(61,092)
Distributable Cash[6]	**109,866**	59,922
Dividends declared	**(74,763)**	(48,167)
Net cash retained	**$ 35,103**	$ 11,755
Payout Ratio	**68%**	80%

The Payout Ratio, after capital expenditures (excluding growth capital for Sub-metering and acquisitions), decreased to 68% in 2015, compared to 80% for the same period in 2014, primarily as a result of higher Operating Cash Flow (see the discussion in "Non-IFRS Financial and Performance Measures" in this MD&A), offset by higher net capital expenditures and dividend payments, as a result of the 16% dividend increase announced in the first quarter of 2015, and adjustments for other income and lower acquisition related costs. During 2014 and 2015, cash used in operating activities and the change in non-cash working capital were both influenced by the Enbridge prepayment, on December 31, 2014, for December's Enercare billings in advance of its normal settlement dates. Under the OBA cash is typically paid 21 days after billing.

Acquisition related expenditures in 2015 primarily consist of marketing expenditures related to rebranding activities and IT integration costs, while expenditures in 2014 primarily consist of professional fees associated with the entering into of the Asset Purchase Agreement, interest on the Subscription Receipts and bridge financing costs. Triacta acquisition costs in 2015 primarily consist of professional fees associated with entering into the purchase agreement. These amounts have been adjusted in the payout ratio to better reflect recurring distributable cash.

Enercare intends to finance its recurring capital expenditures with cash flow from operations, cash on hand and available credit.

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

Payout Ratio - Maintenance Presentation

Payout Ratio - Maintenance - (000's)	**2015**	2014
Cash provided by operating activities	**$163,886**	$145,629
Net change in non-cash working capital	**25,648**	(24,615)
Operating Cash Flow	**189,534**	121,014
Capital expenditures: (excluding growth capital, additions and acquisitions)		
Rentals exchanges	**(34,109)**	(34,807)
Proceeds on disposal of equipment – warranty recoveries	**2,118**	2,138
Net capital expenditures	**(31,991)**	(32,669)
Other income	**(580)**	(408)
Triacta acquisition costs	**379**	-
OHCS acquisition costs	**9,168**	11,063
Total reductions	**(23,024)**	(22,014)
Distributable Cash – Maintenance	**166,510**	99,000
Dividends declared	**(74,763)**	(48,167)
Net cash retained	**$ 91,747**	$ 50,833
Payout Ratio – Maintenance	**45%**	49%

The Payout Ratio - Maintenance, which is calculated based upon capital expenditures associated with the exchange of assets for existing customers and excludes capital expenditures associated with obtaining new customers, decreased to 45% in 2015, compared to 49% over the same period in 2014.

LIQUIDITY AND CAPITAL RESOURCES

(000's)	**2015**	2014
Cash flow from operating activities	**$163,886**	$145,629
Net change in non-cash working capital	**25,648**	(24,615)
Operating Cash Flow	**189,534**	121,014
Capital expenditures (excluding growth capital and acquisitions, including assets not yet commissioned)	**(96,505)**	(77,558)
Proceeds on disposal of rental equipment	**7,553**	5,419
Net capital rental expenditures	**(88,952)**	(72,139)
Acquisitions	**(7,968)**	(443,148)
Growth capital, net of proceeds on disposal	**(15,243)**	(8,008)
Cash used in investing activities	**(112,163)**	(523,295)
Dividends paid	**(74,157)**	(46,006)
Other financing activities	**(17,208)**	465,787
Cash used in financing activities	**(91,365)**	419,781
Cash and equivalents – end of period	**$ 28,413**	$ 68,055

Operating Cash Flow of $189,534 in 2015 increased by $68,520, compared to the same period in 2014, primarily as a result of improved revenues and changes in non-cash working capital, partially offset by increased cost of goods sold, SG&A and net taxes. During 2014 and 2015, cash used in operating activities and the change in non-cash working capital were both influenced by the Enbridge prepayment, on December 31, 2014, for December's Enercare billings in advance of its normal settlement dates. Under the OBA cash is typically paid 21 days after billing.

Net capital rental expenditures of $88,952 in 2015, increased by $16,813 compared to 2014, due to increased HVAC rentals and changes in asset mix. Acquisition costs in 2015 include $7,105 in respect of the purchase of Triacta in the third quarter and $863 in respect of the purchase of the CNI rental portfolio in the first quarter, while the $443,148 in 2014 was in respect of $440,113 related to the Acquisition in the fourth quarter and $3,035 in respect of the purchase of the ESN rental portfolio during the first quarter. Growth capital investments were $15,243 in 2015, an increase of $7,235 compared to 2014. Growth capital expenditures increased in 2015 primarily from expenditures related to the decoupling from DE's information technology platform, partly offset by proceeds on disposal of $4,862 from a buy-out of sub-metering equipment during the fourth quarter of 2015.

Dividends paid reflect dividend payments on outstanding Shares.

Other financing activities in 2015 primarily reflect $67,601 of Shares repurchased and cancelled under the NCIB and the scheduled repayment of the Stratacon Debt during the period, partly offset by $50,000 which was drawn on the New Revolver during the fourth quarter.

Of the available credit of $100,000 under the New Revolver, $50,000 was drawn as at December 31, 2015. Enercare is subject to a number of covenants and has the ability to incur additional senior debt as described in "*Liquidity and Capital Resources – Cash from Financing*" in this MD&A.

Management believes that Enercare has sufficient cash flow, cash on hand and available credit to meet its 2016 obligations, including capital expenditures, financing activities and working capital requirements for its businesses.

Capital Expenditures

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

Installed Asset Unit Continuity (000's)		**2015**				2014
Segment	**Home Services**	**Sub-metering**	**Total**	Home Services	Sub-metering	Total
Units - start of period	**1,129**	**151**	**1,280**	1,145	136	1,281
Portfolio additions	**33**	**14**	**47**	24	15	39
Acquisitions	**1**	**-**	**1**	2	-	2
Attrition	**(35)**	**(10)**	**(45)**	(42)	-	(42)
Units - end of period	**1,128**	**155**	**1,283**	1,129	151	1,280
Asset exchanges – units retired & replaced	**46**	**-**	**46**	51	-	51
% change in units during the period			**0.2%**			(0.1%)
% of units from start of period:			**-**			-
Portfolio additions (net of acquisitions)			**3.7%**			3.0%
Attrition			**(3.5%)**			(3.3%)
Units retired and replaced			**3.6%**			4.0%
Billable units	**1,128**	**103**	**1,231**	1,129	96	1,225
Contracted units	**-**	**205**	**-**	-	185	-

In 2015, the portion of net capital expenditures in Home Services related to unit additions and asset exchanges, net of proceeds on disposal and excluding assets not yet commissioned, were $88,635 in 2015, increasing by 24% or $16,888, when compared to the same period in 2014, primarily as a result of increased HVAC rentals.

Installations in the Sub-metering business were approximately 14,000 units in 2015, or 1,000 fewer units compared to 2014. Sub-metering capital expenditures in 2015 were $10,711, approximately $2,911 higher than in 2014 on account of the timing and costs of projects under completion.

Attrition decreased in 2015 by 7,000 units or 17% compared to 2014. Enercare has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with Bill 55 as well as enhancements to our customer value proposition (for example, the "same day service campaign"), have helped to significantly reduce Attrition in recent years.

For the Home Services units, changes in Billable units reflect the asset activity as reported in the continuity schedule. For the Sub-metering business, Billable units of 103,000 increased by 7,000 units in 2015 compared to 2014, primarily due to additional installations and increased penetration in the rental apartment market which resulted in approximately 13,000 new Billable units partly offset by the removal of approximately 6,000 Billable units pursuant to buy-out terminations.

