



ANNUAL INFORMATION FORM

March 31, 2017

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EXPLANATORY NOTES

The information in this annual information form (the “AIF”) is given as of December 31, 2016, unless otherwise indicated. Dollar amounts are expressed in thousands of Canadian dollars, except “per Common Share” or “per Subscription Receipt” amounts, or unless specified otherwise or the context provides otherwise.

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

FORWARD-LOOKING STATEMENTS

This AIF contains certain forward-looking statements within the meaning of applicable Canadian securities laws (“forward-looking statements” or “forward-looking information”) that involve various risks and uncertainties and should be read in conjunction with Enercare’s 2016 audited consolidated financial statements.

Statements other than statements of historical fact contained in this AIF 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 its business operations, business strategy and financial condition. The words “anticipates”, “believes”, “budgets”, “could”, “estimates”, “expects”, “forecasts”, “goal”, “intends”, “may”, “might”, “outlook”, “plans”, “projects”, “schedule”, “should”, “strive”, “target”, “will”, “would” and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. 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. Many factors could cause actual results to differ materially from the results and developments discussed in the forward-looking information.

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 risk that the pilot of rental HVAC offerings in 4 states in the United States does not realize anticipated results as the rental model is a new concept in this industry in the United States; and
- the risks and uncertainties described under “Risk Factors” in this AIF.

Material factors or assumptions that were applied to drawing a conclusion or making an estimate set out in forward-looking statements include, but are not limited to:

- the view of management regarding current and anticipated market conditions;
- industry trends remaining unchanged;
- the financial and operating attributes of the Home Services, Service Experts and Sub-metering businesses (as defined below) as at the date hereof and the anticipated future performance of the Home Services, Service Experts and Sub-metering businesses;
- assumptions regarding the volume and mix of business activities remaining consistent with current trends;
- assumptions regarding the interest rates of Enercare's variable rate loans, foreign exchange rates and commodity prices; and
- the number of Common Shares outstanding remaining constant.

Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although forward-looking statements contained in this AIF 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. All forward-looking information in this AIF is made as of the date hereof. 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.

See "Risk Factors" in this AIF for a thorough discussion in respect of the material risks relating to the business and structure of Enercare.

ENERCARE INC.

General

Enercare is engaged in the Home Services, Service Experts and Sub-metering businesses. Through its Home Services, Service Experts 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.

As at December 31, 2016, Enercare had approximately 3,950 employees (including contract employees), comprised of 853 Home Services employees, 2,900 Service Experts employees, 134 Sub-metering employees and 63 corporate (head office) employees. Enercare also provides services to its customers through 7 independent licensed franchisees, which have approximately 550 employees in aggregate, and 105 third party contractors.

Enercare's operations and borrowings (other than the Convertible Debentures) are principally carried out by its subsidiaries.

The common shares (the "**Common Shares**") of Enercare are traded on the Toronto Stock Exchange ("**TSX**") under the symbol "ECI" and its Convertible Debentures are traded on the TSX under the symbol "ECI.DB". Enercare was added to the S&P/TSX Composite Index, S&P/TSX Composite Dividend Index and the S&P/TSX Composite High Dividend Index in December 2014. In September 2015, Enercare was added to the S&P/TSX Composite Low Volatility Index and in January 2016, Enercare was also added to the S&P/TSX Canadian Dividend Aristocrats Index.

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

Corporate History

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

Enercare was incorporated on September 27, 2010 pursuant to the provisions of the CBCA for the sole purpose of participating in the Conversion and did not carry on any active business prior to the Conversion. Enercare is governed by the CBCA pursuant to its articles of incorporation, as amended (the "**Articles**").

The Fund was an unincorporated open-ended investment trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated October 28, 2002, as amended and restated on December 4, 2002 and further amended on July 26, 2006 and April 26, 2007, amended and restated on May 1, 2008 and amended on December 1, 2010.

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

The Fund, through Enercare Solutions Limited Partnership ("**ESLP**"), purchased Direct Energy Marketing Limited's ("**DE**") rental portfolio of residential and commercial water heaters and HVAC Equipment and completed its initial public offering on December 17, 2002. Concurrent with the closing of the initial public offering, the Operating Trust raised \$500,000 of senior indebtedness through a private placement of a secured floating rate note pursuant to the Senior Indenture. As a result of a number of transaction steps completed in connection with the Fund's initial public offering, ESLP owned the Rental Portfolio (as it existed at that time) and the Enercare Co-ownership Interest and DE owned the DE Co-ownership Interest. The aggregate purchase price paid to DE in connection with that acquisition was approximately \$995,200, less

transaction costs, of which approximately 75% was paid in cash and approximately 25% was paid through the issuance of exchangeable partnership units in Holding LP.

On January 22, 2003, the Operating Trust completed its initial public offering of \$275,000 principal amount of Series A-1 secured notes and \$225,000 principal amount of Series A-2 secured notes. The gross proceeds of this initial public offering of secured notes were used by the Operating Trust to repay the \$500,000 secured floating rate note, which secured notes were repaid in accordance with their respective terms from the proceeds of subsequent financings.

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

On August 6, 2008, the Fund, through a subsidiary, entered the Sub-metering market by acquiring Stratacon Inc. (“**Stratacon**”), a leading Sub-metering company. On October 1, 2010, the Fund, through a subsidiary, acquired Enbridge Electric Connections Inc. (subsequently renamed Enercare Connections Inc. (“**EECI**”), also a Sub-metering company. In January 2012, certain of Enercare’s subsidiaries, including Stratacon and EECI, completed the Stratacon-EECI Amalgamation under the name Enercare Connections Inc. (“**Enercare Connections**”).

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

- each Unit was exchanged for one Common Share;
- Enercare assumed the Convertible Debentures, which became convertible into Common Shares on the same terms as their conversion into Units;
- the Fund was wound-up and dissolved and its assets and operations were assumed by Enercare;
- Holding LP was wound-up and dissolved and its assets assumed by the Operating Trust;
- the Common Shares and Convertible Debentures were listed on the TSX in substitution for the Units and the Fund’s convertible debentures, respectively; and
- the Operating Trust was wound-up and dissolved and Enercare Solutions assumed the senior indebtedness that was outstanding at that time.

Consequently, Enercare owns, directly and indirectly, subsidiaries which own and operate the businesses which were held and operated by the Fund and its subsidiaries prior to the completion of the Conversion. The Units of the Fund were traded on the TSX under the symbol “CWI.UN” prior to the Conversion and were exchanged for Common Shares on a one-for-one basis pursuant to the Conversion.

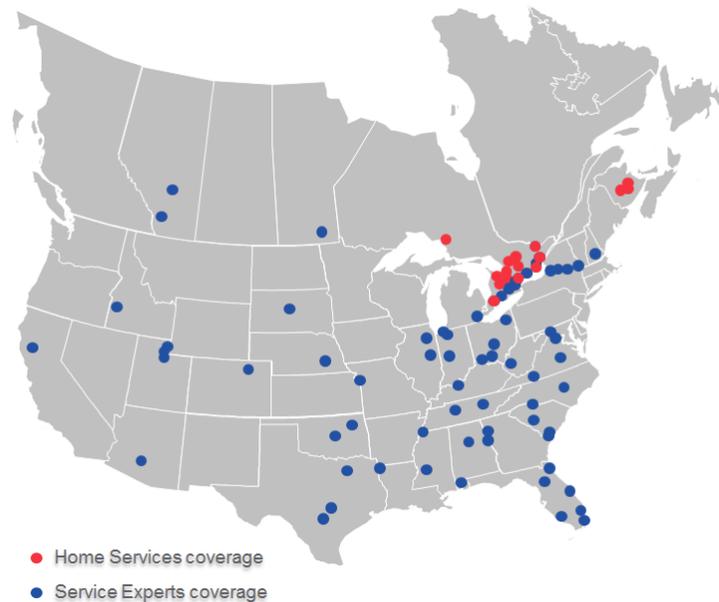
On October 20, 2014, Enercare, through a subsidiary, purchased the Ontario home and small commercial services (“**OHCS**”) business from DE (the “**DE Acquisition**”) and effectively

reunited the business separated in 2002 with the creation of the Operating Trust. Enercare, through its subsidiaries, operates the Home Services business, which is the provision of water heaters, Water Treatment Solutions, furnaces, air conditioners and other HVAC Equipment rental products, plumbing services, Protection Plans and related services to customers located principally in Ontario.

On July 15, 2015, Enercare Connections acquired and amalgamated with Triacta Power Technologies Inc. (“**Triacta**”), 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 in Canada and the United States.

On May 11, 2016, Enercare, through a subsidiary, acquired, through a merger, 100% of the outstanding shares of SEHAC Holdings Corporation, now SEHAC Holdings LLC (“**SEHAC**”) (the “**SE Transaction**”), which owned the Service Experts business. Enercare, through its subsidiaries, operates the Service Experts business, which is the provision of sales, installation, maintenance and repair of HVAC Equipment directly to residential and light commercial customers. There are 90 Service Experts locations in the United States and Canada.

The following map illustrates the respective locations where the Home Services and Service Experts businesses operate:



Home Services Business

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

Enercare rents residential and commercial water heaters, HVAC Equipment, Water Treatment Solutions and other related assets (the “**Rental Portfolio**”). Approximately 95% of the Rental Portfolio consists of residential water heaters. All of the Rental Portfolio assets are located in the Province of Ontario, except for approximately 1,094 units which are located in the Provinces of New Brunswick and Nova Scotia.

Enercare also owns a portfolio of approximately 542,000 residential and commercial protection plan contracts (the “**Protection Plan Portfolio**”). The Protection Plan Portfolio consists of full service protection plans and maintenance protection plans for such items as furnaces, air conditioners, electrical systems, plumbing and appliances.

Enercare also sells HVAC Equipment (the “**HVAC Sales**”). Customers are provided with the option of purchasing HVAC Equipment outright or through a financing option, which is currently offered by a third party financing provider and by Enercare itself, depending on the location of the HVAC Sale.

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

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

Service Experts Business

Enercare expanded into the U.S. marketplace through its acquisition of the Service Experts business in May 2016. The Service Experts business is primarily carried out by SEHAC and SE Canada Inc. (“**SE Canada**”), each an indirect subsidiary of Enercare. SEHAC, operating in 29 states in the United States, and SE Canada, operating in three provinces in Canada, provide HVAC Equipment, servicing and maintenance to residential and light commercial customers. The Service Experts business has an average local brand age of more than 50 years and conducts over 697,000 customer appointments per year.

Founded in 1996, the Service Experts business is a leading provider of HVAC Equipment service, maintenance and repairs and related services to residential and commercial customers. Headquartered in Dallas, Texas, Service Experts is one of North America’s largest heating and air conditioning companies, with 90 service centre locations, 41 of which are located in the top 100 U.S. metropolitan statistical areas, and approximately 2,800 employees serving approximately 2,500 homes and businesses, on average, each working day.

The markets served by the Service Experts business include:

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

- HVAC Equipment installation in commercial and residential new construction.

The Service Experts business focuses primarily on HVAC Equipment service and replacement (approximately 95% from May 11, 2016 to December 31, 2016), over new construction (approximately 5% from May 11, 2016 to December 31, 2016).

For more information on the Service Experts business of Enercare, see “Service Experts”.

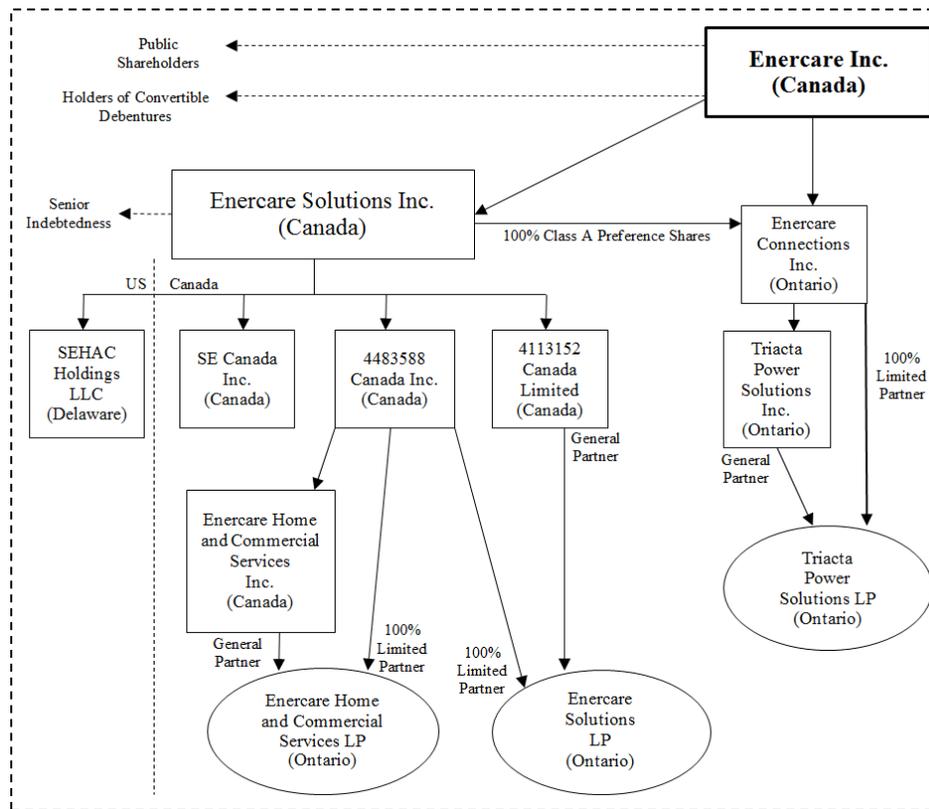
Sub-metering Business

The Sub-metering business is carried out by Enercare Connections, a subsidiary of Enercare, and consists of the sub-metering of electricity, water, thermal energy and gas. Enercare has been engaged in the business of supplying sub-meters and other related equipment and services to customers in Ontario, Alberta and elsewhere in Canada.

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

Structure of Enercare

The following chart sets out the simplified organizational structure of Enercare and its subsidiaries as at the date hereof:¹



Notes:

(1) All interests are 100% common shares unless otherwise noted.

Acquisitions and Business Expansion

Home Services

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

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

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

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

In 2012, Enercare acquired the rental portfolio comprised of water heaters and HVAC Equipment (the "**GreenSource Assets**") of GreenSource, a subsidiary of DE, which included approximately 3,421 assets, consisting primarily of gas-fired water heaters for cash consideration of approximately \$1,944.

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

In 2014, Enercare acquired the rental portfolio comprised of water heaters of Energy Services Niagara, which included approximately 2,468 assets, consisting primarily of electric and gas-fired water heaters for cash consideration of approximately \$3,035, plus inventory of \$38. In connection with the acquisition, Energy Services Niagara, Enercare and EGD entered into an assignment, assumption and consent agreement pursuant to which the amended and restated open bill access billing and collection services agreement dated as of January 6, 2014 between Energy Services Niagara and EGD (the "**Energy Services Niagara OBA**") and related agreements were assigned to Enercare. The Energy Services Niagara OBA is on substantially similar terms as the OBA and Enercare OBA.

Also in 2014, Enercare acquired the OHCS business of DE, which included the DE Co-ownership Interest. The acquisition also included OHCS' Protection Plans, HVAC Equipment sales, small commercial services and other services businesses. For more information on the DE Acquisition, see "**– Developments in 2014, 2015 and 2016 – DE Acquisition**".

In 2015, Enercare acquired the rental portfolio comprised of water heaters of Cobourg Network, comprised of approximately 1,380 electric water heaters, for cash consideration of approximately \$890, subject to post-closing adjustments. In connection with the acquisition, Cobourg Network

and Enercare also entered into a transitional agreement, pursuant to which Cobourg Network provided transitional support and billing and collection services on behalf of Enercare.

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

Service Experts

In 2016, Enercare acquired, through a merger, the Service Experts business. A subsidiary of Enercare purchased 100% of the outstanding shares of SEHAC for approximately US\$340,750, excluding transaction costs, subject to customary working capital and other adjustments (the “**Consideration**”). For more information on the SE Transaction, see “– Recent Developments”.

For more information on the Service Experts business of Enercare, see “Service Experts”.

Sub-metering

In 2008, the Fund entered the Sub-metering business by acquiring Stratacon, a leading sub-metering company, for \$21,755 (including acquisition costs), plus approximately \$7,200 of net secured debt. As part of the acquisition, additional amounts were payable as an earn-out in each year up to 2011; the total earn-out would have amounted to approximately 60% of the total purchase price if planned targets were met. Approximately \$3,437 was paid on account of the earnout for 2009, 2010 and 2011, representing approximately 9% of the maximum total purchase price. In September 2010, the Fund and the vendors under the Stratacon Purchase Agreement reached a settlement in respect of various claims for indemnification made by the Fund pursuant to the Stratacon Purchase Agreement. The settlement included the release of \$1,000 plus interest to the Fund from the escrow account established at the time of acquisition and a reduction of 15% to amounts to be paid to the vendors pursuant to the earn-out under the Stratacon Purchase Agreement.

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

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

In 2015, Enercare Connections purchased all of the issued and outstanding shares of Triacta, a company in the design and manufacturing of advanced, utility-grade energy management meters for multi-unit residential, commercial and institutional applications, for the purchase price of \$7,500, subject to certain adjustments including working capital.

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

Developments in 2014, 2015 and 2016

Acquisition of Water Heater Rental Business of Energy Services Niagara

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

Reconfirmation of the Shareholder Rights Plan

In April 2011, Enercare adopted a shareholder rights plan (the “Rights Plan”), which was approved by shareholders at the annual and special meeting held on April 29, 2011 and reconfirmed by shareholders at the annual and special meeting held on May 1, 2014. At the close of business on April 29, 2011, one right (a “Right”) was issued and attached to each Common Share outstanding, and will be issued and attached to each Common Share issued thereafter. The primary objectives of the Rights Plan are (i) to provide the Board of Directors of Enercare with additional time to explore and develop alternatives for maximizing shareholder value if an unsolicited take-over bid is made for the Common Shares, or any other shares in the capital of Enercare that carry a right generally to vote in the election of directors (collectively, “Voting Shares”), (ii) to provide every shareholder with an equal opportunity to participate in such a bid, and (iii) to ensure, to the extent possible, that all shareholders are treated fairly in connection with any take-over bid for Voting Shares. The Rights Plan must be reconfirmed by the shareholders every three years after the initial adoption.

The Rights Plan is similar to many other rights plans adopted by Canadian public issuers. The Rights are exercisable only after a person has acquired, commences or announces its intention to acquire 20% or more of the Voting Shares, other than pursuant to a permitted bid (as set out in the Rights Plan) or with the approval of the Directors (or in certain other circumstances described in the Rights Plan). Upon the acquisition by any person, or group of persons acting in concert (an “Acquiring Person”), of 20% or more of the Voting Shares, other than by way of a permitted bid, each Right (other than those held by the Acquiring Person or related party) will permit the holder of the Right to purchase Voting Shares at a substantial discount (50%) to the prevailing market price (as defined in the Rights Plan).

Enercare Responds to Shareholder Letter Issued by Augustus Advisors

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

DE Acquisition

On October 20, 2014, pursuant to an asset purchase agreement dated July 24, 2014 (the “**OHCS Asset Purchase Agreement**”) between Enercare, EHCS and DE, Enercare Solutions, through EHCS, acquired the assets of the OHCS from DE, which included the DE Co-ownership Interest, for a purchase price of approximately \$550,390, subject to working capital adjustments. The DE Acquisition also included OHCS’ Protection Plans, HVAC Equipment sales, small commercial services and other services businesses. The DE Acquisition and related transaction costs of approximately \$23,000 were financed through a combination of debt and equity, including approximately \$333,262 from Enercare’s offering of subscription receipts (the “**DE Subscription Receipts**”) (see “– Offering of DE Subscription Receipts”), \$150,000 from the 2014 Term Credit Facility (see “– 2014 Credit Facility”) and a private placement of 7,692,308 Common Shares to DE. The Common Shares issued to DE were issued at \$13.00, the same price as the DE Subscription Receipts, and were subject to a 12-month lock-up from the closing date of the DE Acquisition and thereafter, one-half of such Common Shares were subject to a further 6-month lock-up. In November 2015, Enercare purchased 3,846,154 Common Shares from DE for cancellation under the NCIB at a price of \$15.61 per Common Share for an aggregate price of approximately \$60,000. See “– Block Trade Purchase of Common Shares.” In May 2016, Enercare received notice from DE that it had sold the remainder of the Common Shares issued to DE pursuant to the DE Acquisition. As a result of the sale, the nomination agreement between Enercare and DE entered into in connection with the DE Acquisition terminated. The nomination agreement provided that as long as DE controlled not less than 3,846,154 Shares, DE was entitled to nominate one individual for consideration by Enercare’s governance committee and board. Scott Boose, who was nominated to the Enercare board by DE pursuant to the nomination agreement, resigned from the Board of Directors effective May 26, 2016.

Prior to the DE Acquisition, Enercare had expanded its Home Services business through a number of acquisitions and origination arrangements with various parties; however, approximately 90% of the Rental Portfolio revenue was subject to the Co-ownership Agreement. For the component of the Rental Portfolio under the Co-ownership Agreement, Enercare was entitled to 65% of the revenue and other payments and DE was entitled to 35% of the revenue. For DE’s portion of the revenue, it was responsible for servicing and maintaining the assets. Prior to the DE Acquisition, under the Co-ownership Agreement, among other things, DE, through OHCS, had the exclusive right to exploit the customer relationship and deal with customers and was also responsible, subject to certain limitations, for determining the rental rates to be charged in respect of the rental units comprising the Rental Portfolio that was subject to the Co-ownership Agreement. In addition to servicing the assets in the Rental Portfolio, DE, through OHCS, was also responsible, pursuant to the Co-ownership Agreement, Origination Agreement and other agreements with ESLP, for the removal, origination and installation of new and replacement water heaters, HVAC Equipment and other assets that were owned by Enercare and subsequently serviced by DE.

As part of the DE Acquisition, the Co-ownership Agreement, Origination Agreement and other servicing agreements between DE and ESLP were either assigned by DE to EHCS and amended to simplify their respective terms to reflect the inter-company nature of such agreements after the closing date of the DE Acquisition or terminated. As a result, Enercare assumed the obligations

of DE under those agreements to service the Rental Portfolio previously serviced by DE and became responsible for all of the servicing and maintenance costs associated therewith, and Enercare is entitled to receive 100% of the revenues from the Rental Portfolio. As a result of the DE Acquisition, the ownership of the Custodial Assets, which had been separated into the Enercare Co-ownership Interest and the DE Co-ownership Interest when the Fund completed its initial public offering in 2002, was reunited. All of the Custodial Assets are now owned by Enercare and Enercare has gained control from DE over key operational aspects of the Rental Portfolio that were previously serviced by DE, such as attrition, customer marketing campaigns and collective bargaining.

Concurrently with the closing of the DE Acquisition, Enercare and DE entered a transition services agreement (the “**Transition Services Agreement**”) pursuant to which DE provided certain transition services to Enercare relating to, among other things, the provision of ongoing information technology and other support services and information technology decoupling services. On December 20, 2015, Enercare and DE successfully completed the information technology transition and, as a result, the Transition Services Agreement was terminated.

