EnerCare Inc.

EnerCare Solutions Inc.

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

Year Ended December 31, 2012

Dated February 27, 2013

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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. EnerCare Solutions' significant accounting policies are summarized in detail in note 3 of the consolidated financial statements for the period ended December 31, 2012. 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 at December 31, 2012 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".

FORWARD-LOOKING INFORMATION

This MD&A, dated February 27, 2013, contains certain forward-looking statements that involve various risks and uncertainties and should be read in conjunction with EnerCare Solutions' 2012 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 (see in particular "Outlook" section), 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 Solutions 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 Solutions 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.

Except as discussed under "Update to Risk Factors", a thorough discussion in respect of the material risks relating to the business and structure of EnerCare Solutions can be found in the AIF, which is available on SEDAR at www.sedar.com.

OVERVIEW

EnerCare Solutions is the successor to the Trust, following the conversion of the Trust from an income trust to a corporate structure pursuant to a plan of arrangement on January 1, 2011.

EnerCare Solutions, a wholly-owned subsidiary of EnerCare, through its subsidiaries, owns a portfolio of approximately 1.2 million water heaters and other assets, rented primarily to residential customers in Ontario.

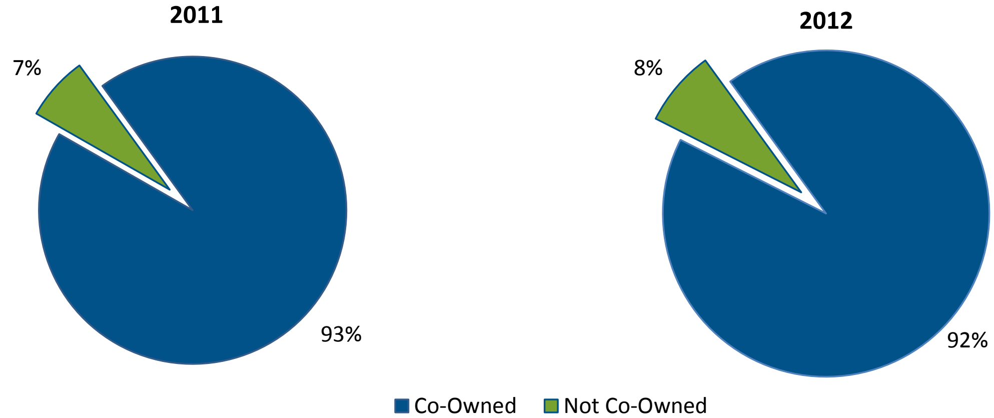
EnerCare Solutions has grown revenues every year since it's inception in 2002, generated stable cash flow and consistently maintained a high dividend yield. EnerCare Solutions has investment grade ratings of A-/ stable and BBB(high) stable rating from S&P and DBRS, respectively.

PORTFOLIO SUMMARY

The business is comprised of the rental of water heater and HVAC equipment primarily to single family residential homes.

EnerCare Solutions originally had 100% of its business subject to a co-ownership agreement with DE. Through five acquisitions and origination arrangements with various parties, EnerCare Solutions has successfully expanded its business. EnerCare Solutions has 8% of its rentals revenue coming from portfolios which are not subject to the co-ownership agreement.

Rentals Revenue Subject to the Co-ownership Agreement - Full Year

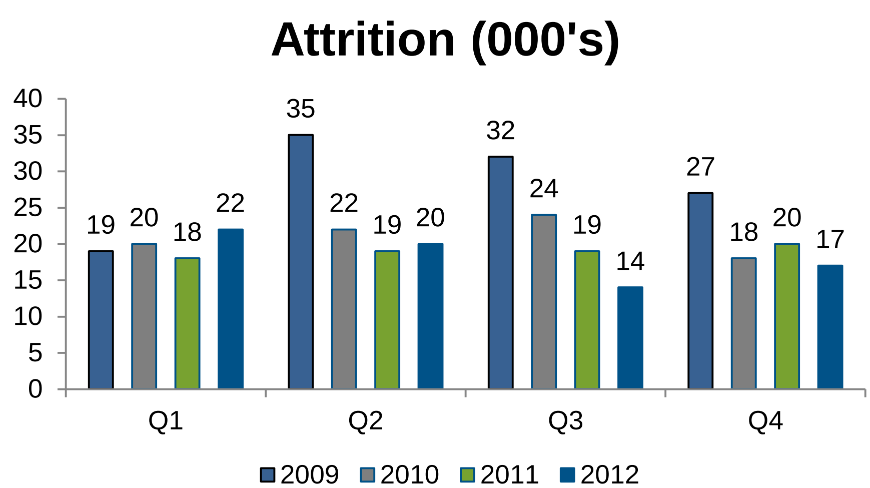


For the portfolios under the co-ownership agreement with DE, EnerCare Solutions is entitled to 65% of the revenue and other payments and DE is entitled to 35% of the revenue. For DE's portion of the revenue, it is responsible for servicing and maintaining the assets. This ensures that EnerCare Solutions is effectively insulated from any operating risks from this portfolio. Through its origination agreement with DE, EnerCare Solutions essentially incurs the capital expenditures in respect of the portfolio.

EnerCare Solutions monitors the business by reviewing new additions or customers to the portfolio, reductions or Attrition of existing customers and existing customers exchanging their rental product.

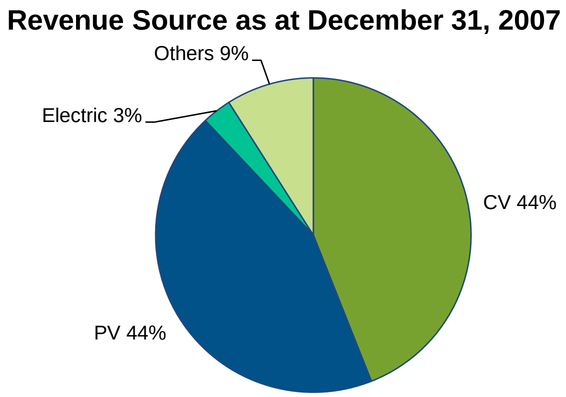
Over the last several years, EnerCare Solutions has experienced higher than normal Attrition on the water heater rental portfolios. This was largely a result of greater competition through aggressive D2D campaigns. EnerCare Solutions and DE have continued to educate consumers through direct mail and radio campaigns and other programs. Such initiatives, among others, have helped to significantly reduce Attrition over the last three years.

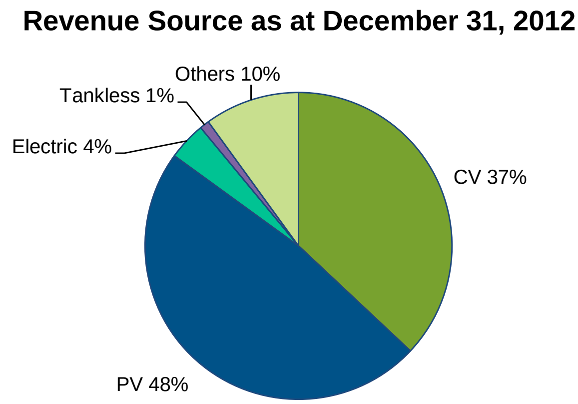
Attrition decreased in 2012 by 3,000 units or 4% over that in 2011. Attrition for the fourth quarter was approximately 17,000 units, an improvement of approximately 3,000 units or 15% compared to the fourth quarter of 2011. Attrition has improved year over year (see below table) since 2009.