Sub-metering sales activity was approximately 30,000 units in 2015, reflecting improvements in sales of approximately 11,000 units or 58% compared to 2014. Partly offsetting these sales were approximately 10,000 buy-out terminations, during the fourth quarter of 2015, resulting from one of ECI's customers that exercised its buy-out option on metering equipment in respect of 10,200 contracted units. This resulted in a gain on disposal of equipment of $2,484.

Cash from Financing

Financing activities for Enercare may reflect dividend payments, periodic financing of Enercare Solutions' indebtedness, Enercare's offering of Shares and Convertible Debentures, and to a much lesser extent financing of the Sub-metering business. During 2015, Enercare recorded $2,362 of financing repayments primarily related to the scheduled repayment of the Stratacon Debt, obligations under finance leases, and the purchase of treasury shares. These financing repayments excluded dividends to shareholders, Share repurchases under the NCIB, proceeds from the exercise of employee share options and amounts drawn on the New Revolver. During 2015, Enercare repurchased and cancelled $67,601 Shares under the NCIB and drew $50,000 on the New Revolver.

Capitalization (000s)	**2015**	2014
Cash and cash equivalents	**$ 28,413**	$ 68,055
Net investment in working capital	**23,149**	(2,243)
Cash, net of working capital	**51,562**	65,812
Total debt	**737,212**	688,111
Shareholders' equity	**389,797**	477,885
Total capitalization – book value	**$1,127,009**	$1,165,996

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

At December 31, 2015, total debt was comprised of the 2012 Notes, the 2013 Notes, the New Term Loan, Convertible Debentures and the Stratacon Debt.

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

Debt Financing

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

The New Debt Financing is an amendment and restatement of Enercare Solutions' Previous Revolver, with substantially similar terms to that facility but with the following material additions and revisions made to reflect the inclusion of the New Term Loan and contemplation of the Acquisition: (i) the addition of the New Term Loan commitments, (ii) the addition of EHCS LP and the general partner of EHCS LP as guarantors, (iii) the revision to the definition of "Adjusted EBITDA" to include add-backs for Acquisition-related transaction expenses, one-time rebranding costs and information technology system harmonization costs not to exceed $23,500, (iv) increase in the "basket" sizes permitted under certain covenants and events of default (to take into account the increase of assets under management due to the Acquisition), and (v) favourable changes to the financial covenants as described below.

The Previous Revolver and Previous Term Loan contained the following financial covenants (i) all additional incurrences of senior debt, with certain exceptions, must, on the date of incurrence, result in a pro forma ratio equal to or greater than 3.8 to 1.0 of Incurrence EBITDA (as defined in the Senior Unsecured Indenture) to Net Interest Expense (as defined in the Senior Unsecured Indenture); (ii) the ratio of total debt (other than subordinated debt) to "Adjusted EBITDA" must be less than 4.25:1; (iii) the ratio of Adjusted EBITDA to "Cash Interest Expense" must be greater than 3.00:1; and (iv) the ratio of Adjusted EBITDA less capital expenditures to Cash Interest Expense must be greater than 1.75:1.

As described in the AIF, the Previous Revolver and Previous Term Loan defined "Adjusted EBITDA" as the consolidated net income of Enercare Solutions and any losses on dispositions of assets less, to the extent included in calculating such net income, all interest income and income tax recoveries, gains on hedging contracts and all extraordinary, non-recurring and unusual income items, plus, to the extent deducted in calculating such net income, amounts for total interest expense, fees payable under the origination agreement with DE (as assigned to Enercare in connection with the Acquisition), amortization and depreciation expenses, income taxes and any other non-cash items, losses on hedging contracts, proceeds of disposal of water heaters in the ordinary course of business, determined on a consolidated basis. The Previous Revolver and Previous Term Loan essentially defined "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.

The New Debt Financing contains financial covenants that are more favourable than the Previous Revolver and Previous Term Loan. The ratio of total debt (other than subordinated debt) to Adjusted EBITDA described above must now only be less than 4.75:1, and the financial covenant pertaining to the ratio of Adjusted EBITDA less capital expenditures to Cash Interest Expense described above has been removed entirely. The New Debt Financing also contains substantially similar definitions to those of the Previous Revolver and Previous Term Loan except that "Adjusted EBITDA" adds back certain specified items incurred with respect to the Acquisition, including transaction expenses, one-time rebranding costs and information technology system harmonization costs, not to exceed $23,500.

Enercare Solutions was in compliance with the covenants within the New Revolver and New Term Loan as of December 31, 2015. A total of $50,000 was drawn under the New Revolver at December 31, 2015.

2012 Notes and 2013 Notes – Incurrence Test

The covenants in respect of the 2012 Notes and 2013 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1. On December 31, 2015, Enercare Solutions exceeded this minimum and had the capacity under the covenant to raise more than $300,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	**Q4/15**	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14
Total revenues	**$141,621**	$145,455	$134,938	$141,812	$126,012	$80,469	$74,047	$82,225
Net earnings	**13,725**	13,124	16,204	7,902	5,672	2,133	7,457	7,014
Dividends declared	**18,693**	19,229	19,303	17,538	16,648	10,607	10,600	10,312
Average Shares outstanding	**89,770**	91,634	91,916	91,898	84,628	58,532	58,486	58,449
Per Share								
Basic net earnings	**$0.15**	$0.14	$0.18	$0.09	$0.07	$0.04	$0.13	$0.12
Diluted net earnings	**$0.15**	$0.14	$0.18	$0.09	$0.07	$0.03	$0.13	$0.12
Dividends declared	**$0.21**	$0.21	$0.21	$0.191	$0.181	$0.181	$0.181	$0.176

In addition to quarterly comments found under "*Results of Operations – EBITDA and Adjusted EBITDA*", differences in net earnings between quarters reflect the timing of expenses, current tax expense, the temporary difference reversals of deferred income tax and the impact of the Acquisition in the fourth quarter of 2014. Dividends declared primarily reflect the change in outstanding Shares over time as well as the dividend increases implemented in the first quarters of 2014 and 2015.

The average number of Shares outstanding and the related per Share data reflect the impact of the conversion of Convertible Debentures.

SUMMARY OF CONTRACTUAL DEBT AND LONG TERM OBLIGATIONS

The following schedule summarizes the contractual debt and long term obligations of Enercare at December 31, 2015:

Period	Debt		Finance Leases		Other
(000's)	Principal	Interest	Principal	Interest	Obligations
Due in 2016	$ 992	$26,146	$2,061	$206	$ 2,292
Due in 2017	253,343	25,990	1,766	138	1,548
Due in 2018	210,126	14,373	1,363	81	919
Due in 2019	50,025	11,108	903	40	865
Due in 2020	225,027	5,179	455	14	865
Thereafter	29	-	147	2	3,779
Total	$739,542	$82,796	$6,695	$481	$10,268

As at December 31, 2015, long-term senior contractual obligations of Enercare included debt service on the 2012 Notes and 2013 Notes bearing interest at 4.30% and 4.60%, respectively. Interest on the 2012 Notes is payable semi-annually on May 30 and November 30 and is payable semi-annually on February 3 and August 3 in respect of the 2013 Notes. The New Term Loan, maturing on October 20, 2018, bears interest at a variable rate based upon the banker's acceptance rate plus 1%, which was 1.821% at December 31, 2015.

The Stratacon Debt of $1,814, as at December 31, 2015, was originally issued in 14 series with maturity dates ranging from 4 to 14 years, ending in 2022. The interest rate on the Stratacon Debt ranges from 7.50% to 8.75%. Principal and interest is paid monthly.

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

At December 31, 2015, $50,000 was drawn on the New Revolver. The New Revolver bears a standby charge of 0.20% and interest on amounts drawn at a variable rate based upon the banker's acceptance rate plus 1%, which was 1.866% at December 31, 2015. The New Revolver has not been included in the above schedule.

