Enercare Inc.

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

Year Ended December 31, 2016

Dated March 6, 2017

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

Enercare operates its businesses in three segments: Enercare Home Services – provision of water heaters, furnaces, air conditioners and other HVAC rental products, protection plans and related services, Service Experts – provision of sales, installation, maintenance and repair of HVAC systems through Enercare's Service Experts subsidiaries, and Sub-metering – provision of Sub-metering equipment and billing services.

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

FORWARD-LOOKING INFORMATION

This MD&A, dated March 6, 2017, contains certain forward-looking statements within the meaning of applicable Canadian securities laws ("forward-looking statements" or "forward-looking information") that involve various risks and uncertainties and should be read in conjunction with Enercare's 2016 audited consolidated financial statements. Additional information in respect of Enercare, including the AIF, can be found on SEDAR at www.sedar.com.

Statements other than statements of historical fact contained in 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. When used herein, the words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "goal", "intends", "may", "might", "outlook", "plans", "projects", "schedule", "should", "strive", "target", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. These forward-looking statements may reflect the internal projections, expectations, future growth, results of operations, performance, business prospects and opportunities of Enercare and are based on information currently available to Enercare and/or assumptions that Enercare believes are reasonable. Many factors could cause actual results to differ materially from the results and developments discussed in the forward-looking information.

In developing these forward-looking statements, certain material assumptions were made. These forward-looking statements are also subject to certain risks. These factors include, but are not limited to:

- actual future market conditions being different than anticipated by management;
- the failure to realize the anticipated benefits of the SE Transaction, strategic initiatives and tax efficiencies;
- the risk that the pilot of rental HVAC offerings in 4 states in the United States does not realize anticipated results as the rental model is a new concept in this industry in the United States; and
- the risks and uncertainties described under *"Risk Factors"* in this 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;
- assumptions regarding the volume and mix of business activities remaining consistent with current trends;
- assumptions regarding the interest rates of the 2014 Term Loan and 2016 Term Loan, foreign exchange rates and commodity prices;
- 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;
- assumptions regarding non-recurring transaction costs estimated to be incurred by Enercare in connection with the SE Transaction;
- assumptions regarding future selling, general and administration costs estimated to be incurred by Enercare, including in connection with the running of the Service Experts segment; and
- the number of Shares outstanding remaining constant.

There can be no assurance that the anticipated strategic benefits and operational, competitive and cost synergies from the SE Transaction will be realized. There can be no assurance that recent results from the introduction of the rental model to Service Experts in Canada are indicative of future results.

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

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, operates the Enercare Home Services business.

On May 11, 2016, Enercare, through an indirect wholly-owned subsidiary of Enercare Solutions, acquired through a merger, SEHAC Holdings Corporation, now SEHAC Holdings LLC ("SEHAC") (the "SE Transaction"), which owned Service Experts. Enercare purchased 100% of the outstanding shares of SEHAC. Service Experts provides sales, installation, maintenance and repair of HVAC systems directly to residential and light commercial customers. There are 90 Service Experts locations in the United States and Canada. The consolidated financial statements reflect Enercare's ownership of Service Experts for the period from May 11, 2016 to December 31, 2016.

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, gas 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.

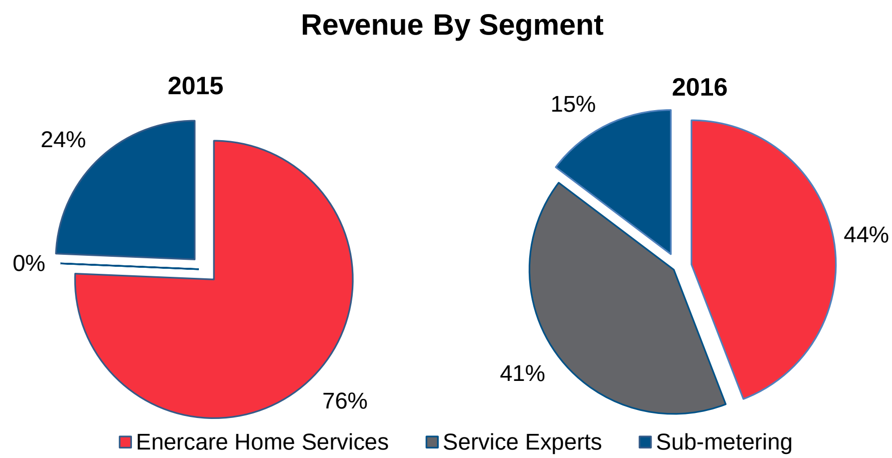
Through its Enercare Home Services, Service Experts and Sub-metering businesses, Enercare provides intelligent and energy-efficient products, services, programs and solutions that enable homeowners, multi-unit owners and tenants to make a substantial contribution to North America's growing culture of 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 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, S&P/TSX Completion Index, S&P/TSX Canadian Consumer Discretionary Index and the S&P/TSX Canadian Dividend Aristocrats Index.

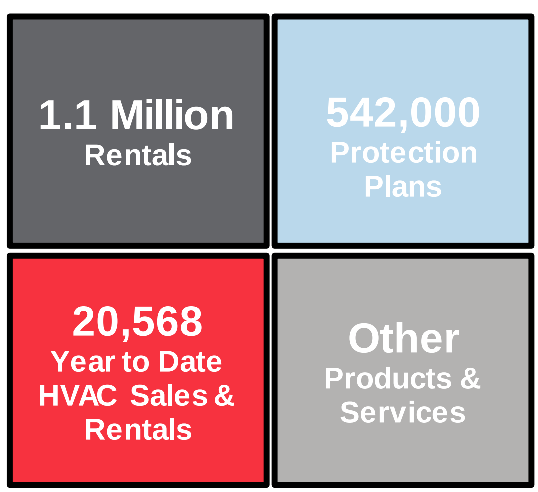
PORTFOLIO SUMMARY

Enercare's primary businesses are comprised of Enercare Home Services, Service Experts and Sub-metering. As seen by the graph below, the Enercare Home Services business accounted for 44% of the overall revenue during 2016, compared to 76% during 2015, due to the acquisition of the Service Experts business on May 11, 2016. The primary business activities within each of the Enercare Home Services, Service Experts and Sub-metering segments are discussed below.

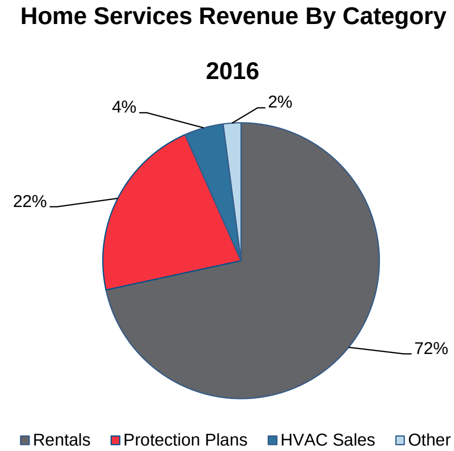


Enercare Home Services Business

There are four main business activities within Enercare Home Services: Rentals, Protection Plans, HVAC Sales and Other (which includes duct cleaning and chargeable services). The following diagram shows the breakdown of customer contracts for each such activity for the year ending December 31, 2016.

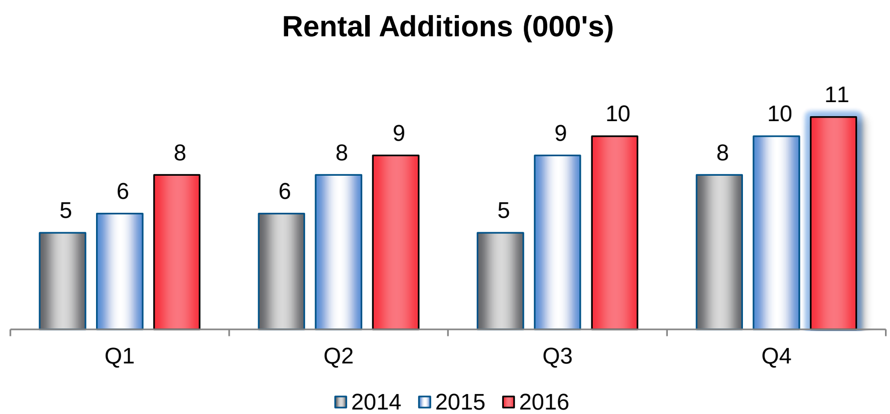


Of the four main business activities, the Rentals component produces the largest portion of revenue, followed by Protection Plans, HVAC Sales and Other, as illustrated in more detail by the following chart.

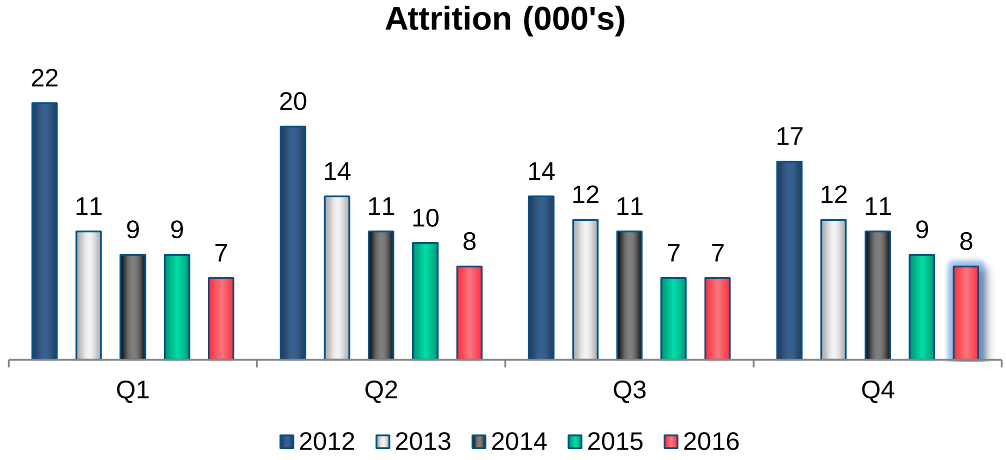


Rentals

Enercare Home Services 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 11,000 units in the fourth quarter of 2016 and 38,000 units for the year ended December 31, 2016, increases of 10% and 15%, respectively, compared to the same periods in 2015.

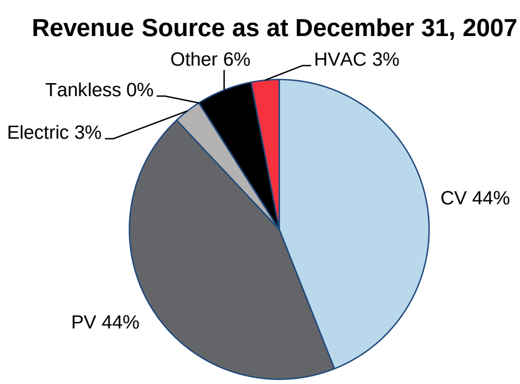


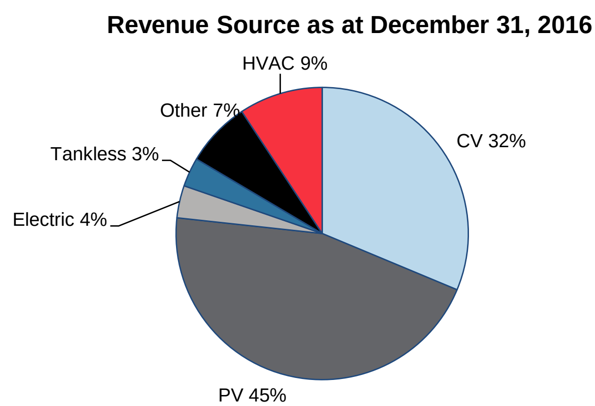
To aid in the reduction of Attrition, Enercare Home Services has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with enhancements to our customer value proposition (for example, the "same day service campaign") and the coming into effect of Bill 55 on April 1, 2015, have helped to significantly reduce Attrition. Attrition of approximately 8,300 units in the fourth quarter of 2016 and approximately 30,000 units for the year ended December 31, 2016, improved by 6% or 500 units and approximately 14% or 5,000 units, respectively, compared to the same periods in 2015. Attrition has improved year-over-year since 2009. The chart below illustrates Attrition trends since 2012.



