enercare™

Enercare Inc.

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

First Quarter ended March 31, 2016

Dated May 12, 2016

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The condensed interim consolidated financial statements of Enercare are prepared in accordance with IFRS. Enercare's basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the condensed interim consolidated financial statements for the period ended March 31, 2016. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units and "per unit" amounts, Shares and "per Share" amounts, SE Subscription Receipts and percentages (except as otherwise noted). Unless otherwise specified, dollar amounts are expressed in Canadian currency.

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

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

FORWARD-LOOKING INFORMATION

This MD&A, dated May 12, 2016, contains certain forward-looking statements that involve various risks and uncertainties and should be read in conjunction with Enercare's 2015 audited consolidated financial statements. Additional information in respect of Enercare, including the AIF, can be found on SEDAR at www.sedar.com.

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

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

OVERVIEW

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

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

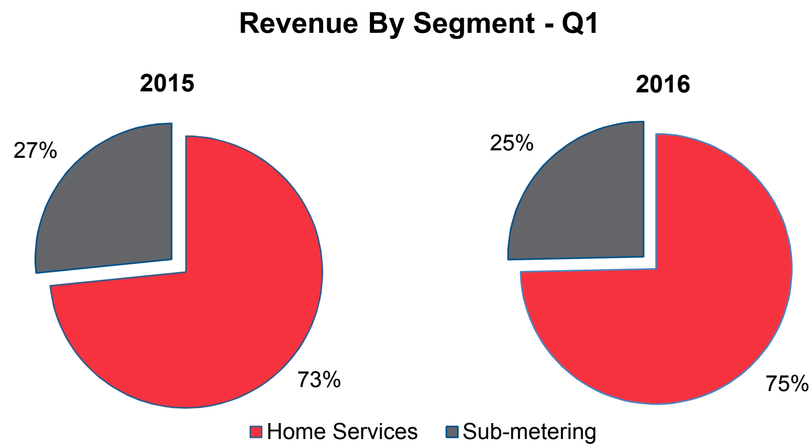
Through its Home Services and Sub-metering businesses, Enercare provides intelligent and energy-efficient products, services, programs and solutions that enable homeowners, multi-unit owners and tenants to make a substantial contribution to Canada's growing culture of energy conservation.

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

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

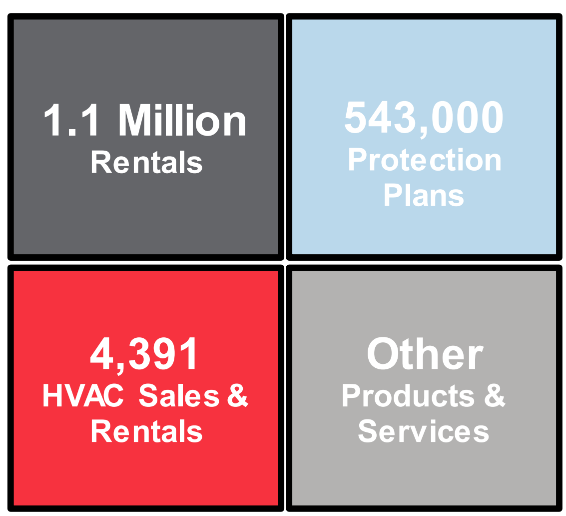
PORTFOLIO SUMMARY

Enercare's primary businesses are comprised of Home Services and Sub-metering. As seen by the graph below, the Home Services business accounted for 75% of the overall revenue during the first quarter of 2016. Prior to the DE Acquisition, the Home Services segment was mainly comprised of water heater and HVAC rental products, primarily subject to the origination and servicing arrangements with DE. Since the DE Acquisition, Home Services includes the other revenue sources discussed below.



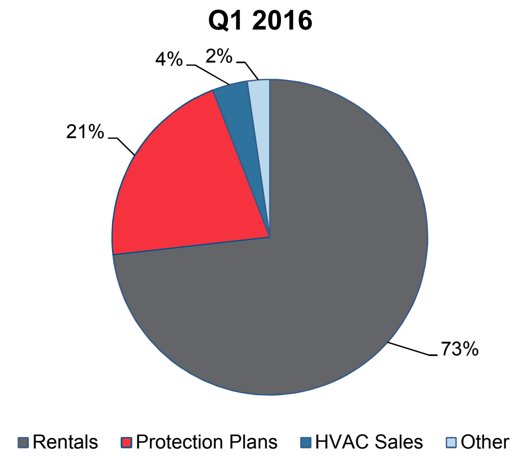
Home Services Business

There are four main business activities within Home Services: Rentals, Protection Plans, HVAC Sales and Other (which includes duct cleaning, chargeable plumbing work and other chargeable services). The following diagram shows the breakdown of customer contracts for each such activity ending in the first quarter of 2016.



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

Home Services Revenue By Category

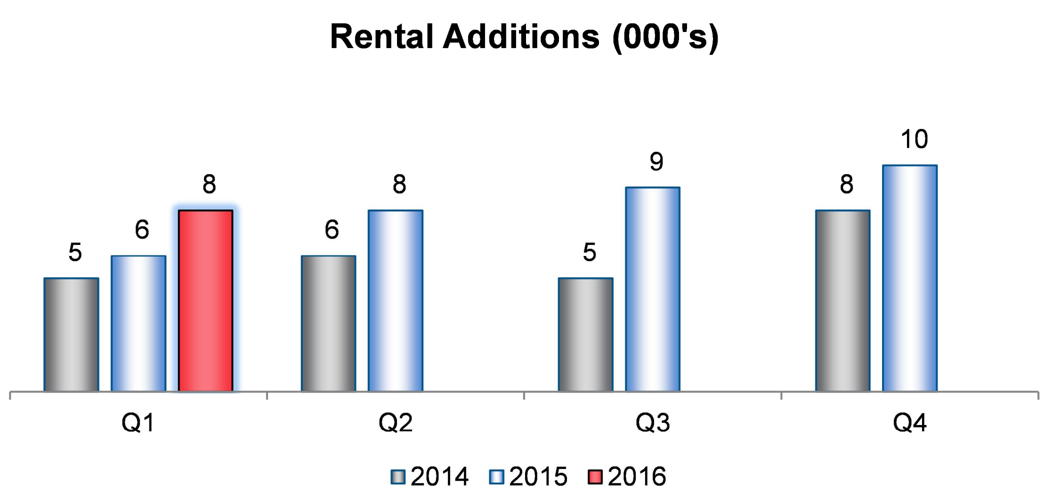


Rentals

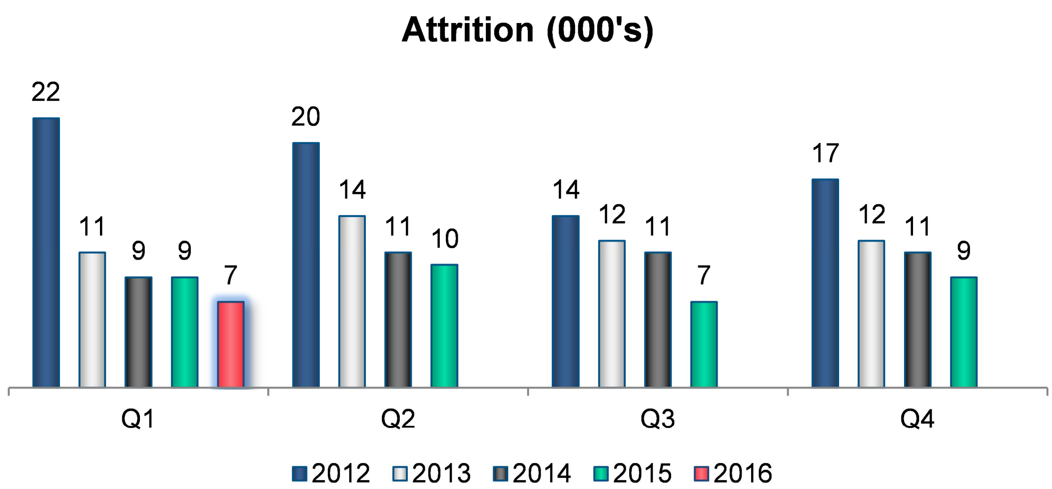
Prior to the DE Acquisition, Enercare had expanded its Home Services business through a number of acquisitions and origination arrangements with various parties; however, approximately 90% of the Rentals revenue was subject to the Co-ownership Agreement.

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

Enercare is focused on growing its rental portfolio by increasing originations and reducing Attrition. Originations are primarily obtained from the new home builder market and new customers identified through its field technicians. New products, such as rental HVAC (discussed further below in the section entitled "HVAC Sales and Rentals"), have contributed significantly to increasing total originations. As seen in the graph below, additions were 8,000 units in the first quarter of 2016, an increase of 33%, compared to the same period in 2015.

