EnerCare Solutions Inc.

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

First Quarter Ended March 31, 2011

Dated May 9, 2011

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The consolidated financial statements of EnerCare Solutions Inc. are prepared in accordance with IFRS which became effective on January 1, 2011 with retroactive application to January 1, 2010. EnerCare Solutions Inc's significant accounting policies are summarized in detail in note 3 of the interim consolidated financial statements for the period ended March 31, 2011. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units, Shares and "per Share" amounts and percentages (except as otherwise noted). Dollar amounts are expressed in Canadian currency.

As of March 31, 2011, EnerCare Solutions was a wholly-owned subsidiary of EnerCare. EnerCare Solutions' business is the rental of water heaters and other equipment.

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".

On January 1, 2011, pursuant to a plan of arrangement the Fund converted to a dividend paying corporation, EnerCare Inc. and the Trust converted to EnerCare Solutions Inc. The Conversion was accounted for on a continuity of interest basis. Reporting prior to January 1, 2011 refers to units, unitholders and distributions, whereas from January 1, 2011 references are to shares, shareholders and dividends. References in this MD&A are in respect of EnerCare and EnerCare Solutions and shall be deemed to be such prior to January 1, 2011 when these entities were named The Consumers' Waterheater Income Fund and this entity was named The Consumers' Waterheater Operating Trust, respectively.

FORWARD-LOOKING INFORMATION

This MD&A, dated May 9, 2011, contains certain forward-looking statements that involve various risks and uncertainties and should be read in conjunction with EnerCare Solutions' 2010 audited consolidated financial statements. Additional information in respect to the Trust and EnerCare Solutions, including the AIF can be found on SEDAR at www.sedar.com.

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

A thorough discussion in respect of the material risks relating to the business and structure of EnerCare Solutions Inc. can be found in the AIF which is available on SEDAR at www.sedar.com.

HIGHLIGHTS - FIRST QUARTER 2011

The following highlights compare results for the first quarter of 2011 with the first quarter of 2010.

- Rental revenue increased 1% or $490 to $46,955, primarily as a result of the impact of the 2011 rental rate increase offset by change in assets.
- EBITDA[1] decreased by $647 or 2% to $35,068 in 2011. Adjusted EBITDA[1] decreased by $1,000 to 2% to $39,708 on account of the changes in EBITDA and loss on disposal of equipment due to reduced unit exchanges.
- Net losses were $723 in 2011, approximately $1,680 lower than 2010 primarily due to a $2,600 reduction in income tax recoveries and increased expenses.
- Attrition decreased by 2,000 units or 10% in 2011. Portfolio additions remain strong while unit exchanges declined by 3,000 to 14,000 resulting in both a lower loss on disposal and capital expenditure for the first quarter of 2011.

RECENT DEVELOPMENTS

Corporate Conversion

On October 12, 2010, the Trustees of the Fund and Trust approved the planned conversion of the Fund from an income trust to a dividend-paying corporation on a tax free "roll-over" basis for Canadian federal income tax purposes, effective January 1, 2011. As part of the Conversion, the Trust converted to a corporation as well.

On November 25, 2010, the Conversion was approved with 99.8% of the Fund Units represented at the meeting voting in favour. On November 29, 2010, the final order from the Ontario Superior Court of Justice for the Fund's Conversion was obtained.

[1] EBITDA and Adjusted EBITDA are Non-GAAP financial measures. Refer to the Non-GAAP Financial and Performance Measures section in this MD&A.

The Conversion was undertaken pursuant to a statutory plan of arrangement under the Canada Business Corporations Act. The Conversion resulted in, among other things, the following occurring on the effective date of the Conversion (January 1, 2011):

- Each Fund Unit was exchanged for one EnerCare Share.
- EnerCare assumed the Convertible Debentures, which became convertible into EnerCare Shares on the same terms as they were convertible into Fund Units (being a current conversion price of $6.48 per Share).
- The Trust was dissolved and EnerCare Solutions assumed the Trust's 2009 Notes and 2010 Notes.
- The Fund was dissolved.
- EnerCare Shares and the Convertible Debentures were listed on the Toronto Stock Exchange in substitution of Fund Units and the Convertible Debentures.