Partially offsetting Attrition is the movement in asset mix to units with higher returns. A comparison of the product mix 5 years ago to that of today reveals that the portfolio contains a higher percentage of power vent

("PV") and tankless units, both of which provide a higher revenue than conventional vent ("CV") units. This product mix movement has contributed significantly to growing revenue.





2012 HIGHLIGHTS

(000's)	**2012**	2011	Change	Percent Change
Rentals	**$186,288**	$186,524	$ (236)	0%
Dividend income	**10,342**	8,460	1,882	22%
Investment income	**402**	368	34	9%
Total revenues	**$197,032**	$195,352	$1,680	1%
EBITDA	**143,561**	140,968	2,593	2%
Adjusted EBITDA[1]	**158,709**	160,067	(1,358)	(1%)
Earnings/Loss before income tax	**$ (1,970)**	$ (4,602)	$2,632	(57%)
Current tax expense	**(13,896)**	(5,380)	(8,516)	158%
Deferred income tax recovery	**9,696**	9,705	(9)	(1%)
Net loss	**$ (6,170)**	$ (277)	$(5,893)	2,127%

The following highlights compare 2012 results with those of 2011.

- Total revenues of $197,032 increased by 1% in 2012. Revenues in the Rentals business were $186,288, consistent with the prior year primarily as a result of the changes in installed assets offset by rental rate increases
- EBITDA increased by $2,593 to $143,561 in 2012, driven principally by a reduced loss on disposal of equipment, partially offset by higher SG&A costs. Adjusted EBITDA of $158,709 decreased by $1,358 after removing from EBITDA the impact of a reduced loss on disposal of equipment in 2012.
- Net losses increased by $7,158 compared to 2011, reflecting $8,516 of additional current taxes, $7,457 greater interest expense and lower Adjusted EBITDA, partially offset by lower amortization, loss on disposal of equipment and greater dividend and other incomes.
- Attrition decreased significantly in the third and fourth quarters following increased buyout activity during the first half of the year resulting in an improvement in Attrition of 3,000 units or 4% over that in 2012. Attrition for the quarter was approximately 17,000 units, an improvement of approximately 3,000 or 15% compared to the same period in 2011. Attrition has improved year over year since 2009.

RECENT DEVELOPMENTS – 2012 AND 2013 TO DATE

Corporate Activities

Appointment of Directors

On March 16, 2012, Grace Palombo was appointed to EnerCare Solutions' board. Ms. Palombo had been put forward as a candidate for consideration as a nominee to the board by DE pursuant to its rights under a nomination agreement. Ms. Palombo is currently Senior Vice-President, Human Resources at TD Bank Group and from 2004 to 2010 was Senior Vice-President, Human Resources-Corporate at CanWest Global Communications.

On March 20, 2012, William M. Wells was appointed to EnerCare's Solutions' board. Mr. Wells is the founder and chairman of Evizone Limited, a privately held online communications service firm, and served as Chief Executive Officer of Biovail, a pharmaceutical company, from 2008 until its merger with Valeant in 2010.

Repayment of 2009-1 Notes

On April 30, 2012 EnerCare Solutions repaid the $60,000 principal amount of the 2009-1 Notes on their maturity date from cash on hand.

Ratings Update

On September 12, 2012, EnerCare Solutions announced that DBRS changed its ratings on EnerCare Solutions' outstanding senior notes from "A(low)" with a negative outlook, to "BBB(high)", with a stable outlook. According to DBRS, the rating change is predominantly driven by EnerCare Solutions' Attrition levels and the continuing competitive challenges faced by EnerCare Solutions. The rating assumes that EnerCare Solutions' Attrition rate will decrease gradually and its customer base will stabilize as a result of a number of initiatives to defend EnerCare Solutions' market position. DBRS noted that EnerCare Solutions' key credit metrics remained stable for the six months ended June 30, 2012, as increased rental rates and higher margin products entering the portfolio largely offset the decrease in earnings from the smaller customer base.

Resignation of Vice-President, Sales and Marketing

Tom Cooper, Vice-President, Sales and Marketing, resigned effective October 31, 2012.

Issuance of the 2012 Notes and Redemption of the 2010 Notes

On November 21, 2012, EnerCare Solutions completed a public offering of $250,000 aggregate principal amount of 4.30% Series 2012-1 Senior Unsecured Notes due November 30, 2017. The 2012 Notes were sold at a price of 99.918% of the principal amount, with an effective yield of 4.318% per annum if held to maturity. The notes received ratings of "BBB(high)", with a "stable" trend from DBRS and "A-", with a "stable" outlook from S&P.

The proceeds of the offering were used primarily by EnerCare Solutions to fund the redemption on December 21, 2012 of its outstanding $240,000 aggregate principal amount 5.25% Series 2010-1 Senior Unsecured Notes due March 15, 2013, for an aggregate redemption price of approximately $245,268, which includes interest and a make-whole payment of $1,920. The balance of the proceeds of the offering will be used by EnerCare Solutions for general corporate purposes.

Business Activities

Consent Order

Following the expiry of the Consent Order on February 20, 2012, EnerCare Solutions and DE began to implement a number of changes in the operation of the business, including:

- New procedures requiring customers to confirm their decision to terminate prior to returning their rental water heater;
- Enhancements to the verification procedures at water heater return locations;
- Changes to water heater return locations and operating hours; and
- Introduction of consumer promotional offers.

Additionally, early in March 2012, DE sent communication packages to approximately 600,000 water heater rental customers advising them of proposed amendments to the terms and conditions of their rental water heater agreement. The proposed changes provided, among other things, that if a customer wished to terminate their contract before the end of its term, they would need to buyout their rental water heater. In exchange DE provided a service guarantee and a commitment to cap future rental rate increases at the prevailing rate of inflation. Customers were given approximately one month to contact DE if they wished not to accept the amendments and remain on their existing terms and conditions.

Following the deployment of this customer communication, decidedly negative media coverage fanned by competitors drove significant levels of customer concern resulting in significant increases in customer call volumes to DE's call centers and a resulting back log of orders from customers requesting to stay on their current terms and conditions, buyout their water heater or simply register a complaint about the proposed contract changes. On March 16, 2012, the offer to amend was withdrawn from the market.

Purchase of Water Heaters from GreenSource Capital Inc.

