EnerCare Solutions Inc.

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

Third Quarter ended September 30, 2013

Dated November 13, 2013

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The condensed interim consolidated financial statements of EnerCare Solutions are prepared in accordance with IFRS. EnerCare Solutions' significant accounting policies are summarized in detail in note 2 of the condensed interim consolidated financial statements for the period ended September 30, 2013. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units and "per unit" amounts, Shares and "per Share" amounts and percentages (except as otherwise noted). Dollar amounts are expressed in Canadian currency.

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 November 13, 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 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 actual results to differ materially from the results discussed in the forward-looking information. Although the forward-looking information is based on what management believes to be reasonable assumptions, EnerCare 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.

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 since its 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.

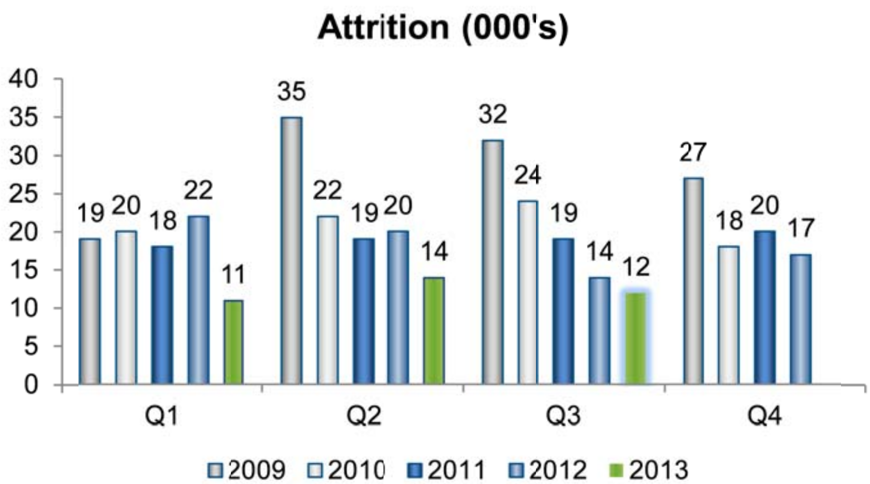
EnerCare Solutions originally had 100% of its business subject to the Co-ownership Agreement. Through five acquisitions and origination arrangements with various parties, EnerCare Solutions has successfully expanded its business. EnerCare Solutions has 8% of its rentals revenue coming from portfolios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

For the portfolios under the Co-ownership Agreement, 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 the Origination Agreement, EnerCare Solutions essentially incurs the capital expenditures in respect of the portfolio.

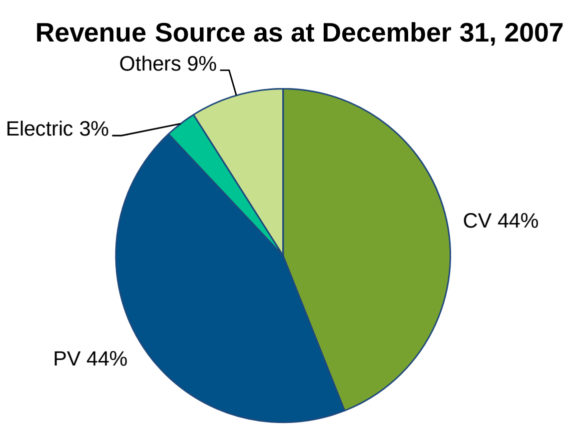
EnerCare Solutions monitors the business by reviewing new additions or customers to the portfolio, reductions or Attrition of existing customers and existing customers exchanging their rental product.

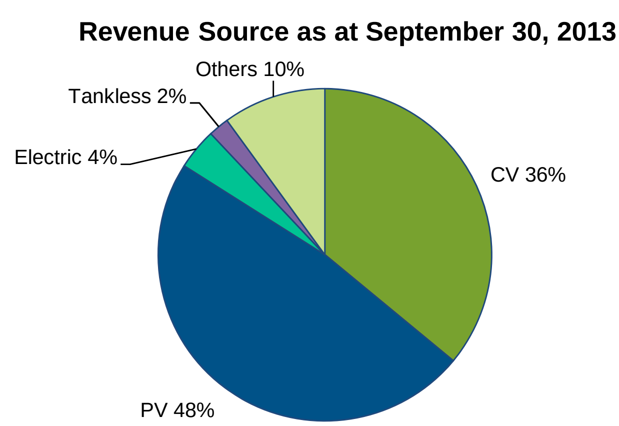
Over the last several years, EnerCare Solutions has experienced higher than normal Attrition on the water heater rental portfolios. This was largely a result of greater competition through aggressive D2D campaigns. EnerCare Solutions and DE have implemented many programs, including continued consumer education through direct mail and radio campaigns. Such initiatives, coupled with broader consumer awareness and a leveling of the playing field in respect of the expiry of the Consent Order, as well as enhancements to our customer value proposition (for example, the "DE same day service campaign"), have helped to significantly reduce Attrition in recent quarters.

