



EnerCare Solutions Inc.

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

Year Ended December 31, 2013

Dated March 5, 2014

Table of Contents

Forward-looking Information.....	3
Overview.....	3
Portfolio Summary.....	3
2013 Highlights	6
Recent Developments - 2013 and 2014 To Date.....	7
Results of Operations.....	9
Liquidity and Capital Resources	13
Summary of Quarterly Results	17
Summary of Contractual Debt and Lease Obligations	17
EnerCare Solutions Shares Issued and Outstanding.....	17
Fourth Quarter Results of Operations.....	18
Non-IFRS Financial and Performance Measures	19
Critical Accounting Estimates.....	20
Disclosure and Internal Controls and Procedures.....	21
Changes in Accounting Policies	21
Risk Factors	22
Outlook.....	28
Glossary of Terms.....	29

The consolidated financial statements of EnerCare Solutions are prepared in accordance with IFRS. EnerCare Solutions' significant accounting policies are summarized in detail in note 3 of the consolidated financial statements for the period ended December 31, 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.

As at December 31, 2013 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 March 5, 2014, contains certain forward-looking statements that involve various risks and uncertainties and should be read in conjunction with EnerCare Solutions' 2013 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 1.1 million water heaters and other assets, rented primarily to residential customers in Ontario.

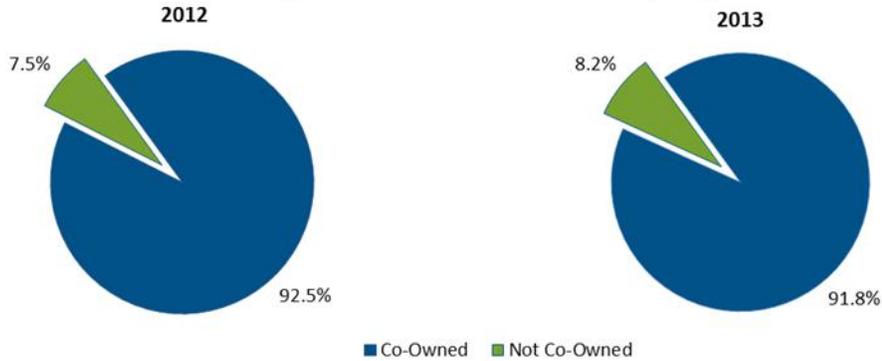
EnerCare Solutions has grown revenues since its inception in 2002, generated stable cash flow and consistently maintained a high dividend yield. EnerCare Solutions has investment grade ratings of BBB+/stable and BBB(high) stable rating from S&P and DBRS, respectively.

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.

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

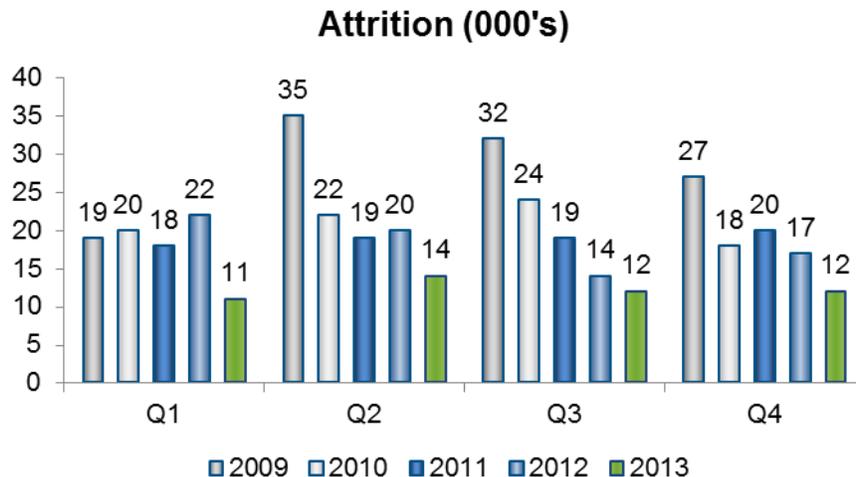


For the portfolios under the Co-ownership Agreement, EnerCare Solutions is entitled to 65% of the revenue and other payments and DE is entitled to 35% of the revenue. For DE's portion of the revenue, it is responsible for servicing and maintaining the assets. This ensures that EnerCare Solutions is effectively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