On February 29, 2012, EnerCare Solutions acquired approximately 3,421 water heaters and HVAC equipment from GreenSource, a subsidiary of DE, for cash consideration of $2,053, subject to post-closing adjustments. The rental revenue from the GreenSource units is not subject to the Co-ownership Agreement, and EnerCare Solutions entered into a transitional services agreement with DE to provide service support to customers on a fee-for-service basis.

Awareness Campaigns

In concert with DE, EnerCare Solutions launched an eight week mass market radio and print campaign starting March 4, 2012 to reinforce anti-D2D awareness messages with consumers. Additionally, small 10 second spots were added to the radio campaign to emphasize the value of DE's service proposition. Print advertising was run in both community and ethnic papers to reach as broad a cross-section of consumers as possible and over 1.2 million door hangers were distributed during the second quarter. A further four week radio and print campaign was launched on July 12, 2012, and EnerCare distributing 250,000 door hangers during the week of August 2012.

On April 10, 2012, EnerCare Solutions launched its 2012 in-person consumer education campaign with the first of several EnerCare Solutions branded street teams visiting customer homes in the areas hardest hit by D2D sales activity to provide consumer awareness information to homeowners. The goal of the program is to engage customers directly in a conversation, provide information about how to recognize and respond to some of the most common D2D sales tactics, as well as highlight the consumer's rights under Ontario's consumer protection legislation. The campaign ended in early July and a new in-person consumer awareness campaign was introduced in August 2012. Water heater sales remain the second highest source of consumer complaints with the Ministry of Consumer Services (Ontario).

Expansion of Commercial Rental Program to Nova Scotia

On April 24, 2012, EnerCare Solutions announced that, through DE, it will be originating commercial water heaters and HVAC equipment in Nova Scotia. Consumers and businesses in Nova Scotia have traditionally used fuel oil and electricity for their heating and water heating needs but the relatively recent introduction of natural gas in the province provides an opportunity for EnerCare Solutions' rental program as businesses seek to make the switch to more affordable natural gas appliances.

Same Day Service Campaign

On October 1, 2012, DE announced the launch of a new, industry-leading, same day service campaign. Available to EnerCare Solutions water heater customers serviced by DE, the same day service program assures that if a call is received by 5:00 p.m., a DE technician will do everything possible to attend and provide service on the same day.

Legal Proceedings

EnerCare has been named in legal proceedings commenced by certain competitors seeking specified and unspecified damages based on allegations that EnerCare, its service provider, EcoSmart Home Services Inc., and others engaged in unlawful surveillance and other activities aimed at tracking the D2D sales efforts of the competitors.

EnerCare Solutions is a party to a number of product liability claims and lawsuits in the ordinary course of business. Management is of the opinion that any liabilities that may arise from these lawsuits have been adequately provided for in these consolidated financial statements.

Competition Bureau Matters

In December 2012, the Interim Commissioner of Competition (the "Commissioner") filed applications with the Competition Tribunal against both DE and Reliance Comfort Limited Partnership under the *Competition Act* (Canada) alleging that they each hold dominant positions in the supply of certain types of water heaters in certain areas of Ontario and that they have each engaged in a practice of anti-competitive acts through their respective water heater return policies and procedures.

DE has denied the allegations and has publically stated that "it will vigorously defend its position before the Tribunal." It also stated that "the allegations made by the Competition Bureau question certain of DE's practices and procedures that are designed to inform and empower consumers. DE strongly believes that all customers and homeowners deserve to have all of the necessary information for them to make informed and intelligent choices. Such practices and procedures do not inhibit competition."

While the return policies and procedures are a key component to fostering consumer awareness and protection, provided that the Tribunal strikes an appropriate balance between competition and consumer protection, EnerCare Solutions does not believe that changes to DE's return practices and procedures as a result of the Commissioner's application, if any, will have a material adverse effect on Attrition over the long-term.

Open Bill Access Agreement

Effective December 21, 2012, EnerCare Solutions and DE each entered into amended and restated open bill access billing and collection services agreements (each, a "New OBA") with EGD. Pursuant to the New OBAs, EGD will provide billing and collection services to each of DE (including in respect of water heaters and other assets that are serviced by DE) and EnerCare (in respect of Enercare's other water heaters and other assets) for a term ending in December 2013. The New OBAs are on substantially similar terms as the open bill access billing and collection services agreements that expired in December 2012.

Subsequent Events

Issuance of 2013 Notes, Term Loan, Redemption of 2009-2 Notes and Amendments to Revolver

As part of a series of transactions, on January 28, 2013, EnerCare Solutions entered into a $60,000 term credit facility (the “Term Loan”) with the Canadian chartered bank affiliate of National Bank Financial Inc. The Term Loan is payable interest only until maturity in January 2016 and is payable in whole or in part at any time without penalty. The Term Loan bears interest at a rate of bankers’ acceptances plus 120 basis points or prime plus 20 basis points at EnerCare Solutions’ current credit rating. EnerCare Solutions drew the full amount available under the Term Loan on February 4, 2013.

On February 1, 2013, EnerCare Solutions completed a public offering of $225,000 aggregate principal amount of 4.60% Series 2013-1 Senior Unsecured Notes due February 3, 2020. The 2013 Notes were sold at a price of 99.94% of the principal amount, with an effective yield of 4.61% per annum if held to maturity. The notes received ratings of “BBB(high)”, with a “stable” trend from DBRS and “A-”, with a “stable” outlook from S&P.

The proceeds of the offering and the drawdown of the Term Loan will be used by EnerCare Solutions to redeem on March 6, 2013 its outstanding $270,000 aggregate principal amount of 6.75% Series 2009-2 Senior Unsecured Notes due April 30, 2014 for an aggregate redemption price of approximately $290,095, which includes interest and a make-whole payment of $13,754.

On February 26, 2013, the Revolver pricing was amended to reflect a 20% reduction in standby fees on the unused portion of the facility and a 30 basis point reduction in margin on borrowings at EnerCare Solutions’ current debt ratings.

UPDATE TO RISK FACTORS

The risks related to the business and structure of EnerCare Solutions discussed in the AIF remain unchanged except as discussed below.

Litigation Risk

In the normal course of EnerCare Solutions’ operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to, among other things, personal injuries, property damage, contract disputes and its business activities. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to EnerCare Solutions and as a result, could have a material adverse effect on its financial condition and results of operations and on its ability to satisfy its debt service obligations on its debt securities. Even if EnerCare prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from EnerCare Solutions’ business operations which could have a material adverse effect on its financial condition and results of operations and on its ability to satisfy its debt service obligations on its debt securities. In particular, as described under “Recent Developments – 2012 And 2013 To Date”, EnerCare has been named in legal proceedings commenced by certain competitors, the outcomes of which, at this stage of the proceedings, are impossible to predict with any certainty. Furthermore, no assurance can be given that EnerCare or EnerCare Solutions won’t become involved in litigation, whether as defendant or plaintiff, in other matters from time to time.