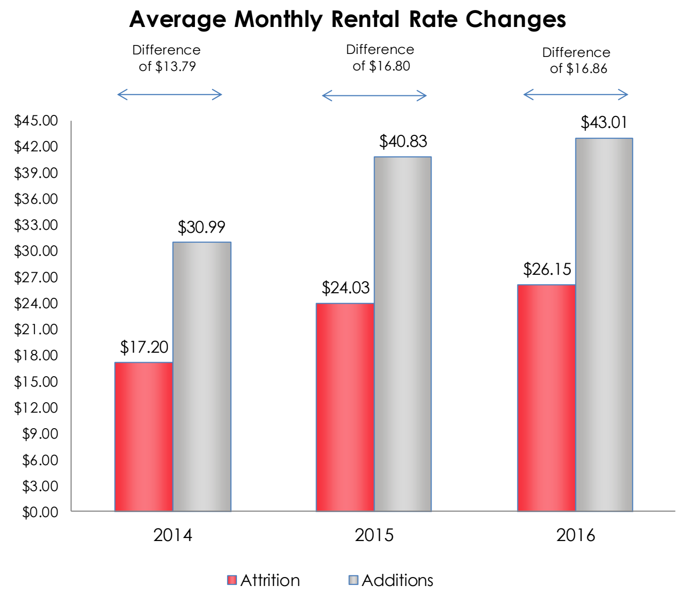
Rental unit growth surpassed Attrition during the third and fourth quarters of 2015 and all of 2016 by approximately 11,000 units in total, the first six consecutive quarters of net unit growth for Enercare in over a decade.

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





The impact of changes in product mix over time is outlined further in the graph below, which shows that the difference in rental rates applicable to new and lost customers has increased steadily over the past three years, with 2016 revenue spread widening to $16.86, an increase of $0.06 over 2015. In 2016, new customers were worth approximately 1.6 times that of a lost customer.



Protection Plans

Enercare 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 Home Services 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 Home Services to retain the customer relationship, but also provide for on-going maintenance, whereas the outsourced arrangement covered only limited parts and labour. These plans augment the customer value proposition when a customer chooses to purchase rather than rent. Since inception, approximately 74% of residential HVAC unit sales included an extended protection plan.

While Enercare Home Services' protection plan base decreased by approximately 3,000 plans in 2016, protection plan additions increased by approximately 5,000 plans compared to 2015. Higher protection plan additions are a direct result of new customer acquisition and improved customer retention programs and product offerings.

Overall protection plan attrition remained stable throughout 2016, despite the loss of approximately 9,300 (2015 - 6,700) protection plans, as a result of them being replaced by rentals as part of the Enercare Home Services growth strategy. In 2016, HVAC unit additions continued to be more through rentals than sales. As a result, the opportunities for protection plan sales were fewer as rentals already include a service component. The execution of our HVAC rental strategy is a key component of 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 annualized protection plan contract continuity for 2016 and 2015.

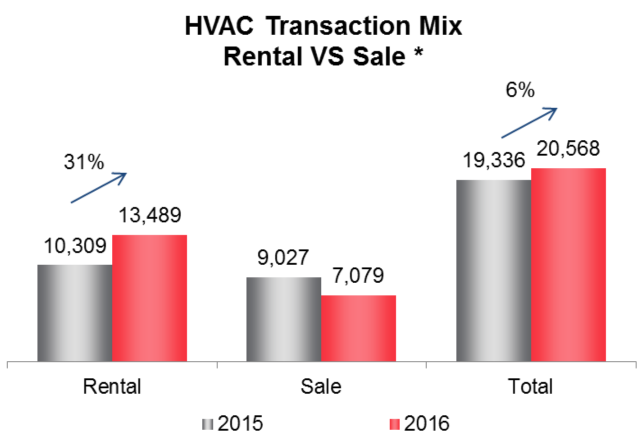
Protection Plan Unit Continuity (000's) December 31,	**2016**	2015
Contracts - start of year	**545**	553
Portfolio additions	**71**	66
Protection plan attrition	**(74)**	(74)
Contracts - end of year	**542**	545
% change in units during the year	**(0.6%)**	(1.4%)

HVAC Sales and Rentals

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

As part of Enercare Home Services' strategy to grow its recurring revenue customer base, in 2013 Enercare Home Services 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 opposed to a one-time in year gain on margin. However, the rental HVAC creates a long-term customer revenue stream and the rental relationship provides greater cross-selling opportunities and is therefore more valuable than a one-time sale. Enercare Home Services estimates that a rental unit is worth approximately 2.5 times that of a sale on a discounted cash flow basis over the life of the asset.

A year to date 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 quarterly reports prior to the fourth quarter of 2015 represented only residential units and excluded commercial and multi-residential.

During 2016, Enercare Home Services rented approximately 13,489 new units, an increase of 31% over the prior year, and sold approximately 7,079 units for a total of 20,568 HVAC units, compared to 19,336 units in the prior year, an increase of 6%. HVAC sales and rentals in 2016 were significantly impacted by weather trends throughout the year. The unseasonably warmer temperatures experienced during the fourth quarter of 2015 continued into the first quarter of 2016, leading to fewer furnace breakdowns and therefore lower demand for HVAC replacements and repairs. The onset of warmer spring weather during the second quarter was also delayed, compared to historic norms, leading to lower demand for air conditioning sales and rentals in the early part of the second quarter. Demand for air conditioning sales and rentals increased significantly starting towards the end of the second quarter and continuing throughout the third quarter, which experienced 71% higher cooling degree days[1] compared to the 25 year average. Warm weather trends continued during the first half of the fourth quarter before returning to more seasonable temperatures in December. The cooler weather experienced in December, combined with strong sales execution, resulted in a 3% increase in the demand for HVAC sales and rentals during the fourth quarter, compared to the same period in 2015.

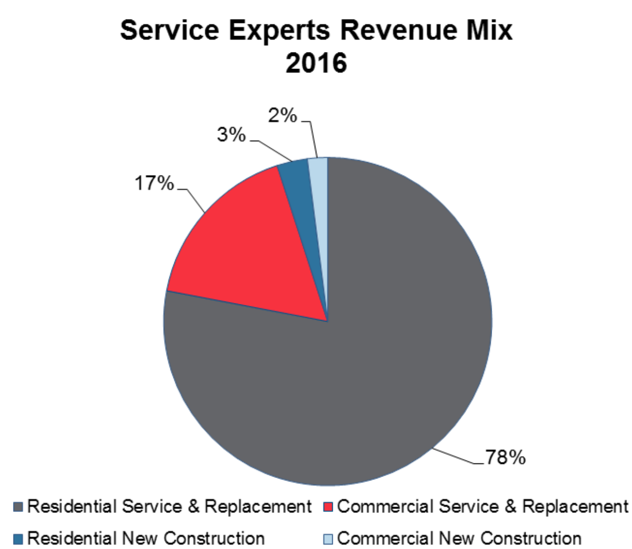
The strategy to convert HVAC sales into Rentals has resulted in increases to our recurring revenue. During 2016, HVAC rental revenue accounted for an increase of approximately $8,700, compared to 2015. Nevertheless, Enercare continues to be financially impacted by this strategy in the short-term. Enercare estimates that the increase in the number of rental HVAC originations from 10,309 in 2015 to 13,489 in 2016 resulted in reductions of $8,400 and $2,800 to revenues and EBITDA, respectively, compared to 2015. Furthermore, had all 13,489 new HVAC rental additions in 2016 been sales as opposed to rentals, revenues and EBITDA during 2016 would have increased by approximately $33,800 and $12,000, 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.

Other

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

Service Experts Business

Enercare expanded into the U.S. marketplace through its acquisition of Service Experts in May 2016. Service Experts is a leading provider of HVAC equipment and servicing to residential and light commercial customers and operates in 29 states in the United States and three provinces in Canada with a total of 90 branch locations. Service Experts has an average local brand age of more than 50 years and conducts over 645,000 customer appointments per year.



[1] Heating/cooling 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 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. Temperatures below 18°C result in higher heating degree days (lower cooling degree days), while those above 18°C result in lower heating degree days (higher cooling degree days).

As illustrated in the chart above, residential service and replacement made up 78% of revenues, while commercial service and replacement made up 17%. Commercial service and replacement is comprised of both services to commercial customers at Service Experts' local centers as well as commercial services to its national account customers that are managed through Service Experts' national accounts group. The major business activities within both the residential and commercial businesses consist of HVAC Sales and Servicing and Maintenance Contracts.

HVAC Sales and Servicing

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

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

Service Experts installed approximately 43,546 HVAC units during 2016, an increase of 8% compared to the 40,196 HVAC sales units installed during the same pre-acquisition period in 2015. Service Experts HVAC sales were also significantly impacted by weather trends during the year[2]. Favourably warm weather conditions across the United States during the second and third quarters led to a significant increase in the demand for air conditioning sales, service and repairs. Temperatures across the United States in June, July, August and September were each one of the top three warmest, compared to the same months, in the past 25 years[1]. However, similar warm weather trends during the fourth quarter led to lower heating demand. Service Experts sales in Eastern Canada were also similarly impacted by the same weather trends experienced by the Enercare Home Services segment. Higher revenues were also driven by Service Experts initiatives to shift sales towards higher value products, which have contributed to improvements in the average selling prices of installed units. A comparison of HVAC sales from May 11 to December 31 of 2016 and 2015 is outlined in the chart below.

HVAC Sales for the period May 11 to December 31,	**2016**	2015
Installations	**43,546**	40,196
% change	**8%**	-

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

Maintenance Contracts

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

Service Experts currently has two types of maintenance contracts in respect of HVAC equipment. The first is a maintenance only contract where semi-annual or annual maintenance visits are conducted to perform diagnostics over HVAC equipment while the second is a full service plan that includes repair services along with certain parts and labour. Approximately 200,000 customers have ongoing maintenance

[2] Weather trends from Weather Trends International.

contracts covering approximately 216,000 pieces of equipment. Although the total number of maintenance contracts can fluctuate from quarter to quarter as a result of the timing of contract renewals and the number of new HVAC unit installations initiated by customers with maintenance contracts, in recent years, maintenance contracts has remained stable for Service Experts. Service Experts experienced a slight decline in maintenance contracts during the post-acquisition period from May 11, 2016 to December 31, 2016. This was consistent with historical trends where slight reductions in the number of maintenance contracts have been experienced during periods of high HVAC sales. The following table illustrates the maintenance contracts continuity for the period of May 11, 2016 to December 31, 2016.

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

Sub-metering Business

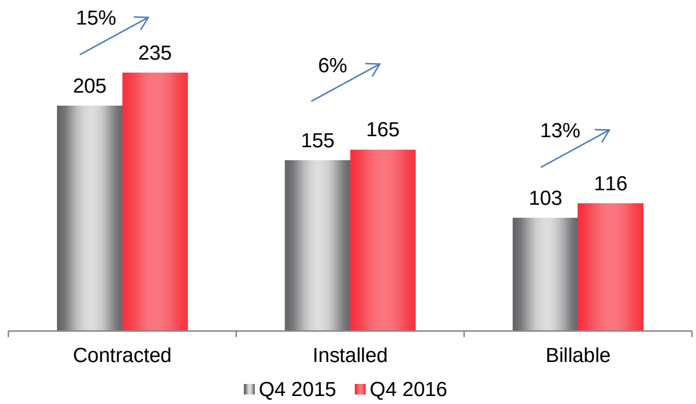
Enercare entered the multi-residential Sub-metering business through two acquisitions made in the last eight years. There are two main market segments for Sub-metering in the multi-residential market: retro-fit sub-metering and new build construction. Within each market, apartments and condos have significantly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

Within the retro-fit revenue stream, after a contract is signed, the meters are typically installed within the first two quarters following 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.

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.