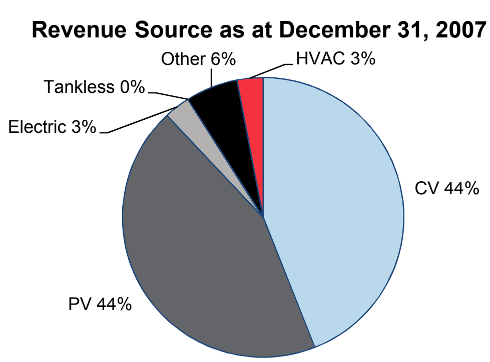


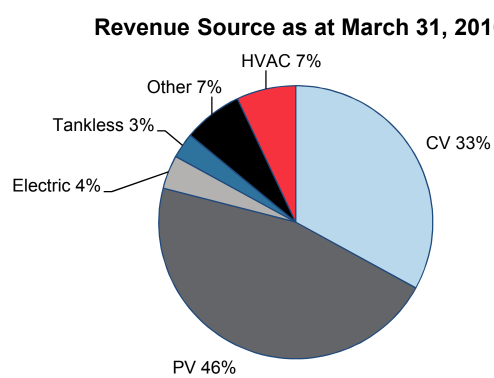
To aid in the reduction of Attrition, Enercare has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with enhancements to our customer value proposition (for example, the "same day service campaign") and the coming into effect of Bill 55 on April 1, 2015, have helped to significantly reduce Attrition. Attrition decreased in the first quarter of 2016 by 2,000 units or 22%, compared to the same period in 2015. Attrition has improved year-over-year since 2009. The chart below illustrates Attrition trends since 2012.



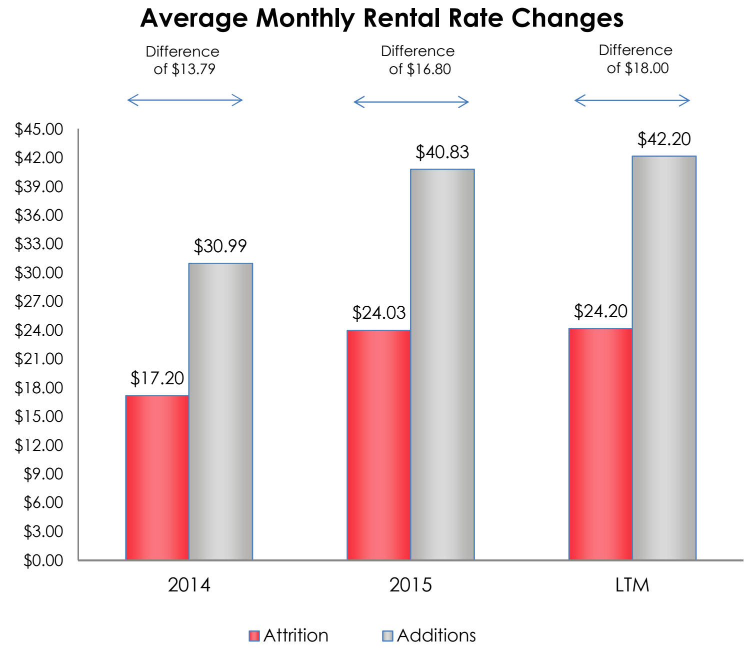
Rental unit growth has surpassed Attrition during the third and fourth quarters of 2015 and the first quarter of 2016 by approximately 4,000 units, the first three consecutive quarters of net unit growth since 2005.

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

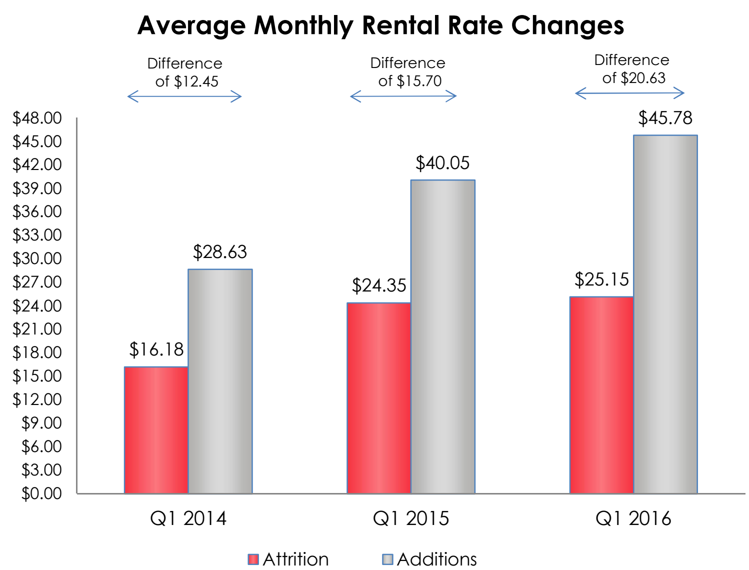




The impact of changes in product mix over time is outlined further in the graph below, which shows revenue for the last twelve months to March 31, 2016 from unit additions contributing approximately $18.00 per unit more than revenue from units lost on account of Attrition. New customers are worth approximately 1.7 times that of a lost customer.



This difference in rental rates applicable to new and lost customers has increased steadily over the past three years, with the first quarter of 2016 revenue spread widening to $20.63, an increase of $4.93 over the same period in 2015.



Subsequent to the DE Acquisition, Enercare offers the following additional products and services:

Protection Plans

Home Services sells a variety of plans covering such items as furnaces, air conditioning, plumbing and appliances. There are essentially two types of protection plans: maintenance protection plans and full service protection plans. Maintenance protection plans essentially only provide for maintenance services, whereas full service protection plans provide a broader suite of protections, such as parts and labour. The plans are typically one year in length with monthly, quarterly or annual payment options. Due to the annual nature of the contract, the protection plans tend to have a higher churn rate.

As announced in the first quarter of 2015, Enercare launched an extended protection plan program on heating and air conditioning sales. Prior to the launch of this program, these types of plans were outsourced to a third party extended warranty provider. These plans not only allow Enercare to retain the customer relationship, but also provide for on-going maintenance, whereas the outsourced arrangement covered only limited parts and labour. These plans augment the customer value proposition when a customer chooses to purchase rather than rent. Since inception, approximately 76% of residential HVAC unit sales included an extended protection plan.

During the first quarter of 2016, Enercare experienced a decline of approximately 2,000 fewer protection plans as a result of the execution of its rental growth strategy. HVAC unit additions continued, in the first quarter of 2016, to be more through rentals than sales, and as a result, the opportunities for protection plan sales were fewer as rentals already include a service component. As well, approximately 2,000 rental HVAC unit additions in the first quarter of 2016 were originated from existing protection plan customers resulting in higher Protection Plan Attrition. The execution of our rental strategy is critical to the long term growth of the business, as we continue to grow our recurring revenue base, including service offerings that allow us to provide a valuable experience for customers while positioning ourselves for future cross selling opportunities.

The following table illustrates the protection plan contract continuity for the first quarter of 2016 and 2015.

	Three months ended March 31,	
Protection Plan Unit Continuity (000's)	**2016**	2015
Contracts - start of period	**545**	553
Portfolio additions	**14**	16
Protection Plan Attrition	**(16)**	(14)
Contracts - end of period	**543**	555
% change in units during the period	**(0.4%)**	0.4%

HVAC Sales and Rentals

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

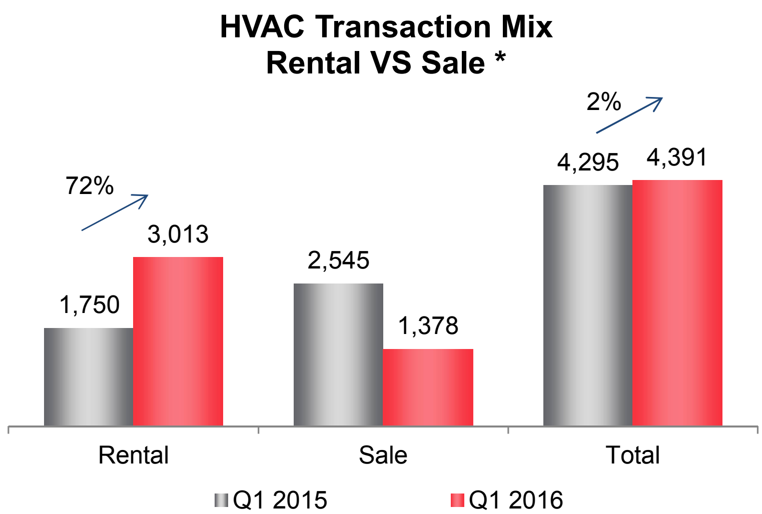
As part of Enercare's strategy to grow its recurring revenue customer base, in 2013 Enercare re-launched its HVAC rental program. Converting a customer from an outright sale to a long-term rental product is capital intensive and creates a short-term reduction in the income statement, as instead of a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

During the first quarter, Enercare rented approximately 3,013 new units, an increase of 72% over the prior year and sold approximately 1,378 units for a total of 4,391 HVAC units, compared to 4,295 units in the prior year, an increase of 2%. The unseasonably warmer temperatures experienced during the fourth quarter of 2015 continued into the first quarter of 2016. During the first quarter of 2016, the number of heating degree days[1] was 23% lower than both the first quarters of 2015 and 2014, and was the warmest first quarter in the past 10 years, surpassed only by 2012. This led to lower furnace breakdowns and therefore lower demand for HVAC replacements and repair. Consequently, Enercare had fewer HVAC sales opportunities, but nonetheless increased sales over the comparable period in 2015.