RESULTS OF OPERATIONS

Earnings Statement

	Three months ended March 31, **2011**	2010
Revenues		
Rentals	**$46,895**	$46,464
Investment income	**60**	1
Total revenues	**46,955**	46,465
SG&A expenses	**7,187**	5,756
Amortization expense	**25,437**	26,097
Loss on disposal of equipment	**4,640**	4,993
Interest expense	**10,344**	12,865
Total operating expenses	**47,608**	49,711
Loss before income taxes	**(653)**	(3,246)
Current tax (expense)	**(1,584)**	-
Deferred income tax recovery	**1,514**	4,203
Net (loss)/earnings	**$ (723)**	$ 957
Adjusted EBITDA	**$39,708**	$40,708
EBITDA	**$35,068**	$35,715

Revenues

Total revenues of $46,955 for the first quarter of 2011 increased by approximately $490 or 1% compared to the same period in 2010. Revenues increased by $431 to $46,895 in the first quarter of 2011, primarily due to rental rate increases implemented in January 2011 offset by the change in outstanding units over the past 12 months.

Investment income increased by $59 in the first quarter of 2011 to $60 as a result of improved investment rates and larger investment balances during the period.

Selling, General & Administrative Expenses

Total SG&A expenses were $7,187 in the first quarter of 2011, an increase of approximately $1,431 or 25% over the same period in 2010. The expense increase is a result of higher professional fees, including legal, audit, investor relations and listing fees and selling and office expenses. The 2010 amount for the period included approximately $300 in respect of capital taxes that were not incurred in 2011.

Amortization Expense

Amortization expense decreased by $660 to $25,437 in the first quarter 2011, primarily due to a smaller portfolio base.

Interest Expense

Interest Expense	Three months ended March 31, **2011**	2010
Interest expense payable in cash	**$9,128**	$10,279
Non-cash items:		
Amortization of bridge fees	**-**	1,440
Amortization of OCI and financing costs	**1,216**	1,146
Interest expense	**$10,344**	$12,865

Interest expense payable in cash decreased $1,151 to $9,128 in the first quarter of 2011 over the same period in 2010 primarily as a result of lower subordinated debt charges. The amortization of bridge fees relates to the 2009 Bridge that was repaid when the 2010 Notes were issued in March 2010. Amortization of OCI and financing costs increased modestly as a result of the full period impact of the 2010 Notes.

Loss on Disposal of Equipment

In the first quarter of 2011, EnerCare Solutions reported a loss on disposal of equipment of $4,640 representing a decrease of $353 or 7%. The loss on disposal amount is influenced by the number of assets retired, changes in the retirement asset mix and the age of the assets retired. The primary reason for the decreased expense relates to the lower unit Attrition and exchange activity in the business in the first quarter of 2011 compared to 2010.

Income Taxes

EnerCare Solutions reported a current tax expense of $1,584 related to the taxable status of the corporation effective January 1, 2011. The future income tax recovery of $1,514 was lower than in the first quarter of 2011 by approximately $2,689, primarily the result of temporary difference reversals.

Adjusted EBITDA and EBITDA

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

Quarterly Earnings Before Interest, Taxes and Amortization (EBITDA)	**Q1/11**	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09
Net (loss)/earnings	**$ (723)**	$(1,871)	$ 1,430	$ 3,287	$ 957	$19,473	$ (140)	$ 7,486
Current Tax expense	**1,584**							
Deferred Tax (recovery)/expense	**(1,514)**	(2,958)	(4,567)	(3,835)	(4,203)	(25,296)	(8,221)	(8,766)
Amortization expense	**25,437**	25,947	26,046	26,061	26,097	26,383	25,804	25,526
Interest expense	**10,344**	10,909	10,932	10,977	12,865	10,905	10,873	10,752
Interest (income)	**(60)**	(67)	(9)	(3)	(1)	(11)	(3)	(3)
EBITDA	**35,068**	31,960	33,832	36,487	35,715	31,454	28,313	34,995
Add: Loss on disposal of equipment	**4,640**	4,673	5,756	5,918	4,993	6,086	11,000	5,081
Adjusted EBITDA	**$39,708**	$36,633	$39,588	$42,405	$40,708	$37,540	$39,313	$40,076
Accounting basis	**IFRS**	IFRS	IFRS	IFRS	IFRS	CGAAP	CGAAP	CGAAP

Adjusted EBITDA decreased by $1,000 to $39,708 in the first quarter of 2011 due to higher SG&A costs partially offset by higher revenues. EBITDA of $35,068 for the first quarter of 2011 decreased by $647 over the comparable period in 2010 due to increased expenses partially offset by increased revenue and lower loss on disposal of equipment charges. In addition to the impact of Attrition, fluctuations in SG&A and customer claims are the main drivers of changes in Adjusted EBITDA.