Attrition decreased in the third quarter of 2013 by 2,000 units or 14% and by 19,000 units or 34% year to date, over the same periods of 2012. For last year, EnerCare Solutions did see additional buyout activity of 5,000 units following the introduction and subsequent withdrawal of new contract terms for a significant portion of our co-owned portfolio. Attrition has improved year-over-year (see table below) since 2009 with Attrition in the third quarter of 2013 being the lowest for that quarter since 2007.

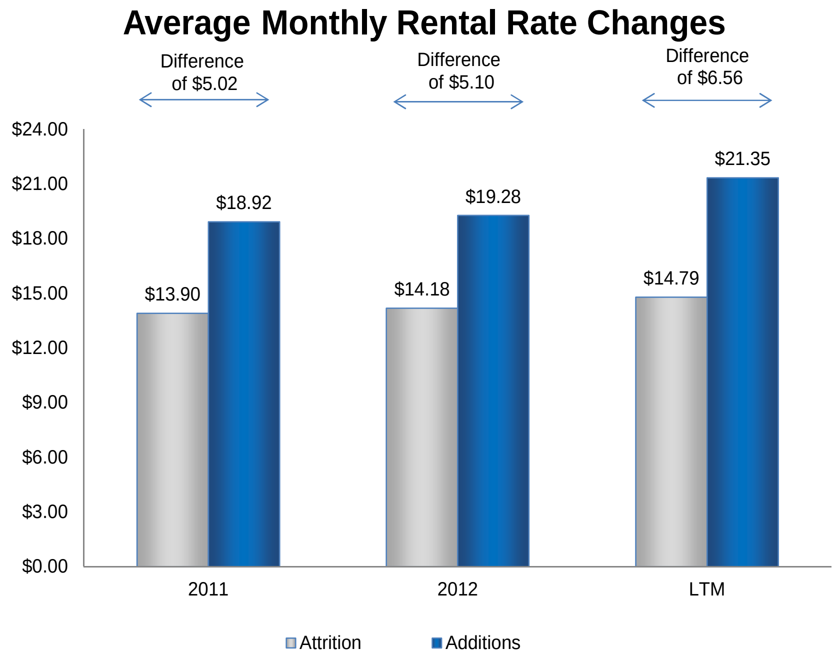


Partially offsetting Attrition is the movement in asset mix to units with higher returns. One of EnerCare Solutions' growth platforms has been to focus on single family and multi-residential HVAC rental units. Although results are small on the unit continuity, HVAC units provide three to five times more rental revenue than that of a water heater. A comparison of the product mix 6 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.





The impact of changes in product mix over time is outlined further in the graph below which shows revenue from unit additions contributing approximately $6 per unit more than revenue from units lost on account of Attrition. New customers are worth approximately 1.4 times that of a lost customer.



THIRD QUARTER 2013 HIGHLIGHTS

(000's)	Three months ended Sept. 30, **2013**	2012	Nine months ended Sept. 30, **2013**	2012
Rentals	**$47,248**	$46,581	**$141,623**	$140,163
Dividend income	**870**	870	**2,590**	9,472
Investment income	**20**	14	**317**	213
Total revenues	**$48,138**	$47,465	**$144,530**	$149,848
EBITDA[1]	**38,338**	37,025	**113,847**	107,176
Adjusted EBITDA[1]	**42,971**	40,422	**126,499**	118,801
Earnings before income taxes	**8,259**	1,093	**2,016**	669
Current tax (expense)	**(5,410)**	(3,821)	**(15,616)**	(9,110)
Deferred income tax recovery	**3,442**	3,065	**15,155**	4,587
Net earnings/(loss)	**$ 6,291**	$ 337	**$ 1,555**	$ (3,854)

The following highlights compare results for the third quarter of 2013 with the third quarter of 2012.

- Total revenues of $48,138 increased by 1% in the third quarter of 2013. Revenues, excluding dividend and investment income, were $47,248, greater than the prior year by $667, primarily as a result of rental rate increases partially offset by changes in the installed asset base. Dividend income relates to an investment in ECI preferred shares, which declined to $50,000 from $250,000 during 2012.
- EBITDA increased by $1,313 to $38,338 in the third quarter of 2013, driven principally by improved rental revenue and lower losses on disposal of equipment. Adjusted EBITDA of $42,971 increased by $2,549

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

after removing from EBITDA the impact of a reduced loss on disposal of equipment in 2013 and including other income.

- Net earnings of $6,291 increased by $5,954 compared to the third quarter of 2012, reflecting increased EBITDA and other income and reductions in interest expense and amortization partially offset by increased total taxes.
- Attrition decreased by 14% or 2,000 units for the third quarter of 2013 and was the lowest for that quarter since 2007.