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

The strategy to convert HVAC sales into Rentals has resulted in increases to our recurring revenue. During the first quarter of 2016, HVAC rental revenue accounted for an increase of approximately $2,300 compared to the same period in 2015. Nevertheless, Enercare continues to be financially impacted by this strategy in the short-term. Enercare estimates that the increase in the number of rental HVAC originations from 1,750 in the first quarter of 2015 to 3,013 in the first quarter of 2016 resulted in reductions of $3,900 and $1,800 to revenues and EBITDA, respectively, compared to the same period in 2015. Furthermore, had all 3,013 new HVAC rental additions during the first quarter of 2016 been sales as opposed to rentals, revenues and EBITDA during the quarter would have increased by approximately $9,200 and $4,200, respectively. These estimates take into account the impact of lost one-time sales revenues from corporate sales and royalty revenues earned on franchisee sales, both net of rental revenues earned during the quarter, and capitalized costs which would have otherwise been included in cost of goods sold had these new HVAC rental additions been sales as opposed to rentals.

A first quarter 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.

Other

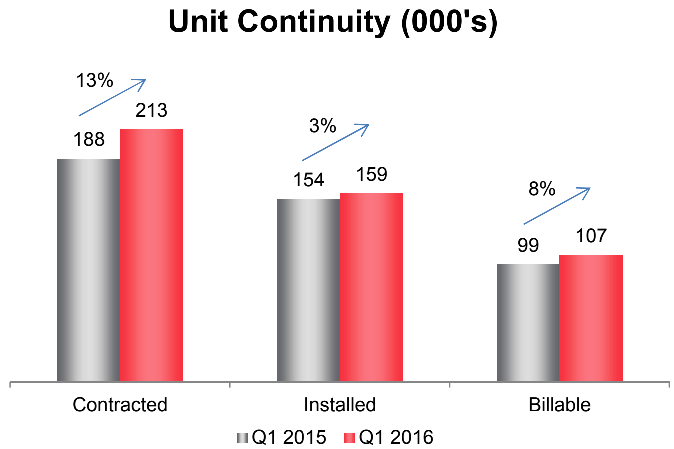
The Other category includes ancillary services such as duct cleaning, plumbing work and other non-contracted chargeable services provided by Home Services.

Sub-metering Business

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

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

Through acquisition and our subsequent growth in contracted units, many of the above-mentioned up-front capital investments have been made. As seen in the graph below, currently we have 213,000 contracted units. Of those contracted units, 159,000 have meters installed and 107,000 units are billing. We expect to experience continued revenue growth as these contracted units are turned into installed units and subsequently Billable units.



Over the past two years, Enercare has implemented a number of LEAN and continuous improvement initiatives improving work flow, efficiencies and expanding capacity within Sub-metering. Automation of standard work as well as LEAN tools and practices are now part of the regular operating rigor within Sub-metering. These improvements have contributed to the success experienced in growing sales contract units over past two quarter. Contracted units increased by 8,000 units in the first quarter of 2016, an increase of 5,000 or 167% over the same period in 2015.

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

FIRST QUARTER 2016 HIGHLIGHTS

(000's)	Three months ended March 31, **2016**	2015
Home Services	**$106,429**	$104,013
Sub-metering	**36,120**	37,722
Investment income	**100**	77
Total revenues	**$142,649**	$141,812
EBITDA[2]	**51,897**	51,725
Adjusted EBITDA[2]	**53,828**	53,477
Acquisition Adjusted EBITDA[2]	**58,121**	54,089
Earnings before income taxes	**11,237**	13,765
Current tax (expense)	**(12,256)**	(2,954)
Deferred income tax recovery/(expense)	**9,214**	(2,909)
Net earnings	**$ 8,195**	$ 7,902
Payout Ratio – Maintenance[3]	**60%**	48%
Payout Ratio[3]	**124%**	68%
Normalized Payout Ratio – Maintenance[4]	**52%**	56%
Normalized Payout Ratio[4]	**94%**	83%

The following highlights compare results for the first quarter of 2016 with the first quarter of 2015.

- Total revenues of $142,649 increased by $837, or 1% in the first quarter of 2016. Revenues in the Home Services business were $106,429, greater than the prior year by $2,416, primarily as a result of rental rate increases, asset mix changes and growth in rental HVAC units. Sub-metering revenues decreased to $36,120 from $37,722, primarily as a result of a $3,226 reduction in flow through commodity charges partly offset by higher Billable units.
- EBITDA increased by $172 to $51,897 in the first quarter of 2016, driven principally by improved total revenues partly offset by higher SG&A costs, primarily from costs associated with the SE Transaction. Adjusted EBITDA of $53,828 increased by $351 after removing from EBITDA the impact of the net loss on disposal of equipment. After removing $2,834 of acquisition related expenditures associated with the SE Transaction and $1,459 of integration and business transformation costs related to the DE Acquisition, Acquisition Adjusted EBITDA was $58,121 in the first quarter of 2016, an increase of $4,032 compared to the same period in 2015.
- During the first quarter of 2016, HVAC unit additions continued to be more through rentals than sales as a result of the success of our HVAC rental program. Emphasizing HVAC rentals over one-time sales resulted in lower Home Services revenue and EBITDA of approximately $3,900 and $1,800, respectively, in the first quarter of 2016 compared to the same period in 2015.
- EBITDA for the Sub-metering business increased by $331 or 11% in the first quarter of 2016, driven primarily by improvements in Billable units.
- Net earnings of $8,195 in the first quarter of 2016 increased by $293 or 4% compared to the same period in 2015, reflecting increased EBITDA and lower total taxes resulting from higher deferred income tax recoveries, partially offset by higher interest on SE Subscription receipts and equity bridge financing fees related to the SE Transaction and higher amortization.
- Attrition in the Rentals portfolio decreased by 22% or 2,000 units in the first quarter of 2016 and has improved year-over-year since 2009. Rental unit growth surpassed Attrition during the third and fourth quarters of 2015 and the first quarter of 2016 by approximately 4,000, the first three consecutive quarters of net unit growth since 2005.

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[2] EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.
[3] Payout Ratio – Maintenance and Payout Ratio are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.
[4] Normalized Payout Ratio – Maintenance and Normalized Payout Ratio are Non-IFRS financial measures which have been calculated by normalizing the distributable cash in both the Payout Ratio – Maintenance and Payout Ratio for the impact of the one year tax deferral in 2015, arising from the DE Acquisition, of approximately $4,750 during the first quarter. On a full year basis, total tax expense was approximately $19,001 lower, during 2015, as a result of this one year deferral which will reverse in 2016.

- The Payout Ratio – Maintenance, which includes only capital expenditures in respect of exchanged assets, was 60% in the first quarter of 2016 compared to 48% during the same period in 2015, primarily from lower Operating Cash Flow[5]. When normalized for the impact of the one year tax deferral, the Payout Ratio - Maintenance decreased to 52% for the first quarter of 2016, compared to 56% for the same period in 2015.
- The Payout Ratio was 124% in the first quarter of 2016, versus 68% for the same period in 2015 (see additional commentary under "*Distributable Cash and Payout Ratios*"). When normalized for the impact of the one year tax deferral, the Payout Ratio increased to 94% for the first quarter of 2016, compared to 83% for the same period in 2015.

RECENT DEVELOPMENTS

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

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

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

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

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

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

Enercare Signs Agreement to Acquire Service Experts

On March 7, 2016, Enercare and Enercare Solutions announced that Enercare Solutions entered into a definitive merger agreement (the "Merger Agreement") pursuant to which an indirect wholly-owned subsidiary of Enercare Solutions will acquire, through a merger, SEHAC Holdings Corporation ("Service Experts" or "SE") (the "SE Transaction") for consideration of US$340,750, excluding transaction costs (the "Consideration"), subject to customary working capital and other adjustments. The SE Transaction closed on May 11, 2016 (see "– Enercare Completes Acquisition of Service Experts" in this MD&A).

In conjunction with the SE Transaction, Enercare also announced that it entered into an agreement with a syndicate of underwriters to issue, on a bought deal basis, approximately $218,000 of subscription receipts plus approximately $21,800 of subscription receipts issuable pursuant to an overallotment 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 Enercare Solutions' existing

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

lenders. See "– Enercare Completes $239,800 Bought Deal Offering of SE Subscription Receipts" and "– Enercare Completes Acquisition of Service Experts" in this MD&A.

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

On March 30, 2016, Enercare announced that it had completed its previously announced offering of SE Subscription Receipts (the "Offering"). The 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 "Offering Price").

The majority of the net proceeds from the Offering were used by Enercare to finance, in part, the SE Transaction (see "– Enercare Completes Acquisition of Service Experts" in this MD&A).

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

On March 31, 2016, the SE Subscription Receipts commenced trading on the Toronto Stock Exchange under the symbol "ECI.R" and ceased trading on May 11, 2016, the date of closing of the SE Transaction.

Enercare Connections and Starlight Investments Agree to Sub-metering Services for 6,264 Rental Units

On April 19, 2016, ECI announced an agreement with Starlight Investments Ltd. ("Starlight") for the renewal of electricity sub-metering services for 5,876 units across 79 rental properties and an additional 388 new units across five properties in Ontario. Starlight properties are equipped with meters from Triacta.

Enercare will continue to manage all metering, billing and customer service matters directly with residents.

Enercare Annual General Meeting of Shareholders

At Enercare's Annual General Meeting of shareholders held on April 28, 2016, shareholders re-elected all of management's director nominees and reappointed PricewaterhouseCoopers LLP as Enercare's external auditor for the ensuing year.

Enercare Completes Acquisition of Service Experts

On May 11, 2016, Enercare and Enercare Solutions announced that Enercare Solutions completed the SE Transaction.