RESULTS OF OPERATIONS

Overview

Consolidated Financial Highlights (000's)	**2012**	2011	2010
Total revenues	**$197,032**	$195,352	$187,654
Loss before income taxes	**(1,970)**	(4,602)	(11,760)
Current tax expense	**(13,896)**	(5,380)	-
Deferred income tax recovery	**9,696**	9,705	15,563
Net (loss)/earnings	**(6,170)**	$ (277)	$ 3,803
EBITDA	**143,561**	140,968	137,994
Adjusted EBITDA	**158,709**	160,067	159,334
Total assets	**765,460**	1,081,957	853,331
Total debt	**817,508**	918,054	948,608
Cash provided by operating activities	**97,887**	121,980	117,437
	IFRS	IFRS	IFRS

2012 vs. 2011

Total revenues increased by approximately 1% or $1,680 to $197,032 in 2012. Rentals revenue decreased slightly by $236 to $186,288 driven by the changes in installed assets offset by a rental rate increase effective January 2012. Investment and dividend incomes were higher by $1,916 to $10,744, primarily as a result of greater preferred share distributions from ECI which is wholly owned by EnerCare. Net losses were $6,170 in 2012, $5,893 greater than in 2011 as a result of $8,516 additional current taxes, $7,457 greater interest expense and lower Adjusted EBITDA, partially offset by lower amortization, loss on disposal of equipment and greater dividend and other incomes.

EBITDA increased by $2,593 to $143,561 in 2012, driven principally by a reduced loss on disposal of equipment, partially offset by higher SG&A costs. Adjusted EBITDA of $158,709 decreased by $1,358 after removing from EBITDA the impact of a reduced loss on disposal of equipment in 2012 Total assets decreased by approximately $316,497 in 2012, primarily due to the repayment of $200,000 Subordinated Debt from proceeds following the redemption of the ECI preferred shares and reduced cash associated with the repayment of the 2009-1 Notes in April of 2012. Total debt decreased to $817,508 primarily as a result of the repayment of 2009-1 Notes and the net impact of the new borrowings under the 2012 Notes. Cash flow from operating activities decreased by $24,093 in 2012, primarily as a result of increased current taxes and interest expense and a reduction in accounts payable.

2011 vs. 2010

Total revenues increased by 4% or $7,698 to $195,352 in 2011. The improved revenues were primarily attributable to $8,460 of dividend income received in 2011, a modest increase in investment income of $288, partially offset by a reduction of $1,050 in rental revenues. The rentals revenue decrease was driven by the net impact of Attrition and asset additions throughout the year, offset by a rental rate increase effective January 2011. Net loss was $277 in 2011, $4,080 higher compared to net income of $3,803 in 2010 as a result of improved EBITDA offset by lower future tax recoveries of $5,858 and current taxes expense of $5,380 incurred for the first time in 2011.

EBITDA for 2011 increased by 2% or $2,974, primarily due to reductions in SG&A and loss on disposal of equipment. Adjusted EBITDA increased $733 as a result of EBITDA improvements partially offset by the current year improvement in losses on disposal of $2,241. Total assets increased by $228,626 in 2011, primarily due to the impact of the $250,000 investment in Stratacon offset by the amortization of intangible assets. Total debt increased by $1,201 due to the accretion of transaction costs when the debt was incurred. Cash flow from operating activities increased by $4,543, to $121,980 in 2011, primarily as a result of improved EBITDA and changes in non-cash working capital, partially offset by current taxes.

Earnings Statement

(000's)	**2012**	2011
Revenues:		
Rentals	**$186,288**	$186,524
Dividend income	**10,342**	8,460
Investment income	**402**	368
Total revenues	**197,032**	195,352
SG&A expenses	**27,579**	26,457
Amortization expense	**97,261**	101,703
Loss on disposal of equipment	**15,148**	19,099
Interest on subordinated debt	**10,490**	8,582
Interest on promissory note	**10,174**	4,500
Interest expense	**39,488**	39,613
Total operating expenses	**200,140**	199,954
Other income	**1,138**	-
Loss before income taxes	**(1,970)**	(4,602)
Current tax expense	**(13,896)**	(5,380)
Deferred income tax recovery	**9,696**	9,705
Net loss	**(6,170)**	(277)
EBITDA	**143,561**	140,968
Adjusted EBITDA	**$158,709**	$160,067

Revenues

Total revenues of $197,032 in 2012 increased by $1,680 or 1% compared to 2011. Rentals revenues decreased marginally by $236 to $186,288 in 2012, compared to 2011, primarily due to a reduction in installed assets, partially offset by a rental rate increase implemented in January 2012. Dividend income of $10,342 increased by $1,882 as a result of greater preferred share distributions from ECI, which is wholly owned by EnerCare.

Investment income increased marginally to $402 in 2012. The increase in investment income was attributable to the investment of the 2012 Notes proceeds for approximately 30 days prior to the redemption of the 2010 Notes in the fourth quarter of 2012, partially offset by lower investment balances as a result of the repayment the 2009-1 Notes in April 2012.

Selling, General & Administrative Expenses

Total SG&A expenses were $27,579 in 2012, an increase of $1,122 or 4% compared to 2011, primarily as a result of approximately $1,900 of increased claims and bad debts ($1,300 credit from DE in 2011) and $500 in professional fees, partially offset by $700 in wages and benefits, $400 in billing and servicing costs, which include inventory management fees and selling expenses of $200.

Amortization Expense

Amortization expense decreased by $4,442 or 4% to $97,261 in 2012, primarily due to a smaller installed asset base.

Loss on Disposal of Equipment

In 2012, EnerCare Solutions reported a loss on disposal of equipment of $15,148, a reduction of $3,951 over 2011. The loss on disposal amount is influenced by the number of assets retired, proceeds on disposal of equipment, changes in the retirement asset mix and the age of the assets retired. Proceeds on disposal of equipment in 2012 were $5,379 or $1,447 greater than 2011, primarily as a result of higher buyout activity during the first and second quarters of 2012 reflecting the additional buyout transactions recorded earlier in the year, many of which were on account of older assets with low buyout fees.

Interest Expense

	2012	2011
Interest expense payable in cash	**$34,990**	$34,718
Interest expense on Subordinate Debt	**10,490**	8,582
Interest expense on Subordinated Promissory Notes	**10,174**	4,500
Non-cash items:		
Amortization of OCI and financing costs	**4,498**	4,895
Interest expense	**$60,152**	$52,695

Interest expense payable in cash increased by $272 to $34,990 in 2012, compared to 2011. The increase is primarily related to both a make-whole payment of approximately $1,920 associated with the 2010 Notes and $900 of additional interest created by the issuance on November 21, 2012 of the 2012 Notes, 30 days prior to the redemption of the 2010 Notes in December 2012, partially offset by the repayment of the 2009-1 Notes on April 30, 2012. Interest on the Subordinated Debt and Subordinated Promissory Notes increased in 2012 by approximately $7,582 primarily as a result of an increase of $150,000 in Subordinated Promissory Notes in the third quarter of 2012 and greater average outstanding balances of Subordinated Debt in 2012. Amortization of OCI and financing costs for 2012 are lower than in 2011, primarily due to the repayment of the 2009-1 Notes in April 2012.