The obligations under finance leases are secured by the leased vehicles and bear floating interest rates that are 2.5% above the 1-month banker's acceptance rate, per annum, which are contingent on market rates. The finance leases mature at dates ranging between January 2016 and November 2021.

Other obligations include long term sponsorship, premises and office equipment. Substantially all of the future expense obligations are the result of naming rights for the Enercare Centre and leased premises.

ENERCARE SHARES ISSUED AND OUTSTANDING

Enercare's authorized share capital consists of an unlimited number of Shares and 10,000,000 preferred shares. At December 31, 2015, there were 87,948,978 Shares (91,879,927 at December 31, 2014) issued and outstanding, and no preferred shares were outstanding. Preferred shares may, at any time and from time to time, be issued in one or more series, with such rights, privileges, restrictions and conditions as may be determined by the directors. The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets, be entitled to preference over the Shares and any other share ranking junior to the preferred shares from time to time.

From January 1, 2016 to March 6, 2016, approximately $120 principal amount of additional Convertible Debentures were converted into 18,516 Shares. The Convertible Debentures principal balance outstanding of $2,608 at March 6, 2016 may be converted into approximately 402,469 additional Shares.

FOURTH QUARTER RESULTS OF OPERATIONS

Earnings Summary (000's)	**Home Services**	**Sub-Metering**	**Corporate**	**2015 Total**	Home Services	Sub-Metering	Corporate	2014 Total
Revenues:								
Contracted revenue	**$101,544**	**$30,654**	**$ -**	**$132,198**	$84,513	$30,385	$ -	$114,898
Sales and other services	**7,721**	**1,667**	**-**	**9,388**	10,807	96	-	10,903
Investment income	**32**	**3**	**-**	**35**	67	4	140	211
Total revenues	**$109,297**	**$32,324**	**$ -**	**$141,621**	$95,387	$30,485	$ 140	$126,012
Expenses:								
Cost of goods sold:								
Commodity	**-**	**(23,541)**	**-**	**(23,541)**	-	(24,524)	-	(24,524)
Maintenance and servicing costs	**(15,894)**	**-**		**(15,894)**	(10,600)	-	-	(10,600)
Sales and other services	**(5,928)**	**(976)**	**-**	**(6,904)**	(7,693)	(78)	-	(7,771)
Total cost of goods sold	**(21,822)**	**(24,517)**	**-**	**(46,339)**	(18,293)	(24,602)	-	(42,895)
SG&A expenses	**(27,628)**	**(4,984)**	**(7,642)**	**(40,254)**	(26,690)	(3,253)	(5,147)	(35,090)
Amortization expense	**(29,995)**	**(1,540)**	**(382)**	**(31,917)**	(28,609)	(1,280)	(430)	(30,319)
Loss on disposal	**(1,029)**	**2,484**	**-**	**1,455**	(2,180)	-	-	(2,180)
Interest expense:								
Interest expense payable in cash				**(6,493)**				(6,676)
Make-whole payment on early redemption of debt				**-**				-
Non-cash interest expense				**(495)**				(453)
Total interest expense				**(6,988)**				(7,129)
Total expenses				**(124,043)**				(117,613)
Other income	**-**	**-**	**-**	**-**	-	-	-	-
Earnings before income taxes				**17,578**				8,399
Current tax (expense)				**(2,784)**				(5,949)
Deferred tax (expense)/recovery				**(1,069)**				3,222
Net earnings				**13,725**				5,672
EBITDA	**$58,786**	**$5,304**	**$(7,642)**	**$56,448**	$48,157	$ 2,626	$(5,147)	$ 45,636
Adjusted EBITDA	**$59,815**	**$2,820**	**$(7,642)**	**$54,993**	$50,337	$ 2,626	$(5,147)	$ 47,816
Acquisition Adjusted EBITDA	**$62,827**	**$2,836**	**$(7,642)**	**$58,021**	$54,475	$ 2,626	$(5,147)	$ 51,954

Fourth Quarter Overview

Unless stated otherwise, the narrative in this section is in reference to the operating results for the fourth quarter of 2015 as compared to the same period in 2014.

Revenues

Total revenues of $141,621 in 2015 increased by $15,609 or 12% compared to 2014.

Home Services revenue, excluding investment income, for the period increased by $13,945 to $109,265, primarily as a result of 19 additional days, in 2015, of revenues added through the Acquisition, rental rate increases implemented in January 2015, improved billing completeness and changes in asset mix, partially offset by the impact of net Attrition. Contracted revenues represent revenues generated by the Rentals units and protection plan contracts, while sales and other services revenues mainly pertain to royalties from franchisee protection plan sales, one-time sales and installations of residential furnaces, boilers, air conditioners and small commercial products as well as plumbing and duct cleaning services. During the fourth quarter of 2015, temperatures remained unseasonably warmer, as the number of heating degree days[7] in this period was approximately 23% lower than in the fourth quarter of 2014, and the lowest fourth quarter in the past 20 years. This led to lower furnace breakdowns and therefore lower demand for HVAC replacements and repair. Consequently, Enercare had fewer HVAC sales opportunities, but nonetheless increased sales over the comparable period in 2014.

Sub-metering revenues, excluding investment income, for the period were $32,321, an increase of $1,840 or 6% over the comparable period in 2014, primarily as a result $1,214 of additional revenues added through the acquisition of Triacta and $362 of increased sales and installations of water conservation products in apartments and condominiums. The remaining increase was primarily due to higher Billable units and annual rate increases, partly offset by lower pass through energy charges. Sub-metering revenue includes total pass through energy charges of $23,541 in 2014, a decrease of $983 over the same period in 2014.

Investment income was $35 in 2015, a decrease of $176 compared to 2014. The change in investment income was primarily attributable to $134 of non-recurring interest earned in 2014, from the Subscription Receipts proceeds received in connection with the Acquisition.

Cost of Goods Sold

Total cost of goods sold were $46,339 in 2015, an increase of $3,444 or 8% compared to 2014.

Home Services cost of goods sold increased by $3,529 compared to 2014, primarily due to 19 additional days, in 2015, of expenses resulting from the increased scope of the business following the Acquisition. Maintenance and servicing costs in Home Services primarily consist of protection plan expenses and servicing costs related to the Rentals portfolio while sales and other services expenses mainly pertain to one-time sales and installations of residential and commercial furnaces, water heaters, boilers, air conditioners as well as plumbing and duct cleaning services.

Sub-metering cost of goods sold of $24,517 decreased by $85 as a result of a reduction of $983 of pass through energy charges partly offset by $573 of increased costs added through the acquisition of Triacta and $325 of increased costs from higher sales and installations of water conservation products in apartments and condominiums, over the same period in 2014.

Selling, General & Administrative Expenses

Total SG&A expenses were $40,254 in 2015, an increase of $5,164 compared to 2014.

Home Services and corporate expenses of $35,270 increased by $3,433 compared to 2014, primarily as a result of 19 additional days in 2015, of additional expenses from the increased scope of the business

[7] Heating degree-days for a given day represent the number of Celsius degrees that the mean temperature is above or below a given base temperature, in this case 18°C. If the temperature is equal to or greater than 18°C, then the number will be zero. Values above or below the base of 18°C are used primarily to estimate the heating and cooling requirements of buildings.

following the Acquisition. The $3,433 increase over 2014 was primarily due to approximately $4,100 in wages and benefits, $1,800 in office expenses, and $1,300 in selling expenses, partly offset by reductions of $2,000 in billing and servicing costs and $1,700 in professional fees. During the fourth quarter of 2015, Home Services and corporate SG&A expenses included $3,012 of costs associated with the Acquisition, mainly from marketing related rebranding and IT integration costs. During the fourth quarter of 2014, Home Services and corporate SG&A expenses included $4,138 of costs associated with the Acquisition, of which approximately $3,470 were professional fees, $480 selling expenses, $110 office expenses and $70 of contract labour.