RECENT DEVELOPMENTS

Corporate Activities

In April 2013, the Ontario Government introduced the *Stronger Protection for Ontario Consumers Act, 2013* ("Bill 55"). Bill 55 is a direct response by the Ontario Government to quell complaints to the Ontario Ministry of Consumer Services about rental agreements for water heaters entered into through door-to-door sales, which complaints were second on the Ministry's consumer complaints list in both 2012 and 2011.

Among other things, if passed as introduced, Bill 55 will:

- Double the existing 10-day cooling-off period to 20-day, providing consumers with more time to consider their decision;
- Ban the delivery and installation of water heaters during the new 20-day cooling-off period;
- Provide new consumer protection when the rules are not followed, such as requiring the supplier to pay all cancellation fees when the 20-day cooling-off period is not observed and giving the consumer a set-off right against any amounts owing to the supplier for those fees; and
- Give enhanced authority to the Minister to make regulations governing supplier conduct and agreement content, such as a requirement that companies confirm sales by making scripted and recorded telephone calls to the customer.

On September 10, 2013, Bill 55 passed second reading and was referred to the Standing Committee of the Legislative Assembly for consideration (the "Standing Committee"). The Standing Committee held hearings on October 23rd and 30th, at which EnerCare Solutions presented, and is currently undertaking "clause-by-clause" review.

If passed, EnerCare Solutions believes that Bill 55 is very much a positive development for its customers and its business and will greatly assist in its continued efforts to combat Attrition.

Enbridge Open Bill Access

In September 2013, Enbridge settled the terms of its open bill access program in respect of 2014 with its suppliers who invoice through the Enbridge bill. Effective January 6, 2014, suppliers will be required to verify certain types of contracts through a sales verification call before such contracts may be billed on the Enbridge invoice. EnerCare Solutions believes that the sales verification requirement is a positive development for its customers and its business and will assist in its continued efforts to combat Attrition.

Heightened Exchange Activity

Heavy rains on July 8, 2013 caused flooding in the GTA resulting in the most costly weather related damage in Ontario's history. As a result of this flooding, approximately 2,200 additional water heaters were exchanged with a capital cost of $1,600 and higher buyout revenues were received on account of damage and Attrition.

RISK FACTORS

The risks related to the business and structure of EnerCare Solutions discussed in its MD&A in respect of the first quarter of 2013 remain unchanged.

RESULTS OF OPERATIONS

Earnings Statement

The definition of Adjusted EBITDA has been changed in 2013 to include other income and expense in the calculation. As a result, relevant comparative amounts have been recalculated to conform to the current presentation.

(000's)	Three months ended Sept. 30, **2013**	2012	Nine months ended Sept. 30, **2013**	2012
Revenues:				
Rentals	**$47,248**	$46,581	**$141,623**	$140,163
Dividend income	**870**	870	**2,590**	9,472
Investment income	**20**	14	**317**	213
Total revenues	**$48,138**	$47,465	**$144,530**	$149,848
SG&A expense	**6,277**	6,159	**18,802**	21,362
Amortization expense	**23,763**	24,115	**69,975**	73,237
Loss on disposal of equipment	**2,633**	3,397	**8,974**	11,625
Interest expense:				
Interest expense payable in cash	**5,670**	7,739	**19,345**	24,456
Make-whole payment on early redemption of debt	**-**	-	**13,754**	-
Interest on subordinated debt	**882**	882	**2,628**	9,608
Interest on promissory note	**2,500**	3,049	**7,500**	7,049
Non-cash interest expense	**154**	1,031	**5,214**	3,342
Total Interest expense	**9,206**	12,701	**48,441**	44,455
Total operating expenses	**41,879**	46,372	**146,192**	150,679
Other income	**2,000**	-	**3,678**	1,500
Earnings before income taxes	**8,259**	1,093	**2,016**	669
Current tax (expense)	**(5,410)**	(3,821)	**(15,616)**	(9,110)
Deferred income tax recovery	**3,442**	3,065	**15,155**	4,587
Net earnings/(loss)	**6,291**	337	**1,555**	(3,854)
EBITDA	**$38,338**	$37,025	**$113,847**	$107,176
Adjusted EBITDA	**$42,971**	$40,422	**$126,499**	$118,801

Revenues

Total revenues of $48,138 for the third quarter of 2013 increased by $673 or 1% and decreased by $5,318 or 4% to $144,530 year to date compared to the same periods in 2012. Rentals revenues for the quarter increased by $667 to $47,248 and by $1,460 to $141,623 year to date, compared to the same periods in 2012, primarily due to a rental rate increase implemented in January 2013, partially offset by a small reduction in installed assets.

Dividend income for the third quarter of 2013 was $870, the same as 2012. Year to date dividend income was $2,590 in 2013, $6,882 lower than the same period in 2012 as a result of the reduction in the investment in preferred shares of ECI from $250,000 to $50,000.