Other Income

Other income of $1,138 includes amounts recognized in the current year related to prior years' events. The amount for 2012 includes income of approximately $1,500 on account of a settlement reached by EnerCare and DE on account of billing disputes for water heater installation costs, $200 from DE on account of billing shortfalls and a reduction of $600 related to reversal of billed amounts from EGD following the billing conversions.

Income Taxes

EnerCare Solutions reported a current tax expense of $13,896 for 2012, an increase of $8,516 over 2011, primarily as a result of decreased loss carry forwards available to shelter taxable income in the business. The deferred income tax recovery of $9,696 for 2012 was similar to the recoveries of $9,705 recorded in 2011.

Net Losses

Loss before income taxes in 2012 were $1,970, $2,632 better than in 2011, as described above. Net losses of $6,170 in 2012 increased by $5,893 compared to losses of $277 in 2011, primarily as a result of changes in current taxes of approximately $8,516, as described above.

EBITDA and Adjusted EBITDA

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

(000's)	**Q4/12**	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11

Net (loss)/earnings	**$(2,316)**	$ 337	$(4,323)	$ 132	$(1,271)	$ 2,867	$(1,150)	$ (723)
Deferred tax expense/(recovery)	**(5,109)**	(3,065)	1,382	(2,904)	(1,639)	(4,703)	(1,849)	(1,514)
Current tax expense	**4,786**	3,821	2,035	3,254	783	1,132	1,881	1,584
Amortization expense	**24,024**	24,115	24,162	24,960	25,362	25,453	25,451	25,437
Interest expense	**15,697**	12,701	15,506	16,248	15,394	15,189	11,768	10,344
Dividend (income)	**(870)**	(870)	(4,301)	(4,301)	(4,348)	(4,112)	-	-
Other (income)	**362**	-	-	(1,500)	-	-	-	-
Investment (income)	**(189)**	(14)	(59)	(140)	(110)	(111)	(87)	(60)
EBITDA	**36,385**	37,025	34,402	35,749	34,171	35,715	36,014	35,068
Add: Loss on disposal of equipment	**3,523**	3,397	4,113	4,115	4,880	4,718	4,861	4,640
Adjusted EBITDA	**$39,908**	$40,422	$38,515	$39,864	$39,051	$40,433	$40,875	$39,708

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.
2. Increasing current taxes in 2012 as loss carry forwards are utilized.
3. In the second quarter 2012, deferred taxes resulting from a change in the future provincial corporate tax rates.
4. Amortization and loss on disposal of equipment are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units.
5. Other income in the first and fourth quarters of 2012 relate to settlements with DE on account of installation and billing matters. The fourth quarter of 2012 also includes a bill reversal from EGD following the billing conversion.

LIQUIDITY AND CAPITAL RESOURCES

(000's)	**2012**	2011
Cash flow from operating activities	**$97,887**	$121,980
Net change in non-cash working capital	**3,154**	(6,265)
Operating Cash Flow	**101,041**	115,715
Net capital expenditures	**(52,498)**	(56,747)
Acquisitions	**(1,944)**	-
Cash used in investing activities	**(54,442)**	(56,747)
Dividends paid	**(38,445)**	(32,975)
Other financing activities	**(51,786)**	-
Cash used in financing activities	**(90,231)**	(32,975)
Cash and equivalents – end of period	**$ 3,617**	$ 50,403

Operating Cash Flow of $101,041 decreased by $14,674 in 2012 compared to 2011. Cash flow from operating activities declined in 2012, primarily as a result of an increase in current taxes, interest expense and selling and general expenses, partially offset by higher total revenues and other income.

Net capital expenditures in 2012 were lower than 2011, due to decreased asset exchange activity and greater buyout proceeds. Acquisitions of $1,944 in 2012 relate to the GreenSource acquisition.

Dividends paid generally reflect dividend payments made by EnerCare on its outstanding shares. In 2011, dividends paid reflect only two payments during the first quarter, as two payments were made in December 2010 leading up to the Trust's Conversion. Other financing activities primarily reflects the repayment of the 2009-1 Notes on their maturity date of April 30, 2012 from cash on hand. The 2010 Notes, which would have matured on March 15, 2013, were redeemed in the fourth quarter of 2012 following the issuance of the 2012 Notes.

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.

EnerCare's Revolver has a credit limit of $35,000; no amounts were drawn as of the date of this MD&A.

Management believes that EnerCare Solutions has sufficient cash flow, cash on hand and credit available to meet its 2013 obligations, including capital expenditures and working capital requirements for its business.

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)	**2012**	2011
Segment	**Total**	Total
Units – start of period	**1,216**	1,267
Portfolio additions	**25**	25
Acquisitions	**3**	-
Attrition	**(73)**	(76)
Units – end of period	**1,171**	1,216
Asset exchanges – units retired and replaced	**47**	51
% change in units during the period	**(3.7%)**	(4.0%)
% of units from start of period:		
Portfolio additions (net of acquisitions)	**2.1%**	2.0%
Attrition	**(6.0%)**	(6.0%)
Units retired and replaced	**3.9%**	4.0%

Net capital expenditures in the business include portfolio additions and asset exchanges, net of proceeds on disposal. Net capital expenditures were $52,498, decreasing by 8% or $4,249 in 2012, compared to 2011. Net capital expenditures were lower in part due to fewer asset exchanges and greater buyout activity and related proceeds on disposal when compared to 2011.

Following increased buyout activity of approximately 5,000 units in the first half of 2012 resulting from the offer to amend rentals contract (see Recent Developments – Rentals Activities – Consent Order), Attrition decreased significantly in the third and fourth quarters resulting in an improvement in Attrition of 3,000 units or 4% over that in 2012. Excluding the impact of increased buyouts, Attrition would have been reduced by 8,000 units or 11% in 2012. Attrition for the fourth quarter was approximately 17,000 units, an improvement of approximately 3,000 units or 15% compared to the same period in 2011.

Cash from Financing

Financing activities for EnerCare Solutions may reflect mainly dividends and periodic financing of EnerCare Solutions' indebtedness. During 2012, EnerCare Solutions recorded financing repayments, net of dividends, of $51,131, related to the repayment of the 2009-1 Notes and the 2010 Notes and the issuance of the 2012 Notes and the on-going principal payments on the Stratacon Debt.

Capitalization (000's)	**2012**	2011
Cash and cash equivalents	**3,617**	$ 50,403
Net investment in working capital	**(10,096)**	(15,028)
Cash, net of working capital	**(6,479)**	35,375
Total senior debt	**517,508**	568,054
Subordinated Promissory Note	**250,000**	100,000
Subordinated Debt	**50,000**	250,000
Shareholder's equity	**(215,011)**	(23,496)
Total capitalization – book value	**602,497**	$ 894,558

Typically, EnerCare Solutions 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, 2012, total debt was comprised of the 2009-2 Notes and 2012 Notes.