Sub-metering SG&A expenses were $4,984 or $1,731 higher in 2015 compared to 2014, primarily due to approximately $650 of wages and benefits, $660 of professional fees, $310 of bad debts and $220 of selling and office expenses, partially offset by $120 of lower billing and servicing costs. During the fourth quarter of 2015, Sub-metering SG&A expenses included $16 of costs associated with the acquisition of Triacta, primarily related to professional fees.

Amortization Expense

Amortization expense of $31,917 was $1,598 higher than in 2014, primarily due to additional amortization from capital and intangible asset additions resulting from the Acquisition of $13 and $998, respectively. The remaining increase of $587 over 2014, was primarily from an increasing capital asset base from asset mix changes in the Rentals portfolio and increased Sub-metering capital investments, which are amortized over a shorter life than those of the Home Services business.

Loss on Disposal of Equipment

Enercare reported a net gain on disposal of equipment of $1,455 in 2015, an improvement of $3,635, compared to the net loss on disposal of equipment of $2,180 in 2014. The loss on disposal amount is influenced by the number of assets retired, proceeds on disposal of equipment, changes in the retirement asset mix and the age of the assets retired.

Home services recorded a net loss on disposal of equipment of $1,029, a reduction of $1,151 or 53%, over the same period in 2014. The decreased loss was primarily the result of lower Attrition and fewer exchanged assets during the period.

Sub-metering recorded a $2,484 gain on disposal of sub-metering equipment resulting from a customer which exercised its buy-out option during the fourth quarter.

Interest Expense

In 2015, interest expense of $6,988 was $141 lower than in 2014, primarily from lower interest rates on the New Term Loan compared to 2014, partly offset by interest expense from the $50,000 drawn on the New Revolver during the fourth quarter of 2015.

Net Earnings

Earnings before income taxes in 2015 were $17,578, $9,179 better than 2014, as previously described. Net earnings were $13,725, an increase of $8,053 in 2015, reflecting a decrease of $3,165 in current taxes and lower deferred tax recoveries of $4,291 impacted by the timing of deferred tax reversals.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The consolidated financial statements of Enercare are prepared in accordance with IFRS. Enercare's basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the consolidated financial statements for the period ended December 31, 2015.

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

EBITDA, Adjusted EBITDA, Acquisition Adjusted EBITDA, Distributable Cash, Distributable Cash–Maintenance, Normalized Distributable Cash, Payout Ratio, Payout Ratio-Maintenance, Normalized Pay Out Ratio, Operating Cash Flow, Pro forma Operating Cash Flow, Pro forma Acquisition Adjusted EBITDA, Pro forma Distributable Cash, Pro forma Distributable Cash per Share, Normalized Pro forma Distributable Cash, Normalized Pro forma Payout Ratio and Normalized Distributable Cash per Share should not be construed as alternatives to net income or earnings per Share determined in accordance with IFRS as indicators of Enercare's performance, or as alternatives to pro forma net earnings and pro forma earnings per Share.

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

Measures of Asset Portfolio Performance

Capital Expenditures and Acquisitions

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

Measures of Financial Performance

EBITDA

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

Adjusted EBITDA

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

Acquisition Adjusted EBITDA

This measure reflects the same components as Adjusted EBITDA, however, eliminates the additional one-time costs associated with the Acquisition and the acquisition of Triacta, including interest expense for accounting purposes on the Subscription Receipts and equity bridge financing fees related to the Acquisition, professional fees associated with due diligence, pre and post-merger integration, expenditures associated with business transformation initiatives, rebranding, severance and other costs in SG&A. This is one metric that can be used to determine Enercare's ability to service its ongoing debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Acquisition Adjusted EBITDA is reconciled with net earnings, an IFRS measure (see *"Results of Operations - EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA"* in this MD&A).

Distributable Cash and Distributable Cash - Maintenance

Distributable Cash is one measure of the amount of cash generated during a period that is available to service debt, finance capital expenditures and provide for the payment of dividends to shareholders.

Historically, Distributable Cash comprised net earnings of Enercare, plus non-cash items, such as deferred income taxes, amortization, defined benefit plan expense and non-recurring expenses related to the Acquisition and transition of OHCS, less cash items of contributions to define benefit pension plan and deferred customer inducements plus the proceeds on disposal of rental equipment, less rental capital expenditures (excluding growth capital) and other non-recurring income. Capital expenditures outside of Enercare's traditional Rentals asset purchases, such as Sub-metering equipment, acquisitions, vehicles and infrastructure assets are considered by management to be growth expenditures and are therefore not deducted in the determination of Distributable Cash.

Distributable Cash per Share is a measure of the amount of Distributable Cash calculated on a per Share basis.

Distributable Cash - Maintenance is the same as the historical Distributable Cash, except that Rentals capital expenditures associated with new customer additions and buyout proceeds on disposal of equipment associated with lost customers are excluded. Growth expenditures for purposes of Distributable Cash - Maintenance definition include capital expenditures such as Rentals new customer equipment additions, Sub-metering equipment, acquisitions, vehicles and infrastructure assets.

Distributable Cash is reconciled with cash provided by operating activities, an IFRS measure (see *"Distributable Cash and Payout Ratios*" in this MD&A).

Distributions, Payout Ratio and Payout Ratio - Maintenance

Dividends are declared and paid monthly to shareholders at the discretion of the board of directors of Enercare. Among other things, the directors consider the level of Distributable Cash, the level of previous dividends, and the amount of cash they wish to retain in the company for contingencies and future growth.

The historical Payout Ratio is the percentage of Distributable Cash to dividends (excluding the exercise of the over-allotment option) declared to shareholders during a period and represents the ability of Enercare to pay dividends, finance capital expenditures and add to its cash reserves.

Payout Ratio - Maintenance is similar to the Payout Ratio, except that the ratio is calculated as the percentage of Distributable Cash – Maintenance to dividends declared to shareholders during the period and represents the ability of Enercare to pay dividends, add to its cash reserves and illustrates the proportion of cash required to maintain its existing customer base.

Operating Cash Flow

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

Billable

Sub-metering Billable units represent assets or services in the case of multiple products, for which an invoice has been issued to a customer in the past. From time to time there may be periods where no invoicing occurs in respect of such asset or service due to, for example, vacancy or delinquency. Billable Sub-metering assets are no longer Billable upon termination of the contractual agreement with the landlord or condominium corporation, as applicable, or where vacancy exceeds 6-months. The Rentals portfolio is deemed to be fully Billable upon origination and removed from Billable upon asset termination.

Measures of Financial Performance Associated with the Transaction

In addition to the Measures of Financial Performance outline above, certain additional financial performance measures are applicable to the Transaction as follows:

Pro Forma Operating Cash Flow

Pro Forma Operating Cash Flow is the estimated cash flow from operating activities excluding changes in non-cash working capital. It represents the net cash generated in earnings, excluding non-cash items. It is one indicator of the financial strength of Enercare. Operating Cash Flow is reconciled with cash flow from operating activities, an IFRS measure.

Pro Forma Acquisition Adjusted EBITDA

Pro Forma Acquisition Adjusted EBITDA is a pro forma measure comprised of pro forma net earnings plus income taxes, interest expense, amortization expense, impairment losses, loss on disposal of equipment, less investment income, however, eliminates the additional one-time costs associated with the acquisition of Service Experts, professional fees associated with due diligence, pre and post-merger integration, expenditures associated with business transformation initiatives, severance and other costs in SG&A. This measure further includes the SE Pro Forma Adjustments. This is one metric that can be used to determine Enercare's ability to service its ongoing debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Pro Forma Acquisition Adjusted EBITDA is reconciled with net earnings, an IFRS measure.