The SE Transaction is expected to be 25% accretive to Normalized pro forma Distributable Cash per Share[6] in 2016. For the year ended 2015, if Service Experts and Enercare had been combined, the following would be the pro forma impact on certain of Enercare's metrics:

- pro forma revenue of approximately $1,118,854, an increase of 98%;
- pro forma Acquisition Adjusted EBITDA[6] of approximately $271,840, an increase of 16%;
- Normalized pro forma Distributable Cash[6] of approximately $124,289, an increase of 37%;
- Normalized pro forma Distributable Cash per Share[6] of approximately $1.18, an increase of 18%; and

Normalized pro forma Payout Ratio[6] improves to 70% from 82%.

[6] Excludes transaction costs and potential synergies in the SE Transaction. See "*Non-IFRS Financial and Performance Measures"* in this MD&A.

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 “Liquidity and Capital Resources – Debt Financing” in this MD&A), 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 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.

In conjunction with the SE Transaction, Enercare Solutions entered into an amendment to the 2014 Debt Financing 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 SE Transaction and integration costs up to $10,300 in the aggregate, (ii) adding Service Experts and its subsidiaries 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 Debt Financing included enhancements to certain of the financial covenants described under “Liquidity and Capital Resources – Debt Financing” in this MD&A 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.

Equity Financing

The majority of the net proceeds from the Offering were used by Enercare to finance the remaining portion of the Consideration (see “– Enercare Completes Acquisition of Service Experts” in this MD&A). 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 Share, resulting in the issuance of 15,834,600 Shares (including 109,000 Shares issued to certain U.S. persons, including the Chief Executive Officer and certain other officers of Service Experts 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 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 Shares issued in exchange for the SE Subscription Receipts issued in the Concurrent Private Placement are subject to a contractual hold period of six months from closing of the Offering.

Cautionary Note Regarding Forward-Looking Statements

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

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

- Enercare’s ability to pay dividends to shareholders;
- other statements made in this section of this MD&A regarding accretion or other financial enhancements anticipated to arise as a result of the SE Transaction; and
- the impact of the SE Transaction on Enercare business and current and anticipated economic conditions.

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

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

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

- the view of management regarding current and anticipated market conditions;
- industry trends remaining unchanged;
- the financial and operating attributes of Enercare and Service Experts as at the date hereof and the anticipated future performance of Enercare and Service Experts following the SE Transaction;
- assumptions regarding the interest rates of the 2014 Term Loan and 2016 Term Loan and foreign exchange rates;
- the extent to which the SE Transaction is accretive, which may be impacted by the realization and timing of synergies and the operating performance of Enercare and Service Experts post-closing of the SE Transaction;
- assumptions regarding non-recurring transaction costs estimated to be incurred by Enercare in connection with the SE Transaction; and
- assumptions regarding future selling, general and administration costs estimated to be incurred by Enercare in connection with the running of Service Experts by it following the closing of the SE Transaction.

There can be no assurance that the anticipated strategic benefits and operational, competitive and cost synergies from the SE Transaction will be realized.

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

Dividend Increase

On May 12, 2016, Enercare increased its monthly dividend to shareholders of record on May 31, 2016 to $0.077, an increase of 10%.

RESULTS OF OPERATIONS

Earnings Statement

Three months ended March 31, (000's)	**Home Services**	**Sub-metering**	**Corporate**	**2016 Total**	Home Services	Sub-metering	Corporate	2015 Total
Revenues:								
Contracted revenue	**$100,331**	**$35,217**	**$ -**	**$135,548**	$ 93,653	$37,656	$ -	$131,309
Sales and other services	**6,098**	**903**	**-**	**7,001**	10,360	66	-	10,426
Investment Income	**78**	**22**	**-**	**100**	72	5	-	77
Total revenue	**$106,507**	**$36,142**	**$ -**	**$142,649**	$104,085	$37,727	$ -	$141,812
Expenses:								
Cost of goods sold:								
Commodity	**-**	**27,747**	**-**	**27,747**	-	30,973	-	30,973
Maintenance & servicing costs	**16,268**	**-**	**-**	**16,268**	14,388	-	-	14,388
Sales and other services	**5,281**	**364**	**-**	**5,645**	7,328	59	-	7,387
Total cost of goods sold	**21,549**	**28,111**	**-**	**49,660**	21,716	31,032	-	52,748
SG&A expenses	**25,912**	**4,705**	**8,544**	**39,161**	26,581	3,706	5,300	35,587
Amortization expense	**30,036**	**1,622**	**649**	**32,307**	29,114	1,339	396	30,849
Net loss on disposal	**1,925**	**6**	**-**	**1,931**	1,752	-	-	1,752
Interest expense:								
Interest expense payable in cash				**7,926**				6,620
Non-cash interest expense				**427**				491
Total interest expense				**8,353**				7,111
Total expenses				**131,412**				128,047
Earnings before income taxes				**11,237**				13,765
Current tax (expense)				**(12,256)**				(2,954)
Deferred tax recovery/(expense)				**9,214**				(2,909)
Net earnings				**$ 8,195**				$ 7,902
EBITDA	**$ 57,121**	**$ 3,320**	**$(8,544)**	**$ 51,897**	$ 54,036	$ 2,989	$(5,300)	$ 51,725
Adjusted EBITDA	**$ 59,046**	**$ 3,326**	**$(8,544)**	**$ 53,828**	$ 55,788	$ 2,989	$(5,300)	$ 53,477
Acquisition Adjusted EBITDA	**$ 63,339**	**$ 3,326**	**$(8,544)**	**$ 58,121**	$ 56,400	$ 2,989	$(5,300)	$ 54,089

Revenues

Total revenues of $142,649 for the first quarter of 2016 increased by $837 or 1% compared to the same period in 2015.

Home Services revenues, excluding investment income, increased by $2,416 to $106,429 compared to the first quarter of 2015, primarily as a result of a rental rate increase implemented in January 2015, changes in asset mix and growth in rental HVAC units. Contracted revenue in Home Services represents revenue generated by the Rentals portfolio and protection plan contracts, while sales and other services revenue mainly pertains to one-time sales and installations of residential furnaces, boilers and air conditioners as well as plumbing, duct cleaning and other services. The unseasonably warmer temperatures experienced during the fourth quarter of 2015 continued into the first quarter of 2016. During the first quarter of 2016, the number of heating degree days was 23% lower than both the first quarters of 2015 and 2014, and was the warmest first quarter in the past 10 years, surpassed only by 2012. This led to lower furnace breakdowns and therefore lower demand for HVAC replacements and repair. Consequently, Enercare had fewer HVAC sales opportunities, but nonetheless increased sales over the comparable period in 2015.

Our strategy to emphasize HVAC rentals over outright sales resulted in significant increases in recurring revenue at the expense of sales and other services revenue.

Sub-metering revenues, excluding investment income, in the first quarter of 2016, were $36,120, a decrease of $1,602 or 4% over the same period in 2015 primarily as a result of a decrease in flow through commodity charges, partly offset by higher billable units and revenues generated from the acquisition of Triacta. Sub-metering revenue includes total pass through energy charges of $27,747, a decrease of $3,226 or 10% over the same period in 2015. The acquisition of Triacta in the third quarter of 2015 resulted in $887 of additional revenues in the first quarter of 2016.

Investment income was $100 in the first quarter of 2016, an increase of $23 when compared to the same period in the prior year. The change in investment income was primarily attributable to the registered pension plan which was in an asset balance instead of a net obligation resulting in additional investment income in the first quarter of 2016.

Cost of Goods Sold

Total cost of goods sold for the first quarter of 2016 was $49,660, a decrease of $3,088 or 6%, compared to the same period in 2015.

Home Services cost of goods sold were consistent in the first quarter of 2016, compared to the same period in 2015, decreasing by $167 or 1%. Maintenance and servicing costs in Home Services primarily consist of protection plan expenses and servicing costs related to the rental portfolio, while sales and other services expenses mainly pertain to one-time sales and installations of residential furnaces, boilers, air conditioners and small commercial products as well as plumbing, duct cleaning and other cleaning services.

Sub-metering cost of goods sold of $28,111 in the first quarter of 2016 decreased by $2,921 or 10%, as a result of a decrease in pass through energy charges over the same period in 2015. Sales and other services expenses for Sub-metering relate to the sale and installation of water conservation products in apartments and condominiums.

Selling, General & Administrative Expenses

Total SG&A expenses were $39,161 in the first quarter of 2016, an increase of $3,574 compared to the same period in 2015.

Home Services and corporate expenses of $34,456 in the first quarter of 2016, increased by $2,575 compared to the same period in 2015, primarily from higher wages and benefits of $1,900, professional fees of $2,800 and selling and office expenses of $900, partly offset by lower billing and servicing costs of $2,800 and claims expenses of $200.

During the first quarter of 2016, Home Services and corporate SG&A expenses included $2,834 of acquisition related expenditures associated with the SE Transaction, primarily consisting of professional fees associated with the entering into of the Merger Agreement. SG&A expenses in the first quarter of 2016 also included $1,459 of integration and business transformation costs related to the DE Acquisition, primarily from marketing spend related to continued rebranding and IT integration activities to optimize the information technology platforms.

During the first quarter of 2015, Home Services and corporate SG&A expenses included $612 of integration costs associated with the DE Acquisition, primarily from marketing spend related to rebranding activities.