Also in connection with the DE Acquisition, Enercare and DE entered into a trademark license agreement (the “**Trademark License Agreement**”), pursuant to which DE granted Enercare a non-exclusive, royalty-free license to use the “Direct Energy” and related trade names and trademarks for marketing purposes and for purposes of rebranding from DE’s names and marks. Enercare was entitled to use these trade names and trademarks for such purposes for 12 months following the closing date of the DE Acquisition and a further period of 24 months for transition purposes only. Enercare completed its rebranding initiatives in 2015 with the rebranding of customer invoices, sales literature, advertising and website by introducing a new brand platform, featuring a new logo and visual style for Enercare. See “– Rebranding Initiatives”.

As the DE Acquisition was a “significant acquisition” under applicable securities laws, a Business Acquisition Report dated December 22, 2014 was filed by Enercare, which is available on SEDAR at www.sedar.com. See “Material Contracts” for a summary description of certain material agreements entered into, directly or indirectly, by Enercare in connection with the DE Acquisition.

Offering of DE Subscription Receipts

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

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

2014 Credit Facility

In October 2014, Enercare Solutions entered into the 2014 Credit Facility. The 2014 Credit Facility comprises a 5-year \$100,000 revolving, non-amortizing variable rate credit facility with a maturity date of October 20, 2019 (the “**2014 Line of Credit**”) and a 4-year non-revolving, non-amortizing variable rate term credit facility in the amount of \$210,000 with a maturity date of October 20, 2018 (the “**2014 Term Credit Facility**”). The full amount of the 2014 Term Credit Facility was drawn for the purpose of financing the DE Acquisition and re-paying in full the 2013 Term Credit Facility. Of the available credit of \$100,000 under the 2014 Line of Credit, \$50,000 was drawn to partially fund the Common Shares that were purchased from DE by way of a block trade under the NCIB (see “– Normal Course Issuer Bid” and “– Block Trade Purchase of the Common Shares”).

In December 2016, Enercare Solutions amended the 2014 Line of Credit by increasing the maximum amount available under the 2014 Line of Credit from \$100,000 to \$200,000.

In February 2017, the 2014 Term Credit Facility was repaid. See “Recent Developments – Issuance of 2017 Notes”.

The 2014 Line of Credit ranks equally and ratably with the other outstanding Senior Indebtedness. At a “BBB” rating, the 2014 Line of Credit bears interest at a rate of BAs plus 125 basis points, and the standby fee for undrawn amounts is 25% of the applicable margin. See “Consolidated Capitalization of Enercare Solutions – Senior Indebtedness – 2014 Credit Facility”.

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

In December 2012, the Commissioner filed applications with the Competition Tribunal against both DE and Reliance Comfort Limited Partnership (“**Reliance**”) under the Competition Act alleging that they each hold dominant positions in the supply of certain types of water heaters in certain areas of Ontario and that they have each engaged in a practice of anti competitive acts through their respective water heater return policies and procedures. In November 2014, Reliance signed a consent agreement with the Competition Bureau, pursuant to which Reliance agreed to pay an administrative penalty and modify its residential rental agreement termination and water heater return policies in certain Ontario markets. Reliance was also required to take certain steps to provide further convenience for customers, should they choose to end their rental agreements and return their water heaters.

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

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

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

The changes have not had a significant impact on Enercare's operating costs or attrition in the Rental Portfolio.

Changes to the Consumer Protection Act, 2002

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

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

On April 1, 2015, the amendments to the *Consumer Protection Act, 2002* (Ontario) (the "**Consumer Protection Act**") pursuant to Bill 55 came into force.

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

- doubled 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, banned the delivery and installation of water heaters during the new 20-day cooling-off period; and
- provided 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**”) also came into effect. Among other things, the Regulations require the following in respect of direct agreements for the supply of water heaters:

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

Enercare believes that Bill 55 is a strong enhancement in consumer protection that provides the necessary protection for its customers and greatly assists with its continued efforts to combat attrition in its water heater business. See also “– Enercare Commends the Introduction of the *Putting Consumers First Act, 2016*”.

Acquisition of Water Heater Rental Business of Cobourg Network

In March 2015, Enercare acquired the rental portfolio of Cobourg Network. See “– Acquisitions and Business Expansion”.

Dividend Increase

In March 2015, Enercare announced an increase in its dividends by approximately 16% to \$0.07 per Common Share. This was Enercare’s fifth dividend increase since March 2012. For more information on Enercare’s dividend distributions, see “Dividend Level”.

Rebranding Initiatives

In June 2015, Enercare introduced a new brand platform, featuring a new logo and visual style. New Enercare branded workforce uniforms were deployed to over 700 front line employees and a fleet of over 650 vehicles were redesigned and rebranded. A redesigned Home Services business web site was launched featuring an enhanced visual style, simplified navigational structure, responsive design format and improved functionality.

In August 2015, Enercare announced its multi-year sponsorship with Exhibition Place in Toronto, which includes naming rights to the Enercare Centre (formerly the Direct Energy Centre).

In September 2015, Enercare completed its rebranding with the rebranding of customer invoices, sales literature and advertising. Enercare also launched its first fully integrated mass marketing campaign featuring TV, radio and digital media as well as media outreach programs.

Extended Protection Plan Program

On May 1, 2015, Enercare launched an extended protection plan program on heating and air conditioning sales (the “**Extended Protection Plan Program**”). Prior to May 1, 2015, these

types of plans were outsourced to a third party extended warranty provider. The new program allowed Enercare to retain the customer relationship, and also to provide comprehensive ongoing maintenance as opposed to the outsourced arrangement which covered only limited parts and labour. These plans augment the customer value proposition when a customer chooses to purchase rather than rent. From the launch of the Extended Protection Plan Program to December 31, 2016, approximately 80% of residential HVAC Equipment sales included an Extended Protection Plan.

Acquisition of Triacta Power Technologies Inc.

On July 15, 2015, Enercare, through Enercare Connections, acquired Triacta.

Enercare acquired all of the issued and outstanding shares of Triacta, through a plan of arrangement under the *Business Corporations Act* (Ontario). The purchase price for the acquisition was \$7,500, subject to certain working capital and other adjustments, and payment in full by Triacta of its existing indebtedness.

Triacta, headquartered outside Ottawa, Canada, is 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 the United States and Canada. With a large installed base of Triacta meters, Enercare has and will continue to use Triacta's products extensively.

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

Normal Course Issuer Bid

In July 2015, Enercare filed with the TSX a Notice of Intention to make a normal course issuer bid (the "NCIB") pursuant to which Enercare may purchase for cancellation up to 9,161,779 Common Shares, representing approximately 10% of its public float of issued and outstanding Common Shares as of July 3, 2015. In July 2016, Enercare renewed the NCIB, pursuant to which Enercare may purchase for cancellation up to 10,286,906 Common Shares, representing approximately 10% of its public float of issued and outstanding Common Shares as of July 4, 2016. All Common Share purchases under the NCIB will be cancelled. Enercare believes that, from time to time, the market price of the Common Shares does not fully reflect the value of its business and its future business prospects. As a result, the purchase of the Common 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 Common Shares.

Block Trade Purchase of Common Shares

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

Rental of Water Treatment Solutions

In December 2015, Enercare launched a pilot program for a new rental proposition for water softeners, reverse osmosis systems and water filters (the “**Water Treatment Solutions**”), 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 were rolled out in phases within the operating territory during 2016.

HVAC Financing Program

Following a pilot introduced in December 2015, Enercare launched the HVAC financing program to consumers in Ontario in October 2016.

Strongest Quarterly Organic Unit Growth since 2005

In October 2015, Enercare Solutions reported that quarterly rental unit growth surpassed attrition for the first time since the third quarter of 2007. Rental unit growth surpassed attrition during the third and fourth quarters of 2015 and each quarter of 2016 by approximately 11,000 units in total. Such periods represent the first six consecutive quarters of net unit growth in over a decade.

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

On September 18, 2015, Enercare was included in the S&P/TSX Composite Low Volatility Index. 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.

Exclusivity Arrangement with Quadlogic Meters Canada Inc. (“QMC”) for Supply of GWF Thermal Metering Technology in Ontario

In November 2015, Enercare Connections 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.

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.

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

On December 20, 2015, Enercare and DE successfully completed the information technology transition and, as a result, the related Transition Services Agreement which was entered into concurrently with the closing of the DE Acquisition, was terminated. See “– DE Acquisition”.

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

On January 29, 2016, Energcare was included in the S&P/TSX Canadian Dividend Aristocrats Index. The S&P/TSX Canadian Dividend Aristocrats Index is designed to measure the performance of companies included in the S&P Canada Broad Market Index 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.

Transfer of the Pension Assets and Liabilities from DE

On December 1, 2015, Energcare received regulatory approval for the settlement and transfer of pension assets and liabilities from DE in respect of OHCS to the DE-established mirror pension plan with respect to the transferred employees from the DE Acquisition. This transfer was completed on January 28, 2016. Also, on January 28, 2016, DE funded the shortfall of the estimated deficit amount to fund the new pension plan on a solvency basis which 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, Energcare assumed all responsibilities related to the sponsorship and administration of the new pension plan.

Energcare Solutions Acquires Service Experts Business

On March 7, 2016, Energcare Solutions entered into a definitive merger agreement pursuant to which an indirect wholly-owned subsidiary of Energcare Solutions acquired, through a merger, SEHAC for consideration of US\$340,750, excluding transaction costs, subject to customary working capital and other adjustments. The SE Transaction closed on May 11, 2016. See “Material Contracts” for a summary description of the SE Acquisition Agreement.

As the SE Transaction was a “significant acquisition” under applicable securities laws, a Business Acquisition Report dated May 13, 2016 was filed by Energcare, which is available on SEDAR at www.sedar.com.

In conjunction with the SE Transaction, Energcare 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 plus approximately \$21,800 of subscription receipts issuable pursuant to an over-allotment option granted to the underwriters (collectively, the “**SE Subscription Receipts**”) to finance a portion of the Consideration, with the remainder being financed with a committed term loan provided by Energcare Solutions’ existing lenders. See “– Energcare Completes \$239,800 Bought Deal Offering of SE Subscription Receipts”.

Energcare Completes \$239,800 Bought Deal Offering of SE Subscription Receipts

On March 30, 2016, Energcare announced that it had completed its previously announced offering of SE Subscription Receipts (the “**2016 Offering**”). The 2016 Offering, which raised gross proceeds of approximately \$239,800, was underwritten on a bought deal basis by a syndicate of underwriters co-led by National Bank Financial Inc. and TD Securities Inc. and included RBC Dominion Securities Inc., Scotia Capital Inc., Desjardins Securities Inc. and Goldman Sachs Canada Inc. A total of 15,725,600 SE Subscription Receipts (which included 1,429,600

SE Subscription Receipts sold as a result of the exercise in full of the over-allotment option by the underwriters) were sold at a price of \$15.25 per SE Subscription Receipt (the “**2016 Offering Price**”).

The majority of the net proceeds from the 2016 Offering were used by Enercare to finance (through Enercare Solutions), in part, the SE Transaction (see “– Enercare Solutions Acquires Service Experts Business”).

In addition to the SE Subscription Receipts issued pursuant to the 2016 Offering, the Chief Executive Officer and certain other officers of SEHAC subscribed for an aggregate of approximately \$1,600 of SE Subscription Receipts at the 2016 Offering Price on a private placement basis (the “**Concurrent Private Placement**”).

The SE Subscription Receipts were automatically converted into Common Shares on closing of the SE Transaction (see “– Equity Financing”).

Debt Financing

In order to finance a portion of the Consideration, Enercare Solutions entered into the 2016 Term Loan. The 2016 Term Loan comprises two 4-year non-revolving, non-amortizing variable rate term credit facilities in the aggregate amount of US\$200,000 with a maturity date of May 11, 2020. The full amount of the 2016 Term Loan was drawn for the purpose of financing the SE Transaction. The 2016 Term Loan contains representations, warranties, covenants and events of default that are customary for credit facilities of this kind and on substantially the same terms as the 2014 Term Loan (see “Consolidated Capitalization of Enercare Solutions”), as the 2014 Term Loan was modified in conjunction with the SE Transaction as described below. Enercare Solutions’ obligations under the 2016 Term Loan are guaranteed by all of Enercare Solutions’ direct and indirect subsidiaries, including SEHAC and SE Canada.

The 2016 Term Loan is payable interest only until maturity and is pre-payable in whole or in part at any time without penalty. The 2016 Term Loan bears interest at a rate of LIBOR plus 125 basis points or base rate plus 25 basis points at Enercare Solutions’ credit rating as of the date hereof.

In conjunction with the SE Transaction, Enercare Solutions entered into an amendment to the 2014 Credit Facility to give effect to the SE Transaction and 2016 Term Loan which included, among other things (i) modifying the definition of Adjusted EBITDA to exclude the SE Transaction and integration costs up to \$10,300 in the aggregate, (ii) adding SEHAC and its affiliates and subsidiaries, as well as SE Canada, as guarantors, (iii) increasing certain of the “basket” sizes permitted under certain covenants and events of default (to take into account the increase of assets under management due to the SE Transaction) and (iv) the enhancement of certain financial covenants as described below.

The amendment to the 2014 Credit Facility included enhancements to certain of the financial covenants described under “Consolidated Capitalization of Enercare – Senior Indebtedness” as follows: (i) the ratio of total debt (other than subordinated debt) to Adjusted EBITDA must now only be equal to or less than 4.75:1 and (ii) the ratio of Adjusted EBITDA to Cash Interest Expense must now only be equal to or greater than 3.00:1.

Concurrent with the closing of the SE Transaction, a portion of the net funds from the SE Subscription Receipts were loaned from Enercare to Enercare Solutions in the form of an interest bearing promissory note of \$187,504, so that an indirect wholly-owned subsidiary of Enercare Solutions could fund the SE Transaction.

Equity Financing

The majority of the net proceeds from the 2016 Offering were used by Enercare to finance the remaining portion of the Consideration. In accordance with the terms of the agreement pursuant to which the SE Subscription Receipts were issued, each outstanding SE Subscription Receipt was exchanged for one Common Share, resulting in the issuance of 15,834,600 Common Shares (including 109,000 Common Shares issued to certain U.S. persons, including the Chief Executive Officer and certain other officers of SEHAC in exchange for the SE Subscription Receipts issued to them in the Concurrent Private Placement) and a cash payment equal to \$0.14 per SE Subscription Receipt. The cash payment was equal to the aggregate amount of dividends per Common Share for which record dates occurred since the issuance of the SE Subscription Receipts, less any withholding taxes, if any, to the date of closing of the SE Transaction. The Common Shares issued in exchange for the SE Subscription Receipts issued in the Concurrent Private Placement were subject to a contractual hold period of six months from closing of the 2016 Offering.

Dividend Increase

In May 2016, Enercare announced an increase in its dividends by approximately 10% to \$0.077 per Common Share. This was Enercare's sixth dividend increase since March 2012. For more information on Enercare's dividend distributions, see "Dividend Level".

Enercare Connections Receives Accreditation by the BBB

On July 12, 2016, Enercare announced that Enercare Connections had been accredited by the Better Business Bureau (BBB) serving central Ontario with a rating of A+. Enercare Connections' rating remains an A+ as of the date hereof.

Enercare Launches New Community Program to Give Families in Need a Fresh Start

On September 13, 2016, Enercare announced the launch of the Enercare Fresh Start Program, a signature new corporate social responsibility program designed to help families transitioning between temporary shelters and a home of their own.

One of Enercare's key objectives with the Fresh Start Program is to give back to the communities where it operates by partnering with local organizations to help disadvantaged families living in a shelter due to unfortunate and unforeseen circumstances. The Enercare Fresh Start Program helps families get back on their feet by providing simple necessities, small luxuries and professional home tips essential to starting a new beginning in a new home.

Enercare Launches Industry First Mobile App for Customers

On September 27, 2016, Enercare announced that it had become the first Canadian home services company to launch a self-service mobile app, offering customers an easy-to-use, real-time tracking tool to manage their service appointments and enhance their overall experience with Enercare.

Enercare Honoured for HR Excellence with the Accompass Award for HR Team of the Year

On September 29, 2016, Enercare announced that it had been honoured by HRM Canada, a leading human resources publication, with the Accompass Award for HR Team of the Year. The prize, which is awarded annually to an organization with 500 or more employees in Canada, recognizes Enercare's high performance and focus on talent amid a period of exponential growth of its workforce.

Service Experts Business Introduces HVAC Equipment Rental

In October 2016, the Service Experts business introduced a rental program for HVAC Equipment and water heaters in several centers within Canada. In February 2017, the Canadian rollout was completed and a pilot program tailored to the United States was launched in two states. The U.S. pilot program is expected to be further extended into two additional states in the first half of 2017.

Enercare Commends the Introduction of the Putting Consumers First Act, 2016

On November 7, 2016, Enercare commended the Ontario Government for strengthening protections for Ontario consumers with its introduction of the Putting Consumers First Act (Consumer Protection Statute Law Amendment), 2016 ("**Bill 59**"). The government stated that Bill 59 is intended to protect consumers against "aggressive door-to-door sales marketers who use high-pressure tactics to sell certain products and services." Among other things, if passed as introduced and described, Bill 59 is expected to:

- ban unsolicited door-to-door sales of prescribed appliances such as water heaters, furnaces, air conditioners and water filters;
- void all contracts resulting from unsolicited door-to-door sales of the prescribed appliances;
- enable consumers to demand a refund from the supplier up to one year after the payment was made under the void contract; and
- provide consumers with a 10-day cooling off period to reconsider their decision in respect of consumer-initiated contracts related to prescribed appliances signed in their home.

As Bill 59 is a framework act, its substance will be contained in regulations passed under it. As a result, the details of the act, including the specific appliances to which Bill 59 will apply and any

exceptions to the ban on door-to-door sales will be found in regulations, which have yet to be published.

The new requirements for water heater door-to-door sales that came into effect on April 1, 2015, coupled with various Enercare initiatives to educate consumers and enhance its customer value proposition, have helped to significantly reduce attrition in its rental water heater business. If passed, Enercare believes that Bill 59 will positively impact its rental water heater, HVAC Equipment and Water Treatment Solutions business.

Enercare Announces Adoption of a Dividend Reinvestment Plan

On November 18, 2016, Enercare announced the adoption of a dividend reinvestment plan (the “**DRIP**”) available to Canadian resident shareholders. The DRIP allows participants to increase their investment in Enercare by electing to receive Common Shares issued from treasury at a 5% discount to the prevailing market price instead of cash dividends on some or all of their Common Shares. In connection with the administration of the DRIP, Enercare changed its policy of determining the record date for shareholders eligible to receive declared dividends such that the dividend record date would be on or about the 15th day of the month in which the associated dividend payment is made.

Recent Developments

Amendments to the Direct Selling Business Licensing Regulation under the Fair Trading Act, 2000

Effective January 1, 2017, the Alberta Government strengthened protections for Alberta consumers with its introduction of an amendment to the Direct Selling Business Licensing Regulation under the Fair Trading Act, 2000 (the “Amended DSBL Regulation”). The Amended DSBL Regulation is expected to address concerns related to questionable sales tactics used in the sale of rental water heater and HVAC equipment by prohibiting unsolicited door-to-door sales of, among other things, furnaces, air conditioners, water heaters and energy audits. Enercare believes that the Amended DSBL Regulation is a positive development for consumers and its business.

Filing of Enercare Solutions’ Short Form Base Shelf Prospectus

On January 30, 2017, Enercare Solutions filed its short form base shelf prospectus in each of the provinces and territories of Canada qualifying Enercare Solutions to offer up to an aggregate principal amount of \$1,000,000 of debt securities. The specific terms of each offering of debt securities offered under the short form base shelf prospectus are set forth in a prospectus supplement. One such prospectus supplement was filed in respect of the Series 2017 Notes. See “– Issuance of Series 2017 Notes”.

Issuance of Series 2017 Notes

On February 21, 2017, Enercare Solutions issued \$275,000 aggregate principal amount of 3.38% Series 2017-1 Senior Unsecured Notes due February 21, 2022 (the “**Series 2017-1 Notes**”) and \$225,000 aggregate principal amount of 3.99% Series 2017-2 Senior Unsecured Notes due

February 21, 2024 (the “**Series 2017-2 Notes**”, and together with the Series 2017-1 Notes, the “**Series 2017 Notes**”). The Series 2017-1 Notes were sold at a price of 99.982% of the principal amount, with an effective yield of 3.384% per annum if held to maturity. The Series 2017-2 Notes were sold at a price of 99.982% of the principal amount, with an effective yield of 3.993% per annum if held to maturity. The Series 2017 Notes received ratings of "BBB", with a "stable" trend from DBRS and "BBB", with a "stable" outlook from S&P.

The proceeds of the issuance of the Series 2017 Notes were used by Enercare Solutions (i) to repay the 2014 Term Credit Facility on February 23, 2017, (ii) to redeem all of its outstanding Series 2012-1 Notes (including accrued and unpaid interest and the applicable make-whole premium) on March 23, 2017, and (iii) to repay a portion of the 2014 Line of Credit. See “– Redemption of Series 2012-1 Notes”.

Redemption of Series 2012-1 Notes

On March 23, 2017, Enercare Solutions redeemed the Series 2012-1 Notes. The Series 2012-1 Notes were redeemed for an aggregate redemption price of approximately \$258,377, which included payment of interest and a make-whole premium, using proceeds from the issuance of the Series 2017 Notes. See “– Issuance of Series 2017 Notes”.

Dividend Increase

On March 7, 2017, Enercare announced an increase in its dividends by approximately 4% to \$0.08 per Common Share. For more information on Enercare’s dividend distributions, see “Dividend Level”.

Resignation of Scott Boxer and Appointment of Scott Boose as President and Chief Executive Officer, Service Experts

On March 20, 2017, Scott Boxer resigned as President and Chief Executive Officer, Service Experts and Scott Boose was appointed President and Chief Executive Officer, Service Experts. Mr. Boxer will assist with the transition until his retirement in May 2017.