Pro Forma Distributable Cash and Pro Forma Distributable Cash per Share

Pro Forma Distributable Cash is a pro forma measure calculated from pro forma net earnings, plus non-cash items such as deferred income taxes, amortization, defined benefit plan expense, and non-recurring expenses related to the Acquisition and transition of OHCS, less contributions to defined benefit pension plan, deferred customer inducements plus the proceeds on disposal of rental equipment, less rental capital expenditures (excluding growth capital) and other non-recurring income. This measure further includes the cash impact of the SE Pro Forma Adjustments along with associated tax reductions. Pro Forma Distributable Cash is reconciled with net earnings and cash from operating activities, IFRS measures.

Pro Forma Distributable Cash per Share is a measure of the amount of the Pro Forma Distributable Cash calculated on a pro forma per Share basis (including the Offering and excluding the over-allotment option and Concurrent Private Placement).

Normalized Distributable Cash and Normalized Payout Ratio

Normalized Distributable Cash takes Distributable Cash and eliminates the effect of a tax deferral obtained in 2015 as a result of the acquisition of OHCS. Management has presented Normalized Distributable Cash to illustrate Enercare's recurring cash generated from the business available to service debt, financial capital expenditures and provide payment of dividends to shareholders. Normalized Distributable Cash is reconciled with net earnings and cash from operating activities, IFRS measures.

The Normalized Payout Ratio is the percentage of Normalized Distributable Cash to dividends declared to shareholders during a period and represents the ability of Enercare to pay dividends, finance capital expenditures and add to its cash reserves.

Normalized Pro Forma Distributable Cash, Normalized Pro Forma Payout Ratio and Normalized Pro Forma Distributable Cash per Share

Normalized Pro Forma Distributable Cash takes Pro Forma Distributable Cash and eliminates the effect of a $19,001 tax deferral obtained in 2015 as a result of the acquisition of OHCS. Management has presented Normalized Pro Forma Distributable Cash to illustrate Enercare's recurring cash generated from the business available to service debt, financial capital expenditures and provide payment of dividends to shareholders. Normalized Pro Forma Distributable Cash is reconciled with net earnings and cash from operating activities, IFRS measures.

Normalized Pro Forma Payout Ratio is the percentage of Normalized Pro Forma Distributable Cash to dividends declared to shareholders during a period (including the Offering and excluding the over-allotment option and Concurrent Private Placement). Management has presented Pro Forma Payout Ratio to illustrate Enercare's post SE Acquisition ability to service debt, finance capital expenditures, and provide for the payment of dividends to shareholders.

Normalized Pro Forma Distributable Cash per Share is a measure of the amount of the Normalized Pro Forma Distributable Cash calculated on a pro forma per Share basis (including the Offering and excluding the over-allotment option and Concurrent Private Placement).

For the purposes of the Non-IFRS measures relating to the Transaction, "SE Pro Forma Adjustments" mean further adjustments to the identified measure to eliminate items that (i) are adjusted pursuant to the Merger Agreement and therefore will not be incurred by Enercare, or (ii) will not be incurred by Enercare subsequent to the closing of the Transaction. SE Pro Forma Adjustments include adjustments on account of management fees paid by Service Experts to its parent company and standby and other fees paid to the lender in a Service Experts credit facility that will not be continued following the closing of the Transaction and, in the case of Pro Forma Adjusted EBITDA, stock appreciate rights granted to employees of Service Experts.

Measures Regarding Debt Covenants

As at December 31, 2015, Enercare was in compliance with all covenants under the 2012 Notes, 2013 Notes, New Revolver and New Term Loan. A summary of the financial covenants in respect of such debt, together with those of the New Debt Financing (see "*Liquidity and Capital Resources – Debt Financing*" in this MD&A).

New Revolver and New Term Loan

Under the New Revolver and New Term Loan agreements, Enercare Solutions is subject to three principal financial covenants as described in the section *"Risks Related to the Structure of Enercare"* in this MD&A. The covenants address interest and debt coverage. Enercare Solutions complied with these covenants on December 31, 2015. There was $50,000 drawn under the New Revolver at

December 31, 2015.

2012 Notes and 2013 Notes – Incurrence Test

The covenants under the 2012 Notes and 2013 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Management applies judgment in its assessment of Enercare's arrangements with customers when determining the classification of leases and the extent to which the risks and rewards incidental to ownership lie with the company or the customer. In addition to leases, other estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following items are of significance for the period.

Revenue Accruals

At December 31, 2015, the Home Services business recorded a revenue accrual of approximately $47,200 (2014 - $45,800) reflecting accrued service periods. Unbilled protection plans comprise approximately $28,700 (2014 - $27,800) of this balance which is predominantly made up of protection plans sold in franchisee service areas which are recognized as royalty revenue at inception but are invoiced over a period of 12-months. The remaining unbilled revenues reflect accrued service periods for rental water heaters and other products.

At December 31, 2015, the Sub-metering business recorded a revenue accrual of approximately $9,800 (2014 - $10,850), reflecting accrued service periods, increases in Billable units and pass through commodity charges.

Bad Debt Provisions

The Home Services business is exposed to credit risk in the normal course of business for customers who are billed directly by Enbridge within its service territory and secondarily when billed by Enercare or are billed by Enbridge outside of its service territory. For billing within the Enbridge service territory, Enercare was guaranteed payment by Enbridge for 99.49% in 2015 and 99.56% in 2014 of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued.

Management evaluates a number of factors and assumptions in the determination of the bad debt provisions, which was approximately $11,405 at December 31, 2015, compared to approximately $8,711 at the end of 2014. Changes in any of variables or assumptions may result in a materially different amount.

Leases

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

Impairment of Non-Financial Assets and Goodwill

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

Employee Benefit Plans

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

Recoverability of Deferred Tax Assets

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

Business Combination

With respect to the fair value of acquired assets and assumed liabilities and other adjustments related to the Acquisition, these consolidated financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations, under which, the total fair value of the consideration transferred has been assigned to the assets acquired and liabilities assumed based on their estimated fair values at the date of the respective acquisitions, with any excess purchase price allocated to goodwill.

With respect to the preliminary estimates related to the acquisition of Triacta, these consolidated financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations. Changes may be expected as additional information becomes available following the closing date of the acquisition of Triacta on July 15, 2015. Accordingly, the final fair value determinations may differ from those set forth in these consolidated financial statements and such differences may be material.

DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

Enercare's certifying officers have designed, and assessed the design of, a system of DC&P to provide reasonable assurance that (i) material information relating to Enercare, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by Enercare in its annual filings, interim filings and other reports filed or submitted by Enercare under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. As well, Enercare's certifying officers have designed, and assessed the design of, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Enercare has used the Internal Control – Integrated Framework (2013) from The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in order to assess the effectiveness of Enercare's internal control over financial reporting. There are no material weaknesses relating to the design of either DC&P or ICFR at December 31, 2015. There have been no changes to our ICFR during the quarter and year to date ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, Enercare's ICFR.

Enercare has limited the scope of its design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Triacta which was acquired on July 15, 2015.

Triacta's contribution to Enercare's consolidated financial statements for the year ended December 31, 2015 was approximately 0.4% of revenues and 0.03% of net earnings. In addition, Triacta's current assets and current liabilities were approximately 0.2% and 0.5% of the consolidated current assets and current liabilities, respectively, and its long term assets and long term liabilities were approximately 0.5% and 0.1% of consolidated long term assets and long term liabilities, respectively.

Enercare is currently in the process of documenting and evaluating the controls, policies and procedures in respect of Triacta. The financial statements include Triacta results as of July 15, 2015.

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

CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements of Enercare are prepared in accordance with IFRS as issued by IASB applicable to the preparation of the consolidated financial statements. Enercare has consistently applied the same accounting policies and methods of computation throughout all periods presented, as if these policies had always been in effect.

Adoption of New Accounting Standards

Enercare has adopted new or revised standards as required by IFRS, effective January 1, 2015.