Through acquisition and subsequent growth in contracted units, many of the above-mentioned up-front capital investments have been made. As seen in the graph below, currently there are 235,000 contracted units. Of those contracted units, 165,000 have meters installed and 116,000 of those units are billing. Enercare expects to experience continued revenue growth as these contracted units are turned into installed units and subsequently Billable units. Over the past three 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 contracted units over the past five quarters. Contracted units increased by approximately 30,000 units in 2016 to 235,000 units from 205,000 units in 2015, showing improvements of 10,000 units or 50% over 2015.

Sub-metering Unit Continuity (000's)



2016 HIGHLIGHTS

(000's)	2016	2015	Change	Percent Change
Home Services	**$438,618**	**$426,471**	$12,147	3%
Service Experts	**410,735**	**-**	410,735	100%
Sub-metering	**145,989**	**137,150**	8,839	6%
Investment income	**599**	**205**	394	192%
Total revenues	**$995,941**	**$563,826**	$432,115	77%
EBITDA	**265,792**	**222,320**	43,472	20%
Adjusted EBITDA[3]	**270,198**	**225,190**	45,008	20%
Acquisition Adjusted EBITDA[3]	**285,076**	**234,737**	50,339	21%
Earnings before income taxes	**85,867**	**68,829**	17,038	25%
Current tax (expense)	**(54,381)**	**(10,197)**	(44,184)	433%
Deferred income tax (expense)/recovery	**29,644**	**(7,677)**	37,321	(486)%
Net earnings	**$ 61,130**	**$ 50,955**	$ 10,175	20%
Payout Ratio – Maintenance[4]	**51%**	**46%**	5%	11%
Payout Ratio[4]	**94%**	**66%**	28%	42%
Normalized Payout Ratio – Maintenance[5]	**45%**	**51%**	(6%)	(12%)
Normalized Payout Ratio[5]	**77%**	**80%**	(3%)	(4%)

The following highlights compare 2016 results with those of 2015.

- At the time of the SE Transaction, Enercare anticipated the SE Transaction to be 25% accretive to Normalized Pro Forma Distributable Cash per Share in 2016. Enercare is pleased to announce that the accretion delivered was 30%.
- Total revenues of $995,941 increased by $432,115, or 77% in 2016, primarily as a result of $410,735 of revenues added through the SE Transaction. Revenues in the Enercare Home Services business were $438,618, increasing by $12,147, primarily as a result of rental rate increases, asset mix changes and growth in rental HVAC units. Service Experts revenues of $410,735 were stronger than anticipated, assisted by warmer temperatures during the second and third quarters, which resulted in higher air conditioning sales, partly offset by similar warm weather trends during the fourth quarter,

[3] 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.
[4] Payout Ratio and Payout Ratio – Maintenance are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.
[5] 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. 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.

which led to lower heating demand. Sub-metering revenues increased to $145,989 from $137,150, primarily as a result of higher flow through commodity charges and increases in Billable units.

- EBITDA increased by $43,472 to $265,792 in 2016, driven primarily by improved total revenues, partly offset by higher SG&A costs, primarily from $11,485 of acquisition and integration costs incurred during the year associated with the SE Transaction. Service Experts contributed $38,990 of the increase in EBITDA during the year. Adjusted EBITDA of $270,198 increased by $45,008 after removing from EBITDA the impact of the net loss on disposal of equipment.
- After removing $11,485 of acquisition and integration related expenditures associated with the SE Transaction and $3,393 of integration and business transformation costs related to the DE Acquisition, Acquisition Adjusted EBITDA was $285,076 in 2016, an increase of $50,339, primarily as a result of the SE Transaction.
- HVAC rental unit additions of 13,489 units in 2016 increased 31%, compared to the prior year, as a result of the HVAC rental program. During 2016, HVAC customer installations continued to be more through rentals than sales as a result of the success of the HVAC rental program. Emphasizing HVAC rentals over one-time sales resulted in lower Enercare Home Services revenues and EBITDA of approximately $33,800 and $12,000, respectively, in 2016.
- EBITDA for the Sub-metering business decreased by $1,597, or 11% in 2016, driven primarily by a one-time settlement of $580 from a supplier of sub-metering equipment and a $2,484 gain on disposal of sub-metering equipment, both in 2015, partly offset by improvements in Billable units, the impact of the revenue assurance program and LEAN and continuous improvement initiatives. In early 2016, the Sub-metering business transitioned to using Triacta meters in a majority of its new installations resulting in savings of approximately $800 in annual capital costs. Overall capital spending in the Sub-metering business increased in 2016, compared to the prior year, from higher allowances paid for larger contracts and the investment in a geo exchange pilot project at the end of 2016.
- Net earnings of $61,130 in 2016, increased by $10,175 or 20%, reflecting higher EBITDA offset by higher total taxes, amortization and interest from the 2016 Term Loan.
- Attrition in the Rentals portfolio was approximately 8,000 units in the fourth quarter of 2016 and 30,000 units for the year ended December 31, 2016, improvements of 11% and 14%, respectively, compared to the same periods in 2015. Attrition has improved year-over-year since 2009. Rental unit growth surpassed Attrition during the third and fourth quarters of 2015 and every quarter of 2016 by approximately 11,000 units in total; such periods have been the first six consecutive quarters of net unit growth in over a decade.
- The Payout Ratio – Maintenance, which includes only capital and lease expenditures in respect of vehicles and exchanged rental and metering equipment, was 51% in 2016, compared to 46% in 2015, primarily from lower Operating Cash Flow[6] and higher dividend payments as a result of the 10% dividend increase announced in the first quarter of 2016. When normalized for the impact of the one year tax deferral, the Normalized Payout Ratio - Maintenance improved to 45% for 2016, compared to 51% in 2015.
- The Payout Ratio was 94% in 2016, versus 66% in 2015, primarily as a result of higher tax, higher net capital and vehicle lease expenditures, dividend payments as a result of the 10% dividend increase announced in the first quarter of 2016 and acquisition related costs related to the SE Transaction (see additional commentary under "*Distributable Cash and Payout Ratios*"). When normalized for the impact of the one year tax deferral, the Normalized Payout Ratio was 77% for 2016, compared to 80% for the same period in 2015.

RECENT DEVELOPMENTS – 2016 AND 2017 TO DATE

Senior Management Changes

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

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

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

On June 1, 2016, Enercare appointed John Piercy as General Manager and Senior Vice President, Sub-metering.

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.

ECI 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 for consideration of US $340,750 (the "Consideration"), excluding transaction costs and subject to final working capital and other adjustments. For more information regarding Service Experts, see the AIF.

The SE Transaction was expected to be 25% accretive to Normalized pro forma Distributable Cash per Share[7] in 2016 (see *"2016 Highlights"* in this MD&A for results with respect to accretion). 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[7] of approximately $271,840, an increase of 16%;
- Normalized pro forma Distributable Cash[7] of approximately $124,289, an increase of 37%;
- Normalized pro forma Distributable Cash per Share[7] of approximately $1.18, an increase of 18%; and
- Normalized pro forma Payout Ratio[7] improves to 70% from 82%.

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.

[7] Excludes transaction costs, potential synergies in the SE Transaction and the shares issued under the over-allotment option. See "Non-IFRS Financial and Performance Measures" in this MD&A.

Equity Financing

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 the remaining portion of the Consideration. In accordance with the terms of the agreement pursuant to which the SE Subscription Receipts were issued, each outstanding SE Subscription Receipt was exchanged for one 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 a 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.

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%.

Termination of its Nomination Agreement with DE

On May 27, 2016, Enercare announced that it received notice from DE that DE had sold the remainder of the Shares originally issued to DE as partial consideration for the purchase by Enercare of the OHCS business. Enercare previously purchased for cancellation 3,846,154 Shares from DE by way of a block trade in November 2015 under its NCIB.

As a result of the sale, the nomination agreement between Enercare and DE entered into in connection with the DE Acquisition terminated. The nomination agreement provided that as long as DE controlled not less than 3,846,154 Shares, DE was entitled to nominate one individual for consideration by Enercare's governance committee and board. Scott Boose, who was nominated to the Enercare board by DE pursuant to the nomination agreement, resigned from the board of directors effective May 26, 2016.

ECI and Park Property Management Agree to Renew Sub-metering Services for Over 6,900 Rental Units

On July 5, 2016, ECI announced an agreement with Park Property Management Inc. (“Park Property”) for the renewal of electricity sub-metering services for over 6,900 units across 53 rental properties across Ontario. Park Property's buildings are equipped with meters from Triacta.

ECI Receives Accreditation by the Better Business Bureau

On July 12, 2016, ECI announced it had been accredited by the Better Business Bureau (“BBB”) serving Central Ontario. ECI holds a BBB rating of A+.

Enercare Announces Renewal of its Normal Course Issuer Bid

On July 15, 2016, Enercare announced that it had received approval from the TSX for the renewal of its NCIB, pursuant to which Enercare may purchase for cancellation up to 10,286,906 of its Shares, representing approximately 10% of its public float of issued and outstanding Shares as of July 4, 2016. As of July 4, 2016, there were 103,836,505 Shares outstanding. The average daily trading volume from January 1, 2016 to June 30, 2016 was 320,937 Shares. Daily purchases will be limited to 80,234 Shares, other than block purchase exceptions. The purchases could commence on July 20, 2016, and will terminate on July 19, 2017, or on such earlier date as Enercare may complete its purchases under its NCIB. The purchases made by Enercare will be implemented through the facilities of the TSX, through alternative Canadian trading systems or by other means as may be permitted by the TSX or a securities regulatory authority, such as prearranged crosses, exempt offers and private agreements under an issuer bid exemption order issued by a securities regulatory authority. Purchases made on the open market through the facilities of the TSX and alternative trading systems will be at the prevailing market price at the time of acquisition. Purchases made by way of private agreement under an issuer bid exemption order may be at a discount to the prevailing market price as provided in the exemption order.

The actual amount of Shares that may be purchased under the NCIB is subject to, and cannot exceed, limits referred to above and the timing of such purchases will be determined by Enercare. All Shares purchased under the NCIB will be cancelled. Under the NCIB that expired on July 19, 2016, Enercare purchased a total of 4,400,154 Shares at a weighted average price of $15.36 per Share.

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

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

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

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

Enercare Launches Industry First Mobile App for Customers

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

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

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

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

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

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

As Bill 59 is a framework act, its substance will be contained in regulations passed under it. As a result, the details of the act, including the specific appliances to which Bill 59 will apply and any exceptions to the ban on door-to-door sales will be found in regulations, which have yet to be published.

On February 28, 2017, Enercare presented to the Standing Committee on Social Policy of the Ontario Legislature in respect of Bill 59.

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

Enercare Introduces New Finance Plan for Purchases of Heating and Cooling Equipment

On November 16, 2016, Enercare announced that it had launched a new finance program allowing technicians to provide quick onsite credit approvals to residential customers to finance furnaces, air conditioners and water treatment equipment. The Enercare Finance Plan provides customers with an efficient and user-friendly program that allows them to deal directly with Enercare for the purchase and financing of their equipment. Features include an automated credit approval process, real-time quote comparisons based on financing options or amounts, and up to 180 month terms.

Enercare Announces Adoption of a Dividend Reinvestment Plan

On November 18, 2016, Enercare announced that it has adopted a Dividend Reinvestment Plan. Canadian resident shareholders were entitled to register for the plan effective with Enercare's monthly dividend paid on December 30, 2016. Shareholders can elect to receive their dividends in the form of Shares instead of cash as well as the benefit of acquiring the Shares at a 5% discount to the prevailing market price, unless Enercare notifies shareholders that it will satisfy the issuance through open market purchases, in which case the shares would be issued at the prevailing market rate. Shares acquired under the plan will be automatically enrolled. To facilitate the plan, Enercare changed its policy of determining the record date for shareholders eligible to receive a dividend such that the dividend record date will be on or about the 15th day of the month in which the associated dividend payment is made.