Investment income was $20 in the third quarter and $317 year to date in 2013, compared to $14 and $213 in the same periods in 2012. The changes in investment income were primarily attributable to greater investment balances, particularly following the issuance of the 2013 Notes and the drawdown of the Term Loan approximately 30 days prior to the redemption of the 2009-2 Notes during the first quarter of 2013.

Selling, General & Administrative Expenses

Total SG&A expenses of $6,277 increased by $118 in the third quarter of 2013 over that in the same period in 2012, primarily due to increases of approximately $500 for wages and benefits, $415 in claims and bad debts and $330 on account of billing and servicing costs, partially offset by decreases of $670 in selling expenses, $285 in professional fees and $175 in office expenses.

Year to date SG&A expenses of $18,802 decreased by $2,560 over that in the same period in 2012, primarily due to a decrease of approximately $3,450 in professional fees and selling expenses, $400 in wages and benefits and $250 in office expenses, partially offset by increases of approximately $1,050 in claims and bad debts and $480 on account of billing and servicing costs.

Amortization Expense

Amortization expense decreased by $352 or 1% to $23,763 in the third quarter of 2013 and by $3,262 or 4% to $69,975 year to date over that of 2012, primarily due to a smaller installed asset base.

Loss on Disposal of Equipment

EnerCare reported a loss on disposal of equipment of $2,633 in the third quarter of 2013 and $8,974 year to date, reductions of $764 and $2,651, respectively, over the same periods in 2012. 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. In 2012, loss on disposal was elevated primarily as a result of higher buyout activity and Attrition.

Interest Expense

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
(000's)	**2013**	2012	**2013**	2012
Interest expense payable in cash	**$5,670**	$ 7,739	**$19,345**	$24,456
Make-whole payment on early redemption of debt	**-**	-	**13,754**	-
Interest on Subordinated Promissory Notes	**2,500**	3,049	**7,500**	7,049
Interest on Subordinated Debt	**882**	882	**2,628**	9,608
Non-cash items: Amortization of OCI and financing costs	**154**	1,031	**5,214**	3,342
Interest expense	**$9,206**	$12,701	**$48,441**	$44,455

Interest expense payable in cash decreased by $2,069 to $5,670 in the third quarter of 2013 and by $5,111 to $19,345 year to date, compared to the same periods in 2012. The decreases are primarily related to the repayment of the $60,000 2009-1 Notes on April 30, 2012 and the redemption of the 2010 Notes in the fourth quarter of 2012 with the proceeds from the offering of the 2012 Notes. The make-whole payment of $13,754 was incurred upon the early redemption of the 2009-2 Notes associated with the issuance of the 2013 Notes and the drawdown of the Term Loan. Interest on the $250,000 Subordinated Promissory Notes is consistent with prior periods. The Subordinated Debt bears interest at 7%, with reductions in interest expense as a result of a decrease in the outstanding balance from $250,000 to $50,000 on July 1, 2012. Amortization of OCI and financing costs for 2013 include the previously unamortized costs associated with the 2009-2 Notes and $4,023 of accumulated OCI which was fully reclassified to earnings in the first quarter of 2013.

Other Income

During the third quarter of 2013, EnerCare Solutions accrued a settlement from DE of $2,000 on account of water heater installation costs, billing and collection deficiencies and third-party claims. The 2013 year to date amount of $3,678, includes $1,678 on account of settlements reached with DE on account of billing and collection in respect of water heater buyouts. In 2012, EnerCare Solutions and DE reached a settlement of $1,500 on account of billing for water heater installation costs (See "*Critical Accounting Estimates – DE Earnings Items*" for further information).

Income Taxes

EnerCare Solutions reported a current tax expense of $5,410 for the third quarter of 2013 and $15,616 year to date, which were $1,589 and $6,506, respectively, greater than the same periods in 2012, primarily as a result of decreased loss carry forwards available to shelter taxable income and greater taxable income. The deferred income tax recovery of $3,442 for the quarter and $15,155 year to date 2013 increased by $377 and $10,568, respectively, primarily as a result of temporary difference reversals including the make-whole payment inclusion through April 30, 2014.

Net Earnings

Net earnings in the third quarter of 2013 were $6,291 and $1,555 year to date, increases of $5,954 and $5,409, respectively, over the same period in 2012 as previously described.

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)	**Q3/13**	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q4/11
Net earnings/(loss)	**$ 6,291**	$ 6,397	$(11,133)	$(2,316)	$ 337	$(4,323)	$ 132	$(1,271)
Deferred tax (recovery)/expense	**(3,442)**	(3,480)	(8,233)	(5,109)	(3,065)	1,382	(2,904)	(1,639)
Current tax expense	**5,410**	4,725	5,481	4,786	3,821	2,035	3,254	783
Amortization expense	**23,763**	23,086	23,126	24,024	24,115	24,162	24,960	25,362
Interest expense	**9,206**	9,123	30,112	15,697	12,701	15,506	16,248	15,394
Dividend (income)	**(870)**	(860)	(860)	(870)	(870)	(4,301)	(4,301)	(4,348)
Other (income)/expense	**(2,000)**	(1,678)	-	362	-	-	(1,500)	-
Investment (income)	**(20)**	(29)	(268)	(189)	(14)	(59)	(140)	(110)
EBITDA	**38,338**	37,284	38,225	36,385	37,025	34,402	35,749	34,171
Add: Loss on disposal of equipment	**2,633**	3,449	2,892	3,523	3,397	4,113	4,115	4,880
Add: Other income/(expense)	**2,000**	1,678	-	(362)	-	-	1,500	-
Adjusted EBITDA[(1)]	**$42,971**	$42,411	$41,117	$39,546	$40,422	$38,515	$41,364	$39,051