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 December 31, 2012. No amounts were drawn on the Revolver at December 31, 2012.

2009 Notes and 2012 Notes – Incurrence Test

The covenants under the 2009 Notes and 2012 Notes are contained in a master trust indenture and supplemental indentures effective January 29, 2010 and November 21, 2012, 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 December 31, 2012, EnerCare Solutions exceeded this minimum and had the capacity under the covenant to raise approximately $80,000 to $100,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	**Q4/12**	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11
Total revenues	**$47,184**	$47,465	$51,095	$51,288	$50,489	$51,076	$46,832	$46,955
Net (loss)/earnings	**(2,316)**	337	(4,323)	132	(1,271)	2,867	(1,150)	(723)
Dividends declared	**$(9,745)**	$ 9,728	$ 9,706	$ 9,424	$ 9,143	$ 9,047	$ 8,958	$ 8,918

In addition to quarterly comments found under "Results of Operations – Adjusted EBITDA and EBITDA", differences in net earnings between quarters reflect the timing of expenses, current tax expense and the temporary difference reversals of future income tax recoveries. Dividends declared primarily reflect the change in dividends declared by EnerCare.

SUMMARY OF CONTRACTUAL DEBT AND LEASE OBLIGATIONS

The following schedule summarizes the contractual debt and lease obligations of EnerCare Solutions at December 31, 2012:

Period (000's)	Principal Payments	Interest Payments	Leases
Due in 2013	$ -	$28,975	$ 255
Due in 2014	270,000	19,863	255
Due in 2015	-	10,750	370
Due in 2016	-	10,750	392
Due in 2017	250,000	10,750	70
Thereafter	-	-	-
Total	$520,000	$81,088	$1,342

As at December 31, 2012, long-term senior contractual obligations of EnerCare Solutions included debt service on the 2009-2 Notes and 2012 Notes bearing interest at 6.75% and 4.30%, respectively. Interest on the 2009-2 Notes was payable semi-annually on April 30 and October 30 and on May 30 and November 30, in respect of the 2012 Notes. The $240,000 2010 Notes, which would have matured on March 15, 2013, were redeemed in the fourth quarter of 2012 following the issuance of $250,000 2012 Notes.

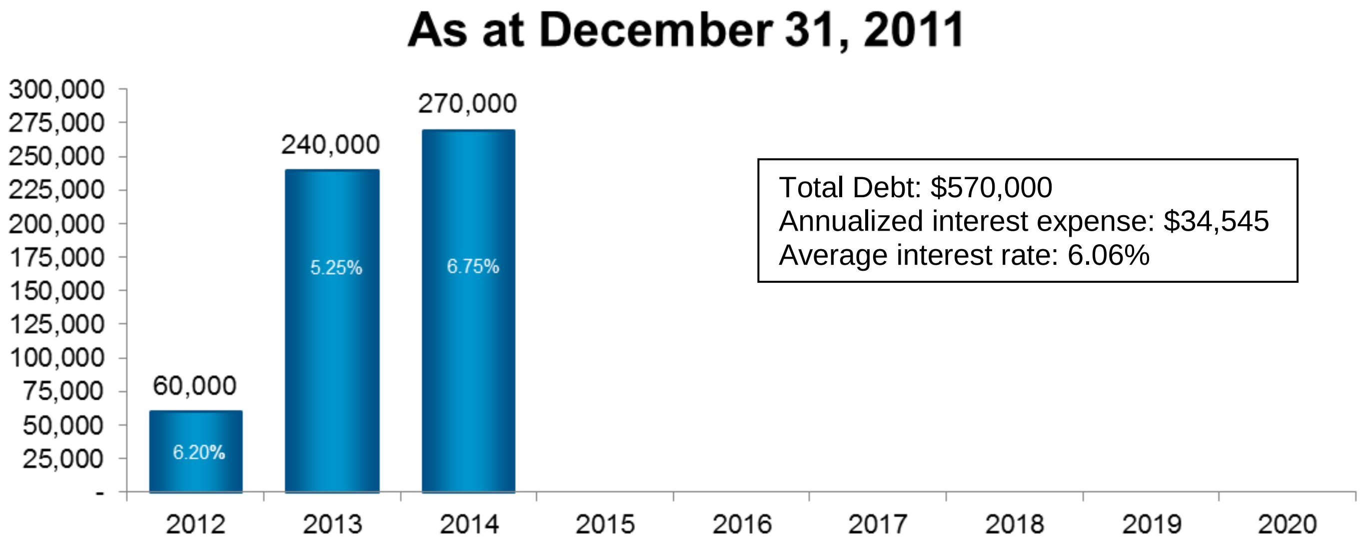
At December 31, 2011, $35,000 of the Revolver was available to be drawn. The Revolver bears a standby fee of 0.375%, which has not been included in the above schedule, until maturity in January 2014.

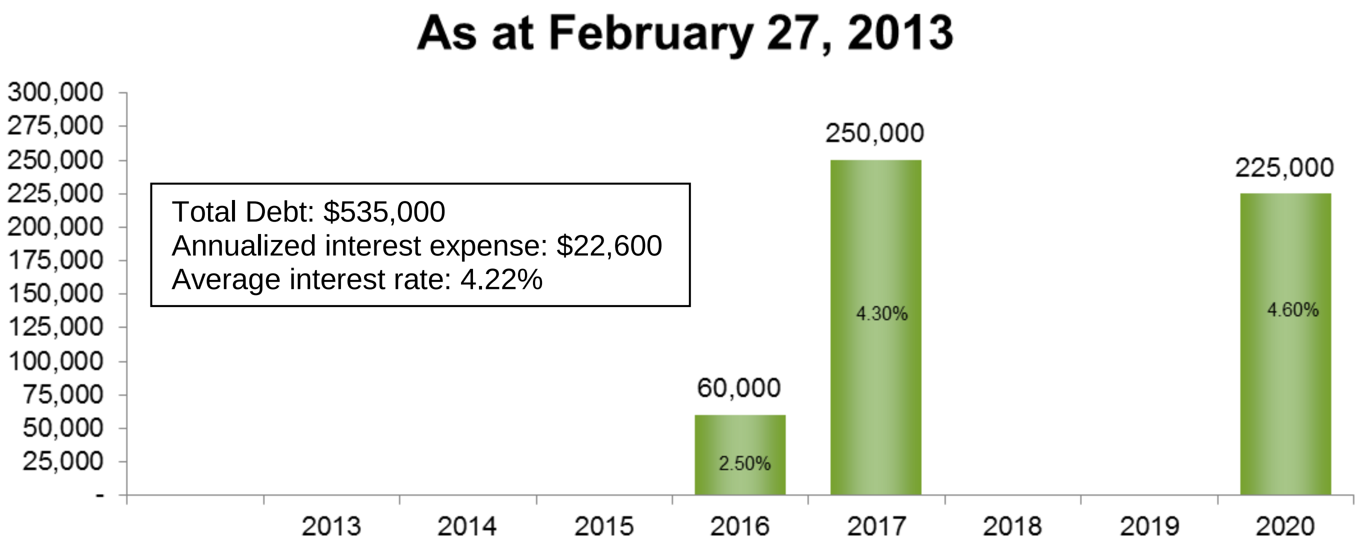
Lease obligations include premises and office equipment. Substantially all of the future expense obligations are the result of leased premises.