ECI and North Edge Properties Agree to Sub-Metering Services

On November 22, 2016, ECI announced an agreement with North Edge Properties Ltd under which ECI will provide electricity sub-metering services for 1,090 rental units. The units will be equipped with meters from Triacta. ECI will manage all metering, billing and customer service matters.

Enercare Introduces Rental HVAC and Water Heater Offerings to Service Experts Centres in Canada

On February 13, 2017, Enercare and Enercare Solutions announced the completed rollout of rental HVAC products and rental water heaters at all 15 residential heating and air conditioning Service Experts locations in Canada.

In addition to rolling out rental HVAC and water heater products at Service Experts locations in Canada, rental HVAC offerings are being piloted in two U.S. states, and Enercare expects to rollout in two additional states in the coming months. The U.S. rental program is similar to Enercare's existing Canadian rental program, except that due to U.S. regulations, the rental contracts in the United States will be for a definitive term, which in the piloted states is 10 years.

Issuance of 2017 Notes and Redemption of Series 2012-1 Notes

On February 21, 2017, Enercare Solutions completed its offering of $500,000 aggregate principal amount of 2017 Notes, consisting of $275,000 (the "2017-1 Notes") and $225,000 (the "2017-2 Notes"). The 2017-1 Notes were sold at a price of 99.982% of the principal amount, with an effective yield of 3.384% per annum if held to maturity and the 2017-2 Notes were sold at 99.982% of the principal amount, with an effective yield of 3.993% per annum if held to maturity.

The 2017 Notes received ratings of "BBB", with a "stable" trend from DBRS and "BBB", with a "stable" outlook from S&P.

The proceeds of the offering will be used by Enercare Solutions (i) to redeem all of its outstanding 2012 Notes on March 23, 2017, (ii) to repay existing credit facilities and (iii) for general corporate purposes. The principal amount of 2012 Notes outstanding as of the date hereof is $250,000. Holders of the 2012 Notes will receive an aggregate redemption price of approximately $258,377, which includes interest and the applicable make-whole payment.

RESULTS OF OPERATIONS

Overview

Consolidated Financial Highlights (000’s)	**2016**	2015	2014
Total revenues	**$995,941**	$563,826	$362,753
Earnings before income taxes	**85,867**	68,829	32,158
Current tax expense	**(54,381)**	(10,197)	(27,287)
Deferred income tax (expense)/recovery	**29,644**	(7,677)	17,405
Net earnings	**$ 61,130**	$ 50,955	$ 22,276
EBITDA	**265,792**	222,320	165,930
Adjusted EBITDA	**270,198**	225,190	175,789
Acquisition adjusted EBITDA	**285,076**	234,737	183,511
Per Share information			
Shareholder dividends declared	**$ 0.82**	$ 0.82	$ 0.72
Net earnings	**$ 0.62**	$ 0.56	$ 0.34
Total assets	**1,970,792**	1,376,247	1,406,061
Total debt	**969,115**	737,212	688,111
Cash provided by operating activities	**164,766**	163,886	145,629
Distributable Cash	**$ 85,406**	$ 112,506	$ 59,553
Payout Ratio – Maintenance	**51%**	46%	49%
Payout Ratio	**94%**	66%	81%

2016 vs. 2015

Total revenues increased by approximately 77% or $432,115 to $995,941 in 2016. Service Experts revenues, excluding investment income, contributed $410,735 for 2016 since the May 11, 2016 acquisition date. Enercare Home Services revenues, excluding investment income, increased during the year by $12,147 to $438,618, compared to 2015, primarily as a result of a rental rate increase implemented in January 2016 and changes in asset mix and growth in rental HVAC units. Net earnings were $61,130 in 2016, $10,175 higher than 2015, primarily from the SE Transaction, partly offset by higher amortization expenses and total taxes.

EBITDA increased by 20% or $43,472 as a result of the SE Transaction. Adjusted EBITDA increased by $45,008 or 20% after removing from EBITDA the impact of a reduced loss on disposal of equipment and including other income. After removing net expenditures of $14,878 associated with the SE Transaction and DE Acquisition, Acquisition Adjusted EBITDA was $285,076 in 2016, an increase of $50,339 over 2015.

Total assets increased by approximately $594,545 in 2016, primarily due to the SE Transaction. Total debt increased by $231,903 to $969,115, primarily from the 2016 Term Loan. Cash flow from operating activities increased by $880 in 2016, primarily as a result of improved EBITDA. The Payout Ratio increased to 94% from 66%, primarily as a result of higher net capital and vehicle lease expenditures, dividend payments as a result of the 10% dividend increase announced in the first quarter of 2016 and acquisition related costs related to the SE Transaction (see additional commentary under "*Distributable Cash and Payout Ratios*").

2015 vs. 2014

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

EBITDA increased by 34% or $56,390 as a result of improved revenues and lower losses on disposal of equipment, partially offset by higher combined cost of goods sold and SG&A expenses of $151,844 driven primarily by the DE Acquisition, including related rebranding and integration costs, and increased flow through commodity charges. Adjusted EBITDA increased by $49,401 or 28% after removing from EBITDA the impact of a reduced loss on disposal of equipment and including other income. After removing net expenditures of $9,168 associated with the Acquisition and Triacta acquisition costs of $379, Adjusted EBITDA was $234,737 in 2015, an increase of $51,226 over the same period in 2014.

Total assets decreased by approximately $29,814 in 2015, primarily due to the amortization of intangible assets and equipment. Total debt increased by $49,101 to $737,212 primarily from $50,000 which was drawn on the 2014 Revolver to partially fund the Shares purchased from DE by way of a block trade under the NCIB. Cash flow from operating activities increased by $18,257 in 2015, primarily as a result of improved EBITDA, higher amortization and deferred income taxes partly offset by higher accounts receivable (see the discussion in "Liquidity and Capital Resources – Cash from Financing" in this MD&A). The Payout Ratio decreased to 66% from 81%, primarily from improved Operating Cash Flow (see the discussion in "Non-IFRS Financial and Performance Measures" in this MD&A), partly offset by higher dividend payments as a result of the 16% increase announced in the first quarter of 2015, higher capital expenditures and DE Acquisition related integration costs.

Earnings Statement

Year ended December 31, 2016 (000's)	Enercare Home Services	Service Experts	Sub-metering	Corporate	Total
Revenues:					
Contracted revenue	$410,018	$ 22,574	$142,239	$ -	$574,831
Sales and other services	28,600	388,161	3,750	-	420,511
Investment income	349	28	30	192	599
Total revenue	$438,967	$410,763	$146,019	$ 192	$995,941
Expenses:					
Cost of goods sold:					
Commodity	-	-	(111,482)	-	(111,482)
Maintenance & servicing costs	(66,994)	(17,711)	-	-	(84,705)
Sales and other services	(22,274)	(239,415)	(1,845)	-	(263,534)
Total cost of goods sold	(89,268)	(257,126)	(113,327)	-	(459,721)
SG&A expenses	(100,343)	(114,593)	(19,323)	(32,091)	(266,350)
Foreign exchange	215	(35)	51	97	328
Amortization expense	(122,194)	(13,825)	(6,719)	(2,586)	(145,324)
Net (loss)/gain on disposal	(4,464)	(19)	77	-	(4,406)
Interest expense:					
Interest expense payable in cash					(32,709)
Non-cash interest expense					(1,892)
Total interest expense					(34,601)
Total expenses					(910,074)
Earnings before income taxes					85,867
Current tax (expense)					(54,381)
Deferred tax recovery					29,644
Net earnings					$ 61,130
EBITDA	$ 245,107	$ 38,990	$ 13,497	$(31,802)	$265,792
Adjusted EBITDA	$ 249,571	$ 39,009	$ 13,420	$(31,802)	$270,198
Acquisition Adjusted EBITDA	$ 252,964	$ 50,494	$ 13,420	$(31,802)	$285,076

Year ended December 31, 2015 (000's)	Enercare Home Services	Service Experts	Sub-metering	Corporate	Total
Revenues:					
Contracted revenue	$390,509	$ -	$133,652	$ -	$524,161
Sales and other services	35,962	-	3,498	-	39,460
Investment income	186	-	19	-	205
Total revenue	$426,657	$ -	$137,169	$ -	$563,826
Expenses:					
Cost of goods sold:					
Commodity	-	-	(106,203)	-	(106,203)
Maintenance & servicing costs	(61,164)	-	-	-	(61,164)
Sales and other services	(25,448)	-	(2,090)	-	(27,538)
Total cost of goods sold	(86,612)	-	(108,293)	-	(194,905)
SG&A expenses	(104,858)	-	(16,906)	(22,504)	(144,268)
Foreign exchange	(107)	-	60	4	(43)
Amortization expense	(118,011)	-	(5,849)	(1,556)	(125,416)
Net (loss) on disposal	(5,354)	-	2,484	-	(2,870)
Interest expense:					
Interest expense payable in cash					(26,105)
Non-cash interest expense					(1,970)
Total interest expense					(28,075)
Total expenses					(495,577)
Other income			580		580
Earnings before income taxes					68,829
Current tax (expense)					(10,197)
Deferred tax (expense)					(7,677)
Net earnings					$50,955
EBITDA	$ 229,726	$ -	$ 15,094	$(22,500)	$222,320
Adjusted EBITDA	$ 235,080	$ -	$ 12,610	$(22,500)	$225,190
Acquisition Adjusted EBITDA	$ 244,248	$ -	$ 12,989	$(22,500)	$234,737

Revenues

Total revenues of $995,941 for 2016 increased by $432,115 or 77% compared to 2015, primarily as a result of the SE Transaction.

Enercare Home Services revenues, excluding investment income, increased during the year by $12,147 to $438,618, compared to 2015, primarily as a result of a rental rate increase implemented in January 2016 and changes in asset mix and growth in rental HVAC units. Contracted revenue in Enercare 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. HVAC sales and rentals in 2016 were significantly impacted by weather trends throughout the year. The unseasonably warmer temperatures experienced during the fourth quarter of 2015 continued into the first quarter of 2016, leading to fewer furnace breakdowns and therefore lower demand for HVAC replacements and repairs. The onset of warmer spring weather during the second quarter was also delayed, compared to historic norms, leading to lower demand for air conditioning sales and rentals in the early part of the second quarter. Demand for air conditioning sales and rentals increased significantly starting towards the end of the second quarter and continuing throughout the third quarter, which experienced 71% higher cooling degree days[8] compared to the 25 year average. Warm weather trends continued during the first half of the fourth quarter before returning to more seasonable temperatures in December. The cooler weather experienced in December, combined with strong sales execution, resulted in a 3% increase in the demand for HVAC sales and rentals during the fourth quarter, compared to the same period in 2015.

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

Service Experts revenues, excluding investment income, of $410,735 for 2016 since the May 11, 2016 acquisition date were stronger than anticipated, driven primarily by favourably warm weather conditions across the United States and higher average dollars per contract.

Temperatures across the United States during 2016 were one of the top three warmest in the past 25 years[8]. Favourably warm weather conditions across the United States during the second and third quarters, led to a significant increase in the demand for air conditioning sales, service and repairs. Temperatures across the United States in June, July, August and September were each one of the top three warmest, compared to the same months, in the past 25 years[2]. Similar warm weather trends during the fourth quarter led to lower heating demand. Service Experts sales in Eastern Canada were also positively impacted by the same weather trends experienced by the Enercare Home Services segment. Higher revenues were also driven by Service Experts initiatives to shift sales towards higher value products, which have contributed to improvements in the average selling prices of installed units. Service Experts revenues were lower by $20,833 of 2016, as a result of purchase accounting adjustments of deferred revenue associated with the SE Transaction.

Sub-metering revenues, excluding investment income, were $145,989 in 2016, an increase of $8,839 or 6% over 2015, primarily as a result of higher billable units. The increase compared to 2015 was also impacted by revenues generated from the acquisition of Triacta. Sub-metering revenue includes total pass through energy charges of $111,482 in the year, increases of $5,279 or 5% over 2015. The acquisition of Triacta in the third quarter of 2015 resulted in $3,431 of revenues in 2016, an increase of $1,193.