Billing and Servicing Matters

Capital items

EnerCare Solutions has been in discussion with DE regarding certain amounts DE has billed EnerCare Solutions for water heater installations. The amounts at issue totalled approximately $3,200 at March 31, 2011. Settlement with DE for a lower amount than billed would result in a reduction to previously stated capital expenditure amounts.

Earnings items

DE, through EGD, provides billing and collection services for substantially all of EnerCare Solutions' water heaters and other assets. Following the September 2009 billing system conversion implemented by DE, which coincided with a billing system conversion by EGD, EnerCare Solutions' ICFR identified issues principally associated with DE's system conversion impacting EnerCare Solutions' customers, including issues in respect of the allocation of customer payments, customer collections, and billing issues, including completeness of billing, billing in respect of new customers and implementation of new rental rates. EnerCare Solutions has been working closely with DE to identify and rectify these issues. The cumulative impact of accounting estimates associated with all implementation issues are summarized as follows:

- EnerCare Solutions estimated and recorded revenues of $1,100 in respect of customer billings and adjustments associated with new customer additions and billing rate increases that have not been completed by DE.
- Collection exposures and the erroneous application of customer payments were identified for which a $1,600 provision was required related to revenues from customers outside the EGD customer areas.
- Buyout charges of $750 that had been accrued were expensed to bad debts when billing charges were not invoiced.

EnerCare Solutions is working closely with DE to resolve these billing issues, correct deficiencies and eliminate the need for these accruals, billing analysis and associated collection efforts. The amounts included in these financial statements reflect the amounts expected to be recovered from customers, but do not include any amounts EnerCare Solutions may recover from DE for lost revenues arising from these billing system conversion issues.

Settlement with DE for an amount in excess of revenues recorded and recovery of any expenses accrued would result in an increase to previously stated EBITDA amounts.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31, 2011	2010
Cash flow from operating activities	**$34,147**	$27,409
Net change in non-cash working capital	**(5,091)**	3,021
Operating Cash Flow	**29,056**	30,430
Net capital expenditures	**(14,280)**	(16,977)
Cash used in investing activities	**(14,280)**	(16,977)
Dividends paid	**(2,974)**	(7,076)
Net financing	**-**	(1,199)
Cash (used in)/provided by financing activities	**(2,974)**	(8,275)
Cash and equivalents – end of period	**$35,038**	$14,530

Operating Cash Flow of $29,056 for the first quarter of 2011 decreased by 5% compared to the same quarter in 2010. Cash flow from operating activities is a GAAP measure which is impacted by the timing of net changes in non-cash working capital.

Capital investments in the first quarter of 2011 were lower primarily due to reduced asset exchanges. Net financing activity for 2011 primarily reflects the changes in capitalization that occurred upon conversion of EnerCare Solutions to a corporation. The net impact of the transactions resulted in the cancellation and redemption of the Units and subordinated debt in exchange for capital contributions and a $100,000 promissory note.

EnerCare Solutions 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.

Management believes that EnerCare Solutions has sufficient cash flow, cash on hand and credit available to meet its 2011 obligations, including capital expenditures and working capital requirements.

Capital Expenditures

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

Asset Unit Continuity (in thousands)	Three months ended March 31, 2011	2010
Units – start of period	**1,267**	1,322
Portfolio additions	**6**	6
Acquisitions	**-**	-
Attrition	**(18)**	(20)
Units – end of period	**1,255**	1,308
Asset exchanges – units retired and replaced	**14**	17
% change in units during the period	**(0.9%)**	(1.1%)
% of units from start of period:	**-**	-
Portfolio additions (net of acquisitions)	**0.5%**	0.5%
Attrition	**(1.4%)**	(1.5%)
Units retired and replaced	**1.1%**	1.3%

Net capital expenditures in the business include portfolio additions and asset exchanges, net of proceeds on disposal. In the first quarter of 2011, net capital expenditures were $14,280, decreasing by approximately $2,696 when compared to the same period in 2010. Additions and asset exchanges decreased by approximately 3,000 units over the same period in 2010, which largely accounts for the decrease in capital expenditures.