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

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 as loss carry forwards, which were utilized from 2011 until mid-2012.
3. Debt refinancing activities in the fourth quarter of 2012 and the first quarter of 2013 resulted in additional interest expense, which included make-whole payments of $1,920 and $13,754, respectively. Commencing in the second quarter of 2013 interest expense reflects the benefits of lower blended interest rates and non-cash fee amortization.
4. In the second quarter of 2012, deferred taxes resulting from a change in the future provincial corporate tax rates.

5. Amortization and loss on disposal of equipment, which are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units.
6. Other income relates to settlements with DE on account of installation and billing matters. The fourth quarter of 2012 also included a bill reversal from EGD following the billing conversion.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
(000's)	**2013**	2012	**2013**	2012
Cash flow from operating activities	**$ 30,722**	$32,016	**$ 64,199**	$75,745
Net change in non-cash working capital	**(1,323)**	(6,201)	**6,364**	4,018
Operating Cash Flow[2]	**29,399**	25,815	**70,563**	79,763
Capital expenditures: excluding growth capital and acquisitions	**(17,383)**	(13,543)	**(49,052)**	(42,584)
Proceeds on disposal of equipment	**1,673**	1,051	**3,571**	4,236
Net capital expenditures	**(15,710)**	(12,492)	**(45,481)**	(38,348)
Acquisitions	**-**	109	**-**	(1,944)
Cash used in investing activities	**(15,710)**	(12,383)	**(45,481)**	(40,292)
Dividends paid	**(9,955)**	(9,720)	**(23,021)**	(28,703)
Other financing activities	**(72)**	(10,800)	**13,267**	(54,800)
Cash (used in) financing activities	**(10,027)**	(20,520)	**(9,754)**	(83,503)
Cash and equivalents – end of period	**$ 12,581**	$ 2,353	**$ 12,581**	$ 2,353

Operating Cash Flow of $29,399 increased by $3,584 in the third quarter of 2013 compared to the same period in 2012, primarily as a result of improved revenues, other income and lower interest expense, partially offset by greater current taxes. Year to date cash flow from operating activities decreased in 2013 by $9,200 to $70,563 compared to the same period in 2012, primarily as a result of the make-whole payment of $13,754 associated with the redemption of the 2009-2 Notes.

Net capital expenditures of $15,710 in the third quarter of 2013 were $3,218 greater than the same period in 2012, due to increased exchange activity in part due to the flooding in the GTA which occurred in July, inclusion of venting costs previously borne by customers and changes in asset mix. Year to date net capital expenditures of $45,481 in 2013 increased by $7,133 over the same period in 2012, primarily as a result of the third quarter activity, lower proceeds on disposal and changes in asset mix. The acquisition of $1,944 in 2012 relates to GreenSource. Dividends paid reflect dividend payments to EnerCare.

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".

Other financing activities for the third quarter of 2013 primarily reflect costs associated with the 2013 Notes. Year to date other financing activities primarily reflect EnerCare Solutions' repayment of the $270,000 2009-2 Notes on March 6, 2013 with proceeds from the 2013 Notes and the drawdown on the Term Loan.

The Revolver has a credit limit of $35,000, none of which was drawn as at September 30, 2013.

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

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

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	Three months ended Sept. 30,		Nine months ended Sept. 30,	
(000's)	**2013**	2012	**2013**	2012
Units – start of period	**1,157**	1,190	**1,171**	1,216
Portfolio additions	**6**	6	**17**	19
Acquisitions	**-**	-	**-**	3
Attrition	**(12)**	(14)	**(37)**	(56)
Units – end of period	**1,151**	1,182	**1,151**	1,182
Asset exchanges – units retired and replaced	**14**	10	**40**	35
% change in units during the period	**(0.5%)**	(0.7%)	**(1.7%)**	(2.8%)
% of units from start of period:				
Portfolio additions (net of acquisitions)	**0.5%**	0.5%	**1.5%**	1.6%
Attrition	**(1%)**	(1.2%)	**(3.2%)**	(4.6%)
Units retired and replaced	**1.2%**	0.8%	**3.4%**	2.9%

Net capital expenditures include portfolio additions and asset exchanges, net of proceeds on disposal. In the third quarter of 2013, net capital expenditures were $15,710, increasing by 26% or $3,218 when compared to the same period in 2012, primarily as a result of increased asset exchanges in part, due to the flooding as previously noted, inclusion of venting costs previously borne by customers and changes in asset mix during the period. Year to date net capital expenditures of $45,481 were 19% greater than the same period of 2012, primarily as a result of the current period activity, asset mix and higher proceeds on disposal in 2012.