Investment income was $599 in 2016, an increase of $394, when compared to 2015. The change in investment income was primarily attributable to non-recurring interest earned in the second quarter of 2016 from the SE Subscription Receipts proceeds received in connection with the SE Transaction combined with interest income from the registered pension plan, which was in an asset balance instead of

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[8] Weather trends from Weather Trends International.

a net obligation during 2016.

Cost of Goods Sold

Total cost of goods sold for 2016 was $459,721, an increase of $264,816 or 136%, compared to 2015, primarily as a result of the SE Transaction.

Enercare Home Services cost of goods sold increased by $2,656 in 2016 compared to 2015, primarily from approximately $1,300 of non-recurring supplier reimbursements and other items recorded in the second quarter of 2015 and growth in the Rentals business. Maintenance and servicing costs in Enercare Home Services primarily consist of protection plan expenses and servicing costs related to the Rentals portfolio, while sales and other services expenses mainly pertain to one-time sales and installations of residential furnaces, boilers, air conditioners and small commercial products as well as plumbing, duct cleaning and other chargeable services.

Service Experts cost of goods sold amounted to $257,126 in 2016 since the May 11, 2016 acquisition date. Service Experts cost of goods sold were lower by $16,549 during the year, as a result of purchase accounting adjustments for the service obligation associated with the SE Transaction.

Sub-metering cost of goods sold of $113,327 in 2016, increased by $5,034 or 5%, as a result of an increase in pass through energy charges over the same periods in 2015. Sales and other services expenses for Sub-metering relate to Triacta meter sales and the sale and installation of water conservation products in apartments and condominiums.

Selling, General & Administrative Expenses

Total SG&A expenses were $266,350 in 2016, an increase of $122,082, compared to 2015.

Enercare Home Services SG&A expenses of $100,343 in the year, decreased by $4,515, compared to 2015. The $4,515 decrease was primarily as a result of approximately $4,900 in lower selling and marketing expenses, $3,000 of professional fees, both primarily from one time integration and rebranding activities in 2015, and $500 in claims expense, partly offset by $2,600 increases in wages and benefits, $600 in office expenses and $700 in bad debts. During 2016, there were acquisition related items totaling $930, compared to $1,400 in 2015, resulting in improvements to SG&A expense. The improvements in both periods arose from revisions to estimates.

Enercare Home Services SG&A expenses in 2016 included $2,312 of integration and business transformation costs related to the DE Acquisition, primarily from information technology integration activities to optimize the information technology platforms and marketing spend related to continued rebranding. In 2015, SG&A expenses included $9,168 of integration costs associated with the DE Acquisition, primarily from marketing spend related to rebranding activities.

Service Experts SG&A expenses in 2016 amounted to $114,593 since the May 11, 2016 acquisition date. Included in SG&A expenses were $11,485 of acquisition related expenditures associated with the SE Transaction, primarily related to professional fees and integration costs. The costs included $2,834 of pre-acquisition expenditures incurred by Enercare Home Services.

Sub-metering SG&A expenses in 2016 were $19,323, an increase of $2,417 over 2015, primarily as a result of $2,400 of higher wage and benefit expenses. Sub-metering SG&A expenses in 2015 included $379 of costs associated with the acquisition of Triacta, primarily related to professional fees.

Corporate expenses of $32,091 in 2016, increased by $9,587, compared to 2015. The $9,587 increase was primarily as a result of approximately $4,700 in higher wages and benefits, $500 in stock based compensation due to an increase in the Share price, and $4,200 of higher office expenses resulting primarily from increased information technology costs.

Corporate SG&A expenses in 2016 included $1,081 of integration and business transformation costs related to the DE Acquisition, primarily from information technology integration activities to optimize the information technology platforms.

Amortization Expense

Amortization expense increased by $19,908 or 16% in 2016, primarily due to an increasing capital asset base from asset mix changes in the Rentals portfolio, the SE Transaction and increased Sub-metering capital investments, which are amortized over a shorter life than those of the Enercare Home Services business.

Net Loss on Disposal of Equipment

Enercare reported a net loss on disposal of equipment of $4,406 in 2016, an increase of $1,536 or 54%, over 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

(000's)	**2016**	2015
Interest expense payable in cash	**$30,294**	$26,105
Interest payable on subscription receipts	**2,217**	-
Equity bridge financing fees	**198**	-
Non-cash items:		
Notional interest on employee benefit plans, net	**840**	1,096
Amortization of financing costs	**1,052**	874
Interest expense	**$34,601**	$28,075

Interest expense payable in cash increased by $4,189 to $30,294 in 2016, compared to 2015. The increase was primarily related to the increase in the 2016 Term Loan related to the financing of the SE Transaction, partially offset by the conversion of Convertible Debentures to Shares.

Notional interest of $840 in 2016 relates to the defined benefit employee benefits plans. Amortization of financing costs includes the previously unamortized costs associated with the 2012 Notes, 2013 Notes, Convertible Debentures, the 2014 Term Loan and 2016 Term Loan.

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 were classified as debt, resulting in interest expense of $2,217, which was the equivalent to the dividend payments on such SE Subscription Receipts if they had been Shares. Equity bridge financing fees of $198 were also incurred as part of the SE Transaction.

Other Income

Other income decreased compared to 2015 as a result of a one-time settlement of $580 recognized in 2015 from a supplier of sub-metering equipment.

Income Taxes

Enercare reported current tax expenses of $54,381 in 2016, an increase of $44,184 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, and the acquisition of Service Experts. The deferred income tax recovery of

$29,644, an increase of $37,321 compared to the deferred tax expense recorded in 2015, were primarily as a result of temporary difference reversals in the Enercare Home Services, Service Experts and Sub-metering businesses.

Net Earnings

Net earnings were $61,130 in 2016, an increase of $10,175 compared to 2015.

EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA

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

(000's)	**Q4/16**	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15
Net earnings	**$17,552**	$19,332	$16,051	$8,195	$13,725	$13,124	$16,204	$ 7,902
Deferred tax (recovery)/expense	**(5,275)**	(7,522)	(7,633)	(9,214)	1,069	2,376	1,323	2,909
Current tax expense	**11,534**	15,332	15,259	12,256	2,784	2,169	2,290	2,954
Amortization expense	**38,892**	38,329	35,796	32,307	31,917	31,606	31,044	30,849
Interest expense	**8,554**	8,507	9,187	8,353	6,988	6,955	7,021	7,111
EBITDA[(a)]	**71,257**	73,978	68,660	51,897	56,483	56,230	57,882	51,725
Add: Net loss/(gain) on disposal	**850**	734	891	1,931	(1,455)	1,001	1,572	1,752
Adjusted EBITDA[(b)]	**72,107**	74,712	69,551	53,828	55,028	57,231	59,454	53,477
Add: Acquisition SG&A	**603**	4,854	5,128	4,293	3,028	3,946	1,961	612
Acquisition Adjusted EBITDA	**$72,710**	$79,566	$74,679	$58,121	$58,056	$61,177	$61,415	$54,089

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

(b) Historical 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, as well as the SE Transaction results commencing in the second quarter of 2016.
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 during 2016.
3. During the first and second quarters of 2016 additional interest expense was incurred as part of the SE Transaction, related to the 2016 Term Loan, bridge financing and the treatment of SE Subscription Receipts for accounting purposes.
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.

In 2016, Enercare further changed its definition of Payout Ratio and Payout Ratio – Maintenance to include capital relating to vehicle additions (reflecting repayments of obligations under finance leases). Historical figures have been restated to reflect the current definition.

Payout Ratio (000s)	**2016**	2015
Cash provided by operating activities	**$164,766**	$163,886
Net change in non-cash working capital	**17,641**	25,648
Operating Cash Flow[9]	**182,407**	189,534
Capital and vehicle lease expenditures: (excluding growth capital and acquisitions)		
HVAC rental additions	**(45,195)**	(31,961)
Water heater rental and other additions	**(36,377)**	(30,118)
Rentals exchanges	**(35,684)**	(34,109)
Vehicle additions (reflecting repayments of obligations under finance leases)	**(6,129)**	(2,222)
Sub-metering maintenance capital	**(715)**	-
Subtotal	**(124,100)**	(98,410)
Total proceeds on disposal of rental equipment	**9,998**	12,415
Net capital and vehicle lease expenditures	**(114,102)**	(85,995)
Other income	**-**	(580)
Acquisition integration and business transformation related expenditures	**17,101**	9,547
Total reductions	**(97,001)**	(77,028)
Distributable Cash[9]	**85,406**	112,506
Dividends declared	**(80,688)**	(74,763)
Net cash retained	**$ 4,718**	$ 37,743
Payout Ratio	**94%**	66%
Normalized Payout Ratio	**77%**	80%

The Payout Ratio, after capital and vehicle lease expenditures (excluding growth capital for Sub-metering and acquisitions), increased to 94% in 2016, compared to 66% in 2015, primarily as a result of higher net capital and vehicle lease expenditures, dividend payments as a result of the 10% dividend increase announced in the first quarter of 2016 and acquisition related costs related to the SE Transaction. Net capital expenditure increases primarily related to rental additions, which resulted in increased revenues in our Enercare Home Services segment.

During November of 2016, Enercare adopted a Dividend Reinvestment Plan. To facilitate the plan, Enercare changed its policy of determining the record date for shareholders eligible to receive a dividend such that both the dividend declaration date and payment date occur within the same month. As a result, although the number of months in which dividends were paid during 2016 remained the same with the prior year, the number of months in which dividends were declared decreased to 11, compared to 12 months in 2015. Using dividends paid of $84,766 during 2016 and $74,157 in 2015, respectively, the Payout Ratio would have been 99% compared to 66% in 2015. The increase in the Payout Ratio, using dividends paid, was largely driven by higher HVAC capital expenditures resulting from the successful HVAC rental strategy, higher capital expenditures with respect to rental water heaters, and the dividend increase beginning in the first quarter of 2016.

[9] 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.

The one year tax deferral recognized in 2015, available through a subsidiary of Enercare Solutions, also contributed to the increase in the Payout Ratio during 2016. When normalized for the impact of the one year tax deferral, the Payout Ratio decreased to 77% for 2016, compared to 80% for the prior year.

Acquisition and integration related expenditures associated with the SE Transaction during the year were $13,708, primarily consisting of professional fees associated with the entering into of the Merger Agreement and post integration activities, interest on SE Subscription Receipts and equity bridge financing fees.

Integration and business transformation costs related to the DE Acquisition were $3,393 for 2016. These costs were primarily driven by information technology integration activities and marketing spend related to rebranding. DE integration related expenditures of $9,168, during 2015, primarily consisted of marketing spend related to rebranding activities.

Acquisition costs for 2015 included $379 of costs associated with the acquisition of Triacta, primarily related to professional fees.

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.

Payout Ratio - Maintenance Presentation

Payout Ratio - Maintenance - (000's)	**2016**	2015
Cash provided/(used in) by operating activities	**$164,766**	$163,886
Net change in non-cash working capital	**17,641**	25,648
Operating Cash Flow[10]	**182,407**	189,534
Capital and vehicle lease expenditures: (excluding growth capital, additions and acquisitions)		
Rentals exchanges	**(35,684)**	(34,109)
Vehicle additions (reflecting repayments of obligations under finance leases)	**(6,129)**	(2,222)
Sub-metering maintenance capital	**(715)**	-
Proceeds on disposal of equipment – warranty	**2,364**	2,118
Net capital and vehicle lease expenditures	**(40,164)**	(34,213)
Other income	**-**	(580)
Acquisition related expenditures	**17,101**	9,547
Total reductions	**(23,063)**	(25,246)
Distributable Cash – Maintenance[10]	**159,344**	164,288
Dividends declared	**(80,688)**	(74,763)
Net cash retained	**$ 78,656**	$ 89,525
Payout Ratio – Maintenance	**51%**	46%
Normalized Payout Ratio – Maintenance	**45%**	51%

The Payout Ratio - Maintenance, which is calculated based upon capital and vehicle lease expenditures associated with vehicles and the exchange of assets for existing customers and excludes capital expenditures associated with obtaining new customers, increased to 51% in 2016, compared to 46% in the prior year.