Attrition in the first quarter of 2011 was 18,000 assets or approximately 10% lower than the same period in 2010 in part due to customer communications and marketing programs delivered by EnerCare Solutions and DE. The trend in Attrition units and percentages on a year over year basis has decreased steadily for the past four quarters.

Cash from Financing

Financing activities for EnerCare Solutions reflect mainly dividends and periodic financing of EnerCare Solutions' indebtedness.

	Three months ended March 31,	
Capitalization	**2011**	2010
Cash and cash equivalents	**$ 35,038**	$ 14,530
Net investment in working capital	**(16,410)**	(7,407)
Cash, net of working capital	**18,628**	7,123
Total senior debt	**567,150**	578,509
Subordinated debt	**100,000**	381,755
Unitholder's equity	**728**	(254,900)
Total capitalization – book value	**$667,878**	$705,364

Typically, EnerCare Solutions maintains cash balances to provide sufficient cash reserves to satisfy short-term requirements, including interest payments, dividends and certain capital expenditures and acquisitions. EnerCare Solutions held $35,038 of cash and cash equivalents at March 31, 2011, an increase of approximately $20,508 from the prior year, primarily as a result of increased cash from operations.

At March 31, 2011, total debt was comprised of the 2009 Notes and 2010 Notes, and a promissory note payable to EnerCare.

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

Revolver

Under the Revolver, EnerCare Solutions is subject to three principal financial covenants as described in the AIF. The covenants address interest and debt coverage. EnerCare Solutions complied with these covenants on March 31, 2011. No amounts were drawn on the Revolver at March 31, 2011.

2009 Notes and 2010 Notes – Incurrence Test

The covenants under the 2009 Notes and 2010 Notes are contained in a master trust indenture and supplemental indentures effective January 29, 2010 and February 19, 2010, respectively. Under the terms of these indentures, EnerCare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1. On March 31, 2011, EnerCare Solutions exceeded this minimum and has the capacity under the covenant to raise approximately $20,000 to $30,000 additional senior debt should it elect to do so.

Summary of Quarterly Results

	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09
Total revenues	**$46,955**	$45,111	$46,960	$49,118	$46,465	$43,033	$43,805	$45,299
Net (loss)/earnings	**(723)**	(1,871)	1,430	3,287	957	19,473	(140)	7,486
Dividends declared	**$ 8,918**	$ 7,904	$ 7,905	$ 7,352	$ 7,082	$ 7,032	$12,319	$14,977
Accounting basis	**IFRS**	IFRS	IFRS	IFRS	IFRS	CGAAP	CGAAP	CGAAP

Revenues reflect rate increases implemented generally in January of each year and changes in the portfolio over time. Revenues declined through much of 2009 due to the impact of Attrition. The revenues in 2010 and 2011 were influenced by the January rate increases and accruals related to billing and servicing matters.

Differences in net earnings between quarters reflect the profile of certain expenses, as well as the timing and amount of future income tax recoveries. Commencing in the fourth quarter of 2009, dividend payments reflect the full impact of the distribution reduction effected in September 2009.

SUMMARY OF CONTRACTUAL DEBT AND LEASE OBLIGATIONS

The following schedule summarizes the contractual debt and lease obligations of EnerCare at March 31, 2011:

Period	Principal Payments	Interest Payments	Leases
Within the next 12 months	$ -	$ 34,545	$ 560
1 to 2 years	300,000	32,685	1,206
2 to 3 years	-	18,225	1,185
3 to 4 years	270,000	9,113	1,197
4 to 5 years	-	-	1,323
Thereafter	-	-	1,213
Total	$570,000	$94,568	$6,684

Long-term senior contractual obligations of EnerCare Solutions include debt service on the 2009-1 Notes, 2009-2 Notes and 2010 Notes bearing interest at 6.20%, 6.75% and 5.25%, respectively. Interest on the 2009 Notes is payable semi-annually on April 30 and October 30 and on March 15 and September 15 in respect of the 2010 Notes.