Sub-metering SG&A expenses in the first quarter of 2016 were $4,705, an increase of $999 over the same period in 2015, primarily from higher wages and benefits of $800, professional fees of $100 and selling and office expenses of $300, partly offset by lower bad debt costs of $200.

Amortization Expense

Amortization expense increased by $1,458 or 5% to $32,307 in the first quarter of 2016, primarily due to an increasing capital asset base from asset mix changes in the Rentals portfolio and increased Sub-metering capital investments, which are amortized over a shorter life than those of the Home Services business.

Loss on Disposal of Equipment

Enercare reported a net loss on disposal of equipment of $1,931 in the first quarter of 2016, an increase of $179 or 10% over the same period in 2015. The net loss on disposal amount is influenced by the number of assets retired, proceeds on disposal of equipment, changes in the retirement asset mix and the age of the assets retired.

Interest Expense

	Three months ended March 31,	
(000's)	**2016**	2015
Interest expense payable in cash	**$6,629**	$6,620
Interest payable on subscription receipts	**1,108**	-
Equity bridge financing fees	**189**	-
Non-cash items:		
Notional interest on employee benefit plans, net	**210**	274
Amortization of financing costs	**217**	217
Interest expense	**$8,353**	$7,111

Interest expense payable in cash of $6,629 in the first quarter of 2016 was consistent with the same period in 2015.

As part of the SE Transaction, SE Subscription Receipts were issued during the first quarter of 2016 and subsequently exchanged for Shares upon the closing of the SE Transaction on May 11, 2016. While the SE Subscription Receipts remained outstanding, they are classified as debt, resulting in an interest expense liability of $1,108, which was equivalent to the dividend payments on such SE Subscription Receipts if they had been Shares. Equity bridge financing fees of $189 were also incurred as part of the SE Transaction.

Notional interest of $210 in the quarter relates to the employee benefits plans acquired as part of the DE Acquisition. Amortization of financing costs includes the previously unamortized costs associated with the 2012 Notes, 2013 Notes, Convertible Debentures and in 2015 the 2014 Term Loan.

Income Taxes

Enercare reported current tax expense of $12,256 in the first quarter of 2016, an increase of $9,302 over the same period in 2015, primarily as a result of a one year tax deferral recognized in 2015, available through a subsidiary of Enercare Solutions. The deferred income tax recovery of $9,214 in the first quarter of 2016 was $12,123 higher compared to the deferred tax expense recorded in the same period in 2015, primarily as a result of temporary difference reversals in the Home Services business.

Net Earnings

Net earnings in the first quarter of 2016 were $293 or 4% higher than in the same period in 2015, as previously described.

EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA

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

(000's)	**Q1/16**	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14
Net earnings	**$8,195**	$13,725	$13,124	$16,204	$ 7,902	$ 5,672	$ 2,133	$ 7,457
Deferred tax expense/(recovery)	**(9,214)**	1,069	2,376	1,323	2,909	(3,222)	(6,852)	(3,810)
Current tax expense	**12,256**	2,784	2,169	2,290	2,954	5,949	8,924	6,335
Amortization expense	**32,307**	31,917	31,606	31,044	30,849	30,319	25,186	24,870
Interest expense	**8,353**	6,988	6,955	7,021	7,111	7,129	9,827	5,963
EBITDA(1)	**51,897**	56,483	56,230	57,882	51,725	45,847	39,218	40,815
Add: Net (gain)/loss on disposal	**1,931**	(1,455)	1,001	1,572	1,752	2,180	2,304	2,371
Adjusted EBITDA(2)	**53,828**	55,028	57,231	59,454	53,477	48,027	41,522	43,186
Add: Acquisition SG&A	**4,293**	3,028	3,946	1,961	612	4,138	2,882	702
Acquisition Adjusted EBITDA	**$58,121**	$58,056	$61,177	$61,415	$54,089	$52,165	$44,404	$43,888

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

(2) Historically Adjusted EBITDA has been conformed to the current presentation which includes investment income and other income and excludes net loss on disposal.

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

1. Net earnings are impacted by rental rate increases, generally implemented in January of each year, and accruals related to billing and servicing matters and the DE Acquisition results commencing in the fourth quarter of 2014.
2. Increasing current taxes from higher taxable income. During 2015, current taxes reflect the impact of a one year tax deferral available through a subsidiary of Enercare Solutions which was not available for 2016 and accordingly, results in a higher current tax expense this quarter.
3. In the first quarter of 2016 additional interest expense was incurred as part of the SE Transaction, related to the bridge financing and the treatment of SE Subscription Receipts for accounting purposes. In the third quarter of 2014, additional interest expense was incurred as part of the DE Acquisition, related to the bridge financing. Commencing in the fourth quarter of 2014, interest expense reflects higher debt related to the financing of the DE Acquisition.
4. Amortization and net loss on disposal of equipment are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units. Increases in amortization of capital assets and intangibles relate primarily to increased additions and changes in mix to higher percentage of sub-metering assets which have a shorter useful life.
5. In the fourth quarter of 2015, net (gain)/loss on disposal reflects a $2,484 gain on disposal of sub-metering equipment resulting from a customer that exercised its buy-out option.

DISTRIBUTABLE CASH AND PAYOUT RATIOS

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

Payout Ratio (000s)	Three months ended March 31, **2016**	 2015
Cash (used in)/provided by operating activities	**$ 39,719**	$ (2,720)
Net change in non-cash working capital	**(5,934)**	47,113
Operating Cash Flow[7]	**33,785**	44,393
Capital expenditures: (excluding growth capital and acquisitions)		
Rentals additions	**(17,267)**	(11,537)
Rentals exchanges	**(8,960)**	(9,265)
Sub-metering maintenance capital	**(152)**	-
Subtotal	**(26,379)**	(20,802)
Total proceeds on disposal of equipment	**1,943**	1,648
Net capital expenditures	**(24,436)**	(19,154)
Acquisition, integration and business transformation related expenditures	**5,590**	612
Total reductions	**(18,846)**	(18,542)
Distributable Cash[8]	**14,939**	25,851
Dividends declared	**(18,460)**	(17,538)
Net cash retained	**$ (3,521)**	$ 8,313
Payout Ratio	**124%**	68%

The Payout Ratio, after capital expenditures (excluding growth capital for Sub-metering and acquisitions), increased to 124% for the first quarter of 2016, compared to 68% for the same period in 2015, primarily as a result of lower Operating Cash Flow (see the discussion in "Non-IFRS Financial and Performance Measures" in this MD&A), higher net capital expenditures and dividend payments, as a result of the 16% dividend increase announced in the first quarter of 2015, and adjustments for higher acquisition, integration and business transformation costs. When normalized for the impact of the one year tax deferral, the Payout Ratio increased to 94% for the first quarter of 2016, compared to 83% for the same period in 2015.

During the first quarter of 2016, there were $2,834 of acquisition related expenditures associated with the SE Transaction, primarily consisting of professional fees associated with the entering into of the Merger Agreement and $1,459 of integration and business transformation costs related to the DE Acquisition, primarily from marketing spend related to rebranding and IT integration activities. DE Acquisition related expenditures of $612 in 2015 primarily consist of marketing spend related to rebranding activities. These amounts have been adjusted in the payout ratio to better reflect recurring distributable cash.

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

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

Payout Ratio - Maintenance Presentation

Payout Ratio (000s)	Three months ended March 31, **2016**	 2015
Cash (used in)/provided by operating activities	**$39,719**	$ (2,720)
Net change in non-cash working capital	**(5,934)**	47,113
Operating Cash Flow[8]	**33,785**	44,393
Capital expenditures: (excluding growth capital, additions and acquisitions)		
Rentals exchanges	**(8,960)**	(9,265)
Sub-metering maintenance capital	**(152)**	-
Proceeds on disposal of equipment – warranty	**615**	563
Net capital expenditures	**(8,497)**	(8,702)
Acquisition related expenditures	**5,590**	612
Total reductions	**(2,907)**	(8,090)
Distributable Cash – Maintenance[9]	**30,878**	36,303
Dividends declared	**(18,460)**	(17,538)
Net cash retained	**$12,418**	$18,765
Payout Ratio - Maintenance	**60%**	48%

The Payout Ratio - Maintenance, which is calculated based upon capital expenditures associated with the exchange of assets for existing customers and excludes capital expenditures associated with obtaining new customers, increased to 60% for the first quarter of 2016, compared to 48% over the same period in 2015. When normalized for the impact of the one year tax deferral, The Payout Ratio - Maintenance decreased to 52% for the first quarter of 2016, compared to 56% for the same period in 2015.

LIQUIDITY AND CAPITAL RESOURCES

(000's)	Three months ended March 31, **2016**	 2015
Cash (used in)/provided by operating activities	**$ 39,719**	$(2,720)
Net change in non-cash working capital	**(5,934)**	47,113
Operating Cash Flow	**33,785**	44,393
Capital expenditures: (excluding growth capital and acquisitions)	**(26,379)**	(20,802)
Proceeds on disposal of equipment	**1,943**	1,648
Net capital expenditures	**(24,436)**	(19,154)
Acquisition - Cobourg portfolio	**-**	(880)
Growth capital	**(6,890)**	(3,458)
Cash used in investing activities	**(31,326)**	(23,492)
Dividends paid	**(18,458)**	(16,652)
Other financing activities	**(413)**	(729)
Cash used in financing activities	**(18,871)**	(17,381)
Cash and equivalents – end of period	**$ 17,935**	$24,462

Operating Cash Flow of $33,785 in the first quarter of 2016 decreased by $10,608, compared to the same period in 2015, primarily as a result of higher current tax expense from a one year tax deferral recognized in 2015.