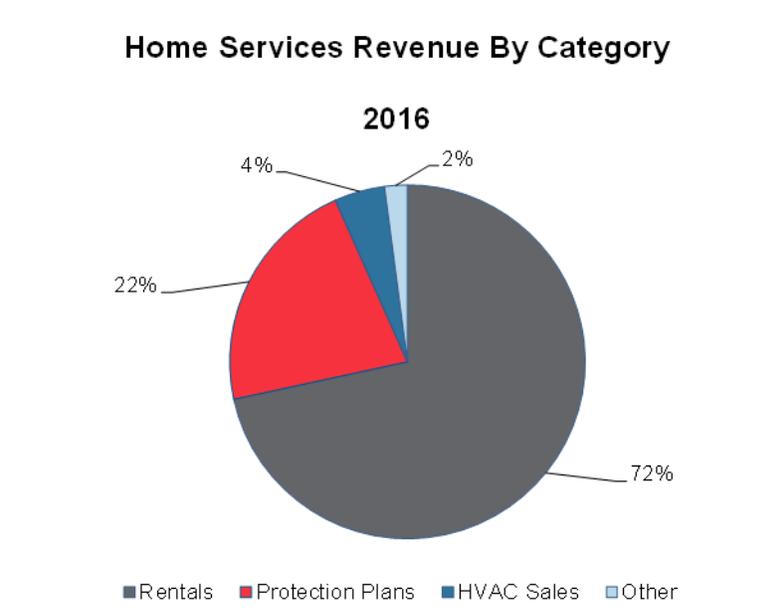
HOME SERVICES

General

The Home Services business consists of the following: the Rental Portfolio, the Protection Plan Portfolio, HVAC Sales, and Other Services. In 2014, 2015 and 2016, revenues (excluding investment income) from the Rental Portfolio, the Protection Plan Portfolio, HVAC Sales, and Other Services accounted for Enercare’s consolidated revenues as follows:

- Rental Portfolio – 2014: \$213,093 (59%); 2015: \$298,133 (53%); 2016: \$314,109 (32%)
- Protection Plan Portfolio – 2014: \$17,894 (5%); 2015: \$91,885 (16%); 2016: \$95,443 (10%)
- HVAC Sales – 2014: \$8,710 (2%); 2015: \$24,872 (4%); 2016: \$20,061 (2%)
- Other Services – 2014: \$2,637 (1%); 2015: \$11,581 (2%); 2016: \$9,005 (1%)

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



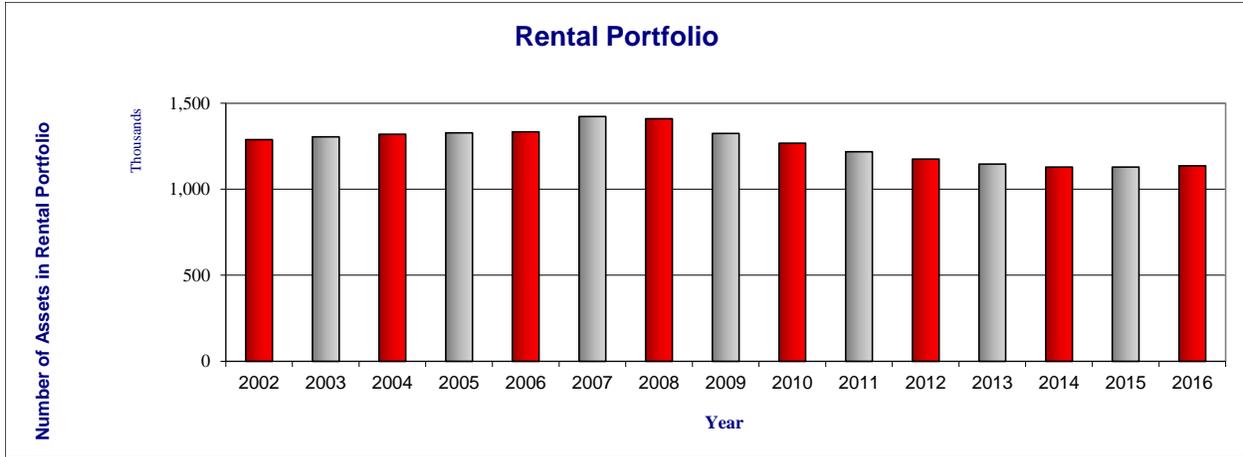
The Rental Portfolio

The following sections contain information concerning the Rental Portfolio.

History of the Rental Portfolio

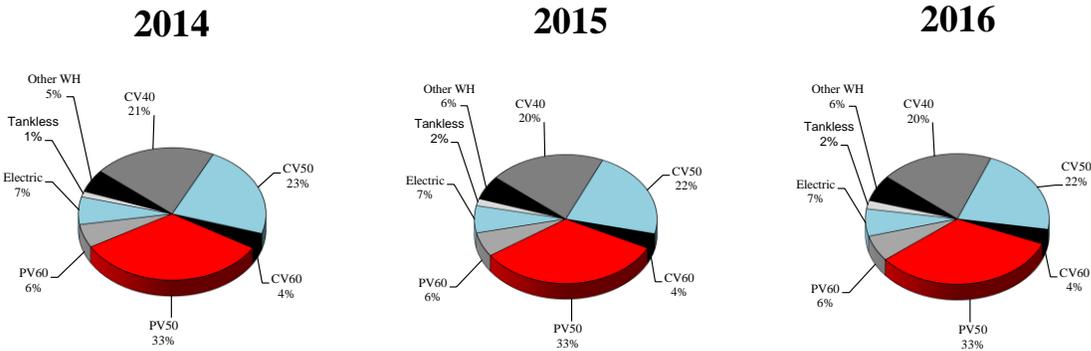
There are approximately 1.1 million customers for residential and commercial rental water heaters and HVAC Equipment in the Rental Portfolio, all of which are located in Ontario, other than approximately 1,094 units located in New Brunswick and Nova Scotia.

The chart below shows the net change in the Rental Portfolio since the inception of the Fund. In 2007, the growth in the installed base was due mainly to acquisitions, while in previous years, the net growth reflected the level of new home construction in Ontario and the expansion of the water heater rental program by DE. From 2011 to 2015, despite new construction and other new customer additions to the Rental Portfolio, the Rental Portfolio declined by 3.9%, 3.6%, 2.4%, 1.5% and 0.1% in each calendar year, due to customer terminations and buy-outs (see “ – Attrition”). However, largely as a result of customer education and the introduction of Bill 55 (see “Energicare Inc. – Developments in 2014, 2015 and 2016 – Changes to the Consumer Protection Act, 2002”), rental unit growth surpassed attrition during the third and fourth quarters of 2015 and each quarter of 2016 by approximately 11,000 units in total. Such periods have been the first six consecutive quarters of net unit growth in over a decade.



Different Types of Water Heaters

The charts below set out the different sizes and types of water heaters in the Rental Portfolio as at December 31, 2014, 2015 and 2016, respectively. The types of equipment indicate whether the water heaters are gas-fired water heaters (referred to as “CV40”, “CV50”, “CV60”, “PV50” or “PV60”), electric water heaters (referred to as “Electric”), tankless water heaters (referred to as “Tankless”) or other types of residential water heaters not otherwise included in the charts (referred to as “Other”). In the case of gas-fired water heaters, the volume of the tank is indicated in U.S. gallons. For example, power vented 50 (or “PV50”) is a power vented water heater with a 50 gallon tank and conventional 40 (or “CV40”) is a conventional vented water heater with a 40 gallon tank.



Other Rental Portfolio Assets

In addition to residential water heaters, the Rental Portfolio consists of other rental assets, including commercial water heaters, and residential and commercial furnaces, air conditioning units, boilers, conversion burners and Water Treatment Solutions. These other assets account for approximately 4.6% of the number of assets in the Rental Portfolio.

Typical Manufacturers' Warranty

Water heaters in the Rental Portfolio are, and have in the past been, typically purchased from manufacturers with express one-year parts and labour warranties and six-year tank failure warranties. In 2006, the tank failure warranties were extended to eight years. As at December 31, 2016, approximately 52% of the water heaters in the Rental Portfolio were covered under manufacturer's express warranties.

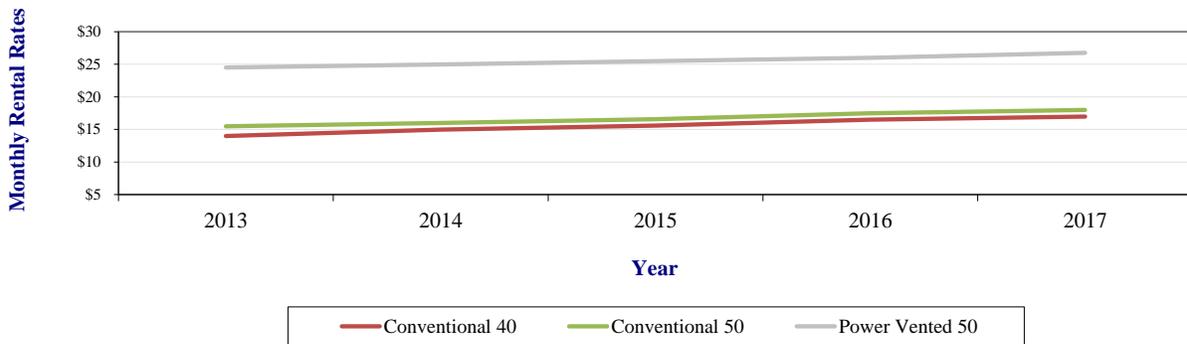
HVAC Equipment in the Rental Portfolio is, and has in the past been, typically purchased from manufacturers with express six-year parts warranties (five-year parts warranties prior to 2012). Upon online registration in accordance requirements of certain manufacturers, such parts warranties are increased to 10 years.

Rental Rates

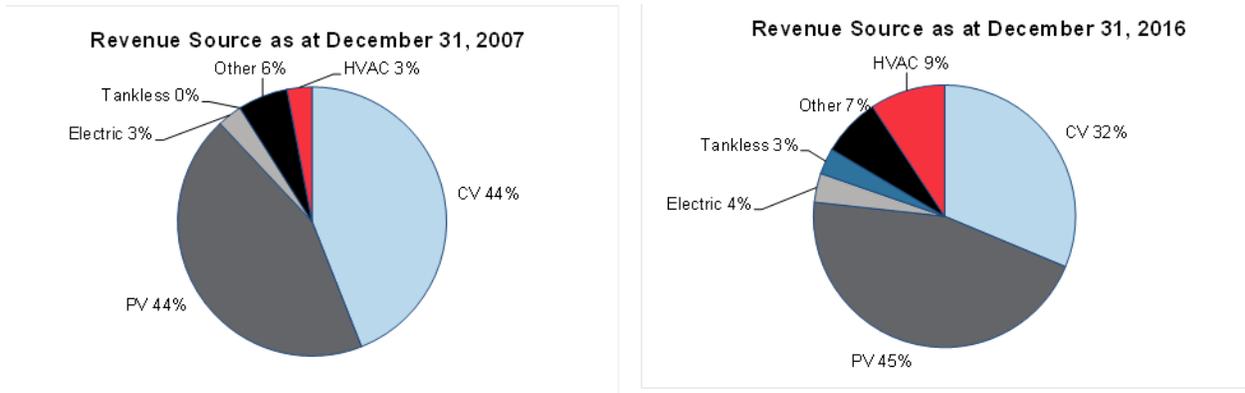
In January 2015, 2016 and 2017 Enercare increased its weighted average rental rate in the Rental Portfolio by 3.5%, 2.7% and 3.1% respectively.

The following chart shows historical rental rates per month for the specified types of natural gas water heaters for the six years to 2016. Effective January 2015, 2016 and 2017, the Home Services business implemented an average increase in rental rates of 4.0%, 2.9% and 3.3% respectively, for the specified types of natural gas water heaters below, which, as demonstrated above, represent the substantial majority of residential water heaters in the Rental Portfolio.

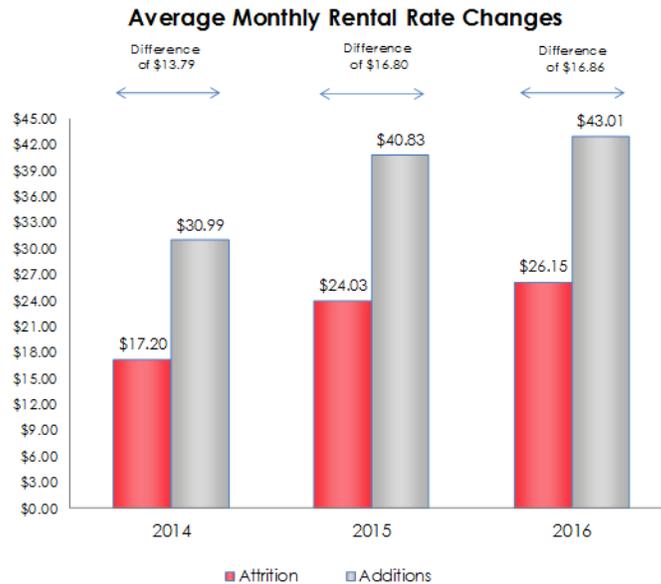
Growth in Monthly Rental Rates



In recent years, changes in water heater technology and consumer trends have led to an increase in the origination of higher value products. 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 nine years ago to that of today reveals that the portfolio contains a higher percentage of power vent ("PV"), HVAC and tankless rental 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 that the difference in rental rates applicable to new and lost customers has increased steadily over the past three years, with the revenue spread for 2016 widening to \$16.86. In 2016, new customers were worth approximately 1.6 times that of a lost customer.



Product Faults

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

- normal wear and tear – in these circumstances Enercare will be required to service at its own cost or, if required, remove the water heaters or HVAC Equipment, as applicable; and
- manufacturer defects – historically there have been instances where water heaters or HVAC Equipment, as applicable (or components) have been subject to recall or a retrofit program for defects inherent in the manufacture or design of the equipment. On these occasions, Enercare (or, previously, DE) has worked with the manufacturer to ensure that

the defects are remedied on a timely basis with minimum disruption to customers. Where the defect is discovered when a manufacturer's warranty is still in effect, Enercare has typically sought to enforce its rights under the terms of the warranty. Where the warranty has expired, Enercare has worked with the manufacturer to find a mutually acceptable resolution.

Summary of Rental Arrangements

All installed rental water heaters and HVAC Equipment are governed by a rental arrangement with the customer. Rental contracts are either reflected in an agreement with the customer or by the customer's course of conduct. Subject to any regulatory requirements (see "Risk Factors – Risks Related to the Home Services Business and Industry"), Enercare did not historically require builders to obtain rental contracts from customers.

Nearly all of the rental contracts provide that during the useful life of the water heater or HVAC Equipment, as applicable, Enercare will service the water heater or HVAC Equipment, as applicable, with no service charges or parts replacement charges except in limited circumstances, including damage caused by the customer and in respect of vent or pipe cleaning, repair or replacement. Enercare provides 24 hours per day, 7 days per week emergency phone support. All of the rental contracts can be transferred to subsequent homeowners upon the sale of the customer's home. Currently, most standard residential real estate purchase and sale agreements in use in Ontario expressly contemplate the possibility of rental water heaters.

In return for the above services provided by Enercare, the customer agrees to pay, usually on a monthly basis, rental charges set by Enercare from time to time, in certain instances subject to an annual increase limit.

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

There are currently essentially two forms of rental contracts. The first form of contract, referred to as the "non-buy out form of contract", only applies to water heaters and gives a customer the right to purchase his or her water heater at a pre-determined purchase price discounted based on the age of the water heater, determined with reference to the price of the water heater at the time of installation of the water heater, or to terminate his or her rental contract at any time and return the water heater to Enercare. Approximately 62% of rental water heater customers in the Rental Portfolio are under the non-buy out form of contract.

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

applicable. Approximately 38% of rental water heater customers in the Rental Portfolio are under the buy-out form of contract.

Water Heater Rental Market in Ontario

The water heater rental program now operated by Enercare as part of the Home Services business was started by EGD in the late 1950's in an effort to encourage Ontario customers to switch to natural gas and build year-round demand for gas supply. Customers were attracted to the program due to both the cost advantages of using gas to heat water and the convenience and efficiency of the energy source. In addition, the rental program offered the homeowner a convenient way of installing and maintaining an important piece of equipment in their house with no capital outlay.

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

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

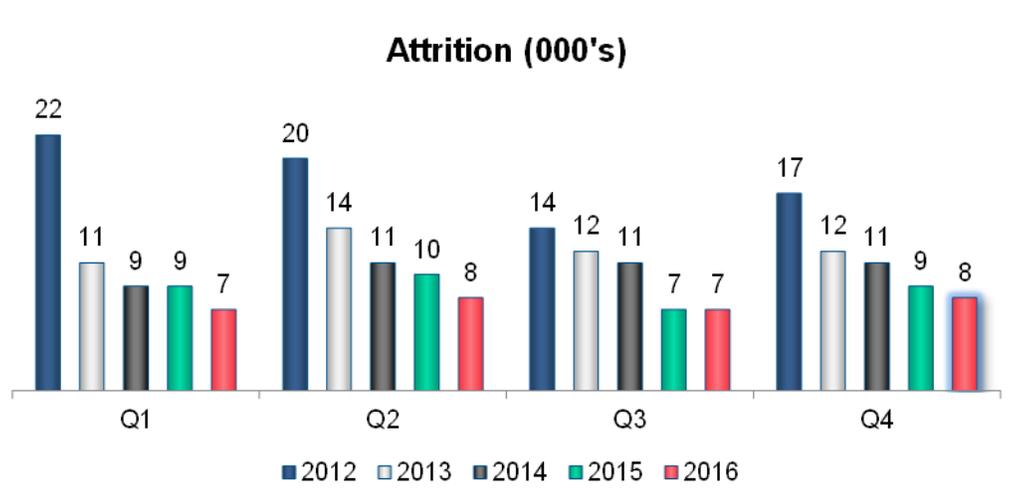
Although there continues to be some replacement of electric, oil and propane water heaters with gas appliances, the majority of growth in the water heater market is currently a result of new home construction. The Rental Portfolio's customer base is primarily in the detached, semi-detached and row house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

	2014	2015	2016
Detached, Semi-Detached and Row Housing Starts in Ontario.....	36,408	37,482	44,130

Source: Canadian Mortgage and Housing Corporation

Attrition

Enercare experienced decreased competitive pressure in 2016, resulting in an attrition rate of 2.6%, compared to 3.1% in 2015, 3.66% in 2014, 4.17% in 2013, 5.98% in 2012, 6.00% in 2011, 6.35% in 2010 and 8.02% in 2009. Higher attrition rates began in 2009 principally due to competitors engaging in aggressive door-to-door promotion. To aid in the reduction of attrition, Enercare has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with enhancements to its customer value proposition (for example, the same day service campaign) and the coming into force of Bill 55 on April 1, 2015, have significantly assisted in reducing attrition. Bill 55 is a direct response by the Ontario Government to aggressive and deceptive door-to-door water heater rental sales. For more information on Bill 55, see "Enercare Inc. – Developments in 2014, 2015 and 2016 – Changes to the Consumer Protection Act, 2002". The chart below illustrates attrition trends since 2012.



Rental unit growth surpassed attrition during the third and fourth quarters of 2015 and each quarter of 2016 by approximately 11,000 units in total, the first six consecutive quarters of net unit growth for Enercare in over a decade.

Removal of Water Heaters or HVAC Equipment

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

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

End of Useful Life

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

Customer Terminations and Buy-Outs

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

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

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

Buy-outs and customer terminations have decreased steadily since 2010 (see “ – Attrition”).

Protection Plan Portfolio

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

General

Enercare has approximately 542,000 residential and commercial protection plan customers in the Protection Plan Portfolio, all of which are located in Ontario. Enercare sells a variety of plans (each, a “**Protection Plan**”) covering such items as furnaces, air conditioning, electrical systems, 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 or annual payment options.

On May 1, 2015, the Home Services business launched an Extended Protection Plan Program for a term of three, seven or eleven years 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. The Extended Protection Plan Program not only allows Enercare to retain the customer relationship, but also provides for ongoing maintenance, whereas the outsourced arrangement covered only limited parts and labour. The Extended Protection Plan Program augments the customer value proposition when a customer chooses to purchase rather than rent. Since inception, approximately 80% of residential HVAC unit sales included a plan under the Extended Protection Plan Program (each, an “**Extended Protection Plan**”).

Summary of Terms and Conditions

The Protection Plans are governed by terms and conditions that set out, among other things, the parts and service coverage inclusions and exclusions of each Protection Plan. The Protection Plan terms and conditions generally provide service and/or maintenance in exchange for a fixed fee that is paid by lump sum or through monthly installments billed to the customer. Protection Plan contracts are generally entered into for an initial term of one year, subject to automatic annual renewal unless either the customer or Enercare provides advanced notice of non-renewal. If a customer cancels a Protection Plan or if Enercare cancels the Protection Plan due to non-payment, any remaining installments on the annual fees will immediately become due.

Enercare has the right to modify the terms and conditions, including pricing, by giving notice to the customer no less than 30 days, and no more than 90 days, prior to the anniversary date of each Protection Plan contract. The Protection Plan terms and conditions generally provide that Protection Plans can be transferred to a customer's new residence (provided the new residence is located within Enercare's service area) in the event the customer moves and notifies Enercare of the move in advance. Customers cannot assign the Protection Plan without Enercare's written consent.

The terms and conditions governing the Extended Protection Plan Program are substantially similar to those of the Protection Plans with certain exceptions, including the upfront payments, fixed terms and non-transferability of an Extended Protection Plan.

Attrition

Due to the annual nature of the contract, Protection Plans tend to have a higher churn rate. The following table illustrates the protection plan contract continuity for years ended December 31, 2016 and 2015.

Protection Plan Unit Continuity (000's)	2016	Year ended December 31,
		2015
Contracts - start of period	545	553
Portfolio additions	71	66
Protection plan attrition	(74)	(74)
Contracts - end of period	542	545
% change in units during the period	(0.6%)	(1.4%)

Other than non-renewals, other reasons for attrition include customers purchasing HVAC Equipment from Enercare or its competitors, customers moving out of the service area of the Home Services business or customers moving into homes with HVAC Equipment and/or appliances that are not eligible for coverage, and non-renewals of one year promotional offers.

During 2015 and 2016, Enercare made changes to the offerings and related promotions of the Protection Plan Portfolio. As a result, a number of Protection Plans were consolidated and pricing was adjusted. Many of the changes made improved the average monthly revenue per Protection Plan.

Overall Protection Plan attrition remained stable during 2016, despite the loss of approximately 9,300 Protection Plans in 2016, as a result of the subject equipment being replaced by rentals as part of the Home Services business growth strategy. In 2016, HVAC unit additions continued to be more through rentals than sales. Accordingly, the opportunities for Protection Plan sales were fewer as rentals already include a service component. The execution of the HVAC rental strategy is a key component of the long term growth of the Home Services business, as it continues to grow Enercare's recurring revenue base, including service offerings that allow it to provide a valuable experience for customers while positioning Enercare for future cross-selling opportunities.

HVAC Sales and HVAC Equipment Rentals

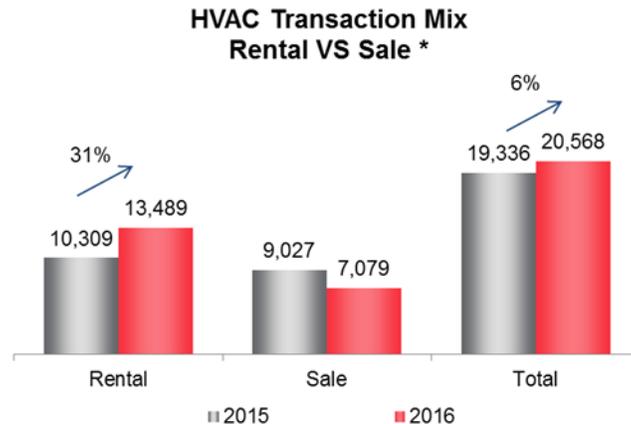
The following sections contain information concerning the HVAC Sales and HVAC Equipment rentals business, which was acquired by Enercare as part of the DE Acquisition.