[10] 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.

When normalized for the impact of the one year tax deferral, the Payout Ratio - Maintenance was 45% compared to 51% in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

(000's)	**2016**	2015
Cash flow from operating activities	**$164,766**	$163,886
Net change in non-cash working capital	**17,641**	25,648
Operating Cash Flow	**182,407**	189,534
Capital expenditures (excluding growth capital and acquisitions)	**(117,971)**	(96,186)
Proceeds on disposal of equipment	**9,998**	12,415
Net capital expenditures	**(107,973)**	(83,771)
Acquisitions	**(375,236)**	(7,968)
Growth capital	**(34,879)**	(18,492)
Cash used in investing activities	**(518,088)**	(110,231)
Dividends paid	**(84,766)**	(74,157)
Other financing activities	**446,364**	(19,140)
Cash (used in)/provided by financing activities	**361,598**	(93,297)
Cash and equivalents – end of period	**$ 38,415**	$ 28,413

Operating Cash Flow of $182,407 in 2016 decreased by $7,127 compared to the prior year, primarily due to acquisition related expenditures in SG&A, an increase in current tax expense due to the SE Transaction and the impact of a one year tax deferral available in 2015 through a subsidiary of Enercare Solutions which was not available in 2016.

Net capital expenditures of $107,973 in 2016 increased by $24,202 compared to prior year, due to increased HVAC rentals and changes in asset mix. The acquisition amount of $375,163, excluding $73 for the acquisition of an intangible asset, represents the purchase consideration net of cash received for the acquisition of Service Experts. Growth capital investments were $34,879, increases of $16,387, when compared to 2015. Growth capital expenditures increased in 2016 primarily from Enercare's purchase of land and a building for the purposes of relocating Enercare's corporate headquarters to reduce future operating lease payments, and higher information technology expenditures. Dividends paid reflect dividend payments on outstanding Shares.

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

Of the available credit of $200,000 under the 2014 Revolver, $15,000 was drawn as at December 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 2017 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)			**2016**			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	**38**	**10**	**48**	33	14	47
Acquisitions	**-**	**-**	**-**	1	-	1
Attrition	**(30)**	**-**	**(30)**	(35)	(10)	(45)
Units - end of period	**1,136**	**165**	**1,301**	1,128	155	1,283
Asset exchanges – units retired and replaced	**45**	**-**	**45**	46	-	46
% change in units during the period			**1.4%**			0.2%
% of units from start of period:			**-**			-
Portfolio additions (net of acquisitions)			**3.7%**			3.7%
Attrition			**(2.3%)**			(3.5%)
Units retired and replaced			**3.5%**			3.6%
Billable units	**1,136**	**116**	**1,252**	1,128	103	1,231
Contracted units	**-**	**235**	**-**	-	205	-

In 2016, the portion of net capital expenditures in Enercare Home Services related to unit additions and asset exchanges, net of proceeds on disposal and excluding assets not yet commissioned, was $107,973, increasing by 29% or $24,202 compared to 2015, primarily as a result of increased HVAC rentals.

In the Enercare Home Services business, Attrition of approximately 30,000 units in 2016 improved by 14% compared to approximately 35,000 units 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.

Installations in the Sub-metering business were approximately 10,000 units in 2016, lower by 4,000 units compared to 2015. The variance is due to higher contracted sales leading to a higher proportion of new construction condominiums, which has contributed to lower installation units as the installed service count for these units are included in work in progress, which is only recognized in the final installation service count when the entire building is complete. This can cause some significant swings in the installed unit count on a yearly basis. Sub-metering capital expenditures of $20,120, related to metering equipment, were approximately $9,409 higher than in 2015 on account of the timing and costs of projects underway.

For the Enercare 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 116,000 increased by 13,000 units in 2016 compared to 2015, primarily due to additional installations and increased billing penetration in the rental apartment market, which resulted in approximately 13,000 new Billable units.

Sub-metering sales activity was approximately 30,000 units in 2016, an improvement of approximately 10,000 units or 50% compared to 2015.

Cash from Financing

Financing activities for Enercare may reflect dividend payments, periodic financing of Enercare Solutions' indebtedness, Enercare's offering of SE Subscription Receipts, Convertible Debentures, and to a much lesser extent financing of the Sub-metering business. During 2016, Enercare recorded $8,091 of financing repayments primarily related to the scheduled repayment of the Stratacon Debt, obligations under finance leases and the purchase of treasury Shares in respect of the employee share purchase plan. These financing repayments excluded dividends to shareholders.

Capitalization (000's)	**2016**	2015
Cash and cash equivalents	**$ 38,415**	$ 28,413
Net investment in working capital	**(59,567)**	23,149
Cash, net of working capital	**(21,152)**	51,562
Total debt	**969,115**	737,212
Shareholders' equity	**616,464**	389,797
Total capitalization – book value	**$1,585,579**	$1,127,009

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

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

On February 21, 2017, Enercare Solutions completed its offering of $500,000 aggregate principal amount of Senior Unsecured Notes. The proceeds of the offering were used to repay the 2014 Term Loan on February 23, 2017 and will be used to redeem the 2012 Notes on March 23, 2017 with the balance to be used to repay a portion of the 2014 Revolver.

Enercare 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, which was repaid on February 23, 2017, 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 Loan bore 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, and as adjusted in conjunction with the 2016 Term Loan, 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.

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 above.

Enercare Solutions was in compliance with the covenants within the 2014 Revolver and 2014 Term Loan as of December 31, 2016. In the fourth quarter, Enercare Solutions increased the 2014 Revolver limit by $100,000 to $200,000, maintaining the same terms. A total of $15,000 was drawn under the 2014 Revolver as at December 31, 2016. As of March 6, 2017, $30,000 was drawn on the 2014 Revolver.

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

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.

2012 Notes and 2013 Notes – Incurrence Test

The covenants in respect of the 2012 Notes, 2013 Notes and 2017 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1. On December 31, 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)	**Q4/16**	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15
Total revenues	**$293,246**	$315,944	$244,102	$142,649	$141,621	$145,455	$134,938	$141,812
Net earnings	**17,552**	19,332	16,051	8,195	13,725	13,124	16,204	7,902
Dividends declared	**16,102**	23,991	22,135	18,460	18,693	19,229	19,303	17,538
Average Shares outstanding	**103,881**	103,839	96,619	87,899	89,770	91,634	91,916	91,898
Per Share								
Basic net earnings	**$0.17**	$0.19	$0.17	$0.09	$0.15	$0.14	$0.18	$0.09
Diluted net earnings	**$0.17**	$0.19	$0.17	$0.08	$0.15	$0.14	$0.18	$0.09
Dividends declared	**$0.155**	$0.231	$0.224	$0.21	$0.21	$0.21	$0.21	$0.191

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 SE Transaction in the second quarter of 2016. Dividends declared primarily reflect the change in outstanding Shares over time as well as the dividend increases implemented in the first quarter of 2015 and second quarter of 2016.

The average number of Shares outstanding and the related per Share data reflect the impact of the conversion of Convertible Debentures, purchases under the NCIB and issuances in connection with the SE Transaction.

The decrease in dividends declared during the fourth quarter was a result of the implementation of the Dividend Reinvestment Plan, which resulted in the timing of dividend declarations being changed so that the dividend declaration date and payment date occur within the same month. The number of months in which dividends were paid remained the same as the prior year.

SUMMARY OF CONTRACTUAL DEBT AND LONG TERM OBLIGATIONS

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

Period	Debt		Finance Leases		Other
(000's)	Principal	Interest	Principal	Interest	Obligations
Due in 2017	$252,647	$32,062	$ 7,304	$ 570	$ 9,661
Due in 2018	210,125	20,334	6,702	386	7,063
Due in 2019	10,025	16,654	5,841	223	4,794
Due in 2020	493,567	7,508	4,223	92	3,526
Due in 2021	5,025	139	1,391	20	3,493
Thereafter	5	-	163	4	6,669
Total	$971,394	$76,697	$25,624	$1,295	$35,206

As at December 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, which was repaid on February 23, 2017, bears interest at a variable rate based upon the applicable banker's acceptance rate plus 1.25%, which was 2.14% at December 31, 2016.

At December 31, 2016, $15,000 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 applicable banker's acceptance rate plus 1.25% which was 2.95%, at December 31, 2016.

The Stratacon Debt of $822, as at December 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 of $2,019 bear interest at 6.25%, with interest payable semi-annually on June 30 and December 31 until maturity in June 2017.

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. As at December 31, 2016, the 2016 Term Loan bears interest of 2.20%.

The obligations under finance leases bear floating interest rates that are either 2.5% above the one month banker's acceptance rate, per annum or are equal to the yield of interest rate swaps as quoted in the Federal Reserve system, per annum. Additional obligations under finance leases acquired during the period bear fixed interest rates of 1.05% to 2.44% and at floating interest rates that are 2.5% above the three month banker's acceptance rate, or are 0.35% above the one month LIBOR rate, per annum. The finance leases mature at dates ranging between January 2017 and August 2022.

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.

The 2017-1 Notes and 2017-2 Notes offered on February 21, 2017 bear interest at 3.38% and 3.99% and are due in February 2022 and February 2024, respectively.

ENERCARE SHARES ISSUED AND OUTSTANDING

Enercare's authorized share capital consists of an unlimited number of Shares and 10,000,000 preferred shares. At December 31, 2016, there were 104,154,895 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 January 1, 2017 to March 6, 2017, approximately $86 principal amount of additional Convertible Debentures were converted into 13,272 Shares. The Convertible Debentures principal balance outstanding of $1,946 at March 6, 2017 may be converted into approximately 300,309 additional Shares.

FOURTH QUARTER RESULTS OF OPERATIONS

Three months ended December 31, 2016 (000's)	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**
Revenues:					
Contracted revenue	**$104,958**	**$ 14,088**	**$32,709**	**$ -**	**$151,755**
Sales and other services	**8,265**	**132,088**	**1,015**	**-**	**141,368**
Investment income	**111**	**10**	**2**	**-**	**123**
Total revenue	**$113,334**	**$146,186**	**$33,726**	**$ -**	**$293,246**
Expenses:					
Cost of goods sold:					
Commodity	**-**	**-**	**(24,892)**	**-**	**(24,892)**
Maintenance & servicing costs	**(17,256)**	**(11,367)**	**-**	**-**	**(28,623)**
Sales and other services	**(6,173)**	**(81,480)**	**(602)**	**-**	**(88,255)**
Total cost of goods sold	**(23,429)**	**(92,847)**	**(25,494)**	**-**	**(141,770)**
SG&A expenses	**(27,117)**	**(39,217)**	**(4,750)**	**(8,430)**	**(79,514)**
Foreign exchange	**200**	**(85)**	**(1)**	**31**	**145**
Amortization expense	**(31,284)**	**(5,260)**	**(1,724)**	**(624)**	**(38,892)**
Net (loss)/gain on disposal	**(877)**	**(16)**	**43**	**-**	**(850)**
Interest expense:					
Interest expense payable in cash					**(8,041)**
Non-cash interest expense					**(513)**
Total interest expense					**(8,554)**
Total expenses					**(269,435)**
Earnings before income taxes					**23,811**
Current tax (expense)					**(11,534)**
Deferred tax recovery					**5,275**
Net earnings					**$ 17,552**
EBITDA	**$ 62,111**	**$ 14,021**	**$ 3,524**	**$(8,399)**	**$ 71,257**
Adjusted EBITDA	**$ 62,988**	**$ 14,037**	**$ 3,481**	**$(8,399)**	**$ 72,107**
Acquisition Adjusted EBITDA	**$ 62,988**	**$ 14,640**	**$ 3,481**	**$(8,399)**	**$ 72,710**

Three months ended December 31, 2015 (000's)	Enercare Home Services	Service Experts	Sub-metering	Corporate	Total
Revenues:					
Contracted revenue	$ 101,544	$ -	$ 30,654	$ -	$ 132,198
Sales and other services	7,721	-	1,667	-	9,388
Investment income	32	-	3	-	35
Total revenue	$ 109,297	$ -	$ 32,324	$ -	$ 141,621
Expenses:					
Cost of goods sold:					
Commodity	-	-	(23,541)	-	(23,541)
Maintenance & servicing costs	(15,894)	-	-	-	(15,894)
Sales and other services	(5,928)	-	(976)	-	(6,904)
Total cost of goods sold	(21,822)	-	(24,517)	-	(46,339)
SG&A expenses	(27,611)	-	(5,024)	(7,647)	(40,282)
Foreign exchange	(13)	-	40	1	28
Amortization expense	(29,995)	-	(1,540)	(382)	(31,917)
Net (loss) on disposal	(1,029)	-	2,484	-	1,455
Interest expense:					
Interest expense payable in cash					(6,493)
Non-cash interest expense					(495)
Total interest expense					(6,988)
Total expenses					(124,043)
Earnings before income taxes					17,578
Current tax (expense)					(2,784)
Deferred tax (expense)					(1,069)
Net earnings					$ 13,725
EBITDA	$ 58,822	$ -	$ 5,307	$(7,646)	$ 56,483
Adjusted EBITDA	$ 59,851	$ -	$ 2,823	$(7,646)	$ 55,028
Acquisition Adjusted EBITDA	$ 62,863	$ -	$ 2,839	$(7,646)	$ 58,056

Fourth Quarter Overview

Unless stated otherwise, the narrative in this section is in reference to the operating results for the fourth quarter of 2016 as compared to the same period in 2015.