Net capital rental expenditures of $24,436 in the first quarter of 2016 increased by $5,282 compared to the same period in 2015, due to increased HVAC rentals and changes in asset mix. Acquisition costs in 2015 include $880 relating to the purchase of the CNI rental portfolio. Growth capital investments were $6,890 in

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

the first quarter of 2016, an increase of $3,432 compared to 2015, primarily from an increase in sub-metering capital expenditures resulting from stronger contract sales.

Dividends paid reflect dividend payments on outstanding Shares.

Other financing activities in the first quarter of 2016 primarily reflect the scheduled repayment of the Stratacon Debt during the period.

Of the available credit of $100,000 under the 2014 Revolver, $50,000 was drawn as at March 31, 2016. Enercare is subject to a number of covenants and has the ability to incur additional senior debt as described in “Liquidity and Capital Resources – Cash from Financing” in this MD&A.

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

Capital Expenditures

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

Installed Asset Unit Continuity (000’s)		**March 31, 2016**			March 31, 2015	
Segment	**Home Services**	**Sub-metering**	**Total**	Home Services	Sub-metering	Total
Units - start of period	**1,128**	**155**	**1,283**	1,129	151	1,280
Portfolio additions	**8**	**4**	**12**	6	3	9
Acquisitions	**-**	**-**	**-**	1	-	1
Attrition	**(7)**	**-**	**(7)**	(9)	-	(9)
Units - end of period	**1,129**	**159**	**1,288**	1,127	154	1,281
Asset exchanges – units retired and replaced	**12**	**-**	**12**	13	-	13
% change in units during the period			**0.4%**			0.1%
% of units from start of period:						
Portfolio additions (net of acquisitions)			**0.9%**			0.7%
Attrition			**(0.5%)**			(0.7%)
Units retired and replaced			**0.9%**			1.0%
Billable units	**1,129**	**107**	**1,236**	1,127	99	1,226
Contracted units		**213**	**-**		188	-

In the first quarter of 2016, the portion of net capital expenditures in Home Services related to unit additions and asset exchanges, net of proceeds on disposal and excluding assets not yet commissioned, were $24,436 in 2016, increasing by 28% or $5,282 when compared to the same period in 2015, primarily as a result of increased HVAC rentals.

Installations in the Sub-metering business were approximately 4,000 units in the first quarter of 2016, or 1,000 units higher compared to the same period in 2015. Sub-metering capital expenditures in the first quarter of 2016 were $9,361, approximately $7,547 higher than in the same period in 2015, primarily on account of stronger contract sales over the past two quarters.

Attrition decreased in the first quarter of 2016 by 2,000 units or 22% compared to the same period in 2015. Enercare has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with Bill 55 as well as enhancements to our customer value proposition (for example, the “same day service campaign”), have helped to significantly reduce Attrition in recent years.

For the Home Services units, changes in Billable units reflect the asset activity as reported in the continuity schedule. For the Sub-metering business, Billable units of 107,000 increased by 8,000 units in the first quarter of 2016 compared to the same period in 2015, primarily due to additional installations and increased penetration in the rental apartment market which resulted in approximately 14,000 new Billable units, partly offset by the removal of approximately 6,000 Billable units pursuant to buy-out terminations in the fourth quarter of 2015.

Sub-metering sales activity was approximately 8,000 units for the first quarter of 2016, reflecting improvements in sales of approximately 5,000 units or 167% compared to the same period in 2015.

Cash from Financing

Financing activities for Enercare may reflect dividend payments, periodic financing of Enercare Solutions' indebtedness, Enercare's offering of Shares and Convertible Debentures, and to a much lesser extent financing of the Sub-metering business. During the first quarter of 2016, Enercare recorded $413 of financing repayments primarily related to the scheduled repayment of the Stratacon Debt, obligations under finance leases, and the purchase of treasury shares. These financing repayments excluded dividends to shareholders. During the first quarter of 2016, Enercare recorded financing of $236,712 (net of fees) in SE Subscription Receipts as part of the financing for the SE Transaction.

Capitalization	Three months ended March 31,	
(000's)	**2016**	2015
Cash and cash equivalents	**$ 17,935**	$ 24,462
Net investment in working capital	**11,982**	43,984
Cash, net of working capital	**29,917**	68,446
Total debt	**737,044**	687,637
Shareholders' equity	**377,764**	466,756
Total capitalization – book value	**$1,114,808**	$1,154,393

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

At March 31, 2016, total debt was comprised of the 2012 Notes, the 2013 Notes, the 2014 Term Loan, the 2014 Revolver, Convertible Debentures and the Stratacon Debt.

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

Debt Financing

As described in the AIF, the 2014 Revolver and 2014 Term Loan each contain terms, representations, warranties, covenants and events of default that are customary for credit facilities of this kind, including financial covenants discussed below, restrictions on asset sales and reorganizations, a negative pledge and limits on distributions to Enercare (and, therefore, in effect, holders of Shares). Events of default under the 2014 Revolver and 2014 Term Loan include a cross-default provision and the occurrence of a change of control of Enercare or Enercare Solutions. Enercare Solutions' obligations under the 2014 Revolver and 2014 Term Loan are guaranteed by all of Enercare Solutions' direct and indirect subsidiaries.

The 2014 Term Credit Facility bears interest at a rate of bankers' acceptances plus 125 basis points or prime plus 50 basis points at Enercare Solutions' credit rating as of the date hereof.

As described in the AIF, the 2014 Revolver and 2014 Term Loan contain the following financial covenants (i) all additional incurrences of senior debt, with certain exceptions, must, on the date of incurrence, result in a pro forma ratio equal to or greater than 3.8 to 1.0 of Incurrence EBITDA (as defined in the Senior Unsecured Indenture) to Net Interest Expense (as defined in the Senior Unsecured Indenture); (ii) the ratio of total debt (other than subordinated debt) to "Adjusted EBITDA" must be less than 4.75:1; and (iii) the ratio of Adjusted EBITDA to "Cash Interest Expense" must be greater than 3.00:1.

As described in the AIF, the 2014 Revolver and 2014 Term Loan define "Adjusted EBITDA" as the consolidated net income of Enercare Solutions and any losses on dispositions of assets less, to the extent included in calculating such net income, all interest income and income tax recoveries, gains on hedging contracts and all extraordinary, non-recurring and unusual income items, plus, to the extent deducted in calculating such net income, amounts for total interest expense, fees payable under the Origination Agreement, amortization and depreciation expenses, income taxes and any other non-cash items, losses on hedging contracts, proceeds of disposal of water heaters in the ordinary course of business, and 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, determined on a consolidated basis. The 2014 Revolver and 2014 Term Loan essentially define "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.

Enercare Solutions was in compliance with the covenants within the 2014 Revolver and 2014 Term Loan as of March 31, 2016. A total of $50,000 was drawn under the 2014 Revolver at March 31, 2016.

The 2014 Debt Financing has been amended in conjunction with the SE Transaction, including enhancements to certain of the financial covenants described above, and the 2016 Term Loan was entered into by Enercare Solutions to partially fund the SE Transaction. See "*Recent Developments – Enercare Completes Acquisition of Service Experts*".

2012 Notes and 2013 Notes – Incurrence Test

The covenants in respect of the 2012 Notes and 2013 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1. On March 31, 2016, Enercare Solutions exceeded this minimum and had the capacity under the covenant to raise more than $300,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	**Q1/16**	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14
Total revenues	**$142,649**	$141,621	$145,455	$134,938	$141,812	$126,012	$80,469	$74,047
Net earnings	**8,195**	13,725	13,124	16,204	7,902	5,672	2,133	7,457
Dividends declared	**18,460**	18,693	19,229	19,303	17,538	16,648	10,607	10,600
Average Shares outstanding	**87,899**	89,770	91,634	91,916	91,898	84,628	58,532	58,486
Per Share								
Basic net earnings	**$0.09**	$0.15	$0.14	$0.18	$0.09	$0.07	$0.04	$0.13
Diluted net earnings	**$0.08**	$0.15	$0.14	$0.18	$0.09	$0.07	$0.03	$0.13
Dividends declared	**$0.21**	$0.21	$0.21	$0.21	$0.191	$0.181	$0.181	$0.181

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

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

SUMMARY OF CONTRACTUAL DEBT AND LONG TERM OBLIGATIONS

The following schedule summarizes the contractual debt and long term obligations of Enercare at March 31, 2016:

Period	Debt		Finance Leases		Other
(000's)	Principal	Interest	Principal	Interest	Obligations
Due in 2016	$ 677	$ 19,738	$1,599	$163	$1,926
Due in 2017	253,262	25,988	1,880	156	1,702
Due in 2018	210,125	14,373	1,484	95	1,079
Due in 2019	50,025	11,108	1,024	50	1,027
Due in 2020	225,027	5,179	568	20	1,027
Thereafter	29	-	242	5	4,116
Total	$739,145	$76,386	$6,797	$489	$10,877

As at March 31, 2016, long-term senior contractual obligations of Enercare included debt service on the 2012 Notes and 2013 Notes bearing interest at 4.30% and 4.60%, respectively. Interest on the 2012 Notes is payable semi-annually on May 30 and November 30 and is payable semi-annually on February 3 and August 3 in respect of the 2013 Notes. The 2014 Term Loan, maturing on October 20, 2018, bears interest at a variable rate based upon the banker's acceptance rate plus 1.25%, which was 2.118% at March 31, 2016.