General

A customer can acquire HVAC Equipment through a sale, comprised of an outright purchase, or financing through Enercare or 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, the Home Services business, in 2013, re-launched its HVAC Equipment 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, instead of a one-time in year gain on margin, the HVAC Equipment rental 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 2016, the Home Services business rented approximately 13,489 new units of HVAC Equipment, an increase of 31% over the prior year and sold approximately 7,079 units of HVAC Equipment for a total of 20,568 HVAC Equipment units, compared to 19,336 units in the prior year, an increase of 6%. A comparison between 2016 and 2015 is outlined in the chart below.



* 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.

HVAC Sales Payment Terms

Customers are provided the option of paying the purchase price for HVAC Equipment outright or financing all or a portion of the purchase price. Enercare currently offers financing for HVAC Equipment sales through a third party financing provider and by Enercare itself. For HVAC Equipment rental arrangements, see “- The Rental Portfolio”.

Other Services

General

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

Installation and Servicing

Service Territory and Delivery Models

The Home Services business operates principally in Barrie, Caledon, Durham, the Greater Toronto Area, Halton, Hamilton, Kitchener, London, Mississauga, the Niagara Region, Ottawa and the National Capital Region and Windsor. Although the Home Services business operates predominantly in EGD’s gas distribution territory (as it existed at the time of deregulation of the natural gas industry in Ontario), operations have been expanded outside of the traditional EGD gas distribution territory. The Home Services business uses two service delivery models depending on the geographic territory: corporate districts and licensed franchisee districts. As at December 31, 2016, approximately 40% of servicing and installation in respect of the Home Services business, as applicable, is carried out by Enercare’s independent licensed franchisees and their subcontractors, with the remaining 60% carried out by Enercare’s employees and subcontractors.

Corporate Districts

As at December 31, 2016, the Home Services business had 303 service and maintenance technicians, 103 installers and helpers, 134 clerical and sales staff, and 48 energy management consultants (salespersons) available to it. The service and maintenance technicians, installers and clerical staff providing residential services are covered by the collective agreement with the Communications, Energy and Paperworkers Union (now Unifor Local 975) that was negotiated and ratified in 2012 and 2014, and expired on March 31, 2017 (the “**CBA**”). As of the date hereof, the parties are participating in collective bargaining. Although Enercare has developed a contingency plan to minimize the impact of potential labour disputes to its customers, there can be no assurance that any potential labour dispute will not impact customer service levels. See “Risk Factors – Risks Related to the Home Services Business and Industry – Labour Relations”. The other such employees providing commercial services are covered by the collective agreement with the unionized Maintenance and Service Contract members of ORAC and Local 787 of the United Association of Journeymen and Apprentices of the Plumbing and Pipe

Fitting Industry of the United States and Canada that was entered into in May 2016 and expires in April 2019.

In addition to the corporate employees, the Home Services business uses approximately 105 independent contractors to install and service assets in the corporate districts, in accordance with the CBA.

Franchisees

The Home Services business has seven licensed franchisees each operating in exclusive districts. As at December 31, 2016, the licensed franchisees collectively employ approximately 199 service and maintenance technicians, 192 installers and assistant installers, 28 energy management consultants and 131 clerical/management employees. The licensed franchisees are independent owners/ operators who directly employ technicians and subcontractors. Enercare collects payments from customers, retains royalty fees as revenue from licensed franchisees and pays the licensed franchisee an agreed percentage of sales. Costs, however, are borne by the licensed franchisee. As a result, Enercare requires little to no capital in order to generate revenue from such licensed franchisees. Although each licensed franchisee has an exclusive district, Enercare reserves the right to re-assign work where the franchisee cannot meet service standards. The licensed franchisees and their subcontractors are, to management's knowledge, not unionized. However, one of the franchisees has completed a union certification process and may become subject to the terms of a collective agreement in the future. In 2012, DE renegotiated the franchisee agreements and, beginning in October 2012, royalty fees increased by approximately 1.69% across all districts. The new franchise agreements expire in 2034; however, up to two of the franchisees in any one year are entitled to terminate their franchise agreement on 12 months' notice. See "Risk Factors – Risks Related to the Service Experts Business – Risks Related to the Potential Asset Sales".

Servicing Capabilities

Enercare currently has approximately 502 service and maintenance technicians available to it, who are employed by Enercare, the licensed franchisees or their respective subcontractors, to deal with service calls on water heaters, HVAC Equipment and other equipment serviced by Enercare in the Home Services business. Technicians are available for service calls 365 days per year. These technicians are trained to deal with all potential servicing requirements of the water heater portfolio and are required to be certified under the TSSA's enabling statute.

The Home Services business also currently has approximately 295 installers and helpers available to it, who are employed by Enercare, the licensed franchisees or their respective subcontractors. The function of these installation crews is to remove, replace or install water heaters, HVAC Equipment and other equipment serviced by Enercare in the Home Services business. This service is also available 365 days per year. These installation crews do not install water heaters and HVAC Equipment in newly-constructed housing, as this is typically done by the home builder's HVAC contractor. Installation crews are also required to be certified under the TSSA's enabling statute. The certification is specific to the individual and therefore the technicians and installation crews are required to meet safety standards or risk losing their certification.

Suppliers

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

In respect of water heaters, the majority are supplied by A.O. Smith Enterprises Ltd. (GSW), Rheem Canada Ltd., Usines Giant Factories Inc. and Redmond-Williams Distributing Inc. Enercare is (and DE was) one of the largest purchasers of water heaters in Canada and, as such, Enercare and DE have been able to negotiate terms of trade with suppliers based on such volume and the depth and length of the relationships. These suppliers provide a range of water heaters, including various tank capacities and venting technologies. Over the past few years the popularity of tankless water heaters has grown, especially in the new housing market. Enercare acquires tankless water heaters from Rinnai Corporation through its Canadian distributors. Enhancements and refinements to water heater design are introduced from time to time to serve customer needs and preferences, improve performance and efficiency or meet regulatory requirements. Prior to the start of each calendar year, Enercare issues a request for quotation to the manufacturers, specifying the terms and conditions on which Enercare is seeking to purchase its inventory of water heaters for the following year.

Service Calls

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

Service and installation calls are initiated by the customer and, regardless of the district from which they originate, are answered by the Home Services business call center operated by various service providers. The customer management software system automatically allocates work to the appropriate technician who is dispatched according to proximity and availability. In most cases, the technician is able to repair a faulty water heater or HVAC Equipment on the first visit. As a result of their experience in servicing the Rental Portfolio, technicians carry an appropriate mix of replacement parts based on service records so as to reduce the number of required repeat visits and optimize customer service. In 2016, there were approximately 374,523 service calls and 572,829 maintenance calls made by Enercare, its franchisees and their respective subcontractors.

The key performance measures for servicing include:

- same-day service for all non-operational furnace, air conditioner or water heater calls received before 5:00 p.m.;
- maximum four-hour response time for leaking water heaters, or non-operational furnaces or air conditioners; and
- in respect of water heaters, installation of a replacement water heater on the same day if diagnosed before 4:00 p.m.

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

Installation – Replacements

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

Installation – New Additions

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

Customer Services; Billing

Billing under the OBAs

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

In 2006, EGD was ordered by the OEB to bring forward a comprehensive “Open Bill” solution that would enable other companies in addition to DE to access the EGD bill on an equivalent basis. In 2007, EGD presented its comprehensive Open Bill solution to the OEB which was accepted on an interim basis and resulted in DE and EGD entering into the Old OBA. In December 2009, EGD presented and the OEB accepted EGD’s permanent solution, which resulted in DE and EGD entering into the OBA. In September 2011, DE signed an extension agreement to extend the OBA until December 2012. The OBA was amended and restated effective December 21, 2012, and further amended and restated effective January 6, 2014 (see “– Open Bill Agreements”). In connection with the DE Acquisition, the OBA was assigned by DE to Enercare effective October 20, 2014.

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

In February 2014, in connection with its acquisition of the water heater rental business of Energy Services Niagara, the Energy Services Niagara OBA was assigned by Energy Services Niagara to Enercare (see “– Open Bill Agreements”).

Open Bill Agreements

Under the OBA, the Enercare OBA and the Energy Services Niagara OBA (collectively, the “OBAs”), EGD provides billing and collection services to Enercare in the EGD franchise area in Ontario for an initial term that ended in March 2015, after which each of the OBAs automatically renews for successive one-year terms unless otherwise terminated in accordance with such OBA; provided, however, that such OBA shall not be automatically renewed if, as applicable: (i) Enercare is not in good standing under the financial assurances, if any, to be provided by Enercare under the applicable OBA or the Amended Receivables Trust Agreement, (ii) Enercare is not in material compliance with all of its obligations or is in material breach of any of its representations or warranties set out in the applicable OBA or the related user manual established by EGD, or (iii) Enercare has not provided the annual forecast, where required to do so, in accordance with the applicable OBA. Effective January 6, 2014, suppliers were required to verify certain types of water heater contracts through a sales verification call before such contracts may be billed by EGD.

Under each of the OBAs, effective January 1, 2017, Enercare is entitled to receive from EGD, subject to certain exceptions, 99.51% (99.51% for 2016 and 99.49% for 2015) of all amounts (the “**EGD Payment**”) invoiced to customers on the EGD bill, subject to annual adjustment to reflect EGD’s actual bad debt experience.

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

Amended Receivables Trust Agreement

In connection with the OBA, EGD, DE, CIBC Mellon, as trustee, among others (including other billers), entered into an amended and restated proceeds transfer, servicing and trust agreement (the “**Amended Receivables Trust Agreement**”) effective February 4, 2010, which was assigned by DE to Enercare effective October 20, 2014, and applicable under the OBAs, under which Enercare, as well as the other billers, transferred their interest in proceeds received from their respective receivables billed on an EGD bill to CIBC Mellon, which proceeds are deposited by EGD on behalf of CIBC Mellon into a designated account held in trust by CIBC Mellon for the benefit of EGD, Enercare and the other billers. On each business day, proceeds on deposit in such account are allocated by EGD in accordance with an allocation formula set forth in the Amended Receivables Trust Agreement and are to be withdrawn and paid by CIBC Mellon to EGD on such day and to Enercare and the other billers on the 21st day after such day, net of amounts in respect of such proceeds paid to Enercare by EGD under the OBA. The allocation formula essentially provides that Enercare and the other billers will receive, out of the account, 99.51% (99.51% for 2016 and 99.49% for 2015) of the amount billed on an EGD bill with certain structural safeguards in relation to payments as between Enercare (and the other billers) and EGD. In exchange for and upon receipt of the EGD Payment, Enercare will transfer to EGD its entitlement to the distributions under the Amended Receivables Trust Agreement in respect of those receivables for which the EGD Payment has been made. To the extent Enercare does not receive an EGD Payment in respect of any of the receivables, it will, instead, receive the distribution entitlement in respect of such receivables pursuant to the above-described allocation formula under the Amended Receivables Trust Agreement.

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

Billing Outside of the OBAs

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

Competition

Rental Portfolio Competition

There are two principal alternatives to renting water heaters and/or HVAC Equipment from Enercare: owning (including purchasing HVAC Equipment from Enercare) and renting from a competitor. More specifically, the major sources of competition are set out below:

- A principal area where the Home Services business faces competition is in the new home construction market. Enercare’s main competitors in this area are Reliance, Cricket Home Services and Vista Credit.

- Reliance provides a rental program for Ontario residents, which operates substantially the same way as the Home Services business rental program. Although Reliance has historically operated outside of EGD's gas distribution territory, it has over recent years increased its level of activity in EGD's gas distribution territory, primarily in the new construction and multi-residential segments.
- Since 2008, a number of other competitors entered the rental water heater and/or HVAC Equipment business, namely National Energy Corporation, under the name National Home Services, Ontario Consumers Home Services, Eco Energy, Ontario Energy Group, Vista Credit, Simply Green, Summit Energy and other competitors who utilize the OBA billing arrangement. Reliance acquired National Home Services in November 2014.
- Customers may elect to purchase, principally from small HVAC contractors or larger retailers in the case of water heaters or also from Enercare in the case of HVAC Equipment, their own water heater and/or HVAC Equipment rather than rent. Larger retailers offering water heaters and HVAC Equipment for sale include Canadian Tire, Home Depot, Rona, Lowe's and Sears.
- In the case of water heaters, historically affiliates of municipal electricity utilities often operated electric water heater rental businesses. However, this area of competition is diminishing, as many of these utilities have sold their water heater portfolios and are no longer in the business of renting such units.

Protection Plan Portfolio Competition

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

- An increasing number of competitors offer protection plans similar to those of Enercare, including Reliance, Ontario Consumers Homes Services, Eco Energy, and Vista Credit.
- Other providers of protection plans covering HVAC Equipment and/or appliances include Comerco Services Inc. and TransGlobal Service, a part of The Brick Group.

HVAC Sales Competition

For customers, the alternatives to purchasing HVAC Equipment from Enercare are purchasing or renting their HVAC Equipment from a competitor or renting from Enercare. There are a number of local HVAC Equipment providers of varying sizes with which Enercare competes (see “–Rental Portfolio Competition”).

Other Services Competition

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

Marketing Activities

Marketing activities in relation to rental water heaters have historically been largely directed to the newly constructed housing market and customer retention. Supply of water heaters in newly constructed housing is a competitive marketplace with local contractors, builders, Reliance, Cricket Home Services and Vista Credit and Enercare, among others, competing to supply water heaters. In most instances, the decision as to which water heater supplier to use is made by the entity building the home. Builders who elect to have Enercare supply a rental water heater for newly constructed homes in their developments are paid a fee by Enercare for installation and administration costs.

Attrition Fighting Programs

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

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

In January 2013, Enercare re-introduced an in-person consumer education program that it had initiated in early 2012, targeting the Greater Toronto Area. This program ran throughout the first two quarters of 2013. As part of the program, educational flyers, outlining consumer rights with respect to door-to-door sales, were distributed. Such initiatives, coupled with enhancements to its customer value proposition, including the same day service campaign and the coming into force of Bill 55 on April 1, 2015, have helped to significantly reduce attrition. For more information on Bill 55, see “Enercare Inc. – Developments in 2014, 2015 and 2016 – Changes to the Consumer Protection Act, 2002”.

In June 2015, Enercare introduced a new brand platform, featuring a new logo and visual style. New Enercare branded workforce uniforms were deployed to over 700 front line employees and a fleet of over 650 vehicles were redesigned and rebranded. A redesigned Home Services web site was launched featuring an enhanced visual style, simplified navigational structure, responsive design format and improved functionality.

In August 2015, Enercare announced its multi-year sponsorship with Exhibition Place in Toronto, which includes naming rights to the Enercare Centre (formerly Direct Energy Centre).

In September 2015, Enercare completed its rebranding with the rebranding of customer invoices, sales literature and advertising. Enercare also announced the launch of its first fully integrated mass marketing campaign featuring TV, radio and digital media as well as media outreach programs.

SERVICE EXPERTS

General

The Service Experts business is one of the largest national operators of locally-branded, locally competing HVAC companies in the United States and competes primarily with regional and local competitors. The Services Experts business also has operations in Canada in the provinces of Ontario, Alberta and Manitoba.

Service Experts Business

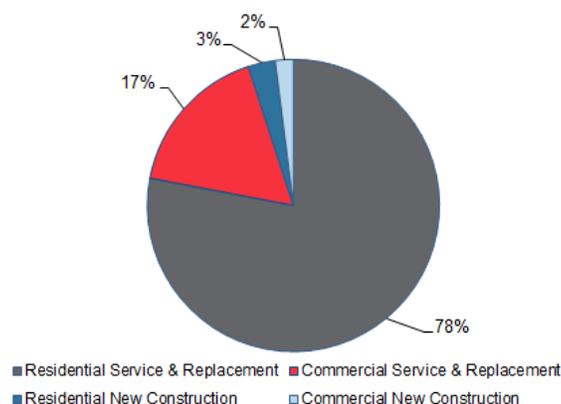
The Service Experts business consists of the following business lines: (i) residential HVAC Equipment service and replacement; (ii) commercial HVAC Equipment service and replacement; (iii) HVAC Equipment installation in residential new construction; and (iv) HVAC Equipment installation in commercial new construction.

The Service Experts business is primarily focused on service and replacement over new construction.

Residential service and replacement comprises the replacement, maintenance and servicing of HVAC Equipment and the sale of ancillary products to residential customers (excluding the new home market), including indoor air quality devices and related services. Commercial service and replacement is comprised of both services to commercial customers at various local centers as well as commercial services to national account customers that are managed through a national accounts group. The national accounts group services over 3,500 customer locations, including a large number of Home Depot, Rite Aid, Williams Sonoma, Bed, Bath & Beyond, Lowe's and Costco stores.

From May 11, 2016 to December 31, 2016, revenues (excluding investment income) for each Service Experts business line accounted for Enercare's consolidated revenues as follows: (i) residential HVAC Equipment service and replacement – \$320,151 (32%); (ii) commercial HVAC Equipment service and replacement – \$68,728 (7%); (iii) HVAC Equipment installation in residential new construction – \$11,794 (1%); and (iv) HVAC Equipment installation in commercial new construction – \$10,062 (1%). A breakdown of revenues of the Service Experts business by business line from May 11, 2016 to December 31, 2016 is set out in the chart below.

**Service Experts Revenue Mix*
2016**



*Service Experts' revenue mix during the period from the May 11, 2016 acquisition date to December 31, 2016.

The major business activities within both the residential and commercial businesses consist of HVAC Sales and Servicing and Maintenance Contracts. In October 2016, a rental program for HVAC Equipment and water heaters was introduced in several centers within Canada. In February 2017, the Canadian rollout was completed and a pilot program tailored to the United States was launched in two states. The U.S. pilot program is expected to be further extended into two additional states in the first half of 2017. The U.S. rental program is similar to Enercare's existing Canadian rental program, except that due to U.S. regulations, the rental contracts in the United States will be for a definitive term, which in the piloted states is 10 years.

HVAC Sales and Servicing

HVAC sales and servicing includes service and replacement, which consists of demand, tune-up and HVAC unit replacements and upgrades, commercial HVAC service and replacement, and HVAC installations in commercial and residential new construction.

HVAC Sales

A customer can acquire HVAC Equipment 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.

The Service Experts business has implemented a number of growth initiatives in recent years, including:

- Emphasizing sales of higher efficiency and higher value products;
- Acquiring HVAC Equipment and plumbing assets in targeted locations;
- Expanding the number of service centers that offer plumbing services; and

- Expanding the number of service centers that offer full home performance contracting, which focuses on measuring and improving the total efficiency of the home and home envelope.

From May 11, 2016 to December 31, 2016, approximately 43,546 HVAC units were installed, an increase of 8% compared to the 40,196 HVAC sales units during the same pre-acquisition period in 2015. Favourably warm weather conditions across the United States and Eastern Canada during the third quarter led to a significant increase in the demand for air conditioning sales and demand service for repairs, while unseasonably warm weather conditions during the first half of the fourth quarter resulted in lower heating demand (see “ – Seasonality”). A comparison between HVAC sales for the May 11 to December 31 period for 2016 and 2015 is outlined in the chart below.

HVAC Sales

May 11 to December 31,	2016	2015*
Installations.....	43,546	40,196
% change	8%	-%

* Historical HVAC sales information is provided as an illustration of the improvement in HVAC sales. Enercare was not party to the HVAC sales of the Service Experts business before the closing of the SE Transaction on May 11, 2016.

HVAC Equipment purchased from manufacturers typically includes standard five-year or ten-year parts warranties, which are assigned to customers. Customers of the Service Experts business can also purchase extended parts, labour and maintenance coverage through the Ultimate Protection Plan program, which is backed by a third party warranty administrator. This plan, when renewed annually, provides full parts and labour coverage with applicable maintenance for up to either 5 years or 10 years.

HVAC Servicing

HVAC repair and replacement activities comprise the majority of the Service Experts business and are considered essential services to both residential and commercial customers. This revenue stream has minimal exposure to new construction and in recent years has been positively affected by the housing stock growth and significant pent-up demand from residential recession-era replacement deferrals in the United States. Additionally, the Service Experts business has focused on various growth initiatives, including expanding outbound calling and online marketing to increase the number of customer contacts which convert to booked calls and ultimately result in a larger recurring customer base.

Maintenance Contracts

Maintenance contracts generally consist of annual or semi-annual maintenance contracts predominantly to a recurring customer base. These maintenance plans not only generate recurring revenue but also promote the development of customer loyalty and provide the opportunity for cross-marketing of other products and services to such customers.

The Service Experts business currently offers two types of maintenance contracts covering HVAC Equipment. The first is a maintenance only contract where semi-annual or annual maintenance visits are conducted to perform system cleaning, adjustments and diagnostics of HVAC Equipment, while the second is a full service plan that includes repair services along with certain parts and labour. Approximately 200,000 customers have ongoing maintenance contracts covering approximately 216,000 pieces of equipment. Although the total number of maintenance contracts can fluctuate from quarter to quarter as a result of the timing of contract renewals and the number of new HVAC unit installations initiated by customers with maintenance contracts, the Service Experts business has experienced a slight decline in maintenance contracts during the post-acquisition period from May 11, 2016. However, a longer-term growth trend is driven by a continued focus on contract renewals. The following table illustrates the maintenance contracts continuity for the period from May 11, 2016 to December 31, 2016.

Maintenance Contract Unit Continuity	May 11, 2016 to December 31, 2016
(000's)	
Contracts - start of period	218
Portfolio additions	68
Portfolio attrition	(70)
Contracts - end of period	216
% change in units during the period	(1%)

Operations

The Service Experts business operates under a de-centralized model, with regional responsibility allocated to vice presidents. Each vice president reports to the chief executive officer of the Service Experts business. The vice presidents delegate responsibility to regional directors who, in turn, delegate to general managers at each local service center who are responsible for (i) overseeing day-to-day field operations at their respective service centers, (ii) managing service center staff, and (iii) the financial performance of the service center. In essence, the business model is to provide each local service center with a fair degree of operational autonomy and profit and loss accountability. This business model is designed to drive performance and permit operational flexibility to address local market dynamics. For example, certain sales consultant incentive program awards, certain marketing initiatives and in-bound call handling are all conducted at the service center level with a view to tailoring each aspect to the local market.

The decentralized model used by the Service Experts business is a key component to the success of the business as it allows the regional directors and service center general managers to tailor their product and service offerings, employee incentives and other initiatives generally on a service center-by-service center basis. Corporate support, including purchasing, sourcing, finance, human resources and IT is centralized within a head office in Dallas, Texas and the focus on a national level is to create efficiencies in respect of sourcing, marketing and training, and optimizing the sharing and execution of best practices across the various regions and service centers.

In total, the Service Experts business employs approximately 2,871 individuals, including approximately 1,651 field technicians and over 443 salespeople and 742 office and field support professionals. Approximately 84% of Service Experts' employees are located at its 90 centers, including technicians, sales representatives, center and region management (including service center general managers), as well as local administrative personnel. The Service Experts business employs approximately 35 unionized workers in Canada.

Servicing, Maintenance and Installation

Servicing and Installation Guarantees

Customers receive a 12 month labour guarantee for issues regarding material and workmanship in respect of servicing and installation work performed.