IAS 19, "Employee Benefits" ("IAS 19"), was amended in November 2013. The amendments include changes to the accounting treatment of employee or third-party contributions to defined benefit plans under certain circumstances. This standard is required to be applied for accounting periods beginning on or after January 1, 2015. Enercare implemented the standard and has determined that it did not have an impact on the consolidated financial statements.

Accounting Standards Issued But Not Yet Applied

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

Revenue Recognition

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

Financial Instruments

The final version of IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Enercare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Financial Instruments Disclosures

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. Enercare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Presentation of Financial Statements

IAS 1, "Presentation of Financial Statements" ("IAS 1") was amended by the IASB to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment gives guidance that information within the consolidated statements of financial position and consolidated statements of income should not be aggregated or disaggregated in a manner that obscures useful information, and that disaggregation may be required in the consolidated statements of income in the form of additional subtotals as they are relevant to understanding the entity's financial position or performance. The amendments to IAS 1 are effective for periods beginning on or after January 1, 2016. Enercare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Leases

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. Enercare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

RISK FACTORS

The risks related to the business and structure of Enercare discussed in the AIF remain unchanged except for risks dealing with: (i) continued reliance on DE following the Acquisition, the TSA and replacement of shared information technology assets because, as discussed in the Recent Developments, Enercare successfully completed its information technology transition from DE and exited the TSA in December 2015; (ii) pension plan transfer because, as discussed in the Recent Developments, Enercare completed the transfer of pension assets and liabilities from DE in January 2016 and the notes to Enercare's financial statements as at and for the year ended December 31, 2015 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; and (iii) concentration of sub-metering meter suppliers because, as discussed in the Recent Development, Enercare acquired Triacta in July 2015, one of its principal meter suppliers. Below is a discussion of the risks related to the Transaction and the business of Service Experts.

Possible Failure to Complete the Transaction

Completion of the Transaction is subject to the satisfaction of certain closing conditions, including the obtaining of certain regulatory approvals. As such, there is no assurance that the Transaction will be completed or, if completed, will be on terms that are substantially the same as those described herein. If the conditions to the Transaction are not satisfied, Enercare will not benefit from the Transaction and will have incurred significant management time and expenses.

Risks Related to the Integration of Service Experts into Enercare's Business

In order to achieve the anticipated benefits of the Transaction, 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 Service Experts and related operations with those of Enercare. The integration of Service Experts 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 Transaction. The challenges involved in the integration may include, among other things: the necessity of coordinating both geographically disparate and geographically overlapping organizations; retaining key personnel during the period between execution of the Merger Agreement and the closing, including addressing the uncertainties of key employees regarding their future; integration of information technology systems and resources; integrating Service Experts into Enercare's accounting system and adjusting Enercare's internal control environment to cover Service Experts' operations; and performance shortfalls relative to expectations at one or both of the businesses as a result of the diversion of management's attention to the Transaction and integration.

Possible Failure to Realize Expected Returns on the Transaction

Business combinations such as the Transaction involve risks that could materially and adversely affect Enercare's business plan, including the failure of the Transaction to realize the results Enercare expects. There can be no assurance that management of Enercare will be able to fully realize some or all of the expected benefits of the Transaction, including, among other things, those described under "Recent Developments – 2015 and 2016 to Date – Enercare Solutions Signs Agreement to Acquire Service Experts". 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 Service Experts with Enercare's existing business following the closing of the Transaction. 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.

Foreign Exchange Risk

A significant majority of Service Experts' operations are conducted in United States dollars. Furthermore, Enercare is partially financing the Transaction through the Credit Facility and the proceeds thereof will be in United States dollars. As a result, fluctuations in the United States dollar against the Canadian dollar could have a material adverse effect on Enercare's business, financial condition, results of operations and cash flow, Share price and its ability to satisfy debt service obligations and to make dividend payments to holders of Shares as well as the returns it expects to realize from the Transaction.

Leverage Risk

Enercare's degree of leverage could have material adverse consequences for Enercare, including: limiting Enercare's ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; restricting Enercare's flexibility and discretion to operate its business; limiting Enercare's ability to declare dividends on its Shares; 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; exposing Enercare to increased interest expense on borrowings at variable rates (including the Credit Facility); limiting Enercare's ability to adjust to changing market conditions; placing Enercare at a competitive disadvantage compared to its competitors that have incurred less debt; making Enercare more vulnerable in a downturn in general economic conditions; and making Enercare unable to make capital expenditures that are important to its growth and strategies. As a result of the increased leverage arising as a result of the Transaction, there can be no assurance that any credit ratings assigned to Enercare, Enercare Solutions' outstanding senior unsecured debentures and/or Enercare Solutions will not be revised by either or both of DBRS and S&P and any revision will affect the interest payable under the Credit Facility. Even where such credit ratings are not revised, real or anticipated changes in credit ratings can affect the cost at which Enercare can access the capital markets.

Risks Related to Entering a New Market

A substantial majority of Service Experts operations are in the United States, a jurisdiction where Enercare currently has limited operations. Each of the risks applicable to Enercare's ability to successfully operate in Canada is also applicable to its ability to successfully operate the United States. In addition to these risks, Enercare may not possess the same level of familiarity with the dynamics and market conditions of the United States, or in local markets in the jurisdictions in which Service Experts operates, which could materially adversely affect its ability to expand into or operate in the United States or integrate Service Experts into Enercare's operations. The United States also presents a different regulatory environment, tax regime and degree of litigation risk when compared to Canada. Consequently, Enercare may be unable to achieve a desired return on its investments in the United States. If expansion into the United States by way of the Transaction is unsuccessful, it could materially adversely affect Enercare's business, financial condition, results of operations and cash flow, Share price and its ability to satisfy debt service obligations and to make dividend payments to holders of Shares.

Assumption of Service Experts' Liabilities

Under the terms of the Merger Agreement, Enercare will effectively assume all of Service Experts liabilities post-closing. Enercare may assume unknown liabilities that could be significant. There may be liabilities that Enercare failed to discover or was unable to quantify during its pre-Transaction due diligence and Enercare may not be indemnified for any of these liabilities under the Merger Agreement or the representations and warranties insurance policy obtained by Enercare. The subsequent discovery or quantification of material liabilities could have a material adverse effect on Enercare's business, financial condition or future prospects. The representations and warranties contained in the Merger Agreement, and related indemnification, may not apply or be sufficient so as to fully indemnify Enercare for such liabilities (see also "Indemnities in the Merger Agreement", below).

Risks Related to Service Experts' Business Model

Unlike Enercare, Service Experts' business model has significantly fewer recurring revenue sources as most of its product and service offerings are ad hoc in nature, rather than through long term contracts with customers. Although the diversity of Service Experts' customer base and broad geographic footprint mitigates much of the risk associated with non-recurring contracted revenue and Service Experts' has historically generated a significant amount of its revenues from repeat customers, there nevertheless remains the risk to Service Experts' business and financial performance if a significant number of Service Experts' customers elect to utilize the services of competitors to Service Experts. Some of those competitors may be better capitalized, have better call centre and distribution networks, offer higher service levels and/or offer similar products and services at a lower cost than Service Experts. Furthermore, Service Experts operates in more than 29 states in the United States and in three provinces in Canada which will increase Enercare's regulatory and other compliance costs.