The Stratacon Debt of $1,498, as at March 31, 2016, was originally issued in 14 series with maturity dates ranging from 4 to 14 years, ending in 2022. The interest rate on the Stratacon Debt ranges from 7.50% to 8.75%. Principal and interest is paid monthly.

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

At March 31, 2016, $50,000 was drawn on the 2014 Revolver. The 2014 Revolver bears a standby charge of 0.25% and interest on amounts drawn at a variable rate based upon the banker's acceptance rate plus 1.25% which was 2.122%, at March 31, 2016.

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

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

ENERCARE SHARES ISSUED AND OUTSTANDING

Enercare's authorized share capital consists of an unlimited number of Shares and 10,000,000 preferred shares. At March 31, 2016, there were 87,973,511 Shares (87,948,978 at December 31, 2015) issued and outstanding, and no preferred shares were outstanding. A total of 15,834,600 Shares were issued in exchange for the SE Subscription Receipts on May 11, 2016 in conjunction with the closing of the SE Transaction. Preferred shares may, at any time and from time to time, be issued in one or more series, with such rights, privileges, restrictions and conditions as may be determined by the directors. The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets, be entitled to preference over the Shares and any other share ranking junior to the preferred shares from time to time.

From April 1, 2016 to May 11, 2016, approximately $252 principal amount of additional Convertible Debentures were converted into 38,889 Shares. The Convertible Debentures principal balance outstanding of $2,395 at May 11, 2016 may be converted into approximately 369,599 additional Shares.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The condensed interim consolidated financial statements of Enercare are prepared in accordance with IFRS. Enercare's basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the condensed interim consolidated financial statements for the period ended March 31, 2016.

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

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

Non-IFRS financial indicators used by Enercare Solutions and reported in this MD&A, in addition to the Non-IFRS financial measures described under "Recent Developments - Enercare Completes Acquisition of Service Experts" include:

Measures of Asset Portfolio Performance

Capital Expenditures and Acquisitions

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

Measures of Financial Performance

EBITDA

This measure is comprised of net earnings plus income taxes, interest expense and amortization expense. It is one metric that can be used to determine Enercare's ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. EBITDA is reconciled with net earnings, an IFRS measure, in the section *"Results of Operations - EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA"* in this MD&A. Previously EBITDA excluded investment and other income and beginning the first quarter of 2016, the calculation of EBITDA includes investment and other income. Comparatives have been restated accordingly.

Adjusted EBITDA

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

Acquisition Adjusted EBITDA

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

Distributable Cash and Distributable Cash - Maintenance

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

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

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

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

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

Distributions, Payout Ratio and Payout Ratio - Maintenance

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

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

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

Operating Cash Flow

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

Billable

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

Measures of Financial Performance Associated with the SE Transaction

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

Pro Forma financial measures with respect to the SE Transaction relate to the year-ended December 31, 2015. Additional information in respect of Enercare's final short-form prospectus as filed on March 22, 2016, can be found on SEDAR at www.sedar.com.

Pro Forma Operating Cash Flow

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

Pro Forma Acquisition Adjusted EBITDA

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

Pro Forma Distributable Cash and Pro Forma Distributable Cash per Share

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

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

Normalized Distributable Cash, and Normalized Distributable Cash-Maintenance, Normalized Payout Ratio and Normalized Payout Ratio-Maintenance

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

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

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

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

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

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

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

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

Adjusted EBITDA, stock appreciate rights granted to employees of Service Experts.

Measures Regarding Debt Covenants

As at March 31, 2016, Enercare was in compliance with all covenants under the 2012 Notes, 2013 Notes, 2014 Revolver and 2014 Term Loan. For a summary of the financial covenants in respect of such debt see "Liquidity and Capital Resources – Debt Financing" in this MD&A. For a summary of the financial covenants in respect of the 2016 Term Loan see "*Recent Developments – Enercare Completes Acquisition of Service Experts*".

2014 Revolver and 2014 Term Loan

Under the 2014 Revolver and 2014 Term Loan agreements, Enercare Solutions is subject to three principal financial covenants as described in the section "Liquidity and Capital Resources – Debt Financing" in this MD&A. The covenants address interest and debt coverage. Enercare Solutions complied with these covenants on March 31, 2016. There was $50,000 drawn under the 2014 Revolver at March 31, 2016.

2012 Notes and 2013 Notes – Incurrence Test

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Revenue Accruals

At March 31, 2016, the Home Services business recorded a revenue accrual of approximately $45,900 (2015 - $46,400) reflecting accrued service periods. Unbilled protection plans comprise approximately $28,300 (2015 - $28,100) of this balance which is predominantly made up of protection plans sold in franchisee service areas which are recognized as royalty revenue at inception but are invoiced over a period of 12-months. The remaining unbilled revenues reflect accrued service periods for rental water heaters and other products.

At March 31, 2016, the Sub-metering business recorded a revenue accrual of approximately $10,400 (2015 - $11,900), reflecting accrued service periods, increases in Billable units and pass through commodity charges.

Bad Debt Provisions

The Home Services business is exposed to credit risk in the normal course of business for customers who are billed directly by Enbridge Gas Distribution Inc. ("EGD") within its service territory and secondarily when billed by Enercare or are billed by EGD outside of its service territory. For billing within the EGD service territory, Enercare is guaranteed payment by EGD for 99.51% in 2016 and 99.49% in 2015 of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued.

Management evaluates a number of factors and assumptions in the determination of the bad debt provision. The total bad debt provision was approximately $11,927 at March 31, 2016, compared to approximately $11,405 at the end of 2015. Changes in any of the variables or assumptions may result in a materially different amount.

Leases

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

Impairment of Non-Financial Assets and Goodwill

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

Employee Benefit Plans

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

Recoverability of Deferred Tax Assets

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

Business Combination

With respect to the fair value of acquired assets and assumed liabilities and other adjustments related to the acquisition of Triacta, these condensed interim consolidated financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations, under which, the total fair value of the consideration transferred has been assigned to the assets acquired and liabilities assumed based on their estimated fair values at the date of the respective acquisition, with any excess purchase price allocated to goodwill. Changes may be expected as additional information becomes available following the closing date of the acquisition of Triacta on July 15, 2015. Accordingly, the final fair value determinations may differ from those set forth in these condensed interim consolidated financial statements and such differences may be material.

DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

Enercare's certifying officers have designed, and assessed the design of, a system of DC&P to provide reasonable assurance that (i) material information relating to Enercare, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by Enercare in its annual filings, interim filings and other reports filed or submitted by Enercare under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. As well, Enercare's certifying officers have designed, and assessed the design of, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Enercare has used the Internal Control – Integrated Framework (2013) from The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in order to assess the effectiveness of Enercare's internal control over financial reporting. There are no material weaknesses relating to the design of either DC&P or ICFR at March 31, 2016. There have been no changes to our ICFR during the quarter and year to date ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, Enercare's ICFR.

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

Triacta's contribution to Enercare's condensed interim consolidated financial statements for the period ended March 31, 2016 was approximately 1.4% of revenues and (3.8%) of net earnings. In addition, Triacta's current assets and current liabilities were approximately 0.8% and 0.1% of the consolidated current assets and current liabilities, respectively, and its long term assets and long term liabilities were approximately 0.5% and 0.2% of consolidated long term assets and long term liabilities, respectively.

Enercare is currently in the process of documenting and evaluating the controls, policies and procedures in respect of Triacta.

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

CHANGES IN ACCOUNTING POLICIES

The condensed interim consolidated financial statements of Enercare are prepared in accordance with IFRS as issued by IASB applicable to the preparation of condensed interim consolidated financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015. Enercare has consistently applied the same accounting policies and methods of computation throughout all periods presented, as if these policies had always been in effect.

Adoption of New Accounting Standards

Enercare has adopted new or revised standards as required by IFRS, effective January 1, 2016.

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

Accounting Standards Issued But Not Yet Applied

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

Statement of Cash flows

IAS 7, "Statement of cash flows" ("IAS 7"), has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment to IAS 7 is effective for annual periods beginning or after January 1, 2017. Enercare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Revenue Recognition

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

Financial Instruments

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

Financial Instruments Disclosures

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

Leases

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

RISK FACTORS

The risks related to the business and structure of Enercare discussed in the AIF remain unchanged except that the SE Transaction was completed on May 11, 2016.

OUTLOOK

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

Enercare continues to experience improved results through improved rental customer retention and increased average monthly rental rates, largely as a result of our rental HVAC strategy. We are very pleased that during the third and fourth quarters of 2015 and the first quarter of 2016, rental unit growth surpassed Attrition by approximately 4,000 units, the first three consecutive quarters of net unit growth since 2005.

Our main priority for the business in 2016 is to grow EBITDA. In order to grow EBITDA in the Home Services business, our key priority is to continue to grow the number of rental contracts. We believe that we have the opportunity to continue the improved results experienced in the second half of 2015 by growing the number of contracts in excess of Attrition throughout 2016.