Suppliers

Enercare purchases HVAC Equipment and other necessary parts and materials to support the Service Experts business from a number of suppliers on a "just-in-time" basis.

HVAC Equipment for the Service Experts business is sourced through both manufacturers, primarily, Lennox International Inc. and Rheem Canada Ltd. in 2016, and distributors. Approximately 90% of the HVAC Equipment and 65% of parts and materials are purchased through multi-year pricing agreements.

Competition

HVAC Sales Competition

The Service Experts business competes in a large, but fragmented, competitive landscape. In the United States, there are a few large national competitors (including American Residential Services, One Hour Heating & Air Conditioning and Aire Serv Heating & Air Conditioning), but the primary source of competition for the Service Experts business comes from strong regional and local contractors. In Canada, the Services Experts business also faces strong competition from large national companies, as well as smaller independent contractors.

For customers, the alternatives to purchasing HVAC Equipment from the Service Experts business are purchasing or renting their HVAC Equipment from a competitor. Currently, there is a very limited rental offering of HVAC Equipment from US competitors.

HVAC Servicing and Maintenance Competition

There are various competitors who provide services similar to the servicing and maintenance services provided by the Service Experts business, including small HVAC contractors.

Seasonality

The Service Experts business is subject to greater seasonality than the Home Services business as a result of fewer recurring revenue sources. Revenue and EBITDA tend to be seasonally highest

in the second quarter of the year, followed by the third quarter, and substantially less in the fourth and first quarters, due primarily to the geography where the Service Experts business operates and weather patterns. The heating season (roughly November through February) and cooling season (roughly May through August) are periods when consumers transition their buying patterns from one season to the next. In most of the states which the Service Experts business operates, cooling equipment as opposed to heating equipment represents a substantial portion of its annual HVAC Equipment sales and service revenue. Conversely, in the three Canadian provinces that the Service Experts business operates, heating equipment represents a large portion of its Canadian sales and service revenue. The sales are also impacted by seasonal weather patterns; in periods of extreme heat and cold, installation and demand service revenues tend to increase. This results in higher sales in the second and third quarters due to the higher volume in the cooling season relative to the heating season and the lowest revenue and substantially reduced EBITDA, relative to other quarters, in the first quarter.

As a result, the working capital needs are generally greater in the first quarter, followed by higher operating cash inflows in the second and third quarters.

SUB-METERING

Overview

Enercare entered the Sub-metering business in August 2008 with the acquisition of Stratacon (the business of which was predominantly in the retro-fit rental apartment sector), and substantially expanded its Sub-metering business in October 2010 with the acquisition of EECI (the business of which was predominantly in the new and retro-fit condominium sector). Stratacon and EECI were amalgamated effective January 1, 2012 under the name Enercare Connections Inc. In 2014, 2015 and 2016, revenues (excluding investment income) from the Sub-metering business accounted for \$119,613 (approximately 33%), \$137,150 (approximately 24%) and \$145,989 (approximately 15%), respectively, of Enercare's consolidated revenues.

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

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, apartment buildings and condominiums 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.

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

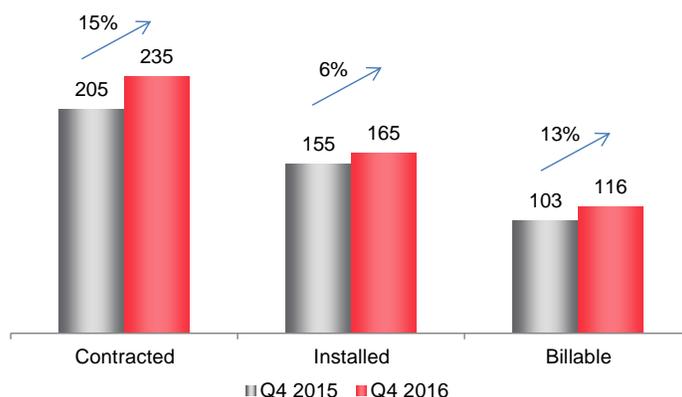
In May 2012, Enercare Connections deployed a new utility grade customer billing system which consolidated all sub-metering billing functions on to one platform. The billing functions were previously performed by two legacy systems inherited as part of the Stratacon and EEI acquisitions. Additionally,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

On July 15, 2015, Enercare Connections purchased and amalgamated with Triacta, a company 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. The acquisition of Triacta fortified Enercare Connection's metering technology supply base. For more information on the acquisition of Triacta, see "Enercare Inc. – Developments in 2014, 2015 and 2016 – Enercare Completes Acquisition of Triacta Power Technologies Inc."

Sub-metering installation services are provided by a number of locally-based, licensed third-party contractors under the direction of the employees of Enercare Connections. In addition to meters supplied by Triacta, Enercare purchases meters and other equipment to support the Sub-metering business from a number of third party entities, including Quadlogic Controls Corp. and Elster Metering. In November 2015, Enercare Connections signed an agreement with QMC for the exclusive supply of thermal meters from GWF in Ontario, other than to certain local Ontario utilities. 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.

The portfolio of sub-meters is measured at various stages of completion. As of December 31, 2016, the Sub-metering business had approximately 235,000 contracted units, 165,000 installed units and 116,000 billable units (205,000, 155,000 and 103,000, respectively, as of December 31, 2015).

Sub-metering Unit Continuity (000's)



The lag in the number of units billing as opposed to contracted and installed is due primarily to the time required to plan, equip, install and verify the sub-meters and also the time required to transition apartment rental agreements to accept the metering of individual suites, primarily in the Ontario residential tenancy market.

There are a number of competitors providing sub-metering services, including CARMA Industries Inc., Provident Energy Management, Priority Submetering Solutions Inc., Yardi Energy Solutions, Wyse Meter Solutions Inc. and certain local utility distribution companies. Numerous smaller entrants have obtained OEB sub-metering licenses in recent years and have, for the most part, remained focused on a small cluster of property owners.

In 2014, 2015 and 2016, Enercare Connections implemented a number of LEAN and continuous improvement initiatives improving work flow, efficiencies and expanding capacity within the Sub-metering business. “LEAN” is a set of tools and an operational discipline that assists in the identification and steady elimination of process waste. As waste is eliminated, quality improves while cycle time and cost are reduced.

Prior to Enercare’s acquisition of Stratacon, Stratacon financed the majority of its capital expenditures by securing its sub-metering services contracts with Maxium Financial Services Inc. (“Maxium”). In addition, Stratacon had operating lines of credit provided by Maxium. In connection with the acquisition, the operating lines were repaid and the secured debt was continued. No new secured debt has been undertaken since May 2008, and at December 31, 2016, the balance of the secured debt amounted to approximately \$822.

Regulatory Developments

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

In October 2010, the Government of Ontario published regulations (the “Sub-metering Regulations”) under the Sub-metering Act and the *Residential Tenancies Act, 2006* (the “RTA”)

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

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

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

DIVIDEND LEVEL

Dividends are intended to be paid monthly to shareholders of record on or around the 15th business day of each month with actual payments to be made to such shareholders on or about the last business day of such month. The dividend level is intended to allow for internally generated cash flow to support organic growth, maintain a strong balance sheet and provide sustainable monthly dividends to holders of Common Shares. However, the amount of dividends payable by Enercare will be at the discretion of the Board of Directors and will be evaluated periodically and may be revised depending on, among other factors, Enercare’s earnings, the financial requirements of Enercare’s operations, the satisfaction of solvency tests imposed by corporate law for the declaration and payment of dividends and other conditions that may exist from time to time (including contractual restrictions on dividends under agreements entered into with lenders to Enercare or its subsidiaries).

In May 2016, Enercare announced an increase in its monthly dividend by approximately 10% to \$0.077 per Common Share effective in respect of its dividend payable to shareholders as of the applicable record date in May 2016. This was Enercare’s sixth dividend increase since March 2012. There can be no guarantee that Enercare will maintain its current dividend level (see “Risk Factors – Risks Related to the Structure of Enercare – Uncertainty of Dividend Payments”).

In March 2017, Enercare announced an increase in its monthly dividend by 4% to \$0.08 per Common Share effective in respect of its dividend payable to shareholders as of the applicable record date in April 2017. There can be no guarantee that Enercare will maintain its current dividend level (see “Risk Factors – Risks Related to the Structure of Enercare – Uncertainty of Dividend Payments”).

Based on announced dividends to March 31, 2017, the dividend history of Enercare for 2014, 2015, 2016 and 2017 is as follows:

Month ⁽¹⁾	Per Common Share Cash Dividend			
	2014	2015	2016	2017
January	\$0.058	\$0.0604	\$0.07	\$0.077
February	\$0.058	\$0.0604	\$0.07	\$0.077
March	\$0.0604	\$0.07	\$0.07	\$0.077
April	\$0.0604	\$0.07	\$0.07	\$0.08
May	\$0.0604	\$0.07	\$0.07	
June	\$0.0604	\$0.07	\$0.077	
July	\$0.0604	\$0.07	\$0.077	
August	\$0.0604	\$0.07	\$0.077	
September	\$0.0604	\$0.07	\$0.077	
October	\$0.0604	\$0.07	\$0.077	
November	\$0.0604	\$0.07	\$0.077	
December	\$0.0604	\$0.07	\$0.077	

(1) Until November 2016, dividends were declared at least seven business days prior to the end of the month to persons who held Common Shares on the last business day of such month. After November 2016, dividends were declared at least seven business days prior to a date falling on or around the 15th day of a month to persons who held Common Shares on such date.

All of the foregoing dividends were paid in cash, except those paid on or after December 30, 2016 in respect of Common Shares held in Enercare’s DRIP, which was adopted on November 18, 2016. The DRIP is available to any Canadian resident registered or beneficial holders of Common Shares. In lieu of cash dividends, the DRIP allows participants to receive additional Common Shares, which are currently being issued at a 5% discount to prevailing market price. In connection with the administration of the DRIP, Enercare changed its policy of determining the record date for shareholders eligible to receive declared dividends such that the dividend record date is on or about the 15th day of the month in which the associated dividend payment is made (see “Enercare Inc. – Recent Developments – Enercare Announces Adoption of a Dividend Reinvestment Plan”).

RATINGS

As of the date hereof, Enercare Solutions has ratings on its Series 2013-1 Notes, Series 2017-1 Notes and Series 2017-2 Notes of “BBB” with a “stable” outlook from S&P and “BBB” from DBRS with a “stable” trend. S&P has also provided each of Enercare and Enercare Solutions with a long-term corporate credit rating of “BBB” with a “stable” outlook and DBRS has provided Enercare Solutions with an issuer rating of “BBB” with a “stable” trend.

Enercare Solutions and its Series 2013-1 Notes, and Enercare, previously had ratings of “A-” from S&P. In November 2013, S&P published its revised corporate ratings criteria and, as a

result of this criteria change, lowered the above ratings to “BBB+” with a stable outlook. In July 2014, S&P confirmed the above ratings of “BBB+”, but changed its outlook from “stable” to “negative”. The negative outlook was based on S&P’s view that the DE Acquisition would increase Enercare’s debt leverage modestly over the following year, while Enercare faces ongoing pressure for shareholder returns that could result in higher debt leverage. S&P also indicated that it believed the DE Acquisition has only a modestly favorable effect on Enercare’s competitive position that is offset by slightly higher earnings volatility. S&P expected that Enercare will realize modest competitive benefits from the DE Acquisition, allowing it to control the servicing of its water heater portfolio more readily with minimal disruption. Because Enercare previously outsourced most servicing of its water heaters to DE, S&P expected that integration would be straightforward with clear, achievable cost savings from reduced overhead. Notwithstanding similar margins, S&P expected that the volatility of Enercare’s profitability will increase with the DE Acquisition, as Enercare internalizes direct fixed costs for the maintenance of the Rental Portfolio, along with the earnings volatility from other businesses like the Protection Plan Portfolio and HVAC Sales. DBRS confirmed its ratings of “BBB (high)” (with a stable outlook) in connection with the DE Acquisition. On December 21, 2015, S&P affirmed its “BBB+” long-term corporate credit rating for Enercare and Enercare Solutions and revised its outlook on the companies from “negative” to “stable” as a result of the successful information technology transition and, as a result, the exit from the related Transition Services Agreement entered into concurrently with the closing of the DE Acquisition. S&P’s revision incorporated credit measures that have returned to levels before the DE Acquisition and S&P’s view that competitive pressure in the Home Services business is abating partly due to better customer awareness of aggressive tactics by competitors, which has also led to a noticeable improvement in attrition. On March 8, 2016, DBRS placed the ratings of Enercare Solutions and the Series 2013-1 Notes under review with negative implications. Further, on March 10, 2016, S&P changed its credit ratings assigned to Enercare, Enercare Solutions and the Series 2013-1 Notes to ‘BBB’ with a “stable” outlook from ‘BBB+’ with a “stable” outlook. Similarly, on June 13, 2016, DBRS changed its credit ratings assigned to Enercare Solutions from BBB (high) to BBB with a “stable” trend. Both S&P and DBRS based their lowered ratings on the view that Enercare’s transformation from a high-margin water heater rental provider to a diversified home services company (both geographically and by service offering) introduces greater earnings volatility. These ratings were confirmed in February 2017 in connection with the 2017 Offering and the issuance of the Series 2017 Notes.

A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner, with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally AAA) to very highly speculative (generally C). Each rating category of DBRS, other than AAA and D, is denoted by the subcategories “high” and “low” and each rating category of S&P from “AA” to “CCC” is denoted by the subcategories “plus (+)” and “minus (-)”, in each case, to show relative standing within the applicable rating category. Absence of either a “high” or “low” or “plus (+)” or “minus (-)” designation indicates the rating is in the “middle” of the category. According to the DBRS rating system, debt securities rated “BBB” are of adequate credit quality and the capacity for the payment of financial obligations is considered acceptable, but entities in this category may be vulnerable to future events. Rating trends provide guidance in respect of DBRS’s opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories – “Positive”, “Stable” or “Negative”. The rating trend indicates the direction in which

DBRS considers the rating may move if present circumstances continue, or in some cases, unless challenges are addressed. In general, DBRS's view is based primarily on an evaluation of the issuing entity or guarantor itself, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates.

According to the S&P rating system, a "BBB" rating indicates that the obligations exhibit adequate protection parameters; however, adverse economic conditions or changing circumstances are more likely to lead to weakened capacity of the obligor to meet its financial commitment on the obligations. A rating outlook, expressed as positive, stable, negative or developing assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). A "stable" outlook means that a rating is not likely to change. In determining a rating outlook, consideration is given by S&P to any changes in the economic and/or fundamental business conditions. According to S&P, an outlook is not necessarily a precursor of a rating change or future credit watch action.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. There can be no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely if in the Rating Agency's judgment circumstances so warrant. A revision or withdrawal of a rating may have an adverse effect on the market price of the Common Shares and Senior Notes.

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

DESCRIPTION OF CAPITAL STRUCTURE

Enercare's authorized share capital consists of an unlimited number of Common Shares and 10,000,000 preferred shares, issuable in series. As at March 29, 2017, there were 104,605,060 Common Shares issued and outstanding. No preferred shares have been issued by Enercare.

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

Common Shares

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

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

Preferred Shares

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

Convertible Debentures

As at March 29, 2017, there was \$1,867 aggregate principal amount of Convertible Debentures outstanding. The Convertible Debentures are convertible into Common Shares at the option of the holder at any time prior to 4:00 p.m. (Toronto time) on the earlier of June 30, 2017 and the business day immediately preceding the date fixed for redemption of the Convertible Debentures. See “Consolidated Capitalization of Enercare – Convertible Debentures.”

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

DIRECTORS AND OFFICERS

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

The names and municipalities of residence of the Directors and senior management of Enercare, their respective positions and offices held with Enercare and their principal occupation for the last five or more years are shown below. As at December 31, 2016, the Directors and senior management of Enercare as a group owned, directly or indirectly, 816,734 Common Shares (representing approximately 0.8% of the outstanding Common Shares).

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Date of Initial Appointment as Director/ Senior Management of Enercare</u>	<u>Independent</u>
Directors			
Jim Pantelidis ⁽⁵⁾ Toronto, Ontario	Chair of the Board, Enercare and Chairman of the Board of Directors, Parkland Fuel Corporation	December 4, 2002	Yes
Lisa de Wilde ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Toronto, Ontario	Chief Executive Officer, Ontario Educational Communications	July 26, 2006	Yes

Name and Municipality of Residence	Principal Occupation	Date of Initial Appointment as Director/ Senior Management of Enercare	Independent
	Authority (TVO)		
John A. Macdonald ⁽⁵⁾ Aurora, Ontario	President and Chief Executive Officer, Enercare	April 26, 2007	No
Grace M. Palombo ⁽³⁾⁽⁴⁾ Aurora, Ontario	Executive Vice-President, Chief Human Resources Officer, Great-West Lifeco Inc.	March 16, 2012	Yes
Jerry Patava ⁽¹⁾⁽³⁾⁽⁵⁾ Toronto, Ontario	Chief Executive Officer, Great Gulf Group of Companies	December 4, 2002	Yes
Roy J. Pearce ⁽²⁾⁽³⁾⁽⁵⁾ Stouffville, Ontario	Director, Enercare	June 4, 2004	Yes
Michael Rousseau ⁽¹⁾⁽²⁾⁽⁵⁾ St-Lambert, Quebec	Executive Vice President and Chief Financial Officer, Air Canada	December 4, 2002	Yes
William M. Wells ⁽¹⁾⁽²⁾⁽⁴⁾ St. James, Barbados	Executive Chairman, HLS Therapeutics Inc. and Chairman, Evizone Limited	March 20, 2012	Yes
Senior Management			
John A. Macdonald ⁽⁵⁾ Aurora, Ontario	President and Chief Executive Officer, Enercare	November 27, 2006	–
Evelyn Sutherland Toronto, Ontario	Chief Financial Officer, Enercare	August 15, 2011	–
Scott J. Boxer Frisco, Texas	President and Chief Executive Officer, Service Experts	May 11, 2016	–
John Toffoletto ⁽⁵⁾ Toronto, Ontario	Senior Vice President, Chief Legal Officer and Corporate Secretary, Enercare	January 5, 2009	–
Lorne Solway Vaughan, Ontario	Chief Marketing Officer, Enercare	March 23, 2015	–
Irene Zaguskin Thornhill, Ontario	Chief Information Officer, Enercare	January 18, 2016	–
Jenine Krause Toronto, Ontario	Chief Operating Officer, Home Services, Enercare	February 1, 2016	–
John Piercy Mississauga, Ontario	Senior Vice President and General Manager, Sub-Metering	June 1, 2016	–
Colleen Bailey Moffitt Toronto, Ontario	Chief Human Resources Officer, Enercare	April 27, 2015	–

(1) Member of the Audit Committee.

(2) Member of the Investment Committee.

(3) Member of the Governance and Compensation Committee.

(4) Member of the Corporate Responsibility and Risk Management Committee.

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

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

Jim Pantelidis, 71, Director and Chair of the Board. Mr. Pantelidis is Chair of the board of directors of Parkland Fuel Corporation, and a member of the board of directors of Intertape Polymer Group Inc. Mr. Pantelidis was formerly on the board of directors of Industrial Alliance Insurance Financial Services Inc. and RONA inc. From 2008 to 2011, Mr. Pantelidis was a non-executive director, Chair of the Compensation and Human Resources Committee and member of the Audit Committee of Equinox Minerals Limited, a mining company. Mr. Pantelidis has previously served as the Chairman and Chief Executive Officer of FisherCast Global Corporation, a manufacturer of molten metal injection technologies and Bata Limited, a leading, privately held, global footwear retailer and manufacturer. He was also the President and Chief Executive Officer of JP & Associates, a strategic consulting company. Mr. Pantelidis had a 30-year career in the petroleum industry and was at one time President of both the Resources Division and the Products Division of Petro-Canada. Mr. Pantelidis holds a Bachelor of Science degree and a Master of Business Administration degree, both from McGill University.

Lisa de Wilde, 60, Director. Ms. de Wilde has been Chief Executive Officer of the Ontario Educational Communications Authority (TVO) since 2005. Previously, Ms. de Wilde was the President and CEO of Astral Television Networks Inc., and practiced law in private practice and as Legal Counsel to the CRTC. Ms. de Wilde serves as a member of the board of TELUS Corporation and is a former Chair of the Board of Directors of the Toronto International Film Festival. She served as a member of the Board of Trustees of Noranda Income Fund from 2002 to 2010 as well as AT&T Canada Inc. (2002 to 2003) and Cinar Corp. (2002 to 2004). Her other advisory appointments include: the University of Toronto's Mowat Centre for Policy Innovation; the Canadian Digital Media Network; and the Asia Pacific Foundation's Toronto Advisory Group. She is a member of the Institute of Corporate Directors (ICD.D) and the Law Society of Upper Canada. She holds an LL.B. and an Honours Bachelor of Arts degree, both from McGill University. In 2015, Ms. de Wilde was appointed to the Order of Canada and received an honorary Doctor of Laws (honoris causa) from Brandon University. She also received an honorary doctorate from Ryerson University in 2016.

John A. Macdonald, 60, Director. Mr. Macdonald has been the President and Chief Executive Officer of Enercare since November 27, 2006. From 2002 to 2006 Mr. Macdonald served as President and Chief Executive Officer of Hydro One Telecom Inc. Mr. Macdonald has previously held senior marketing positions at AT&T Canada Inc. and Nortel Networks Corporation and was a member of the board of advisors of Atria Networks LP until 2010. Mr. Macdonald is a registered professional engineer and holds a Bachelor of Applied Science in Electrical Engineering from the University of Toronto.

Grace M. Palombo, 53, Director. Ms. Palombo is the Executive Vice President, Chief Human Resources Officer of Great-West Lifeco Inc., a position she has held since November 2014. From 2011 to 2014, Ms. Palombo was the Executive Vice President, Head of Human Resources, TD Bank, America's Most Convenient Bank based in the U.S.A. Prior to 2011, Ms. Palombo

served as the Senior Vice President, Corporate Human Resources of CanWest Global Communications Corporation (“**CanWest**”) and also served as a member of its Management Committee. Prior to joining CanWest, Ms. Palombo held various executive positions in the areas of Human Resources, Legal and Corporate Services with Husky Injection Molding Systems Ltd., The Canada Life Assurance Company, Westcoast Energy Inc./Union Gas Limited and Bombardier Inc. She also practiced law in Toronto, in the areas of employment, labour relations and corporate law. Ms. Palombo has served as a Director and a member of the Compensation, Nominating and Corporate Governance Committees of Student Transportation Inc. since 2010, and as a Director of the Osgoode Hall Law School Alumni Association since 2009. Ms. Palombo was formerly a Director, as well as a member of the Audit Committee, Administrative Affairs Committee and Board Development Committee of the Canadian College of Naturopathic Medicine from 2002 to 2008 and a member of the Management Committee of Union Gas Ltd. from 1998 to 2002. Ms. Palombo has also served as Board and Committee Member on a voluntary basis for various organizations in the Greater Toronto area. Ms. Palombo holds an LL.B. degree from Osgoode Hall Law School in Toronto and a Bachelor of Arts in Psychology from York University. Ms. Palombo is a member of the Institute of Corporate Directors (ICD.D), Conference Board of Canada, Council of National Human Resource Executives, the Law Society of Upper Canada, The Canadian Bar Association, the Women’s Law Association and the Women’s Executive Network.