The $270,000 2009-2 Notes which were to mature on April 30, 2014 will be redeemed on March 6, 2013 through proceeds of the $225,000 2013 Notes, which mature on February 3, 2020, and the $60,000 drawndown on the Term Loan, which matures on January 28, 2016. Consequently, the contractual debt and lease obligations schedule would be approximately as follows assuming a 2.50% rate on the Term Loan and that all debt was outstanding on December 31, 2012.

Period (000's)	Principal Payments	Interest Payments	Leases
2013	$ -	22,895	$ 255
2014	-	22,600	255
2015	-	22,600	370
2016	60,000	21,350	392
2017	250,000	21,100	70
Thereafter	225,000	10,350	-
Total	$535,000	$120,895	$1,342

The following graph depicts the repayment and issuance of debt through 2012 and the first quarter of 2013.





In connection with the debt refinancing leading up to February 27, 2013, make-whole payments were incurred with the early redemption of the 2010 Notes and the 2009-2 Notes for approximately $1,920 and $13,754, respectively.

ENERCARE SOLUTIONS SHARES ISSUED AND OUTSTANDING

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

At December 31, 2012, there were 1,001 shares issued and outstanding.

FOURTH QUARTER RESULTS OF OPERATIONS

Earnings Summary (000's)	**2012**	2011
Revenues:		
Rentals	**$46,125**	$46,031
Dividend income	**870**	4,348
Investment income	**189**	110
Total revenues	**47,184**	50,489
SG&A expenses	**6,217**	6,980
Amortization expense	**24,024**	25,362
Loss on disposal of equipment	**3,523**	4,880
Interest on subordinated debt	**882**	4,411
Interest on promissory note	**3,125**	1,125
Interest expense	**11,690**	9,858
Total operating expenses	**49,461**	52,616
Other income	**(362)**	-
(Loss) before income taxes	**(2,639)**	(2,127)
Current tax expense	**(4,786)**	(783)
Income tax recovery	**5,109**	1,639
Net (loss)	**(2,316)**	$ (1,271)
EBITDA	**36,385**	34,171
Adjusted EBITDA	**$39,908**	$39,051

Fourth Quarter Overview

Unless stated otherwise, the narrative in this section is in reference to the operating results for the fourth quarter of 2012 as compared to the same period in 2011.

Revenues

Total revenues of $47,184 in 2012 decreased by $3,305 or 7% compared to 2011. Rentals revenue for the period increased slightly to $46,125, primarily due to the January rate increase and improved billing performance by DE, partially offset by the impact of net Attrition. Dividend income declined by $3,478 to $870 following a redemption of $200,000 in the third quarter of 2012 of preferred shares from ECI which is wholly owned by EnerCare. Investment income was $189, approximately $79 greater than in 2011, primarily due to investment of the proceeds of the 2012 Note offering prior to the redemption of the 2010 Notes in December 2012.

Selling, General & Administrative Expenses

SG&A expenses decreased by $763 or 11% from 2011 to $6,217, primarily as a result of approximately $1,000 lower wages and benefits and $400 of selling costs, partially offset by increased professional fees of $400 and $200 of claims and bad debts.

Amortization Expense

Amortization expense of $24,024 was $1,338 lower than in 2011, primarily the result of changes in the installed asset base.

Loss on Disposal of Equipment

Loss on disposal of equipment for the period was $3,523, a decrease of $1,357 or 28% over 2011. The net decreased loss was primarily the result of lower Attrition and exchanged assets during the period.

Interest Expense

In 2012, interest expense of $15,697 was $303 higher than in 2011, primarily as a result of a $1,920 make-whole payment on the redemption of the $240,000 2010 Notes, additional interest expense associated with the issuance of the $250,000 2012 Notes, partially offset by the repayment of the 2009-1 Notes and lower net interest expense on subordinated debts.

Other Expense

Other expense includes amounts recognized in the current year related to events originally occurring in another period. The amount for 2012 includes $200 from DE on account of billing shortfalls and a reduction of $600 related to reversal of billed amounts from EGD following the billing conversions.

Net Loss

Losses before income taxes in 2012 were $2,639, $512 higher than 2011, as previously described. Net losses increased by $1,045 in 2012, primarily as a result of higher current taxes as a result of decreased loss carry forwards available to shelter taxable income in the Rentals business, partially offset by the timing of deferred tax reversals.

NON-IFRS 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 3 of the consolidated financial statements.

EnerCare Solutions reports on certain Non-IFRS measures that are used by management to evaluate performance of EnerCare Solutions and meet certain covenant requirements relating to its 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.

Non-IFRS financial indicators used by EnerCare Solutions 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, sub-meters and other assets: capital expenditures and acquisitions.

Measures of Financial Performance

EBITDA

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

Adjusted EBITDA

This measure is comprised of net earnings plus income taxes, interest expense, amortization expense, impairment losses and loss on disposal of equipment, less investment and other 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, an IFRS measure, in the section "*Results of Operations - Adjusted EBITDA and EBITDA*" 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, an IFRS measure, in the section "*Liquidity and Capital Resources*" in this MD&A.

Measures Regarding Debt Covenants

As at December 31, 2012, EnerCare Solutions was in compliance with all covenants under the 2009-2 Notes, 2012 Notes and Revolver. 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 on December 31, 2012. No amounts were drawn on the Revolver at December 31, 2012.

2009-2 Notes and 2012 Notes – Incurrence Test

The covenants under the 2009-2 Notes and 2012 Notes are contained in a master trust indenture and supplemental indentures effective January 29, 2010 and November 21, 2012, 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. Additional accruals were recorded for the period as outlined below:

DE Earnings Items

DE, through EGD, provides billing and collection services for substantially all of EnerCare Solutions' water heaters and other assets. In September 2009, DE implemented a billing system conversion which coincided with a billing system conversion by EGD. Further, in late 2011, DE began utilizing a third party billing system for new assets and in August 2012 also employed the billing system for non-EGD territory accounts. EnerCare Solutions' ICFR identified issues principally associated with DE's original system conversion as well as the third party conversion, primarily in respect of completeness of billing, customer collections and allocation of customer payments. During the fourth quarter of 2012 and in

January 2013, a number of billing issues were resolved with the third party billing system.

At December 31, 2011, EnerCare Solutions estimated and recorded revenue accruals of $1,700 in respect of billings and adjustments expected to be recovered from customers, but did not include any amounts that EnerCare Solutions may recover from DE for lost revenues arising from the billing system conversion. At December 31, 2012, EnerCare Solutions has accrued approximately $800 in respect of outstanding billing amounts.