Our strategy to emphasize HVAC rentals over outright sales in order to create a long-term customer revenue stream and provide valuable cross-selling opportunities, continues to be successful. While this strategy has resulted in a significant increase in recurring HVAC rental revenues, we anticipate the short-term impact on non-recurring sales and other services revenue to continue throughout 2016.

In December 2015, we announced the launch of our water treatment products. These products ensure the quality of water in customers' homes is clean and pure by removing contaminants and impurities and filtering and softening water. Customers will be able to safely drink and use water directly from the source. We believe the market for these products has strong growth potential and over the past quarter we have been ramping up our sales and marketing efforts. We expect to have the sales channels activated and product sales to show modest growth throughout the year as we build market awareness and customer demand.

Other key priorities for the Home Services business also include reinventing and growing the protection plan portfolio, continuing to implement our long term logistics strategy and further enhancing our customer satisfaction levels.

Development of the customer mobile app continues to progress well. Following the approval for both Apple iOS and Android operating systems, on February 24, 2016 and March 29, 2016, respectively, Enercare proceeded with a limited release pilot in late March 2016 followed by a wider scale customer pilot launched on April 22, 2016. Subsequent releases are planned for 2016.

The closing of the SE Transaction on May 11, 2016 provides a natural extension to our business. Through Service Experts, Enercare emerges as a North American market leader, creating new opportunities for growth and broadening its scope from Canada to North America while driving considerable incremental value for shareholders. Our priority for the first 12-months will be to focus on successfully integrating the Service Experts operations both in the United States and Canada.

In respect of Sub-metering, our priorities and initiatives are to continue to grow EBITDA by increasing contract sales and continuing to enhance our customer value proposition through outstanding customer service. An emphasis will also be placed on improving rental apartment billing penetration, introducing new products and services and continuing to grow Triacta sales in both Canada and the US.

With respect to increasing contract sales, we are pleased with the success realized in expanding our multi-commodity solution sales during the first quarter. Approximately one half of new contracted units in the first quarter of 2016 were generated from thermal and water meters. This was facilitated in part by the exclusivity agreement concluded for GWF meter technology. We view the multi-commodity solution opportunity as a growth segment for the Sub-metering business. Additionally, as demand for mixed use residential, commercial and retail buildings increases, we believe our well differentiated sub-metering solutions position us well to respond to this growth segment. Stronger multi-commodity sales, such as those experienced in the first quarter, may result in a continued increase in capital investment throughout 2016.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of Enercare dated March 21, 2016.
Attrition	Termination of customer relationships, including buyouts, in the Rentals portfolio.
Bill 55	Stronger Protection for Ontario Consumers Act, 2013.
Billable	Enercare services that are deemed to be billing (see Non-IFRS Financial and Performance Measures – Measures of Financial Performance).
CNI	Cobourg Network Inc.
Conversion	The conversion of the Fund and the Trust, income trusts, to Enercare and Enercare Solutions, respectively.
Convertible Debentures	6.25% convertible unsecured subordinated debentures of Enercare (formerly the Fund), which mature on June 30, 2017, in the original aggregate principal amount of $27,883. Each Debenture is convertible into Shares at the option of the holder at a conversion price of $6.48 (or 154.3210 Shares per $1,000 principal amount of Convertible Debentures).
Co-ownership Agreement	Co-ownership agreement dated December 17, 2002 between DE, Rentco, 4104285 Canada Limited and CIBC Mellon Trust Company as custodian, as assigned by Rentco to ESLP on December 17, 2002, as amended on February 6, 2003, January 1, 2005, December 29, 2006, February 8, 2007 and April 25, 2007, and assigned to EHCS LP as part of the DE Acquisition.
Credit Facility	The debt financing of Enercare Solutions in respect of the SE Transaction consisting of an unsecured 4-year variable rate term credit facility in an aggregate amount of US $200,000.
DBRS	DBRS Limited.
DC&P	Disclosure Controls and Procedures as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
DE	Direct Energy Marketing Limited.
DE Acquisition	The acquisition of the OHCS business of DE by Enercare on October 20, 2014 through EHCS LP.
ECI	Enercare Connections Inc. (formerly Stratacon, EECI and Triacta).
EECI	Enbridge Electric Connections Inc. (now ECI).
EHCS LP	Enercare Home and Commercial Services Limited Partnership, the limited partnership formed to own OHCS following the closing of the DE Acquisition, an indirect wholly-owned subsidiary of Enercare.
EGD	Enbridge Gas Distribution Inc.
Enercare	Enercare Inc., formerly the Fund.
Enercare Solutions	Enercare Solutions Inc., formerly the Trust.
ESLP	Enercare Solutions Limited Partnership (formerly the Waterheater Operating Limited Partnership).
Fund	The Consumers' Waterheater Income Fund, predecessor to Enercare prior to the conversion of the Fund from an income trust to corporate structure pursuant to a plan of arrangement on January 1, 2011.
HVAC	Heating, ventilation and air conditioning.
Home Services	Enercare business, which provides rental water heaters, furnaces, air conditioners and other HVAC products and, as of October 20, 2014, also provides protection plans, HVAC sales and related services.
IASB	The International Accounting Standards Board.
ICFR	Internal Control Over Financial Reporting as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
IFRS	International Financial Reporting Standards as adopted by the IASB.
Incurrence Test	2012 Notes and 2013 Notes Incurrence EBITDA to Net Interest Expense.
LEAN	Lean is a set of "tools" and an operational discipline that assist in the identification and steady elimination of process waste - as waste is eliminated quality improves while cycle time and cost is reduced.
MD&A	Management's Discussion and Analysis.
Merger Agreement	The agreement dated March 7, 2016 between, among others, Enercare Solutions and Service Experts regarding the SE Transaction.
OBA	Open bill access agreement with Enbridge.
OHCS	The Ontario home and small commercial services business of DE acquired by Enercare on October 20, 2014 in the DE Acquisition.
Origination Agreement	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 LP on October 20, 2014.
Protection Plan Attrition	Termination of customer relationships in the protection plan portfolio.
Rentals	Business that provides rental water heaters, furnaces, air conditioners and other HVAC products.
Rentco	4483588 Canada Inc. (formerly Direct Waterheater Rentals Inc.).
SE Subscription Receipts	$231,947 (net of underwriters' fees) of subscription receipts issued by Enercare on a bought deal basis in relation to the SE Transaction.
SE Transaction	The acquisition of Service Experts by Enercare through an indirect wholly-owned subsidiary of Enercare Solutions, pursuant the definitive merger agreement which was completed on May 11, 2016.
Senior Notes	The 2012 Notes and the 2013 Notes and prior to March 6, 2013, the 2009-2 Notes, and prior to December 21, 2012, the 2010 Notes and prior to April 30, 2012, the 2009-1 Notes, and any other series of senior notes authorized, issued and certified in accordance with the terms of the Senior Unsecured Indenture and for the time being outstanding.
Senior Unsecured Indenture	The trust indenture dated as of January 29, 2010 between the Trust, as issuer, its subsidiaries, as guarantors, and Computershare Company of Canada, as indenture trustee, as supplemented by the first supplemental indenture dated as of January 29, 2010, the second supplemental indenture dated as of February 19, 2010, the third supplemental indenture dated as of December 1, 2010, the fourth supplemental indenture dated as of January 1, 2011, the fifth supplemental indenture dated as of September 30, 2012, the sixth supplemental indenture dated as of November 21, 2012 and the seventh supplemental indentured dated as of February 1, 2013, as the same may be amended, modified, supplemented, restated or replaced from time to time. The Trust was wound-up and dissolved in connection with the reorganization of the Fund`s income trust structure to a corporate structure and all of the covenants and obligations of the Trust with respect to the Senior Unsecured Indenture were assumed by Enercare Solutions.
Service Experts	SEHAC Holdings Corporation which operates under the brand "Service Experts"
SG&A	Selling, general and administrative expenses.
S&P	Standard and Poor's Rating Services.
Shares	Common shares of Enercare.
Stratacon	Stratacon Inc. (now ECI).
Stratacon Debt	Secured debt assumed with the acquisition of Stratacon.
Sub-metering	Business division (ECI) that provides sub-metering equipment and billing services to partially finance the DE Acquisition.
Triacta	Triacta Power Technologies Inc., now ECI pursuant to an amalgamation effective July 15, 2015.
Trust	The Consumers' Waterheater Operating Trust.
TSX	Toronto Stock Exchange.
Units	Trust Units of the Fund.
2012 Notes	$250,000 of 4.30% Series 2012-1 Senior Unsecured Notes of Enercare Solutions, which mature on November 30, 2017.

2013 Notes	$225,000 of 4.60% Series 2013-1 Senior Unsecured Notes of Enercare Solutions, which mature on February 3, 2020.
2014 Debt Financing	The debt financing of Enercare Solutions in respect of the DE Acquisition consisting of an unsecured (i) 4-year variable rate, non-revolving term loan facility in the amount of $210,000 and (ii) 5-year variable rate, revolving credit facility in the maximum amount of $100,000.
2014 Revolver	The 5-year variable rate, revolving credit facility in the maximum amount of $100,000 issued under the 2014 Debt Financing.
2014 Term Loan	The 4-year variable rate, non-revolving term loan facility in the amount of $210,000 issued under the 2014 Debt Financing.
2016 Term Loan	Two 4-year non-revolving, non-amortizing variable rate term credit facilities in the aggregate amount of US$200,000 .