Revenues

Total revenues of $293,246 for the fourth quarter of 2016 increased by $151,625 or 107% primarily as a result of the SE Transaction.

Enercare Home Services revenues, excluding investment income, increased during the quarter by $3,958 to $113,223, primarily as a result of a rental rate increase implemented in January 2016, changes in asset mix and growth in rental HVAC units. Contracted revenue in Enercare 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. Revenues were also impacted by warm weather during the first half of the fourth quarter before returning to cooler temperatures in December, which experienced 44% more heating degree days compared to the same month in 2015. The cooler weather experienced in December, combined with strong sales execution, resulted in a 3% increase in the demand for HVAC sales and rentals during the fourth quarter.

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

Service Experts revenues, excluding investment income, of $146,176 for the fourth quarter of 2016 were slightly stronger than anticipated, driven by higher average dollars per contract and cooler weather conditions across the United States during December, partly offset by warmer weather trends during October and November. Service Experts sales in Eastern Canada were also impacted by the same weather trends experienced by the Enercare Home Services segment. Service Experts revenues were lower by $4,278 during the fourth quarter of 2016, as a result of purchase accounting adjustments of deferred revenue associated with the SE Transaction.

Sub-metering revenues, excluding investment income, in the fourth quarter of 2016, were $33,724, an increase of $1,403 or 4%, primarily as a result of higher billable units. Sub-metering revenue includes total pass through energy charges of $24,892 in the fourth quarter, an increase of $1,351 or 6%. The acquisition of Triacta in the third quarter of 2015 resulted in $796 of revenues in the fourth quarter of 2016, a reduction of $418.

Investment income was $123 in the fourth quarter of 2016, an increase of $88. The change in investment income was primarily attributable to non-recurring interest earned in 2016 from the SE Subscription Receipts proceeds received in connection with the SE Transaction combined with interest income from the registered pension plan, which was in an asset balance instead of a net obligation during 2016.

Cost of Goods Sold

Total cost of goods sold for the fourth quarter of 2016 was $141,770, an increase of $95,431 or 206%, primarily as a result of the SE Transaction.

Enercare Home Services cost of goods sold increased by $1,607 in the fourth quarter of 2016, primarily from growth of the rental business. Maintenance and servicing costs in Enercare 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.

Service Experts cost of goods sold amounted to $92,847 in the fourth quarter of 2016, lower by $3,472, as a result of purchase accounting adjustments for the service obligation associated with the SE Transaction.

Sub-metering cost of goods sold of $25,494 in the fourth quarter in 2016, increased by $977 or 4% as a result of an increase in pass through energy charges. Sales and other services expenses for Sub-metering relate to Triacta meter sales and the sale and installation of water conservation products in apartments and condominiums.

Selling, General & Administrative Expenses

Total SG&A expenses were $79,514 in the fourth quarter of 2016, an increase of $39,232.

Enercare Home Services SG&A expenses of $27,117 in the fourth quarter, decreased by $494. The $494 decrease was primarily as a result of approximately $1,700 lower in selling expenses, $800 lower in office expenses and $700 lower in professional fees, primarily from one time integration and rebranding activities in 2015. This is partly offset by higher billing and servicing costs of $1,300, wages and benefits of $1,000 and bad debt expense of $500.

In 2015, Enercare Home Services SG&A expenses in the fourth quarter, included $3,012 of integration costs associated with the DE Acquisition, primarily from marketing spend related to rebranding activities.

Service Experts SG&A expenses in the fourth quarter of 2016 amounted to $39,217. Included in SG&A expenses in the fourth quarter were $603 of acquisition related expenditures associated with the SE Transaction, primarily related to professional fees and integration costs.

Sub-metering SG&A expenses in the fourth quarter of 2016 were $4,750, a decrease of $274, primarily from decrease in professional fees of $200. Sub-metering SG&A expenses in the fourth quarter of 2015 included $16, respectively, of costs associated with the acquisition of Triacta, primarily related to professional fees.

Corporate expenses of $8,430 in the fourth quarter, increased by $783. The $783 increase in the fourth quarter was primarily as a result of approximately $1,400 in higher office expenses resulting from increase information technology costs, $300 in higher selling expenses and $300 in professional fees incurred as a result of the SE Transaction. This is partly offset by a decrease of $1,200 in wages and benefits, driven by lower share based compensation expense.

Amortization Expense

Amortization expense increased by $6,975 or 22% to $38,892 in the fourth quarter of 2016, primarily due to an increasing capital asset base from asset mix changes in the Rentals portfolio, the SE Transaction and increased Sub-metering capital investments, which are amortized over a shorter life than those of the Enercare Home Services business.

Net Loss on Disposal of Equipment

Enercare reported a net loss on disposal of equipment of $850 in the fourth quarter of 2016, a decrease of $2,305 or 158%. 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 December 31,	
(000's)	**2016**	2015
Interest expense payable in cash	**$8,041**	$6,493
Interest payable on subscription receipts	**-**	-
Equity bridge financing fees	**-**	-
Non-cash items:		
Notional interest on employee benefit plans, net	**210**	274
Amortization of financing costs	**303**	221
Interest expense	**$8,554**	$6,988

In 2016, interest expense of $8,041 was $1,548 higher than in 2015, primarily from the increase in the 2016 Term Loan related to the financing of the SE Transaction, partially offset by the conversion of Convertible Debentures to Shares.

Income Taxes

Enercare reported current tax expenses of $11,534 in the fourth quarter of 2016, an increase of $8,750, primarily as a result of a one year tax deferral recognized in 2015, available through a subsidiary of Enercare Solutions, and the acquisition of Service Experts. The deferred income tax recovery of $5,275, an increase of $6,344 were primarily as a result of temporary difference reversals in the Enercare Home Services, Service Experts and Sub-metering businesses.

Net Earnings

Net earnings were $17,552 in the fourth quarter of 2016, an increase of $3,827, as previously described.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

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

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, Billable, Pro forma Distributable Cash, Normalized Pro forma Distributable Cash 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 and reported in this MD&A, in addition to the Non-IFRS financial measures 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

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

In the second quarter of 2016, Enercare changed its definition of Distributable Cash and Distributable Cash - Maintenance to include capital relating to vehicle additions (reflecting repayments of obligations under finance leases). Historical figures have been restated to reflect the current definition.

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), vehicle additions (reflecting repayments of obligations under finance leases) and other non-recurring income. Capital expenditures outside of Enercare's traditional Rentals asset purchases, such as Sub-metering equipment, acquisitions 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 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.

Normalized Distributable Cash, 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.

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 outlined 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 Distributable Cash

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 the DE Acquisition, 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.

Normalized Pro Forma Distributable Cash 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 DE Acquisition. 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 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 of SE Subscription Receipts 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) were 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 was not continued following the closing of the SE Transaction.

Measures Regarding Debt Covenants

As at December 31, 2016, Enercare was in compliance with all covenants under the 2012 Notes, 2013 Notes, 2014 Revolver, 2014 Term Loan and 2016 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.

2014 Revolver and 2014 Term Loan

Under the 2014 Revolver agreement and 2014 Term Loan agreement, , 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 December 31, 2016. There was a total of $15,000 drawn under the 2014 Revolver at December 31, 2016. The 2014 Term Loan was repaid on February 23, 2017.

2016 Term Loan

Under the 2016 Term Loan agreement, Enercare Solutions is subject to 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). 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.

2012 Notes, 2013 Notes and 2017 Notes– Incurrence Test

The covenants under the 2012 Notes, 2013 Notes and 2017 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

Enercare makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Management continually evaluates estimates and judgments, which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following items are of significance for the period.

Revenue Accruals

At December 31, 2016, the Enercare Home Services segment recorded a revenue accrual of approximately $46,400 reflecting accrued service periods, compared to $47,200 at December 31,

2015. Unbilled protection plans comprise approximately $28,200 of this balance, compared to $28,700 at December 31, 2015. This balance 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 twelve months. The remaining unbilled revenues reflect accrued service revenues for rental water heaters and other products.

At December 31, 2016, the Service Experts segment recorded a revenue accrual of approximately $1,700 reflecting accrued revenue for contracts in progress, compared to $nil at December 31, 2015.

At December 31, 2016, the Sub-metering segment recorded a revenue accrual of approximately $10,000, reflecting accrued service periods, compared to $9,800 at December 31, 2015.

Bad Debt Provisions

The Enercare Home Services segment 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 comprising the Enercare Home Services, Sub-metering and Service Experts segments was approximately $11,800 at December 31, 2016, compared to approximately $11,400 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 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

Employee defined benefit plan balances 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 Service Experts, these consolidated financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations, under which, the total fair value of the consideration transferred has been assigned to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition, with any excess purchase price allocated to goodwill. Changes may be expected as additional information becomes available following the closing date of May 11, 2016. Accordingly, the final fair value determinations may differ from those set forth in these consolidated financial statements and such differences may be material.

Estimation of Insurance Claims

Insurance liabilities are subject to measurement uncertainty. The recognized amounts of such items are based on Enercare's best information and judgment. Estimates and other judgments are continuously evaluated based on management's experience and expectations about future events, including insurance claims for events that have occurred but not yet been reported to management.

DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

Enercare's certifying officers have designed, and assessed the design of, a system of DC&P to provide reasonable assurance that (i) material information relating to Enercare, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by Enercare in its annual filings, interim filings and other reports filed or submitted by Enercare under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. As well, Enercare's certifying officers have designed, and assessed the design of, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Enercare has used the Internal Control – Integrated Framework (2013) from The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in order to assess the effectiveness of Enercare's internal control over financial reporting. There are no material weaknesses relating to the design of either DC&P or ICFR at December 31, 2016. There have been no changes to our ICFR during the quarter and year to date ended December 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 Service Experts, which was acquired on May 11, 2016.

Service Expert's contribution to Enercare's consolidated financial statements for the year ended December 31, 2016 was approximately 41% of revenues and 28% of net earnings. In addition, Service Expert's current assets and current liabilities were approximately 46% and 24% of the consolidated current assets and current liabilities, respectively, and its long term assets and long term liabilities were approximately 29% and 18% 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 Service Experts.

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

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. As a result of adopting this amendment, Enercare has introduced the presentation of an additional IFRS measure, EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization"), within the Consolidated Statements of Income.