Buyout processing from 2010 remains outstanding. EnerCare Solutions has recorded amounts expected to be charged to customers by DE and continues to work with DE to resolve issues relating to buyout processing.

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.

Equipment

Equipment is stated at cost, adjusted to fair market value where cost exceeds the net recoverable amount. For the Rentals business, 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. Rentals 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 IFRS. There are no material weaknesses relating to the design of either DC&P or ICFR at December 31, 2012. There have been no changes to our ICFR during the year ended December 31, 2012 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. The certifying officers have evaluated the effectiveness of the EnerCare Solutions' DC&P and ICFR at December 31, 2012 and are satisfied that EnerCare Solutions' DC&P and ICFR were both effective as at December 31, 2012. Management also did not identify any material weaknesses in EnerCare Solutions' ICFR at December 31, 2012.

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 as issued by IASB applicable to the preparation of consolidated financial statements. EnerCare Solutions has consistently applied the same accounting policies and methods of computation throughout all periods presented, as if these policies had always been in effect.

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, 2015, with early adoption permitted. EnerCare Solutions has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10, *Consolidated Financial Statements,* was issued in May 2011. It introduces a single model in the control analysis to determining which investees should be consolidated. The consolidation procedures are carried forward from IAS 27 (2008). The control model is based on three elements: An investor controls an investee when (1) it is exposed or has rights to variable (e.g. residual) returns from its involvement with that investee, (2) has the ability to affect those returns through its power over that investee, and (3) there is a link between power and returns. The approach comprises a series of indicators of control, but no hierarchy is provided: preparers are required to analyze all facts and circumstances and apply their judgment in making the control assessment. Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee. In such a case that portion of the investee is a deemed separate entity (referred to as a silo) for the purpose of applying the consolidation requirements. In assessing control, the investor also needs to analyze substantial potential voting rights as well as currently exercisable potential voting rights. This is likely to change the control conclusion in some cases: currently exercisable potential voting rights might not be considered substantive and vice versa. Control is assessed on a continuous basis, i.e., it is reassessed as facts and circumstances change considerably. This standard is required to be applied for accounting periods beginning on or after January 1, 2013. EnerCare Solutions has reviewed the standard and has determined that it will not have an impact on current reporting.

IFRS 13, *Fair Value Measurement*, was issued in May 2011. It defines “fair value” and sets out, in a single IFRS, a framework for measuring fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or liability at fair value, nor does it change what is measured at fair value in IFRSs or address how to present changes in fair value. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, but can, with early adoption permitted. EnerCare Solutions has reviewed the standard and has determined that it will not have an impact on current reporting.

OUTLOOK

EnerCare Solutions continued to experience improved customer retention during the fourth quarter of 2012. Overall, we are encouraged by the positive trend in the last half of 2012. We expect that we will see Attrition levels continue to have mild volatility from quarter to quarter. Going forward we continue to believe that the factors that have led to the decline in Attrition over the last three years, including improving consumer awareness, will create a more favourable environment for further improvement in customer retention. We will continue to explore new initiatives and modifications of existing programs, as well as enhanced customer product offerings and service programs.

We are very pleased with our reduction in total debt following the repayment of the 2009-1 Notes in April of 2012 and our recent refinancing of the 2010 Notes in November of 2012 and the 2009-2 Notes in February of 2013. With these financing activities, we have successfully extended and laddered our maturities and provided some flexibility to allow for further potential reductions in our future leverage and secured a significant reduction in future interest expense. As outlined in the "Summary of Contractual Debt and Lease Obligations", we estimate that the annual interest savings is approximately $12,000.

In January 2013, EnerCare Solutions increased its weighted average rental rate by 3%.

EnerCare intends to increase its monthly dividend to $0.057 per share, an increase of 1.8%, effective in respect of the dividend payable to shareholders of record on the applicable date in March 2013, which dividend will be paid in April 2013. EnerCare increased its dividend due to strong performance in 2012, its long-term stable financial structure, reductions in Attrition and the confidence the board has in the company moving forward.

As previously announced, EnerCare has set its annual and general and special meeting for June 3, 2013. Jim Pantelidis, Chairman of the board, and management will provide an update to shareholders on EnerCare's achievements in 2012 and strategy.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of EnerCare Solutions dated May 11, 2012.
Attrition	Termination of customer relationships, including buyouts.
Consent Order	Consent Order issued by the Competition Bureau in 2002 and expired in February 2012 that restricted EnerCare Solutions' and DE's business practices.
Conversion	The conversion of the Fund and the Trust, income trusts, to EnerCare and EnerCare Solutions, respectively.
D2D	Door to door.
DBRS	DBRS Limited.
DC&P	Disclosure Controls and Procedures as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
DE	Direct Energy Marketing Limited.
ECI	EnerCare Connections Inc. (formerly Stratacon and Enbridge Electric Connections Inc.).
EGD	Enbridge Gas Distribution Inc.
EnerCare	EnerCare Inc., formerly the Fund.
EnerCare Solutions	EnerCare Solutions Inc., formerly the Trust.
EGNB	Enbridge Gas New Brunswick Limited Partnership
Fund	The Consumers' Waterheater Income Fund.
GreenSource	GreenSource Capital Inc., a subsidiary of DE.
HVAC	Heating, ventilation and air conditioning.
Incurrence Test	2009 Notes and 2012 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.
Revolver	$35,000 line of credit, with a maturity date of January 28, 2014, as amended and restated as of July 6, 2011, and further amended on November 15, 2012 and February 26, 2013.
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)
Subordinated Promissory Notes	$100,000 subordinated promissory note of EnerCare Solutions owing to EnerCare, issued as part of the Conversion and an additional $150,000 subordinated promissory note of ESI owing to EnerCare which was issued on September 28, 2012.
Subordinated Debt	$250,000 intercompany subordinated loan of a subsidiary of EnerCare Solutions owed to ECI, bearing interest at 7% annually, payable on demand, $200,000 of which was repaid in the third quarter of 2012.
Term Loan	$60,000 single draw, variable rate, interest only, open loan with a maturity date of January 28, 2016.
Trust	The Consumers' Waterheater Operating Trust.
Units	Trust Units of the Fund.
2009-1 Notes	$60,000 of 6.20% Series 2009-1 Senior Notes of EnerCare Solutions, which matured and were repaid on April 30, 2012.
2009-2 Notes	$270,000 of 6.75% Series 2009-2 Senior Notes of EnerCare Solutions, which mature on April 30, 2014 and will be redeemed on March 6, 2013
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 EnerCare Solutions, which were redeemed on December 21, 2012.
2012 Notes	$250,000 of 4.30% Series 2012-1 Senior Unsecured Notes of EnerCare Solutions, which mature on November 30, 2017.
2013 Notes	$225,000 of 4.60% Series 2013-1 Senior Unsecured Notes of EnerCare Solutions, which mature on February 3, 2020.