Attrition decreased in the third quarter of 2013 by 2,000 units or 14% and 19,000 units or 34% year to date compared to the same periods of 2012. Last year, EnerCare Solutions saw additional buyout activity of 5,000 units in the year to date 2012 figure, following the introduction and subsequent withdrawal of new contract terms for a significant portion of our co-owned portfolio. EnerCare Solutions and DE have implemented many programs, including continued consumer education through direct mail and radio campaigns. Such initiatives, coupled with broader consumer awareness and a leveling of the playing field in respect of the expiry of the Consent Order, as well as enhancements to our customer value proposition (for example, the "DE same day service campaign"), have helped to significantly reduce Attrition in recent quarters.

Cash from Financing

During the third quarter of 2013, EnerCare Solutions recorded financing repayments, net of dividends, of $72, primarily reflecting costs associated with the 2013 Notes. Year to date other financing activities of $13,267 in 2013 primarily related to the redemption of the 2009-2 Notes and the issuance of the 2013 Notes and drawdown of the Term Loan.

Capitalization	Nine months ended September 30,	
(000's)	**2013**	2012
Cash and cash equivalents	**$ 12,581**	$ 2,353
Net investment in working capital	**(4,967)**	(9,231)
Cash, net of working capital	**7,614**	(6,878)
Total senior debt	**531,966**	508,900
Promissory note	**250,000**	250,000
Subordinated debt	**50,000**	50,000
Intercompany non-interest bearing note	**-**	5,200
Shareholder's equity	**(232,586)**	(203,712)
Total capitalization – book value	**$599,380**	$610,388

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 September 30, 2013, total debt was comprised of the 2012 Notes, the 2013 Notes and the Term Loan.

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

Revolver and Term Loan

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

Under the terms of the Revolver and the Term Loan, EnerCare Solutions is subject to certain financial covenants, which address interest and debt coverage as described below:

The Revolver contains the following financial covenants (i) all additional incurrences of senior debt, with certain exceptions, must, on the date of incurrence, result in a pro forma ratio equal to or greater than 3.8 to 1.0 of Incurrence EBITDA (as defined in the Senior Unsecured Indenture) to Net Interest Expense (as defined in the Senior Unsecured Indenture); (ii) the ratio of total debt (other than subordinated debt) to “Adjusted EBITDA” must be less than 4.25:1; (iii) the ratio of Adjusted EBITDA to “Cash Interest Expense” must be greater than 3.00:1; and (iv) the ratio of Adjusted EBITDA less capital expenditures to Cash Interest Expense must be greater than 1.75:1.

The Revolver essentially defines “Adjusted EBITDA” as the consolidated net income of EnerCare Solutions and any losses on dispositions of assets less, to the extent included in calculating such net income, all interest income and income tax recoveries, gains on hedging contracts and all extraordinary, non-recurring and unusual income items, plus, to the extent deducted in calculating such net income, amounts for total interest expense, fees payable under the Origination Agreement, amortization and depreciation expenses, income taxes and any other non-cash items, losses on hedging contracts, and proceeds of disposal of water heaters in the ordinary course of business, determined on a consolidated basis. The Revolver essentially defines “Cash Interest Expense” as the aggregate amount of interest and other financing charges payable in cash and expensed by EnerCare Solutions with respect to debt (other than subordinated debt between EnerCare Solutions and EnerCare or any subsidiary of EnerCare Solutions or between subsidiaries of EnerCare Solutions), but excluding any make-whole, prepayment, penalty or premium or other yield maintenance amount with respect to debt.

The Term Loan has substantially similar terms as the Revolver, as amended, with respect to its representation, warranties, covenants, events of default and guarantors. The Term Loan is payable interest only until maturity in January 2016 and is pre-payable in whole or in part at any time without penalty.

EnerCare Solutions was in compliance with the covenants within the Revolver and the Term Loan as of September 30, 2013. No amounts were drawn under the Revolver at September 30, 2013.