Jerry Patava, 63, Director and Chair of the Governance and Compensation Committee. Mr. Patava is the Chief Executive Officer of the Great Gulf Group of Companies, a position he has held since July 2007. Mr. Patava was previously Lead Director and a member of the Governance and Compensation Committee of Trimac Transportation Ltd., and he served as a Director and Chair of the Governance and Compensation Committee of Capstone Infrastructure Corporation. Mr. Patava was also Executive Vice President and Chief Financial Officer of Fairmont Hotels & Resorts Inc., a position he held from January 1998 to January 2005. Previously, he was Vice President and Treasurer of Canadian Pacific Limited and prior thereto Vice President and Director of RBC Dominion Securities Inc. Mr. Patava holds a Bachelor of Arts degree from the University of Toronto and a Master of Business Administration from York University.

Roy J. Pearce, 74, Director and Chair of the Investment Committee. Mr. Pearce was the Chief Financial Officer of K2 Pure Solutions Canada Corporation from April 2007 until his retirement in November 2008. Prior to joining K2 Pure Solutions Canada Corporation, Mr. Pearce was a trustee and member of the Compensation Committee of ACS Media Income Fund. He was the Chief Financial Officer of several companies, including KCP Income Fund and its predecessor business, KIK Corporation, the Plastics Division of Crown Cork and Seal Company, Inc. and Crown Cork and Seal Canada, Inc. Mr. Pearce has held senior finance positions with various companies including Gilbey Canada Inc., Lever Detergents Limited, Monarch Fine Foods Limited, John Labatt Ltd., and Lever Brothers Inc. Mr. Pearce is a Chartered Professional Accountant, Chartered Accountant.

Michael Rousseau, 59, Director and Chair of the Audit Committee. Mr. Rousseau is Executive Vice President and Chief Financial Officer of Air Canada, a position he has held since 2007. Since 2010, Mr. Rousseau has been a director of Resolute Forest Products Inc. and is currently serving on the Finance Committee, the Audit Committee and is Chair of the Human Resources

and Compensation/Nominating and Corporate Governance Committee. He also served as a trustee and Chair of the Audit Committee of Golf Town Income Fund. Mr. Rousseau was the President of Hudson's Bay Company from 2006 to 2007; prior to that, he was the Executive Vice President and Chief Financial Officer. Mr. Rousseau was the Senior Vice President and Chief Financial Officer of Moore Corporation and was also a member of its Pension Committee and he was Vice President and Chief Financial Officer of Silcorp Limited. Mr. Rousseau holds a Bachelor of Business Administration from York University and is a Chartered Professional Accountant, Chartered Accountant.

William M. Wells, 56, Director and Chair of the Corporate Responsibility and Risk Management Committee. Mr. Wells is the Founder and Chairman of Evizone Limited, a privately held online communications service firm and the Founder and Chairman of HLS Therapeutics Inc., a privately held pharmaceutical company. He previously served on the boards of Acadia Pharmaceuticals Inc. and MedGenesis Therapeutix Inc., and he has also served on the Standard & Poors' Issuers Advisory Committee. Mr. Wells was a director of Biovail Corporation ("**Biovail**"), a pharmaceutical company from 2005 until 2010 and was lead director, chair of the compensation committee and a member of the risk and audit committees prior to becoming Chief Executive Officer. He served as the Chief Executive Officer of Biovail from 2008 until its merger with Valeant Pharmaceuticals International, Inc. ("**Valeant**"), when he then served as Chairman of Valeant until 2010. Prior to joining Biovail, Mr. Wells held a number of senior executive positions, including as Chief Financial Officer of Loblaw Companies Limited, a retail grocery chain, Chief Financial Officer of Bunge Limited, a U.S. headquartered company engaged in the global agribusiness, fertilizer and food product industries, and financial management positions at McDonald's Corporation in the U.S. and Brazil. Mr. Wells holds a Master's degree in International Business from the University of South Carolina and a Bachelor's degree in Philosophy and English from the University of Western Ontario.

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

Scott J. Boxer, President and Chief Executive Officer, Service Experts. Mr. Boxer is the Chief Executive Officer of the Service Experts business and became a member of senior management of Enercare on May 11, 2016 upon closing of the SE Transaction. Mr. Boxer has over 40 years of industry experience, more than 11 of which have been with SEHAC where he has served as its Chief Executive Officer since March 2013 and previously served as its President and Chief Operating Officer from 2003 to 2010. Prior to joining SEHAC in 2003, Mr. Boxer served as

President of Lennox Industries from 2000 to 2003 and as President of Lennox Europe Operations from 1998 to 2000. Mr. Boxer was retired from 2010 to March 2013.

John Toffoletto, Senior Vice President, Chief Legal Officer and Corporate Secretary. Mr. Toffoletto was appointed Senior Vice President, General Counsel and Corporate Secretary of Enercare in January 2009 and Senior Vice President, Chief Legal Officer and Corporate Secretary in March 2015. Before joining Enercare, Mr. Toffoletto practiced law at Torys LLP from 2001, where he played a significant role in the Fund's formation in 2002 and its subsequent legal affairs, including financings, acquisitions and commercial arrangements. Mr. Toffoletto has a Bachelor of Arts Honours Degree (with High Distinction) from the University of Toronto and a Bachelor of Laws Degree (with Honours) from the Faculty of Law, University of Toronto.

Lorne Solway, Chief Marketing Officer. Mr. Solway was appointed Chief Marketing Officer of Enercare in March 2015. Mr. Solway has over 25 years' experience in marketing across a number of different industry verticals and has held various senior and executive positions with such organizations as, LoyaltyOne (AirMiles Reward Program), McDonald's Restaurants of Canada, Bell Mobility and the largest licensee of the Hudson's Bay Company. Mr. Solway has extensive experience in all facets of marketing, including brand, promotions, public relations, digital (web, email, mobile, social), ecommerce, loyalty, CRM and customer experience design. Mr. Solway has a B.A. in Psychology from York University and an M.B.A. specializing in Marketing and Finance from the Schulich School of Business.

Colleen Bailey Moffitt, Chief Human Resources Officer. Mrs. Bailey Moffitt was appointed Vice President, Human Resources of Enercare in April 2015. Mrs. Bailey Moffitt has over 20 years' experience in Human Resources across various industries including; consulting, energy services, retail, and financial services. She has held executive Human Resources roles with TD Bank, PwC and Direct Energy. Mrs. Bailey Moffitt has a B.A. (Hons.) from the University of Waterloo.

Irene Zaguskin, Chief Information Officer. Ms. Zaguskin was appointed Chief Information Officer of Enercare in January 2016. Prior to joining Enercare, she held various positions with such organizations as Loblaw Companies Limited, Canadian Tire Corporation and most recently, Rogers Communications Inc., where she led a team of 100 IT professionals responsible for end-to-end IT operations across retail, supply chain, field sales and sales call centers. Ms. Zaguskin graduated from York University with a Bachelor of Computer Science and Economics (Honours) and obtained a Masters of Business Administration from Ryerson University.

Jenine Krause, Chief Operating Officer, Home Services. Ms. Krause was appointed Chief Operating Officer, Home Services of Enercare in February 2016. Ms. Krause has over 20 years of diverse experience in operations management, strategic planning, information technology, product development and consulting. Ms. Krause spent 11 years at Bell Canada, including a number of years as Vice President, Field Operations before transitioning to Senior Vice President, ICT Delivery in Business Markets and most recently led the network deployment in Toronto for residential services. Ms. Krause is a member of the board of Young People's Theatre and previously served as a member of the board of Northwestel Inc. and the advisory board of Impact Consulting Group for Joseph L. Rotman School of Management, University of Toronto.

Ms. Krause received her Bachelor of Commerce degree from the University of Victoria and a Master of Business Administration from Joseph L. Rotman School of Management, University of Toronto.

Majority Voting Policy

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

If a resignation is accepted, the Board of Directors may, subject to applicable law and the Articles, appoint a new Director to fill any vacancy created by resignation, reduce the size of the Board of Directors, leave the vacancy unfilled or call a meeting of shareholders of Enercare to appoint a replacement.

If all the Directors receive a Majority Withheld Vote in the same election, then all the Directors shall consider the resignation offers and determine whether to accept them, or any of them, applying the same procedures and considerations as apply to the Board of Directors under the Majority Voting Policy *mutatis mutandis*.

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

Committees of the Board of Directors

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

Audit Committee

Audit Committee Mandate

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

Composition of the Audit Committee

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

Relevant Education and Experience of Audit Committee Members

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

Pre-approval Policies and Procedures

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

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

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

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

In the event that management believes other non-audit services are required to be committed between Audit Committee meetings, the Chair of the Audit Committee (or in his absence, any other member of the Audit Committee) has the authority of the Audit Committee to approve such

services and fees. The details of any such projects would be brought forward to the Audit Committee at the next meeting of the Audit Committee.

Auditors Fees

The fees billed by the external auditors in respect of the years 2015 and 2016 for Enercare, including its subsidiaries, were as follows:

	2015	2016
Audit Fees	\$615	\$929
Audit Related Fees ⁽¹⁾	350	1,408
Tax Fees ⁽²⁾	338	816
All Other Fees ⁽³⁾	964	222
Total	\$2,267	\$3,375

- (1) In respect of 2015: Fees paid for services in respect of the DE Acquisition, the acquisition of Triacta by Enercare, the acquisition of Cobourg Network, translation services and other audits. In respect of 2016: Fees paid for services in respect of the SE Transaction, translation services and other audits.
- (2) In respect of 2015: Fees paid for tax compliance, analysis and planning for the DE Acquisition and the acquisition of Triacta by Enercare. In respect of 2016: Fees paid for analysis and planning for the SE Transaction, tax compliance, research and analysis on Canadian and U.S. federal and state income and indirect tax issues.
- (3) In respect of 2015: One-time fees paid in respect of advice relating to post-merger integration planning in connection with the DE Acquisition and the acquisition of Triacta by Enercare, and advice relating to information technology and other related areas. In respect of 2016: One-time fees paid in respect of advice relating to the integration of the Service Experts business.

Investment Committee

The Board has appointed an investment committee (the “**Investment Committee**”) consisting of three Directors, all of whom are, and are required by the Investment Committee Mandate to be, “independent” as defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. The members of the Investment Committee are: Roy J. Pearce (Chair), William M. Wells and Michael Rousseau. The Investment Committee is responsible for (i) reviewing all proposals regarding investments, dispositions and borrowings of Enercare and making recommendations in connection therewith to the Directors; (ii) approving any material changes to Enercare’s investment policy, if any; (iii) financing and interest rate hedging strategies; and (iv) target leverage ratios, target ratings on Enercare, Enercare’s shares and debt securities of Enercare, and target dividends on Enercare’s shares.

Governance Committee

The Board has appointed a governance and compensation committee (the “**Governance and Compensation Committee**”) consisting of four Directors, all of whom are, and are required by the Governance and Compensation Committee Mandate to be, “independent” as defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and have direct experience that is relevant to his or her responsibilities in executive compensation so as to enable the Governance and Compensation Committee to make decisions on the suitability of Enercare’s compensation policies and practices, including (without limiting the generality of the foregoing) in respect of the due consideration of the implications of the risks associated with such policies and practices. The members of the Governance and Compensation Committee are: Jerry Patava (Chair), Lisa de Wilde, Roy J. Pearce and Grace Palombo. The Governance and Compensation

Committee is responsible for (i) annually reviewing compliance by Enercare and its subsidiaries of their respective undertakings in respect of Enercare's continuous disclosure obligations; (ii) developing Enercare's approach to corporate governance; (iii) advising the Directors in filling Director vacancies; (iv) periodically reviewing the compensation and effectiveness of the Directors and the contribution of individual Directors; (v) assisting in orientating and providing for continuing education for the Directors; (vi) advising the Directors in the selection and retention of senior management; (vii) periodically reviewing the compensation and performance of senior management; (viii) assisting in the professional development of senior management; (ix) assisting in developing and managing benefit plans for employees; (x) administering and managing Enercare's pension plans; and (xi) performing the additional duties set out in its mandate or otherwise delegated to the Governance and Compensation Committee from time to time by the Board or otherwise required by law.

Corporate Responsibility and Risk Management Committee

The Board has appointed a corporate responsibility and risk management committee (the "**Corporate Responsibility and Risk Management Committee**") consisting of three Directors, all of whom are, and are required by the Corporate Responsibility and Risk Management Committee Mandate to be, "independent" as defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. The members of the Corporate Responsibility and Risk Management Committee are: William M. Wells (Chair), Lisa de Wilde and Grace Palombo. The Corporate Responsibility and Risk Management Committee is responsible for (i) assisting the Board in overseeing the development of strategy and policy on effective management of social, environmental, ethical, legal, regulatory and operational issues and risk (collectively, the "**Risks**") and promoting a culture of integrity at Enercare; (ii) overseeing key stakeholder engagement on social, environmental and ethical issues; (iii) approving Enercare's Code of Business Conduct (the "**Code**"), monitoring compliance with the Code and approving any waivers related to the Code with respect to any Director or senior management; (iv) identifying and monitoring Enercare's key Risks and evaluating their management; (v) reviewing and approving Risk management policies, systems and metrics to manage Risk; and (vi) providing a forum for "big picture" analysis of future Risks, including the consideration of Risk trends.

CONSOLIDATED CAPITALIZATION OF ENERCARE

General

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

The following table sets forth the consolidated capitalization of Enercare as at December 31, 2014, 2015 and 2016:

	December 31, 2014	December 31, 2015	December 31, 2016
Indebtedness			
Senior Indebtedness			
Series 2012-1 Notes	\$ 250,000	\$ 250,000	\$ 250,000
Series 2013-1 Notes	225,000	225,000	225,000
Existing Credit Facilities ⁽¹⁾	210,000	260,000	493,540
Total Gross Senior Debt	685,000	735,000	968,540
Capital Lease Obligations	7,132	6,695	25,624
Convertible Debentures	3,257	2,728	2,032
Stratacon Secured Debt	3,071	1,814	822
Total Gross Indebtedness	698,460	746,237	997,018
Unamortized Financing Costs	(3,217)	(2,330)	(2,279)
Total Net Indebtedness	695,243	743,907	994,739
Total Shareholders' Equity	477,885	389,797	616,464
Total Capitalization	<u>\$ 1,173,128</u>	<u>\$ 1,133,704</u>	<u>\$1,611,203</u>

(1) In respect of 2014: the \$210,000 of indebtedness under the 2014 Term Credit Facility; in respect of 2015: the \$50,000 of indebtedness under the 2014 Line of Credit and the \$210,000 of indebtedness under the 2014 Term Credit Facility; and in respect of 2016: the \$15,000 indebtedness under the 2014 Line of Credit, the \$210,000 of indebtedness under the 2014 Term Credit Facility and the US\$200,000 (\$268,540) of indebtedness under the 2016 Term Loan.

Subsequent to December 31, 2016: (i) the Series 2017 Notes were issued on February 21, 2017; (ii) the 2014 Term Credit Facility was repaid on February 23, 2017; and (iii) the Series 2012-1 Notes were redeemed on March 23, 2017.

Convertible Debentures

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

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

Enercare may redeem the Convertible Debentures with proper notice for the principal amount plus accrued and unpaid interest.

As at March 29, 2017, there were \$1,867 aggregate principal amount of Convertible Debentures outstanding. Since issuance, \$26,016 aggregate principal amount of Convertible Debentures have been converted by the holders thereof for an aggregate of 4,014,750 Common Shares.

Senior Indebtedness

The Senior Notes

As of the date hereof, the only Senior Notes outstanding are the \$225,000 aggregate principal amount of Series 2013-1 Notes, the \$275,000 aggregate principal amount of Series 2017-1 Notes and the \$225,000 aggregate principal amount of Series 2017-2 Notes.

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

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

The Senior Unsecured Indenture essentially defines "Incurrence EBITDA" as the aggregate of consolidated net earnings of Enercare Solutions, excluding (a) interest income and expense, (b) income tax expense or recovery, (c) depreciation and amortization expense, (d) extraordinary or non-recurring items, (e) losses on disposal of property and equipment, and (f) non-cash gains or losses on hedging contracts generated (i) on a 100% basis from direct or indirect investments in portfolios of water heaters, gas fired equipment and renewable energy equipment and the cash flows generated therefrom and any related assets, and (ii) on a 50% basis from all other investments. The Senior Unsecured Indenture essentially defines "Net Interest Expense" as the interest expense with respect to debt of Enercare Solutions and the Guarantors less the amount of interest income on permitted investments held thereby and less the amount of interest expense on Subordinated Debt and working capital debt of up to \$35,000, and excluding amortization of gains or losses on hedging contracts.

The Senior Unsecured Indenture also contains a restriction on asset sales in excess of 3% of the total assets of Enercare Solutions in any financial year (other than sales in the ordinary course of business) unless the net proceeds of disposition are used to redeem the Senior Notes, *pro rata*;

provided, however, no such redemption is required (i) if after giving pro forma effect to the disposition (including the application or use of the net proceeds thereof) the ratio of Incurrence EBITDA to Net Interest Expense is equal to or greater than 3.8 to 1.0 at the time of a disposition, or (ii) if such pro forma ratio is less than 3.8 to 1.0 at such time, to the extent that any net proceeds are used in the business of Enercare Solutions or any Guarantor or are retained by Enercare Solutions or Guarantor.

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

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

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

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

2014 Credit Facility

In connection with the DE Acquisition, Enercare Solutions entered into the Third Amended and Restated Credit Agreement in respect of the 2014 Credit Facility, which was further amended in connection with the SE Transaction and, in December 2016, further amended to increase the maximum amount available under the 2014 Line of Credit. The 2014 Credit Facility comprises the 2014 Line of Credit, which is a 5-year \$200,000 revolving, non-amortizing variable rate credit facility with a maturity date of October 20, 2019 and the 2014 Term Credit Facility, which was a 4-year non-revolving, non-amortizing variable rate term credit facility in the amount of \$210,000 with a maturity date of October 20, 2018. The 2014 Term Credit Facility was repaid on February 23, 2017 using proceeds from the issuance of the Series 2017 Notes. See “Recent Developments – Issuance of the Series 2017 Notes”. The full amount of the 2014 Term Credit Facility was drawn for the purpose of financing the DE Acquisition and re-paying the 2013 Term Credit Facility. Of the available credit of \$100,000 under the 2014 Line of Credit, \$50,000 was

drawn to partially fund the Common Shares purchased from DE by way of a block trade under the NCIB. A further \$55,000 was drawn in January 2017 for general corporate purposes. See “Enercare Inc. – Developments in 2014, 2015 and 2016 – Block Trade purchase of the Common Shares”.

The 2014 Credit Facility contains representations, warranties, covenants and events of default that are customary for credit facilities of this kind. In particular, the 2014 Credit Facility includes a negative pledge, restrictions on asset sales and reorganizations, limits on distributions to Enercare (and, therefore, in effect, holders of Common Shares) in excess of the aggregate of consolidated operating cash flows of Enercare Solutions plus proceeds of disposal of water heaters in the ordinary course less capital expenditures. The 2014 Credit Facility also contains a positive covenant to the effect that all additional incurrences of senior debt, with certain exceptions, must, on the date of incurrence, result in a pro forma ratio equal to or greater than 3.8 to 1.0 of Incurrence EBITDA (as defined in the Senior Unsecured Indenture) to Net Interest Expense (as defined in the Senior Unsecured Indenture).

The 2014 Credit Facility also contains the following financial covenants (i) the ratio of total debt (other than subordinated debt) to “Adjusted EBITDA” must be equal to or less than 4.75:1; and (ii) the ratio of Adjusted EBITDA to “Cash Interest Expense” must be equal to or greater than 3.00:1. Enercare Solutions was in compliance with each of these financial covenants as at December 31, 2016. Although the calculations can only be done at the end of a fiscal quarter, Enercare has no reason to believe that Enercare Solutions is not in compliance with each of these covenants as of the date of this AIF.

The 2014 Credit Facility essentially defines “Adjusted EBITDA” as the consolidated net income of Enercare Solutions and any losses on dispositions of assets less, to the extent included in calculating such net income, all interest income and income tax recoveries, gains on hedging contracts and all extraordinary, non-recurring and unusual income items, plus, to the extent deducted in calculating such net income, (i) amounts for total interest expense, (ii) fees payable under the Origination Agreement, (iii) amortization and depreciation expenses, income taxes and any other non-cash items, (iv) losses on hedging contracts, (v) proceeds of disposal of water heaters in the ordinary course of business, (vi) with respect to the DE Acquisition, transaction expenses, one-time rebranding costs and information technology system harmonization costs up to \$23,500 in the aggregate, and (vii) with respect to the SE Transaction, SE Transaction and integration costs up to \$10,300 in the aggregate, determined on a consolidated basis. The 2014 Line of Credit essentially defines “Cash Interest Expense” as the aggregate amount of interest and other financing charges payable in cash and expensed by Enercare Solutions with respect to debt (other than subordinated debt between Enercare Solutions and Enercare or any subsidiary of Enercare Solutions or between subsidiaries of Enercare Solutions), but excluding any make-whole, prepayment, penalty or premium or other yield maintenance amount with respect to debt.

Events of default in the 2014 Credit Facility include the occurrence of a default under the terms of any agreement or instrument relating to debt of Enercare Solutions or a subsidiary of Enercare Solutions in an aggregate amount in excess of \$50,000, or the occurrence of a “Change of Control”. The 2014 Credit Facility defines “Change of Control” as the occurrence of any of the following: (i) all or substantially all of the property, assets and undertaking of Enercare on a

consolidated basis becomes the property of any other person who is not an affiliate of Enercare Solutions or Enercare; or (ii) a person who is not an affiliate of Enercare Solutions or Enercare, or group of such persons acting jointly or in concert, acquires Common Shares or Enercare Solutions Shares (and/or securities convertible into Common Shares or Enercare Solutions Shares, as applicable) representing (on a diluted basis, but only after giving effect to the conversion or exercise of convertible securities held by such person or group of persons) greater than 50% of the Common Shares or Enercare Solutions Shares, as applicable.

Each Guarantor has guaranteed, and each other subsidiary of Enercare Solutions will guarantee, the payment of principal and interest under the 2014 Credit Facility and the performance by Enercare Solutions of its other payment obligations thereunder.

2016 Term Loan

The 2016 Term Loan, which is on substantially the same terms as the 2014 Line of Credit, was entered into by Enercare Solutions to partially fund the SE Transaction. The 2016 Term Loan comprises two 4-year non-revolving, non-amortizing variable rate term credit facilities in the aggregate amount of US\$200,000 with a maturity date of May 11, 2020. The full amount of the 2016 Term Loan was drawn for the purpose of financing the SE Transaction. The 2016 Term Loan contains representations, warranties, covenants and events of default that are customary for credit facilities of this kind and on substantially the same terms as the 2014 Line of Credit, as the 2014 Credit Facility was modified in conjunction with the SE Transaction as described above. Enercare Solutions' obligations under the 2016 Term Loan are guaranteed by all of Enercare Solutions' direct and indirect subsidiaries, including Service Experts and its subsidiaries.