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 has assessed the impact of adopting this amendment on the consolidated financial statements, and notes that additional disclosure of the movements in net debt between changes arising from cash flows and non-cash changes may be required.

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 has begun to assess the terms and conditions of its inventory of revenue contracts with customers, and continues to evaluate the impact of adopting this standard on the consolidated financial statements. Quantification of the impact is expected in 2017.

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. Quantification of the impact is expected in 2017.

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 twelve 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.

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 Home Services Segment

- 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 negative short-term impact on non-recurring sales and other services revenue to continue throughout 2017.
- In January 2017, Enercare increased its weighted average rental rate by 3.1%.
- In October 2016, Enercare launched the Enercare Finance Plan ("ECFP") to consumers across Ontario. Replacing our current external finance provider, ECFP is a new in-house financing program that provides finance options to residential HVAC customers who choose to purchase their equipment from Enercare. By bringing financing in-house, we retain a customer relationship and enhance the customer experience, by completing the entire sales transaction conveniently with one service provider. During the fourth quarter of 2016, approximately 7.5% of all HVAC sales were sold to customers who took advantage of the ECFP.
- In late December 2016, Enercare implemented an electrical protection plan pilot program available to customers in Ontario. The electrical protection plan provides customers coverage for specified residential home electrical components, including diagnosis, repair, replacement and adjustment. The pilot program will continue to be rolled out in early 2017, with a full launch planned for the second quarter of 2017.
- One of our key strategies is to continue to transform the customer experience through digital enhancements such as Enercare's new mobile and iPad apps. In late September 2016, Enercare became the first Canadian home services company to launch a self-service mobile app, enabling customers who in the past would have contacted the call centre, to now use the mobile app to easily access their personalized account details, book maintenance, plumbing or service appointments and to

be notified when a technician is on route to their home or business. In early October 2016, Enercare launched its new iPad app that makes processing finance credit applications and rental credit approvals more convenient and efficient for customers. Both of these initiatives significantly improve the ease with which customers can use digital tools to manage their experience with Enercare and enables us to improve the customer experience by providing a faster and more efficient and convenient experience, while reducing calls to the service centers. As we continue to invest in new and innovative digital tools, and differentiate the customer experience through technology solutions, we feel we are well positioned to offer our customers more products and services through an interactive experience.

Service Experts Segment

- Consistent with previous guidance, cost synergies relating to the SE Transaction are estimated to be in the range of $0.05 to $0.08 per Share on an annualized basis by the end of 2017, primarily as a result of a reduction in sourcing costs.
- In October 2016, Service Experts introduced a rental program for HVAC products and water heaters in several centers within Canada. This rollout was completed at all 15 locations in Canada in February 2017, and while the program is still in the very early stages, Enercare is encouraged by the initial results which show an initial rental mix of approximately 20% in Ontario and 10% in Western Canada where the rental model is a new concept. The successful introduction of our recurring revenue rental model in Canada is part of our plan to integrate rentals throughout Service Experts residential heating and cooling operations over the next two years to create continued organic growth. During the first quarter of 2017, Service Experts has extended the rental HVAC offerings through a pilot in two U.S. states and expects to rollout in two additional states during the first half of 2017. The U.S. rental program is similar to Enercare's existing Canadian rental program, except that due to U.S. regulations, the rental contracts in the United States will be for a definitive term, which in the piloted states is 10 years. Enercare anticipates that the form of the contract, as driven by the U.S. regulatory environment, will result in a slower adoption of the rental program in the U.S.
- The business of Service Experts is subject to greater seasonality than Enercare Home Services as a result of it having fewer recurring revenue sources. Revenue and EBITDA tend to be seasonally highest in the second quarter of the year, followed by the third quarter, and substantially less in the fourth and first quarters, due primarily to the geography where Service Experts operates and weather patterns. The heating season (roughly November through February) and cooling season (roughly May through August) are periods when consumers transition their buying patterns from one season to the next. In most of the states that Services Experts operates, cooling equipment as opposed to heating equipment represents a substantial portion of its annual HVAC sales and service revenue. Conversely, in the 3 provinces that Service Experts operates, heating equipment represents a large portion of its Canadian sales and service revenue. The sales are also impacted by seasonal weather patterns; in periods of extreme heat and cold, installation and demand service revenue tend to increase. This results in higher sales in the second and third quarters due to the higher volume in the cooling season relative to the heating season and the lowest revenue and substantially reduced EBITDA, relative to other quarters, in the first quarter. Service Experts normally generates a neutral level of profitability in the first quarter of the year and as a result the working capital needs are generally greater in the first quarter, followed by higher operating cash inflows in the second and third quarters.

Sub-metering Segment

- Approximately one-half of units contracted during 2016 were for thermal, gas or water sub-metering. We anticipate this will continue, which should contribute to lower billing costs over time as multiple products are invoiced on a single bill.
- Sub-metering sales opportunities continue to be strong and skewed towards multi-commodity products within the new construction and condominium segments. During 2016, approximately three-quarters of the newly contracted services have come from new construction condominiums. Although the

buildings related to these contracts have yet to be constructed and as a result the bulk of the capital and all of the related revenues will occur in 24 to 36 months, once constructed, all units within these buildings will start billing on initial move-in. This is in contrast to retrofit apartment contracts for which installation starts sooner, but billing lags as it is reliant on tenant turnover.

- During the third quarter, sub-metering launched a new billing feature that allows consolidated billing across multiple metering points. This billing requirement occurs frequently in mixed use (commercial/residential) buildings. Our first deployment of this service has been completed, with over 1,000 meters billed on the enhanced platform and an additional 12 buildings scheduled for 2017. We anticipate that this automation of the billing process will reduce billing costs over time.

2017 Income Taxes

- Enercare's current income tax expense for 2016 was in line with previous estimates at $54 million. Current tax expense was approximately $19,001 higher in 2016, as a result of a one year tax deferral available through a subsidiary of Enercare Solutions during 2015 that reversed in 2016.
- Enercare estimates that it will recognize approximately $23 million to $29 million in current income tax expense for the fiscal year ending December 31, 2017. This estimate is based on taxable income normalized for a full year of Service Experts and assumes corporate tax rates of approximately 26.5% in Canada and 39% in the US. Taxable income is principally impacted by changes in revenue, operating expenses, potential acquisitions or divestitures, appropriate tax planning and capital expenditures through the capital cost allowance deduction.
- The SE Transaction was structured to permit Enercare to "step up" the tax basis of Service Experts' assets in the United States through a "338 election" under US tax rules. At acquisition, Enercare estimated the resulting tax shelter value to be approximately US $65 million on a net present value basis. This tax shelter is estimated to result in a reduction of US taxable income of approximately $24 million to $28 million per year for the next 15 years.

2017 Capital Investments

- In 2016, Enercare capital investments of $164 million were in line with previous guidance. The Internal Rate of Return from capital investments on both rental water heater and rental HVAC additions were also in line with management's targets of between 15% to 20%.

Capital Expenditure (1)	2016
HVAC rentals	$46M
Water heater additions	$37M
Water heater exchanges	$36M
Sub-metering growth	$19M
In-house financing (2)	$3M
Corporate & Building (3)	$23M
Total Range	$164M

(1) Excludes acquisitions.
(2) In-house financing represents the increase in financing receivables related to the program.
(3) Corporate capital includes IT software and hardware, furniture and fixtures and other capital projects. The building relates to a new head office purchased in Q2 of 2016 including renovations continuing into the early part of 2017.

- Enercare is targeting a range of between $167 million and $192 million in capital investments in 2017, primarily reflecting higher unit costs due to higher end product originations, higher sales volumes and higher corporate spending on platforms for innovation and growth to enable future product offerings, including smart home products for a connected home.

Capital Expenditure(1)	Target Range for 2017
HVAC rentals	$46M - $52M
Water heater additions	$35M – $39M
Water heater exchanges	$32M – $36M
Sub-metering growth	$17M – $21M
In-house financing(2)	$5M – $ 8M
Corporate & Building(3)	$32M – $36M
Total Range	$167M – $192M(4)

(1) Excludes acquisitions.
(2) In-house financing represents the increase in financing receivables related to the program.
(3) Corporate capital includes IT software and hardware, furniture and fixtures and other capital projects. The building relates to a new head office purchased in Q2 of 2016 including renovations continuing into the early part of 2017.
(4) The target range of capital spend for the Enercare Home Service and Service Experts businesses are largely based on the number and type of equipment originated (assumed to be approximately 26,000 water heater and water treatment rental additions, 42,000 water heater exchanges and 14,500 HVAC rental additions) and the mix between rental, sales and financing arrangements similar to actual results experienced in the last 12 months of operations. The target range for capital spend in the Sub-metering business is based on the number and type of metering equipment installed during the year assumed to be approximately 18,000 units.

Corporate

- Enercare is pleased that the participation rate in its Dividend Reinvestment Plan is currently 30%.

- Enercare announced an increase in its monthly dividend to $0.08 per Share, an increase of approximately 4%, effective in respect of the dividend payable to shareholders of record on the applicable date in April 2017. The increase reflects Enercare’s strong overall performance and our confidence in the future of the Enercare Home Services, Service Experts and Sub-metering businesses.

- Enercare has set its annual general meeting of shareholders for May 1, 2017. Jim Pantelidis, Chair of the Board, along with management will provide an update to shareholders on Enercare’s achievements in 2016 and strategy to grow shareholder value.

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).
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).
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.
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. 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.
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.
Guarantors	ESLP, Rentco and WGP Inc., EHCS LP, EHCS GP, SE Canada Inc., SEHAC and its operating subsidiaries and affiliates.
HVAC	Heating, ventilation and air conditioning.
Enercare 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.
NCIB	Enercare's normal course issuer bid.
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.
Rentals	Component of the Enercare Home Services 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 Merger Agreement which was completed on May 11, 2016.
SEHAC	SEHAC Holdings LLC (formerly SEHAC Holdings Corporation).
Senior Unsecured Indenture	means the trust indenture dated as of January 29, 2010 between the Operating Trust, as issuer, the Guarantors, as guarantors, and Computershare Trust Company of Canada, as indenture trustee, as supplemented by the first supplemental indenture dated as of January 29, 2010, the second supplemental indenture dated as of February 19, 2010, the third supplemental indenture dated as of December 1, 2010, the fourth supplemental indenture dated as of January 1, 2011, the fifth supplemental indenture dated as of September 30, 2012, the sixth supplemental indenture dated as of November 21, 2012, the seventh supplemental indenture dated as of February 1, 2013, the eighth supplemental indenture dated as of October 20, 2014, the ninth supplemental indenture dated as of May 11, 2016, the tenth supplemental indenture dated as of June 10, 2016, the eleventh supplemental indenture dated as of February 21, 2017 and the twelfth supplemental indenture dated as of as of February 21, 2017 the same may be amended, modified, supplemented, restated or replaced from time to time.
Service Experts	Enercare business operating under the brand "Service Experts", which provides HVAC products and servicing to residential and light commercial customers, primarily operated by SEHAC Holdings LLC and SE Canada Inc.
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.
WGP Inc.	4113152 Canada Limited
2012 Notes	$250,000 of 4.30% Series 2012-1 Senior Unsecured Notes of Enercare Solutions, which are to be redeemed on March 23, 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 $200,000.
2014 Revolver	The 5-year variable rate, revolving credit facility in the maximum amount of $100,000 issued under the 2014 Debt Financing. In December of 2016, the revolving credit facility was increased to a maximum amount of $200,000, maintaining the same terms.
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, which was repaid on February 23, 2017.
2016 Term Loan	Two 4-year non-revolving, non-amortizing variable rate term credit facilities in the aggregate amount of US $200,000.
2017-1 Notes	The $275,000 of 3.38% Series 2017-1 Senior Unsecured Notes of Enercare Solutions, due February 21, 2022.
2017-2 Notes	The $225,000 of 3.99% Series 2017-2 Senior Unsecured Notes of Enercare Solutions, due February 21, 2024.
2017 Notes	The Series 2017-1 Notes and Series 2017-2 Notes.