Indemnities in the Merger Agreement

The representations and warranties provided by Service Experts pursuant to the Merger Agreement are customary for a transaction of this nature; however, the indemnities provided by the security holders of

Service Experts are generally limited to 0.75% of the consideration and are generally subject to a deductible equal to 0.75% of the purchase price. As a result, Enercare Solutions has obtained a US$30,000, 6-year buyer-side representations and warranties insurance policy (the "RWI Policy") from a third party insurer experienced in underwriting such policies, which insurance is subject to an initial deductible of 0.75% of the consideration. However, Enercare Solutions will not be entitled to claim under the RWI Policy for losses that are expressly excluded from the RWI Policy (such as known tax exposures, known environmental issues and known litigation) nor for losses suffered that relate to (i) any matter known to Enercare Solutions before signing the Merger Agreement and (ii) any matter in respect of which, according to the insurer, Enercare Solutions did not conduct a sufficient level of due diligence. Furthermore, there can be no assurance that the length and amount of the insurance under the RWI Policy will be sufficient to satisfy the losses Enercare Solutions may suffer as a result of breaches of the Merger Agreement for which it is entitled to be indemnified.

Dependence on key personnel

Enercare intends to retain key personnel of Service Experts following the completion of the Transaction to continue to manage and operate Service Experts. Enercare will compete with other potential employers for employees, and it may not be successful in keeping the services of the executives and other employees that may be needed to allow Enercare to realize the anticipated benefits of the Transaction. Enercare's failure to retain key personnel as part of the management team of Service Experts in the period following the Transaction could have a material adverse effect on Service Experts' business and, therefore, Enercare's results of operations.

Information Provided by Service Experts

All information relating to Service Experts contained in this MD&A has been provided to Enercare by Service Experts or derived from the historical financial statements of Service Experts. Although Enercare has conducted what it believes to be a prudent and thorough level of investigation in connection with Service Experts, an unavoidable level of risk remains regarding the accuracy and completeness of such information. While Enercare has no reason to believe that the information provided by Service Experts is misleading, untrue or incomplete in any material respect, Enercare has not verified the accuracy or completeness of such information. Furthermore, the financial information contained in this MD&A relating to Service Experts may not reflect what Service Experts' financial position, results of operations or cash flows would have been had Enercare owned Service Experts during the periods presented, or what Enercare's financial position, results of operations or cash flows will be in the future. Enercare has not made adjustments to such historical financial information to reflect changes that may occur in Service Experts' cost structure, financing and operations as a result of the Transaction.

Risks Related to Potential Asset Sales

Enercare may be required, whether as a result of anti-trust review or pre-existing obligations to its franchisees in a limited number of service areas in Ontario where there may be overlap between the service territory of a Service Experts' location with that of a franchisee, to divest of assets or facilities of Service Experts on or following the closing of the Transaction. Should any such disposition be required, there can be no assurance as to the price which Enercare would receive in any such disposition or the impact on Service Experts' financial position, results of operations or cash flows.

Other Risks

As Service Experts' business is substantially similar to Enercare's Home Services division, many of the risks applicable to Enercare as described in the AIF will be applicable to Service Experts' business. In particular, as is the case with Enercare's business, (i) as the vast majority of Service Experts' customers are consumers, Service Experts is subject to consumer protection laws and regulations in both Canada and the United States and no assurance can be given that Service Experts' will be able to comply with such laws and regulations, or any future laws, rules, regulations and policies, (ii) Service Experts relies on a limited number of suppliers for its HVAC equipment, relying, in particular, on Lennox International Inc. Should such supplier fail to deliver HVAC equipment in a timely manner, the result could be delays or disruptions in the supply and installation of HVAC equipment by Service Experts. In addition, manufacturer's defects or product recalls relating to a particular production model or type could affect a material portion of the HVAC equipment installed by Service Experts' resulting in customer complaints, and (iii) Service Experts' business exposes it to potential product liability and product defect risks that are inherent in the servicing and installation of HVAC equipment and, even where Service Experts is insured for such risks, no assurance can be given that such insurance is sufficient or that the terms of such insurance will provide adequate protection against potential liabilities.

OUTLOOK

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

OHCS Acquisition

The Acquisition has been transformative for Enercare. The Acquisition has allowed Enercare to have direct access to its customers, control over all aspects of its operations and larger financial scale. The reunification of the two businesses has been successful to-date.

At the time of the Acquisition, Enercare anticipated exceeding normalized Distributable Cash per Share accretion of over 25% in 2015. Enercare is pleased to announce that this accretion was 31%.

Growth Initiatives - Home Services

Enercare continues to experience improved results through improved rental customer retention and increased average monthly rental rates, largely as a result of our rental HVAC strategy. We continue to believe that the factors contributing to the decline in Attrition, including improved customer awareness, an enhanced customer experience, Bill 55 (effective April 1, 2015) and actions taken in respect of competitive activity, will create a favourable environment for further improvement in customer retention. We are very pleased that during both of the third and fourth quarters of 2015 rental unit growth surpassed Attrition, the first two consecutive quarters of net unit growth since 2006. The net unit growth achieved during these two consecutive quarters was the strongest organic growth for two consecutive quarters in the rental portfolio since 2005. In addition, net attrition for 2015, excluding acquisitions, was approximately 2,000 units, an improvement of 16,000 units compared to 2014. Our focus remains to grow our annuity contracts, including through new products and promotional offers.

In January 2016, Enercare increased its weighted average rental rate by 2.74%.

Growing the protection plan portfolio and related revenues is also a key priority. During 2015, Enercare made changes to protection plan offerings and related promotions. As a result, a number of protection plans were consolidated and pricing was adjusted. As HVAC unit additions in 2015 were more through rentals than sales, the opportunities for protection plan sales were fewer as rentals already include service. Protection plan attrition also increased, primarily as a result of an increase in HVAC rental additions from customers that previously had protection plans, a higher number of terminations as a result of customer moves and non-renewals of one year promotional offers in connection with 2014 HVAC sales. Many of the changes made improved the average monthly revenue per protection plan.

In December 2015, Enercare launched a pilot program for a new rental proposition for water softeners, which is complementary to its water heater rental product. Similar to water heaters, water softeners have a useful life of approximately 16 years and have the benefits of enhancing the useful life of water heaters in hard water areas. These products will be rolled out in phases within the operating territory during 2016.

In December 2015, Enercare introduced a pilot HVAC financing program, which will be rolled out in phases within the operating territory during 2016. Approximately 20% of HVAC transactions are financed and Enercare estimates that it will invest $10,000 to $20,000 over the next 12-months on this initiative.

Enercare has developed a mobile app, which is in beta testing, that offers users an easy to use real-time tracking tool to manage their homecare needs. Enercare believes that the mobile app will provide customers with added convenience and lead to an improved customer experience.

Growth Initiatives – Sub-metering

Sub-metering successfully achieved its goal of being cash flow positive by year end by increasing new contract sales and improving productivity and operational efficiencies. EBITDA for the Sub-metering business increased by $6,810, or 89%, to $14,495 in 2015.

The revenue assurance program has yielded improvements which have contributed more than $3,000 in incremental net revenue in 2015, exceeding the originally anticipated $2,000. Going forward, the program will protect the gains made to date and ensure that revenue leakage due to rate or consumption variances are minimized.

During the third quarter of 2015, Enercare acquired Triacta. Enercare intends to maximize the use of Triacta meters in new construction applications in 2016.

Corporate

Enercare estimates that it will recognize approximately $46,000 to $53,000 in current tax expense for the fiscal year ending December 31, 2016. This estimate excludes the impact of the Transaction and is based on taxable income comparable to current levels, shielded by restricted tax losses and a corporate tax rate of approximately 26.5%. Enercare's current tax expense for 2015 was $10,197, primarily as a result of a one year tax deferral available through a subsidiary of Enercare Solutions. Taxable income is principally impacted by changes in revenue, operating expenses, potential acquisitions or divestitures, appropriate tax planning and capital expenditures through the capital cost allowance deduction.