The 2016 Term Loan is payable interest only until maturity and is pre-payable in whole or in part at any time without penalty. The 2016 Term Loan bears interest at a rate of LIBOR plus 125 basis points or base rate plus 25 basis points at Enercare Solutions' credit rating as of the date hereof.

Enercare Solutions was in compliance with each of the financial covenants in the 2016 Term Loan as at December 31, 2016. Although the calculations can only be done at the end of a fiscal quarter, Enercare has no reason to believe that Enercare Solutions is not in compliance with each of those covenants as of the date of this AIF.

RISK FACTORS

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

Risks Related to the Home Services Business and Industry

Billing Arrangements

As a result of current billing agreements, Enercare is reliant on the personnel, expertise, technical resources, proprietary information and judgment of EGD, among others, in providing customer services in respect of Home Services. Enercare and its subsidiaries are therefore exposed to adverse developments in the business and affairs of EGD, and to its management and financial strength. Although EGD is required, under each of the OBAs to make the specified payments to

Enercare, thereby effectively guaranteeing Enercare's collection of 99.51% (99.51% for 2016 and 99.49% for 2015) of the amount invoiced by Enercare on the EGD bill effective January 1, 2017, subject to adjustments in accordance with the terms of the OBAs, there can be no assurance that EGD will have the financial capability to honour such obligation.

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

Any provision of customer services in respect of the Rental Portfolio by Enercare and stand-alone billing could have a material adverse effect on Enercare's financial condition and results of operations and on Enercare Solutions' ability to satisfy its debt service obligations as there can be no assurance that the customer services delivered by Enercare, or other third parties, will be of the same standard as those delivered under the OBAs and stand-alone billing may result in increased bad debt.

Bad debt experience may also increase if any arrangement relating to stand-alone billing and collection services does not include a collection guarantee. It is also possible that transitional issues may arise following a termination of the OBAs and associated arrangements, and those issues may have a material adverse effect on Enercare's financial condition and results of operations and on Enercare Solutions' ability to satisfy its debt service obligations.

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

Reliance on Call Centers

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

Regulatory Matters

As the vast majority of Enercare's customers are consumers, Enercare is subject to consumer protection laws and regulations (including the Consumer Protection Act). Although Enercare believes that it is in compliance with such consumer protection laws and regulations in all material respects, given the likelihood that regulatory determinations are likely to favour consumers in the event of any ambiguity in such laws or regulations (of which there are many), no assurance can be given that Enercare will be able to comply with such laws or regulations. Furthermore, changes to any of the laws, rules, regulations or policies respecting the installation, contracting, servicing or billing practices in relation to water heaters, including Bill 55 and Bill 59, could have a significant impact on Enercare's business, including its compliance costs.

There can be no assurance that Enercare will be able to comply with any future laws, rules, regulations and policies or, if it does so comply, what the impact may be on its costs to so comply or ability to originate or retain customers. Failure by Enercare to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on Enercare's financial condition and results of operations and on Enercare Solutions' ability to satisfy its debt service obligations.

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

Attrition and Competition

Enercare operates in a competitive environment and hence its growth and sustainability may be negatively impacted by loss of market share to new competition or due to changes in consumer behavior (see "Home Services – Competition"). In 2009, Enercare encountered increased competitive pressure and a resulting increase in its attrition rate in the Rental Portfolio. The higher attrition rates that began in 2009 are attributable principally to increased competition from both traditional entities and new entrants. Some of these new market entrants used aggressive door to door promotion.

As a result of these and other competitive pressures, Enercare may experience increased attrition rates in the Rental Portfolio in the future as well as higher expenses in defense of the installed water heater customer base. Increased attrition rates could have a material adverse effect on Enercare's financial condition and results of operations and on Enercare Solutions' ability to satisfy its debt service obligations.

Buy-Outs and Returns of Water Heaters

Since the fourth quarter of 2004, customers have been permitted to terminate their rental contracts without charge. Prior to that time, in accordance with the Consent Order, the exit charge permitted to be charged to customers in the first five years following installation was not sufficient to cover the capital cost of the installed water heaters and, if the water heater was installed for over five years, there was no exit charge payable. In 2010, Enercare implemented new terms and conditions for certain new customers pursuant to which Enercare may require these customers to buy-out their water heaters at a pre-determined price determined with reference to the price of the water heater at the time of installation of the water heater if the contract is terminated prior to the end of the useful life of the applicable equipment. If customers choose to buy their installed water heaters or terminate their rental contracts, the number of installed water heaters and the composition of the portfolio of installed water heaters could change. Any loss of customers could have a material adverse effect on Enercare's financial

condition and results of operations and on Enercare Solutions' ability to satisfy its debt service obligations.

Social or Technological Changes

Within Canada, the Province of Ontario marketplace is unique in that the vast majority of homeowners rent their water heaters. There can be no assurance that homeowners will continue to rent their water heaters for an indefinite period. It is also possible that more economical or efficient water heating technology than that which is currently used by customers will be developed or that the economic conditions in which the current technology is applied will change resulting in a reduction in the number of installed water heaters. Any material change in homeowners' rental practices or in technology may have a material adverse effect on Enercare's financial condition and results of operations and on Enercare Solutions' ability to satisfy its debt service obligations.

Useful Life of Water Heaters

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

Concentration of Suppliers, Product Faults and Costs

Although there are a number of manufacturers of water heaters outside Canada, Enercare relies principally on four suppliers for its supply of water heaters, A.O. Smith Enterprises Ltd. (GSW), Rheem Canada Ltd, Usines Giant Factories Inc. and Redmond-Williams Distributing Inc. Should any of these suppliers fail to deliver in a timely manner, the result could be delays or disruptions in the supply and installation of water heaters. In addition, as many of the installed water heaters are of the same or similar type manufactured or distributed by these four suppliers, manufacturer's defects or product recalls relating to a particular production model or type of water heater could affect a material portion of the Rental Portfolio. Furthermore, different water heater manufacturers may, from time to time, source components from the same manufacturers for use in their water heaters. As a result, a parts defect relating to a commonly sourced component could affect water heaters produced by more than one manufacturer. Enercare does not insure against this risk of product defects or product recalls. As most manufacturers of water heaters relied on by Enercare have production facilities outside of Canada and/or use raw materials and components from the United States, they may be impacted by foreign exchange fluctuations and the capital cost of the water heaters may increase.

Enercare's business exposes it to potential product liability and product defect risks that are inherent in the ownership and servicing of water heaters and HVAC Equipment rentals (see for

example “Home Services – The Rental Portfolio”). While Enercare currently maintains what it believes to be suitable product liability insurance, there can be no assurance that Enercare will be able to maintain such insurance on acceptable terms or that any such insurance will provide adequate protection against potential liabilities. In the event of a successful claim against Enercare, a lack of sufficient insurance coverage could have a material adverse effect on Enercare’s financial condition and results of operations and on Enercare Solutions’ ability to satisfy its debt service obligations. Moreover, even if Enercare maintains adequate insurance, any successful claim could have a material adverse effect on Enercare’s financial condition and results of operations and on Enercare Solutions’ ability to satisfy its debt service obligations. Enercare does not insure against the risk of product defects or product recalls.

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

Franchisee Independence and Relationships

Approximately 40% of the Home Services business is serviced by licensed franchisees. Licensed franchisees are independent businesses and, as a result, their operations may be adversely affected by factors beyond Enercare’s control which, in turn, could adversely affect Enercare’s reputation, operations and financial performance. Revenues and earnings could also be adversely affected, and Enercare’s reputation could be harmed, if a significant number of licensed franchisees were to experience operational failures, health and safety exposures or were unable to perform the necessary services under the rental contracts. The franchise system is also subject to franchise legislation in the Province of Ontario. Any new legislation or failure to comply with existing legislation could adversely affect operations and could add administrative costs and burdens, any of which could adversely affect Enercare’s relationship with its licensed franchisees. Enercare provides various services to the licensed franchisees to assist with management of their operations and dedicated personnel manage Enercare’s obligations to its licensed franchisees. Despite these efforts, relationships with licensed franchisees could pose significant risks if they are disrupted, which could adversely affect the reputation, operations and financial performance of Enercare.

Labour Relations

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

collective agreements would have implications for the affected operations, and those implications could be material.

Pension Plan and Other Post-Employment Benefits Obligations

OHCS participates in a hybrid pension plan which provides defined benefits to a closed group of active employees, and offers other post-employment benefits. Enercare assumed the pension-related obligations of OHCS pursuant to a new pension plan established pursuant to the OHCS Asset Purchase Agreement following regulatory approval and DE's full funding of the new pension plan on a solvency basis. The transfer was completed on January 28, 2016. 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.

Geographic Concentration and New Home Construction

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

Furthermore, most of the growth in the number of installed rental water heaters is principally as a result of new home construction of detached, semi-detached and row houses, which is a particularly competitive section of the water heater rental industry in the Province of Ontario. Consequently, Enercare is particularly reliant on the economy of the Province of Ontario to maintain and to grow the Rental Portfolio. While Ontario's economy is benefiting from a lower U.S. dollar exchange rate, other factors including a slower job recovery rate and an anticipated increase in mortgage rates are creating uncertainty and a corresponding slowdown in new home construction of detached, semi-detached and row houses which may lead to an adverse effect on demand for water heaters and HVAC Equipment.

Uninsured or Underinsured Risks

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

Lack of Written Rental Contracts

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

Protection Plan Renewal Risk

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

Litigation Risk

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

Foreign Exchange Impacts

Since December 31, 2013, the Canadian dollar has continued to weaken compared to the US dollar. The Home Services business incurs significant capital and operating expenditures, such as water heaters, HVAC Equipment and other parts costs, that are denominated in U.S. dollars. The continued devaluation of the Canadian dollar may significantly increase Enercare's and Enercare Solutions' capital and operating expenditures in Canadian dollar terms. Enercare continuously

monitors, evaluates and mitigates foreign exchange impacts to Enercare's margins through price adjustments that are passed on to customers.

Risks Related to the Structure of Enercare

Leverage Risk and Restrictive Covenants

Enercare Solutions has significant debt service obligations under its Series 2013-1 Notes, 2016 Term Loan and 2017 Notes (see "Consolidated Capitalization – Senior Indebtedness" and "Recent Developments – Issuance of Series 2017 Notes"). The degree to which Enercare Solutions is leveraged could have material adverse consequences for Enercare, including: (i) limiting Enercare's ability to obtain additional financing for working capital, capital expenditures (which are important to its growth and strategies), product development, debt service requirements, acquisitions and general corporate or other purposes; (ii) having to dedicate a portion of Enercare's cash flows from operations to the payment of interest on Enercare Solutions' existing indebtedness and not having such cash flows available for other purposes, including operations, capital expenditures and future business opportunities; (iii) restricting Enercare's flexibility and discretion to operate its business; (iv) limiting Enercare's ability to declare dividends on its Common Shares; (v) exposing Enercare to increased interest expense on borrowings at variable rates (including the 2014 Credit Facility and 2016 Term Loan); (vi) limiting Enercare's ability to adjust to changing market conditions; (vii) placing Enercare at a competitive disadvantage compared to its competitors that have incurred less debt; (viii) making Enercare more vulnerable in a downturn in general economic conditions; and (ix) Enercare Solutions' failure to refinance its Series 2013-1 Notes, Series 2017-1 Notes, Series 2017-2 Notes, 2014 Credit Facility and 2016 Term Loan will have a material adverse effect on Enercare Solutions' ability to satisfy its debt service obligations. The interest payable on the 2014 Credit Facility and 2016 Term Loan is variable, and as such, the interest rate may fluctuate significantly. Historical levels, fluctuations and trends in interest rates are not necessarily indicative of future levels. Any significant upward movement in interest rates could materially increase the cost of borrowing under the 2014 Credit Facility and 2016 Term Loan.

The Senior Unsecured Indenture, the Third Amended and Restated Credit Agreement and 2016 Term Loan contain restrictive covenants of a customary nature, including covenants that limit the discretion of the Board of Directors with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Enercare, through Enercare Solutions and the Guarantors to incur additional indebtedness, to pay distributions or dividends or make certain other payments, and to sell or otherwise dispose of significant assets or consolidate with another entity. In addition, there are also a number of financial covenants that require Enercare Solutions to meet certain financial ratios and financial condition tests. Failure to comply with these obligations could result in an event of default which, if not cured or waived, could permit acceleration of the Senior Notes, 2014 Credit Facility and 2016 Term Loan. If the Senior Notes or 2016 Term Loan were to be accelerated, there could be no assurance that the assets of Enercare would be sufficient to repay in full such indebtedness. There can also be no assurance that the Senior Notes, 2016 Term Loan or any other indebtedness will be able to be refinanced by Enercare or Enercare Solutions on commercially reasonable terms, or at all.

Credit Ratings and Credit Risk

There can be no assurance that any credit ratings assigned to Enercare, the Senior Notes and/or Enercare Solutions will remain in effect for any given period of time or that the ratings will not be withdrawn or revised by either or both of DBRS and S&P at any time. Real or anticipated changes in credit ratings on any of Enercare, the Senior Notes or Enercare Solutions may affect the market value of the Common Shares, the Convertible Debentures and the Senior Notes. In addition, real or anticipated changes in credit ratings can affect the cost at which Enercare can access the capital markets and the interest payable under the 2014 Credit Facility and 2016 Term Loan.

Reliance on Key Executives

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

Market Value Fluctuations

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

Risks Relating to the Convertible Debentures

The likelihood that holders of the Convertible Debentures will receive payments owing to them under the terms of the Convertible Debentures will depend on Enercare's financial condition and creditworthiness. In addition, the Convertible Debentures are unsecured obligations of Enercare and are subordinate in right of payment to all of Enercare's existing and future Senior Indebtedness. Therefore, if Enercare becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, Enercare's assets will be available to pay its obligations with respect to the Convertible Debentures only after it has paid all of its Senior Indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Convertible Debentures then outstanding. The Convertible Debentures are also effectively subordinate to claims of creditors of Enercare's subsidiaries except to the extent that Enercare is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The Convertible Debenture Indenture does not prohibit or limit the ability of Enercare or its subsidiaries to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions. The Convertible Debenture Indenture does not contain any provision specifically intended to protect holders of Convertible Debentures in the event of a future leveraged transaction involving Enercare.

In the case of certain transactions, each Convertible Debenture will become convertible into the securities, cash or property receivable by a holder of Common Shares under the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Convertible Debentures in the future. For example, if Enercare were acquired in a cash

merger, each Convertible Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on Enercare's future prospects and other factors.

The Convertible Debentures may be redeemed with proper notice, at the option of Enercare, at any time and from time to time on and after June 30, 2015, with proper notice at a price equal to the principal amount plus accrued and unpaid interest. Holders of Convertible Debentures should assume that this redemption option will be exercised if Enercare is able to refinance at a lower interest rate or it is otherwise in the interest of Enercare to redeem the Convertible Debentures.

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

Reliance on Directors

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

Dilution of Shareholders

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

Uncertainty of Dividend Payments

As a corporation, Enercare's dividend level is at the discretion of the Board of Directors and will be evaluated periodically and may be revised depending on, among other factors, Enercare's earnings, the financial requirements of Enercare's operations, the satisfaction of solvency tests imposed by corporate law for the declaration and payment of dividends and other conditions that may exist from time to time. The dividend level is intended to allow for internally generated cash flow to support organic growth, maintain a strong balance sheet and provide sustainable monthly dividends to holders of Common Shares. There can be no guarantee that Enercare will maintain its current dividend level. Any reduction or suspension of dividends may materially adversely affect the market price or value of the Common Shares and Convertible Debentures.

Risks Related to the DE Acquisition

Risks Related to Rebranding

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

Assumption of Liabilities

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

Indemnities in the OHCS Asset Purchase Agreement

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

Risks Related to the Service Experts Business

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

In order to achieve the anticipated benefits of the SE 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 the Service Experts business and related operations with those of Enercare. The integration of the Service Experts business 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 SE 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; integration of information technology systems and resources; integrating the Service Experts business into Enercare's accounting system and adjusting Enercare's internal control environment to cover operations of the Service Experts business; 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 SE Transaction and integration.

Possible Failure to Realize Expected Returns on the SE Transaction

Business combinations such as the SE Transaction involve risks that could materially and adversely affect Enercare's business plan, including the failure of the SE 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 SE Transaction. 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 the Service Experts business with Enercare's existing business following the closing of the SE 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 the operations of the Service Experts business are conducted in United States dollars. Furthermore, Enercare partially financed the SE Transaction through the 2016 Term Loan and the proceeds thereof were 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, Common Share price and its ability to satisfy debt service obligations and to make dividend payments to holders of Common Shares as well as the returns it expects to realize from the SE 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 Common 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 2016 Term Loan); 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 SE Transaction, there can be no assurance that any credit ratings assigned to Enercare, Enercare Solutions' outstanding Senior Notes 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 2016 Term Loan. 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 the operations of the Service Experts business is in the United States, a jurisdiction where Enercare 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 in 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 the Service Experts business operates, which could materially adversely affect its ability to expand into or operate in the United States or integrate the Service Experts business 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 SE Transaction is unsuccessful, it could materially adversely affect Enercare's business, financial condition, results of operations and cash flow, and its ability to satisfy debt service obligations and to make dividend payments to holders of its Common Shares.

Assumption of Service Experts' Liabilities

Under the terms of the SE Acquisition Agreement, Enercare effectively assumed all of SEHAC's 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-acquisition due diligence and Enercare may not be indemnified for any of these liabilities under the SE Acquisition 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 SE Acquisition Agreement, and related indemnification, may not apply or be sufficient so as to fully indemnify Enercare for such liabilities. See also "– Indemnities in the SE Acquisition Agreement".

Risks Related to the Business Model of the Service Experts Business

Unlike Enercare, the business model used by the Service Experts business 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 its customer base and broad geographic footprint mitigates much of the risk associated with non-recurring contracted revenue and the Service Experts business has historically generated a significant amount of its revenues from repeat customers, there nevertheless remains the risk to its business and financial performance if a significant number of its customers elect to utilize the services of its competitors. Some of those competitors may be better capitalized, have better call center and distribution networks, offer higher service levels and/or offer similar products and services at a lower cost than the Service Experts business. Furthermore, the Service Experts business 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 SE Acquisition Agreement

The representations and warranties provided by SEHAC pursuant to the SE Acquisition Agreement were customary for a transaction of this nature; however, the indemnities provided by the security holders of SEHAC were 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 SE Acquisition 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 SE Acquisition Agreement for which it is entitled to be indemnified.

Dependence on Key Personnel

Enercare has retained key personnel of Service Experts following the completion of the SE 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 SE Transaction. Enercare’s failure to retain key personnel, or identify suitable replacements, as part of the management team of the Service Experts business in the period following the SE Transaction could have a material adverse effect on the Service Experts business and, therefore, Enercare’s results of operations.

Risks Related to Potential Asset Sales

Enercare may be required, as a result of 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 business location with that of a franchisee, to divest of assets or facilities of the Service Experts business following the closing of the SE 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 Enercare’s financial position, results of operations or cash flows.

Other Risks

As the Service Experts business is substantially similar to Home Services business, many of the risks applicable to Enercare as described in this AIF will be applicable to the Service Experts business. In particular, as is the case with the Home Services business, (i) as the vast majority of customers of the Service Experts business are consumers, it is subject to consumer protection laws and regulations in both Canada and the United States and no assurance can be given that it will be able to comply with such laws and regulations, or any future laws, rules, regulations and

policies, (ii) the Service Experts business 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. 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 the Service Experts business resulting in customer complaints, and (iii) the 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 it 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.

Risks Related to the Sub-metering Business and Industry

Regulatory Changes

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

Uninsured or Underinsured Risks

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

MARKET FOR SECURITIES

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

2016	Price		Trading Volume
	High \$	Low \$	(000’s)
January	16.12	14.61	6,035
February	16.5	15	2,523
March	15.96	15.03	8,399

2016	Price		Trading Volume
	High \$	Low \$	(000's)
April	16.13	15.11	8,129
May	16.6	15.71	7,808
June	17.35	16.2	7,545
July	17.91	17.04	4,212
August	19.05	17.16	9,440
September	19.2	18.07	7,331
October	19.76	18.7	4,636
November	19.58	17.52	7,237
December	18.34	17.78	4,503

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

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

2016	Price		Trading Volume
	High \$	Low \$	\$
January	-	-	-
February	250	228.57	1,330
March	240	234.54	140
April	245	220.56	2,540
May	254.5	243.52	580
June	253.98	253.98	50
July	270.8	269	320
August	290.91	272	150
September	290.01	280	120
October	300.5	290.12	120
November	284.8	277.45	110
December	280.6	275	830

PRINCIPAL SHAREHOLDERS

As of March 31, 2017, to the knowledge of management and the Directors of Enercare, no person beneficially owns, or controls or directs, directly or indirectly, Common Shares carrying more than 10% of the voting rights attached to any class of outstanding shares of Enercare entitled to vote in connection with any matters being proposed for consideration at a meeting of shareholders.

REGISTRAR AND TRANSFER AGENT

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

MATERIAL CONTRACTS

The following are the material contracts (other than those entered into in the ordinary course of business) of Enercare or its subsidiaries entered into within the last financial year or before the last financial year and still in effect:

- the Senior Unsecured Indenture;
- the Convertible Debenture Indenture;
- the OHCS Asset Purchase Agreement;
- the Pension Asset Transfer Agreement;
- the Non-Competition Agreement;
- the Third Amended and Restated Credit Agreement; and
- the SE Acquisition Agreement.

A general description of the OHCS Asset Purchase Agreement, the Pension Asset Transfer Agreement, the Non-Competition Agreement and the SE Acquisition Agreement is set out below. A general description of the other material contracts listed above can be found elsewhere in this AIF. The general description includes a summary of the material attributes of such agreements but is not complete and is qualified by reference to the terms of the material agreements, which are available on SEDAR at www.sedar.com. Investors are encouraged to read the full text of such material agreements.

Key Terms of the OHCS Asset Purchase Agreement

The assets of DE’s OHCS business were acquired by EHCS on October 20, 2014 pursuant to the OHCS Asset Purchase Agreement for a purchase price of approximately \$550,390, subject to

working capital adjustments. The OHCS Asset Purchase Agreement contained representations and warranties customary for transactions of this nature negotiated between sophisticated purchasers and sellers acting at arm's length, certain of which are qualified as to materiality and knowledge and subject to reasonable exceptions. Subject to certain exceptions, the representations and warranties of DE in the OHCS Asset Purchase Agreement survived for a period of 18 months from the closing date of the DE Acquisition. All OHCS employees covered by a collective agreement and all non-unionized employees from the closing date of the DE Acquisition who received and accepted offers of employment from Enercare became employees of Enercare and/or its subsidiaries on October 20, 2014, although certain employees remained employees of DE until the completion of certain decoupling activities by DE pursuant to the Transition Services Agreement.