At March 31, 2011, $35,000 of the Revolver was available to be drawn. The Revolver bears a standby fee of 0.90% which has not been included in the above schedule until maturity in January 2013.

Lease obligations are primarily comprised of premises.

ENERCARE SHARES ISSUED AND OUTSTANDING

EnerCare Solutions articles of incorporation provide for the issuance of an unlimited number of common shares.

At March 31, 2011, there were 1,001 Shares issued and outstanding.

IFRS

Effective January 1, 2011, EnerCare Solutions adopted IFRS for publicly traded enterprises. IFRS accounting principles and financial data has been applied retroactively to 2010. There were no significant accounting policy choices or financial statement impacts as a result of the conversion to IFRS.

NON-GAAP FINANCIAL AND PERFORMANCE MEASURES

The consolidated financial statements of EnerCare Solutions are prepared in accordance with IFRS. EnerCare Solutions' accounting policies are summarized in detail in note 2 of the interim consolidated financial statements.

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

Non-GAAP financial indicators used by EnerCare and reported in this MD&A include:

Measures of Asset Portfolio Performance

Capital Expenditures and Acquisitions

EnerCare Solutions makes two principal types of investments to grow its installed base of water heaters: capital expenditures and acquisitions.

Measures of Financial Performance

Adjusted EBITDA

This measure comprises net earnings plus income taxes, interest expense, amortization expense, impairment losses and loss on disposal of equipment, less interest income. It is one metric that can be used to determine EnerCare Solutions' ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Adjusted EBITDA is reconciled with net earnings, a GAAP measure, in the section "*Results of Operations - Adjusted EBITDA and EBITDA*" in this MD&A.

EBITDA

This measure comprises net earnings plus income taxes, interest expense and amortization expense, less interest income. It is one metric that can be used to determine EnerCare Solutions' ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. EBITDA is reconciled with net earnings, a GAAP measure, in the section "*Results of Operations*" in this MD&A.

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 financial strength of EnerCare Solutions. Operating Cash Flow is reconciled with cash flow from operating activities, a GAAP measure, in the section "*Liquidity and Capital Resources*" in this MD&A.

Measures Regarding Debt Covenants

EnerCare Solutions was in compliance with all covenants under the 2009 Notes, 2010 Notes and Revolver as at March 31, 2011. A summary of the current covenants as described in the AIF is discussed below.

Revolver

Under the Revolver, EnerCare Solutions is subject to three principal financial covenants as described in the AIF. The covenants address interest and debt coverage. EnerCare Solutions complied with these covenants and has the ability to draw on the Revolver.

2009 Notes and 2010 Notes – Incurrence Test

The covenants under the 2009 Notes and 2010 Notes are contained in a master trust indenture and supplemental indentures effective January 29, 2010 and February 19, 2010, as applicable. Under the terms of these indentures, 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

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. These estimates are based on EnerCare Solutions' historical experience, probability analysis and various other assumptions that management considered under the circumstances, the results of which form the basis for making judgments about the reported amounts in the consolidated financial statements that are not readily apparent from other sources. The critical accounting estimates for EnerCare Solutions are the estimated useful lives of equipment, intangible assets and provisions. During 2010 and 2011, additional accruals were recorded (see *"Billing and Servicing Matters" in this MD&A*).

Equipment

Equipment is stated at cost, adjusted to fair market value where cost exceeds the net recoverable amount. Costs include the purchase price of the water heaters and other assets, and installation allowances. There exists measurement uncertainty with respect to the useful life of the installed rental assets; accordingly, EnerCare Solutions periodically reviews the estimated useful lives of water heaters and believes it is currently appropriate to amortize the cost on a straight-line basis over 16 years.

Intangible Assets

Intangible assets represent the right to rental cash flows. The intangible assets are stated at cost, adjusted to fair market value where cost exceeds the net recoverable amount. EnerCare Solutions' intangible assets are amortized over 16 years on a straight-line basis in conjunction with the related equipment.