Enercare has set its annual general meeting of shareholders for April 28, 2016. Jim Pantelidis, Chair of the Board and management will provide an update to shareholders on Enercare's achievements in 2015 and strategy.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of Enercare dated March 27, 2015.
Acquisition	The acquisition of the OHCS business of DE by Enercare on October 20, 2014 through EHCS LP pursuant to the Asset Purchase Agreement.
Asset Purchase Agreement	The agreement dated July 24, 2014 between Enercare, EHCS LP and DE regarding the Acquisition.
Attrition	Termination of customer relationships, including buyouts, in the Rentals portfolio.
Bill 55	Stronger Protection for Ontario Consumers Act, 2013.
Billable	Enercare services that are deemed to be billing (see Non-IFRS Financial and Performance Measures – Measures of Financial Performance).
CBA	The collective bargaining agreement negotiated and ratified in 2012 and 2014 by DE with Unifor Local 975.
CNI	Cobourg Network Inc.
Competition Act	Competition Act (Canada).
Conversion	The conversion of the Fund and the Trust, income trusts, to Enercare and Enercare Solutions, respectively.
Convertible Debenture Indenture	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.
Convertible Debentures	6.25% convertible unsecured subordinated debentures of Enercare (formerly the Fund), which mature on June 30, 2017, in the original aggregate principal amount of $27,883. Each Debenture is convertible into Shares at the option of the holder at a conversion price of $6.48 (or 154.3210 Shares per $1,000 principal amount of Convertible Debentures).
Co-ownership Agreement	Co-ownership agreement dated December 17, 2002 between DE, Rentco, 4104285 Canada Limited and CIBC Mellon Trust Company as custodian, as assigned by Rentco to ESLP on December 17, 2002, as amended on February 6, 2003, January 1, 2005, December 29, 2006, February 8, 2007 and April 25, 2007, and assigned to EHCS LP as part of the Acquisition.
Credit Facility	The debt financing of Enercare Solutions in respect of the Transaction consisting of an unsecured 4-year variable rate term credit facility in an aggregate amount of US$200,000.
DBRS	DBRS Limited.
DC&P	Disclosure Controls and Procedures as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
DE	Direct Energy Marketing Limited.
ECI	Enercare Connections Inc. (formerly Stratacon, EECI and Triacta).
EECI	Enbridge Electric Connections Inc. (now ECI).
EHCS LP	Enercare Home and Commercial Services Limited Partnership, the limited partnership formed to own OHCS following the closing of the Acquisition, an indirect wholly-owned subsidiary of Enercare.
Enbridge	Enbridge Gas Distribution Inc.
Enercare	Enercare Inc., formerly the Fund.
Enercare Solutions	Enercare Solutions Inc., formerly the Trust.
ESLP	Enercare Solutions Limited Partnership (formerly the Waterheater Operating Limited Partnership).
ESN	Energy Services Niagara Inc.
Fund	The Consumers' Waterheater Income Fund, predecessor to Enercare prior to the conversion of the Fund from an income trust to corporate structure pursuant to a plan of arrangement on January 1, 2011.
HVAC	Heating, ventilation and air conditioning.
Home Services	Enercare business, which provides rental water heaters, furnaces, air conditioners and other HVAC products and, as of October 20, 2014, also provides protection plans, HVAC sales and related services.
IASB	The International Accounting Standards Board.
ICFR	Internal Control Over Financial Reporting as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
IFRS	International Financial Reporting Standards as adopted by the International Accounting Standards Board.
Incurrence Test	2009 Notes and 2012 Notes Incurrence EBITDA to Net Interest Expense.
LEAN	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 is reduced.
MD&A	Management's Discussion and Analysis.
New Debt Financing	The debt financing of Enercare Solutions in respect of the Acquisition consisting of an unsecured (i) 4-year variable rate, non-revolving term loan facility in the amount of $210,000 and (ii) 5-year variable rate, revolving credit facility in the maximum amount of $100,000.
New Revolver	The 5-year variable rate, revolving credit facility in the maximum amount of $100,000 issued under the New Debt Refinancing.
New Term Loan	The 4-year variable rate, non-revolving term loan facility in the amount of $210,000 issued under the New Debt Financing.
OBA	Open bill access agreement with Enbridge.
OCI	Other Comprehensive Income.
OHCS	The Ontario home and small commercial services business of DE acquired by Enercare on October 20, 2014 pursuant to the Asset Purchase Agreement.
Previous Revolver	$35,000 line of credit, with a maturity date of November 15, 2014, as amended and restated as of July 6, 2011, and further amended on November 15, 2012, February 26, 2013 and July 4, 2014 and replaced on October 20, 2014 with the New Revolver.
Previous Term Loan	$60,000 single draw, variable rate, interest only, open loan with a maturity date of January 28, 2016, which was repaid and terminated on October 20, 2014.
Protection Plan Attrition	Termination of customer relationships in the protection plan portfolio.
Rentals	Business that provides rental water heaters, furnaces, air conditioners and other HVAC products.

Rentco	4483588 Canada Inc. (formerly Direct Waterheater Rentals Inc.).
SE Subscription Receipts	$218,000 (net of underwriters' fees) of subscription receipts expected to be issued by Enercare on a bought deal basis in relation to the Transaction.
Senior Unsecured Indenture	The trust indenture dated as of January 29, 2010 between the Trust, as issuer, its subsidiaries, as guarantors, and Computershare Company of Canada, as indenture trustee, as supplemented by the second supplemental indenture dated as of January 29, 2010, the second supplemental indenture dated as of February 19, 2010, the third supplemental indenture dated as of December 1, 2010, the fourth supplemental indenture dated as of January 1, 2011, the fifth supplemental indenture dated as of September 30, 2012, the sixth supplemental indenture dated as of November 21, 2012 and the seventh supplemental indentured dated as of February 1, 2013, as the same may be amended, modified, supplemented, restated or replaced from time to time. The Trust was wound-up and dissolved in connection with the reorganization of the Fund`s income trust structure to a corporate structure and all of the covenants and obligations of the Trust with respect to the Senior Unsecured Indenture were assumed by Enercare Solutions.
Service Experts	SEHAC Holdings Corporation which operates under the Brand "Service Experts"
SG&A	Selling, general and administrative expenses.
S&P	Standard and Poor's Rating Services.
Shares	Common shares of Enercare.
Stratacon	Stratacon Inc. (now ECI).
Stratacon Debt	Secured debt assumed with the acquisition of Stratacon.
Subscription Receipts	$319,931 (net of underwriters' fees) of subscription receipts issued by Enercare on a bought deal basis in relation to the Acquisition.
Sub-metering	Business division (ECI) that provides sub-metering equipment and billing services to partially finance the Acquisition.
Transaction	The contemplated acquisition of Service Experts by Enercare through an indirect wholly-owned subsidiary of Enercare Solutions, pursuant the definitive merger agreement.
Transition Services Agreement	The agreement entered into on closing of the Acquisition in respect of the provision by DE of certain ongoing information technology transitional services and information technology decoupling services.
Triacta	Triacta Power Technologies Inc., now ECI pursuant to an amalgamation effective July 15, 2015.
Trust	The Consumers' Waterheater Operating Trust.
TSX	Toronto Stock Exchange.
Units	Trust Units of the Fund.
2009 Notes	Collectively, the 2009-1 Notes and 2009-2 Notes.
2009-1 Notes	$60,000 of 6.20% Series 2009-1 Senior Notes of Enercare Solutions, which matured and were repaid on April 30, 2012.
2009-2 Notes	$270,000 of 6.75% Series 2009-2 Senior Notes of Enercare Solutions, which were redeemed on March 6, 2013.
2010 Notes	$240,000 of 5.25% Series 2010-1 Senior Unsecured Notes of Enercare Solutions, which were redeemed on December 21, 2012.
2012 Notes	$250,000 of 4.30% Series 2012-1 Senior Unsecured Notes of Enercare Solutions, which mature on November 30, 2017.
2013 Notes	$225,000 of 4.60% Series 2013-1 Senior Unsecured Notes of Enercare Solutions, which mature on February 3, 2020.