2012 Notes and 2013 Notes

The covenants under the 2012 Notes and 2013 Notes are contained in the Senior Unsecured Indenture. The Senior Unsecured Indenture contains terms, covenants and events of default that are customary for senior unsecured indebtedness, including financial covenants, restrictions on asset sales, a cross-default provision and a negative pledge. The Senior Notes are redeemable at the option of EnerCare Solutions, in whole or in part, at any time, upon not less than 30 nor more than 60 days' prior written notice. The redemption price for each series of Senior Notes to be redeemed will be equal to the greater of (a) the principal amount thereof as at the date set for redemption, and (b) the applicable Canada yield price in respect thereof, together, in each case, with accrued and unpaid interest to the date of redemption. EnerCare Solutions' obligations under the Senior Notes and the Senior Unsecured Indenture are guaranteed by all of EnerCare Solutions' direct and indirect subsidiaries. Under the terms of the Senior Unsecured Indenture, EnerCare Solutions is precluded from incurring additional indebtedness (other than certain refinancing debt, working capital debt in the amount of up to $35,000 and unsecured indebtedness of any of EnerCare Solutions and its subsidiaries which is expressly subordinate and postponed in right of payment to the Senior Indebtedness) if, after giving pro forma effect to such incurrence (including the application or use of the resulting net proceeds), the ratio of "Incurrence EBITDA" to "Net Interest Expense" is equal to or greater than 3.8 to 1.0 at such time.

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

On September 30, 2013, EnerCare Solutions exceeded the ratio of Incurrence EBITDA to Net Interest Expense and had the capacity under the covenant to raise approximately $140,000 to $180,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	**Q3/13**	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q4/11
Total revenues	**$48,138**	$48,182	$48,210	$47,184	$47,465	$51,095	$51,288	$50,489
Net earnings/(loss)	**6,291**	6,397	(11,133)	(2,316)	337	(4,323)	132	(1,271)
Dividends declared	**$10,019**	$ 6,632	$ 6,502	$ 9,745	$ 9,728	$ 9,706	$ 9,424	$ 9,143

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

SUMMARY OF CONTRACTUAL DEBT AND LEASE OBLIGATIONS

The following schedule summarizes the contractual debt obligations of EnerCare Solutions at September 30, 2013:

Period (000's)	Principal Payments	Interest Payments
Due in 2013	$ -	$ 5,750
Due in 2014	-	22,600
Due in 2015	-	22,600
Due in 2016	60,000	21,225
Due in 2017	250,000	21,100
Thereafter	225,000	25,875
Total	$535,000	$119,150

As at September 30, 2013, long-term senior contractual obligations of EnerCare Solutions included debt service on the 2012 and 2013 Notes bearing interest at 4.30% and 4.60%, respectively. Interest on the 2012 Notes is payable semi-annually on May 30 and November 30 and is payable semi-annually on February 3 and August 3, in respect of the 2013 Notes. In addition, the Term Loan of $60,000 due January 28, 2016 bears interest at a variable rate based upon the banker's acceptance rate or prime rate plus an interest spread which was 2.50% at September 30, 2013. The $270,000 2009-2 Notes, which would have matured on April 30, 2014, were redeemed on March 6, 2013, following the issuance of the 2013 Notes and the drawdown of the Term Loan. In connection with the debt refinancing, a make-whole payment of $1,920 was paid in respect of the early redemption of the 2010 Notes in 2012 and a make-whole payment of $13,754 was paid in respect of the early redemption of the 2009-2 Notes in 2013.

At September 30, 2013, no amounts were drawn on the Revolver. The Revolver bears a standby fee of 0.24%, which has not been included in the above schedule, until maturity in July 2014.

EnerCare Solutions is not party to any operating lease agreements. Operating leases for office premises and office equipment are borne by EnerCare.

ENERCARE SOLUTIONS SHARES ISSUED AND OUTSTANDING

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

At September 30 and November 13, 2013, there were 1,001 common shares issued and outstanding.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The condensed interim 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 condensed interim 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 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 - EBITDA and Adjusted EBITDA" in this MD&A.

Adjusted EBITDA

In 2013, Adjusted EBITDA has been amended to include other income and expense. Prior year amounts have been adjusted to conform to the current presentation.

This measure is comprised of net earnings plus income taxes, interest expense, amortization expense, impairment losses, loss on disposal of equipment, less investment 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 - EBITDA and Adjusted 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 September 30, 2013, EnerCare Solutions was in compliance with all covenants under the 2012 Notes, 2013 Notes, Revolver and Term Loan. A summary of the financial covenants in respect of such debt can be found in "Liquidity and Capital Resources - Revolver and Term Loan" and "Liquidity and Capital Resources - 2012 Notes and 2013 Notes".

CRITICAL ACCOUNTING ESTIMATES

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts in the condensed interim consolidated financial statements and accompanying notes. 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 condensed interim 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 through 2013, a number of billing issues were resolved with the third party billing system.

Over the past 21 months, DE and EnerCare Solutions have reached settlements in respect of billing and collection matters and installation costs. During the second quarter of 2013, EnerCare Solutions and DE reached a settlement of $1,678 on account of billing and collection in respect of water heater buyouts. In the third quarter of 2013, EnerCare Solutions has accrued $2,000 on account of water heater installation costs, billing and collection deficiencies and third-party claims. These amounts were recorded as other income. EnerCare Solutions has not provided for any additional settlements that may materialize as they are not determinable. 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 other income amounts.