EnerCare Solutions reviews the intangible assets on an annual basis or at any other time when events or changes have occurred that would suggest an impairment of carrying amount.

DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

EnerCare Solutions' 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 Solutions, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by EnerCare Solutions in its annual filings, interim filings and other reports filed or submitted by EnerCare Solutions under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. As well, EnerCare Solutions' 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 GAAP. There are no material weaknesses relating to the design of either DC&P or ICFR at March 31, 2011. There have been no changes to our ICFR during the quarter ended March 31, 2011 that has materially affected, or is reasonably likely to materially affect, EnerCare Solutions' ICFR, including as a result of the implementation of IFRS, as any changes were either immaterial or implemented in prior periods.

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 Solutions intends to take whatever steps are necessary to minimize the consequences thereof.

CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements of EnerCare Solutions are prepared in accordance with IFRS, which became effective on January 1, 2011 with retroactive application to January 1, 2010. Transition elections and adjustments are summarized further in the IFRS section of this MD&A.

Accounting standard IFRS 9, Financial Instruments, was issued in November 2009. It addressed classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. EnerCare Solutions has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

OUTLOOK

EnerCare Solutions will continue to execute on its business strategy. EnerCare Solutions' financial and operating performance has continued to be strong, including the overall asset base, cash balances and business model.

EnerCare Solutions' business saw significant improvement in Attrition in the last four quarters over comparable periods in the previous year. We are increasing retention spending levels further in 2011 to combat Attrition. A number of new campaigns aimed at consumer education have been developed. Some campaigns are already underway, while others will be launched shortly.

EnerCare Solutions plans to increase efforts to grow its business organically and, depending on opportunities that arise, by selective acquisitions in our current or adjacent markets. Investments will focus on those which have long asset life and long-term customer relationships that will generate positive growth in revenues, earnings and/or cash flows immediately or within an appropriate horizon depending on the stage of the development of the business acquired.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of EnerCare Solutions dated May 9, 2011.
Attrition	Termination of customer relationships, including buyouts.
CGAAP	Generally Accepted Accounting Principles under part V of the Canadian Institute of Chartered Accountants handbook.
Conversion	The conversion of the Fund from an income trust to a dividend-paying corporation.
Convertible Debentures	$27,883 principal amount of 6.25% convertible unsecured subordinated debentures of EnerCare (formerly the Fund), which mature on June 30, 2017. Each Debenture is convertible into EnerCare common 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).
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.
EGD	Enbridge Gas Distribution Inc.
EnerCare	EnerCare Inc., formerly the Fund.
EnerCare Shares	Common shares of EnerCare.
EnerCare Solutions	EnerCare Solutions Inc., formerly the Trust.
Fund	The Consumers' Waterheater Income Fund.
Fund Units	Units of the Fund.
GAAP	Generally Accepted Accounting Principles.
Incurrence Test	2009 Notes and 2010 Notes Incurrence EBITDA to Net Interest Expense.
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 Canadian Institute of Chartered Accountants under part I of the handbook.
MD&A	Management's Discussion and Analysis.
OCI	Other Comprehensive Income.
PUP	Performance Unit Plans of the Fund.
PSUP	Performance Share Unit Plan of EnerCare.
Revolver	$35,000 line of credit, with a maturity date of January 28, 2013.
SG&A	Selling, general and administrative expenses.
S&P	Standard & Poor's Rating Services.
Trust	The Consumers' Waterheater Operating Trust.
Units	Units of the Trust.
2003 Notes	$225,000 of 5.245% Series 2003 A-2 Senior Secured Notes, which were repaid on January 28, 2010.
2009 Bridge	$240,000 bridge credit facility, with a maturity date of January 28, 2011.
2009-1 Notes	$60,000 of 6.20% Series 2009 -1 Senior Notes of the Trust, which mature on April 30, 2012.
2009-2 Notes	$270,000 of 6.75% Series 2009 -2 Senior Notes of the Trust, which mature on April 30, 2014.
2009 Notes	Collectively, the 2009-1 Notes and 2009-2 Notes.
2010 Notes	$240,000 of 5.25% Series 2010 -1 Senior Unsecured Notes of the Trust, which mature on March 15, 2013.