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

Pension Asset Transfer Agreement

In connection with the DE Acquisition, Enercare, EHCS and DE entered into the pension asset transfer agreement (the "**Pension Asset Transfer Agreement**") pursuant to which DE transferred certain defined benefit and defined contribution pension assets in respect of OHCS into a new pension plan which was assumed by Enercare Solutions upon receipt of regulatory approval on December 1, 2015. The transfer was completed on January 28, 2016. DE funded the new pension plan on a solvency basis prior to the closing of the DE Acquisition by placing the estimated deficit amount in an escrow account. Such estimated deficit was released from the escrow account and funded into the new pension plan once the requisite regulatory approvals were obtained, at which point the amount required to fund the new pension plan was fixed. As the estimated deficit originally funded into the escrow account is less than the fixed amount determined as at the transfer date, the difference was funded by DE directly into the new pension plan on the transfer date. The defined benefit component of the pension plan is closed to new members. Further information regarding the pension plan can be found in Enercare's financial statements as at and for the year ended December 31, 2015.

Non-Competition and Non-Solicitation Agreement

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

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

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

SE Acquisition Agreement

Enercare Solutions acquired, through a merger, 100% of the outstanding shares of SEHAC pursuant to an acquisition agreement (the “**SE Acquisition Agreement**”) for approximately US\$340,750, excluding transaction costs, subject to customary working capital and other adjustments. The SE Acquisition Agreement contained representations and warranties customary for transactions of this nature negotiated between sophisticated purchasers and sellers acting at arm’s length, certain of which were qualified as to materiality and knowledge and subject to certain exceptions. Subject to certain exceptions, the representations and warranties of SEHAC in the SE Acquisition Agreement survive the closing of the SE Transaction for a period beginning on such closing date and ending on the date that is the earlier of (x) June 30, 2017 and (y) 30 days following the completion of the year-end audit for SEHAC’s fiscal year ending December 31, 2016. Certain fundamental representations, however, survive the closing of the SE Transaction for a period of three years and 90 days following the SE Transaction closing date. Pursuant to the SE Acquisition Agreement, the shareholders in SEHAC (the “**Securityholders**”) have severally indemnified Enercare Solutions against any loss arising from (A) a breach of a representation, warranty, covenant or obligation given by SEHAC under the SE Acquisition Agreement and (B) certain other claims, including with respect to pre-closing taxes and certain specified litigation. The indemnity with respect to breaches of representations and warranties (other than specified fundamental representations and warranties) is subject to certain limitations, including that the Securityholders are not required to indemnify Enercare Solutions unless and until Enercare Solutions’ losses exceed US\$2,555, at which point the Securityholders will be responsible for the excess amount of such losses, up to US\$2,555. Enercare Solutions has additional recourse for breaches of representations and warranties under the RWI Policy, described below. Only Enercare Solutions will be entitled to bring a claim or action for misrepresentation or breach of contract under the SE Acquisition Agreement.

Concurrently with entering into the SE Acquisition Agreement, Enercare Solutions obtained the RWI Policy effected through Ambridge Partners LLC, as representative for the insurers underwriting the RWI Policy. Subject to certain exclusions, the RWI Policy will protect Enercare Solutions against losses arising out of a breach of the representations and warranties of SEHAC contained in the SE Acquisition Agreement as well as the Securityholders' indemnification obligations for pre-closing taxes. The RWI Policy has a limit of liability of US\$30,000 and a term of three years; however, the fundamental representations and warranties and pre-closing tax liabilities are covered under the RWI Policy for a term of six years. The aggregate retention (deductible) amount under the RWI Policy for all breaches discovered on or prior to the date which is 12 months from the closing of the SE Transaction is US\$5,110. For any loss in respect of a breach that is first discovered after the date which is 12 months from such closing, the retention (deductible) amount under the RWI Policy will be reduced to the lesser of: (i) US\$2,555; and (ii) the then-remaining retention (deductible) amount. The RWI Policy contains customary exclusions, as well as certain transaction-specific exclusions, including for certain known tax exposures, known environmental issues and known litigation.

INTERESTS OF EXPERTS

Enercare's auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario M5J 0B2, who are independent with respect to Enercare and its subsidiaries within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to Enercare, including the documents referenced under "Material Contracts", can be found on SEDAR at www.sedar.com. Additional information, including directors' remuneration and indebtedness, principal holders of securities and securities authorized for issuance under equity compensation plans is contained in Enercare's information circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in Enercare's annual consolidated financial statements as at and for the period ended December 31, 2016, including the notes thereto, and related management's discussion and analysis and related management's discussion and analysis, all of which can be found on SEDAR at www.sedar.com.

GLOSSARY OF TERMS

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

“**2014 Credit Facility**” means the 2014 Line of Credit and the 2014 Term Credit Facility under the Third Amended and Restated Credit Agreement.

“**2014 Line of Credit**” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – 2014 Credit Facility”.

“**2014 Term Credit Facility**” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – 2014 Credit Facility”. The 2014 Term Credit Facility was repaid on February 23, 2017.

“**2016 Offering**” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – Enercare Completes \$239,800 Bought Deal Offering of SE Subscription Receipts”.

“**2016 Offering Price**” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – Enercare Completes \$239,800 Bought Deal Offering of SE Subscription Receipts”.

“**2016 Term Loan**” means the debt financing of Enercare Solutions in respect of the SE Transaction consisting of two unsecured 4-year variable rate term credit facilities in the aggregate amount of US\$200,000.

“**2017 Offering**” has the meaning given to it under “Enercare Inc. – Recent Developments”.

“**AIF**” means this annual information form.

“**Aire Serv Heating & Air Conditioning**” means Aire Serv Heating & Air Conditioning LLC.

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

“**American Residential Services**” means American Residential Services LLC.

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

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

“**Articles**” means the articles of incorporation of Enercare dated September 27, 2010, as amended.

“**Audit Committee**” means the audit committee as appointed by the Board.

“**Bill 55**” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – Changes to the Consumer Protection Act, 2002”.

“**Bill 59**” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – Enercare commends the introduction of the Putting Consumers First Act, 2016”.

“**Board**” or “**Board of Directors**” means the board of directors of Enercare.

“**Canada Yield Price**” means, on any day with respect to a Series 2013-1 Note, Series 2017-1 Note and a Series 2017-2 Note, a price equal to the net present value of all scheduled payments of interest (other than accrued and unpaid interest) and principal on such note to (a) in respect of a Series 2013-1 Note, its maturity date, discounted to such day using as a discount rate equal to the sum of the Government of Canada Yield plus 0.71% per annum; (b) in respect of a Series 2017-1 Note, its maturity date, discounted to such day using as a discount rate equal to the sum of the Government of Canada Yield plus 0.535% per annum; and (c) in respect of a Series 2017-2 Note, its maturity date, discounted to such day using as a discount rate equal to the sum of the Government of Canada Yield plus 0.61% per annum.

“**CBA**” means the collective bargaining agreement negotiated and ratified in 2012 and 2014 by DE with Unifor Local 975.

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

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

“**Cobourg Network**” means Cobourg Network Inc. and includes its successors and assigns.

“**Code**” means Enercare’s Code of Business Conduct.

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

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

“**Competition Act**” means the *Competition Act* (Canada).

“**Concurrent Private Placement**” has the meaning given to it under “Enercare Inc. – Recent Developments”.

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

“**Consideration**” has the meaning given to it under “Enercare Inc. – Acquisitions and Business Expansion”.

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

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

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

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

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

“**Co-ownership Agreement**” means the co-ownership agreement dated December 17, 2002 between, among others, DE, Rentco and the Custodian, as assigned by Rentco to ESLP on December 17, 2002, as amended on February 6, 2003, January 1, 2005, December 29, 2006, February 8, 2007 and April 25, 2007, as assigned by DE to EHCS on October 20, 2014, as further amended on January 1, 2015, as assigned by the Custodian to EHCS GP Inc., as successor custodian, on January 1, 2015, and as may be further amended, modified, supplemented, restated or replaced from time to time.

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

“**Cricket Home Services**” means Cricket Home Comfort Inc.

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

- (a) Custodial Rental Contracts (including all receivables generated thereby on and after December 17, 2002),
- (b) all customer records and information required for billing and collecting Rental Portfolio rentals and performing the Custodian’s obligations under the Custodial Rental Contracts (as updated from time to time by the Servicer),
- (c) OBA,
- (d) Amended Receivables Trust Agreement,
- (e) all product warranty rights from manufacturers relating to the Rental Portfolio which have not been assigned to ESLP, as owner of the Rental Portfolio, and

- (f) a limited license to use DE's trademarks in accordance with the terms of the Co-ownership Agreement.

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

“Custodian” means CIBC Mellon in its capacity as agent and nominee of the Co-owners under the terms of the Co-ownership Agreement until January 1, 2015 when EHCS GP Inc. was appointed as successor custodian under the Co-ownership Agreement.

“DBRS” means DBRS Limited, and its successors.

“DE” means Direct Energy Marketing Limited.

“DE Acquisition” has the meaning given to it under “Enercare Inc. – Corporate History”.

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

“DE Subscription Receipts” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – DE Acquisition”.

“Directors” means the directors of Enercare.

“DRIP” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – Enercare Announces Adoption of a Dividend Reinvestment Plan”.

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

“EBITDA” means earnings before interest, tax, depreciation and amortization.

“Eco Energy” means Eco Energy Home Services Inc.

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

“**EGD Payment**” means the payment made by EGD to Enercare pursuant to the OBAs constituting, subject to certain exceptions, 99.51% (99.51 for 2016 and 99.49% for 2015) of all amounts invoiced to applicable customers on the EGD bill.

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

“**EGNB Origination Agreement**” means the origination and servicing agreement dated as of July 7, 2011 between EGNB and ESLP, as amended and restated on May 31, 2012, and as further amended on April 1, 2013, April 1, 2014, April 1, 2015 and April 1, 2016 and as the same may be further amended, modified, restated or replaced from time to time.

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

“**EHCS GP Inc.**” means Enercare Home and Commercial Services Inc., a wholly-owned subsidiary of Enercare Solutions which is the general partner of EHCS.

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

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

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

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

“**Enercare OBA**” means the amended and restated open bill access and collection services agreement and related agreements effective January 6, 2014 between ESLP and EGD.

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

“**Enercare Solutions Shares**” means the common shares of Enercare Solutions.

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

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

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

“**Extended Protection Plan**” has the meaning given to it under “Home Services - Protection Plan Portfolio”.

“**Extended Protection Plan Program**” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – Extended Protection Plan Program”.

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

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

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

“**Governance and Compensation Committee**” means the governance and compensation committee as appointed by the Board.

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

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

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

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

“**Guarantors**” means, collectively, ESLP, Rentco and WGP Inc., and prior to January 1, 2011, Holding LP, and on and after October 20, 2014, EHCS and EHCS GP Inc., and on and after May 11, 2016, SEHAC and its operating affiliates and subsidiaries and SE Canada, and “**Guarantor**” means any one of them.

“**GWF**” means GWF MessSysteme AG.

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

“**Home Services**” means Enercare’s business division that provides the Rental Portfolio, Protection Plan Portfolio, HVAC Sales and Other Services.

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

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

“**HVAC Sales**” has the meaning given to it under “Enercare Inc. – Home Services”.

“**IFRS**” means International Financial Reporting Standards.

“**Indenture Change of Control**” has the meaning given to it under “Consolidated Capitalization of Enercare – Senior Indebtedness – The Senior Notes”.

“**Ministry**” means the Ontario Ministry of Consumer Services.

“**NCIB**” means the Normal Course Issuer Bid instituted by Enercare in July 2015 and renewed in July 2016.

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

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

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

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

“**OHCS**” has the meaning given to it under “Enercare Inc. – Acquisitions and Business Expansion”.

“**OHCS Asset Purchase Agreement**” means the asset purchase agreement dated as of July 24, 2014 between EHCS, Enercare and DE.

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

“**Ontario Consumers Home Services**” means Ontario Consumers Home Services Inc.

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

“**Origination Agreement**” means the origination agreement dated December 17, 2002 between Rentco and DE providing for the sale to ESLP of rental water heaters originated by DE, as amended on January 1, 2005, December 29, 2006, January 1, 2013 and August 1, 2013, as assigned by DE to EHCS on October 20, 2014 and as may be further amended, modified, supplemented, restated or replaced from time to time.

“**Other Services**” has the meaning given to it under “Enercare Inc. – Home Services”.

“**Pension Asset Transfer Agreement**” means the pension asset transfer agreement dated October 20, 2014 between Enercare, EHCS and DE, as may be amended, modified, supplemented, restated or replaced from time to time.

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

“**Protection Plan Portfolio**” has the meaning given to it under “Enercare Inc. – Home Services”.

“**QMC**” means Quadlogic Meters Canada Inc.

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

“**Regulations**” means the regulations under the Consumer Protection Act.

“**Reliance**” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – Enercare Provides Voluntary Assurance to the Competition Bureau regarding Water Heater Returns”.

“**Rental Portfolio**” has the meaning given to it under “Enercare Inc. – Home Services”.

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

“**Right**” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – Reconfirmation of the Shareholder Rights Plan”.

“**Rights Plan**” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – Reconfirmation of the Shareholder Rights Plan”.

“**Risks**” has the meaning given to it under “Directors and Officers – Corporate Responsibility and Risk Management Committee”.

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

“**RWI Policy**” has the meaning given to it under “Risk Factors – Risks Related to the Business of Service Experts”.

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

“**SE Acquisition**” means the contemplated acquisition of Service Experts by Enercare through an indirect wholly-owned subsidiary of Enercare Solutions pursuant to the SE Acquisition Agreement.

“**SE Acquisition Agreement**” has the meaning given to it under “Material Contracts”.

“**SE Credit Facility**” means the debt financing of Enercare Solutions in respect of the SE Acquisition consisting of an unsecured 4-year variable rate term credit facility in the aggregate amount of US\$200,000.

“**SE Subscription Receipts**” means the \$239,800 of subscription receipts issued by Enercare on a bought deal basis in relation to the SE Transaction.

“**SE Transaction**” means the acquisition of Service Experts by Enercare through an indirect wholly-owned subsidiary pursuant to the SE Acquisition Agreement.

“**Securityholders**” has the meaning given to it under “Material Contracts”.

“**SEHAC**” means SEHAC Holdings LLC (formerly SEHAC Holdings Corporation).

“**Senior Indebtedness**” means any indebtedness outstanding under the Senior Unsecured Indenture from time to time, including the Series 2013-1 Notes, the Series 2017-1 Notes and the Series 2017-2 Notes, under the 2014 Line of Credit and under the 2016 Term Loan.

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

“**Senior Notes**” means the Series 2013-1 Notes, the Series 2017-1 Notes and the Series 2017-2 Notes and prior to March 6, 2013, the Series 2009-2 Notes, and prior to December 21, 2012, the Series 2010 Notes and prior to April 30, 2012, the Series 2009-1 Notes, and prior to March 23, 2017, the Series 2012-1 Notes and any other series of senior notes authorized, issued and certified in accordance with the terms of the Senior Unsecured Indenture and for the time being outstanding.

“**Senior Unsecured Indenture**” means the trust indenture dated as of January 29, 2010 between the Operating Trust, as issuer, the Guarantors, as guarantors, and Computershare Trust Company of Canada, as indenture trustee, as supplemented by the first supplemental indenture dated as of January 29, 2010, the second supplemental indenture dated as of February 19, 2010, the third supplemental indenture dated as of December 1, 2010, the fourth supplemental indenture dated as of January 1, 2011, the fifth supplemental indenture dated as of September 30, 2012, the sixth supplemental indenture dated as of November 21, 2012, the seventh supplemental indenture dated as of February 1, 2013, the eighth supplemental indenture dated as of October 20, 2014,

the ninth supplemental indenture dated as of May 11, 2016, the tenth supplemental indenture dated as of June 10, 2016, the eleventh supplemental indenture dated as of February 21, 2017 and the twelfth supplemental indenture dated as of as of February 21, 2017 the same may be amended, modified, supplemented, restated or replaced from time to time. The Operating Trust was wound-up and dissolved in connection with the Conversion and all of the covenants and obligations of the Operating Trust with respect to the Senior Unsecured Indenture were assumed by Enercare Solutions.

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

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

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

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

“**Series 2012-1 Notes**” means the \$250,000 principal amount of 4.30% Series 2012-1 Senior Unsecured Notes of Enercare Solutions due November 30, 2017, which were repaid on March 23, 2017.

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

“**Series 2017 Notes**” means, collectively, the Series 2017-1 Notes and the Series 2017-2 Notes.

“**Series 2017-1 Notes**” means the \$275,000 principal amount of 3.38% Series 2017-1 Senior Unsecured Notes of Enercare Solutions due February 21, 2022.

“**Series 2017-2 Notes**” means the \$225,000 principal amount of 3.99% Series 2017-2 Senior Unsecured Notes of Enercare Solutions due February 21, 2024.

“**Service Experts**” means Enercare’s business division that provides HVAC Equipment and servicing to residential and light commercial customers.

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

“**Stratacon-EECI Amalgamation**” means the amalgamation of certain subsidiaries of Enercare, including Stratacon and EECI, under the laws of Ontario effective January 1, 2012.

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

“**Sub-metering**” means, in the context of Enercare’s business, Enercare’s business division that provides sub-metering equipment and billing services.

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

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

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

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

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

“**Summit Energy**” means Summit Energy Inc.

“**Third Amended and Restated Credit Agreement**” means the credit agreement made as of December 18, 2009 between the Operating Trust, the Guarantors, a Canadian chartered bank, and the financial institutions a party thereto, as amended and restated by an amended and restated credit agreement made as of January 1, 2011 between Enercare Solutions, the Guarantors, a Canadian chartered bank, and the financial institutions a party thereto, as amended and restated by a second amended and restated credit agreement made as of July 6, 2011 between Enercare Solutions, the Guarantors, a Canadian chartered bank, and the financial institutions a party thereto, which was further amended on November 15, 2012, February 26, 2013 and July 4, 2014, and as further amended and restated by a third amended and restated credit agreement made as of October 20, 2014 between Enercare Solutions, the Guarantors, a Canadian chartered bank, and the financial institutions a party thereto, as amended and supplemented on May 11, 2016, as supplemented on June 10, 2016 and as further amended on December 22, 2016.

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

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

“**Toronto Hydro Energy**” means Toronto Hydro Energy Services Inc.

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

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

“**TPSI**” means Triacta Power Solutions Inc., a company incorporated under the laws of the Province of Ontario.

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

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

“**Triacta**” means Triacta Power Technologies Inc., a corporation incorporated under the laws of Ontario, which was amalgamated with Enercare Connections effective July 15, 2015.

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

“**TSSP**” means TPG Special Situations Partner, LLC.

“**TSX**” means the Toronto Stock Exchange.

“**Unitholder**” means a holder of Units.

“**Units**” means trust units of the Fund.

“**Voting Shares**” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – Reconfirmation of the Shareholder Rights Plan”.

“**Vista Credit**” means Vista Credit Corp.

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

“**Water Treatment Solutions**” has the meaning given to it under “Enercare Inc. – Developments in 2014, 2015 and 2016 – Rental of Water Treatment Solutions”.

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

APPENDIX A
AUDIT COMMITTEE MANDATE

Last reviewed by the Board of Directors on March 6, 2017

INTRODUCTION:

A. Establishment of Committee and Procedures

1. Composition of Committee

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

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

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

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

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

2. Governance and Procedure

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

3. Chair of the Audit Committee

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

4. The Corporation's Auditors

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

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

5. Review of Mandate

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

6. Frequency of Meetings

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

7. Reporting

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

8. Retention of Advisors

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

9. Disclosure

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

B. General Mandate of Committee

The role of the Committee, subject to the determination of the Board from time to time, is to review: (i) the engagement of auditors; (ii) the financial policies and procedures of the Corporation; (iii) the financial statements of the Corporation; and (iv) budgets. In furtherance of this role, the Committee provides assistance to the Board in fulfilling its oversight responsibility to the shareholders of the Corporation, the investment community and others, relating to the integrity of the Corporation's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the external auditors' qualifications, independence, performance and reports, the legal and environmental compliance programs related to financial risk as may be established by management and the Board, and the financial risk identification, assessment and management program. In so doing, it is the Committee's responsibility to maintain an open avenue of communication between the Committee, the external auditors, the internal auditors and management of the Corporation.

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

C. Duties and Responsibilities

The Committee shall have the following specific duties and responsibilities:

1. Audit and Financial Matters

The Committee shall:

- (a) have responsibility for recommending to the Board the external auditors to be nominated for appointment and the compensation and retention of the external auditors and shall have responsibility for approving non-audit services and fees and in doing so, shall:
 - (i) review the experience and qualifications of the external auditors' senior personnel who are providing audit services to the Corporation and the quality control procedures of the external auditors;
 - (ii) review the basis and amount of the external auditors' fees;
 - (iii) review and discuss with the external auditors all relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the external auditors' independence, including, without limitation (i) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation, (ii) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (iii) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence;
 - (iv) resolve disagreements between management and the external auditors regarding financial reporting;
 - (v) approve audit services;
 - (vi) pre -approve the appointment of the external auditor for any non-audit service to be provided to the Corporation or its subsidiaries. The Committee may establish policies and procedures, from time to time, pre-approving the appointment of the external auditor for certain non-audit services. In addition, the Committee may delegate to one or more members of the Committee the authority to pre approve the appointment of the external auditor for any non-audit service to the extent permitted by applicable law, provided that any pre-approvals granted pursuant to such delegation shall be reported to the full Committee at its next scheduled meeting;

- (vii) inform the external auditors and management that the external auditors shall have access directly to the Committee at all times, as well as the Committee to the external auditors;
 - (viii) instruct the external auditors that they are ultimately accountable to the Committee and are required to report directly to the Committee;
 - (ix) on an annual basis, review the performance of the external auditors, including the lead partner responsible for providing the audit services;
 - (x) on an annual basis, obtain and review a report from the external auditors regarding the external auditors internal quality-control procedures and any material issues raised by the most recent internal quality-control review, peer review of the external auditors or by any inquiry or investigation by any governmental or professional authorities within the preceding 5 years and any steps taken to deal with such material issues; and
 - (xi) ensure the rotation of each of the lead partner responsible for providing the audit services, the concurring partner responsible for reviewing the audit services and other audit partners as required by applicable law;
- (b) review the Corporation's annual and quarterly financial statements and management's discussion and analysis in connection thereto with management and the external auditors to gain reasonable assurance that the statements are accurate, complete, represent fairly the Corporation's financial position and performance and are in accordance with the accounting standards or principles used by the Corporation and report thereon to the Board before such financial statements are approved by the Board;
 - (c) review the Corporation's annual and interim earnings press releases before they are publicly disclosed;
 - (d) review all other financial statements and related disclosures of the Corporation that require approval by the Board before they are released to the public, including, without limitation, financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities;
 - (e) review disclosures made to the Committee by the President and Chief Executive Officer and Chief Financial Officer of the Corporation during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses in the design or operation of the Corporation's internal control over financial reporting which are

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

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

Corporation's internal controls to ensure the Corporation is in compliance with legal and regulatory requirements and with the Corporation's policies;

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

of the Corporation and inform the internal auditors and management that the internal auditors shall have unfettered access directly to the Committee at all times, as well as the Committee to the internal auditors;

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

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

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