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. 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 September 30, 2013. There have been no changes to our ICFR during the quarter ended September 30, 2013 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 condensed interim consolidated financial statements of EnerCare Solutions are prepared in accordance with IFRS as issued by IASB applicable to the preparation of condensed interim consolidated financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012. 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 except for the adoption of new accounting standards as described below:

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 implemented the standard and has determined that it did 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. EnerCare Solutions implemented the standard and has determined that it did not have an impact on current reporting.

OUTLOOK

The forward-looking statements contained in this section are not historical facts but, rather, reflect EnerCare Solutions’ current expectations regarding future results or events and are based on information currently available to management. Certain material factors and assumptions were applied in providing these forward-looking statements. See “*Forward-looking Information*” in this MD&A.

EnerCare Solutions continued to experience improved customer retention during the third quarter of 2013. Overall, we are encouraged by the positive trend we have seen in 2013 with a 34% reduction in Attrition and the decreasing trend over the last five quarters. As discussed in the Recent Developments section of this MD&A, Bill 55 passed second reading and is currently being considered by the Standing Committee. We strongly support the introduction of Bill 55 that will help protect consumers from aggressive and questionable D2D sales activities. If passed, we believe that the proposed legislation is very much a positive development for consumers, our customers and our business and will greatly assist in our efforts to combat Attrition. 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, and if passed, Bill 55 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.

As announced in the first quarter of 2013, our key priorities and initiatives in the business are to continue to improve Attrition by continuing to invest in the education and protection of consumers relating to D2D solicitation, enhancing our customer value proposition, supporting Bill 55 and growing the business through portfolio additions and new products by accelerating originations in respect of HVAC. We are making progress on all of our annual objectives and are pleased with the results to date.

GLOSSARY OF TERMS

Defined Term	Definition
Attrition	Termination of customer relationships, including buyouts.
Bill 55	Stronger Protection for Ontario Consumers Act, 2013.
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.
Co-Ownership Agreement	Co-ownership agreement dated December 17, 2002 between DE, Rentco, 4104285 Canada Limited and CIBC Mellon Trust company as custodian, as assigned by Rentco to ESLP on December 17, 2002, as amended on February 6, 2003, January 1, 2005, December 29, 2006, February 8, 2007 and April 25, 2007, and as may be further amended, modified, supplemented, restated or replaced from time to time.
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.
Enbridge	Enbridge Gas Distribution Inc.
EnerCare	EnerCare Inc., formerly the Fund.
EnerCare Solutions	EnerCare Solutions Inc., formerly the Trust.
ESLP	EnerCare Solutions Limited Partnership (formerly the Waterheater Operating Limited Partnership).
Fund	The Consumers' Waterheater Income Fund.
GTA	The greater Toronto area.
GreenSource	GreenSource Capital Inc., formerly owned by DE.
Guarantors	Collectively, ESLP, Rentco and WGP Inc.
HVAC	Heating, ventilation and air conditioning.
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.
LTM	The last twelve months.
MD&A	Management's Discussion and Analysis.
OCI	Other Comprehensive Income.
Origination Agreement	The origination agreement dated December 17, 2002 between Rentco and DE providing for the sale to ESLP of rental water heaters originated by DE, as amended on January 1, 2005 and December 29, 2006, and as may be further amended, modified, supplemented, restated or replaced from time to time.
Rentco	4483588 Canada Inc. (formerly, Direct Waterheater Rentals Inc.).
Revolver	$35,000 line of credit, with a maturity date of July 6, 2014, as amended and restated as of July 6, 2011, and further amended on November 15, 2012 and February 26, 2013.
Senior Indebtedness	Any indebtedness outstanding under the Senior Unsecured Indenture from time to time, including the 2012 Notes and the 2013 Notes, under the Revolver or the Term Loan.
Senior Notes	The 2012 Notes and the 2013 Notes and prior to March 6, 2013, the 2009-2 Notes, and prior to December 21, 2012, the 2010 Notes and prior to April 30, 2012, the 2009-1 Notes, and any other series of senior notes authorized, issued and certified in accordance with the terms of the Senior Unsecured Indenture and for the time being outstanding.
Senior Unsecured Indenture	The trust indenture dated as of January 29, 2010 between the Trust, as issuer, the Guarantors, as guarantors, and Computershare Company of Canada, as indenture trustee, as supplemented by the first supplemental indenture dated as of January 29, 2010, the second supplemental indenture dated as of February 19, 2010, the third supplemental indenture dated as of December 1, 2010, the fourth supplemental indenture dated as of January 1, 2011, the fifth supplemental indenture dated as of September 30, 2012, the sixth supplemental indenture dated as of November 21, 2012 and the seventh supplemental indentured dated as of February 1, 2013, as the same may be amended, modified, supplemented, restated or replaced from time to time. The Trust was wound-up and dissolved in connection with the reorganization of the Fund`s income trust structure to a corporate structure and all of the covenants and obligations of the Trust with respect to the Senior Unsecured Indenture were assumed by EnerCare Solutions.
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 were 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.