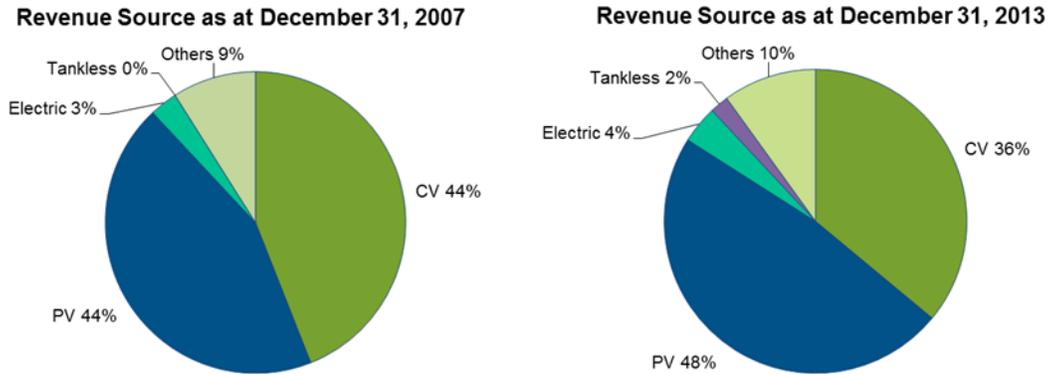
EnerCare Solutions monitors the business by reviewing new additions or customers to the portfolio, reductions or Attrition of existing customers and existing customers exchanging their rental product.

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 years.

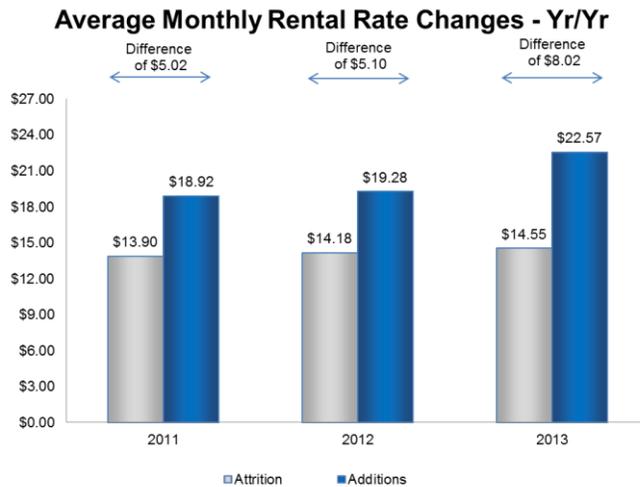
Attrition decreased in the fourth quarter of 2013 by 5,000 units or 29% and by 24,000 units or 33% year to date, over the same periods in 2012. For 2012, EnerCare Solutions did see additional buyout activity of 5,000 units following the introduction and subsequent withdrawal of new contract terms for a significant portion of our co-owned portfolio. Attrition has improved year-over-year (see table below) since 2009 with Attrition in 2013 being the lowest in the past 5 years.



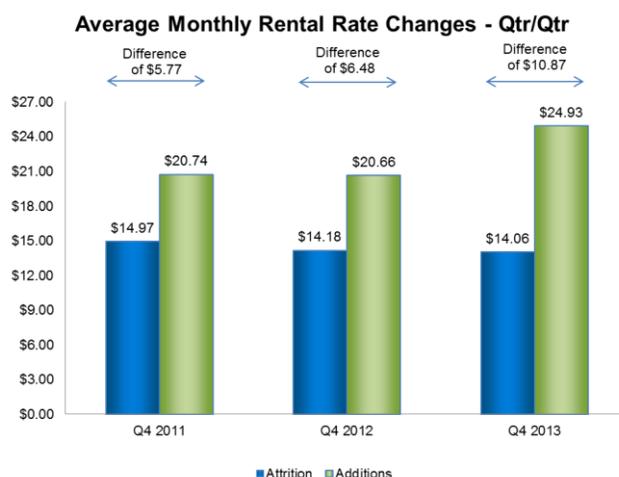
Partially offsetting Attrition is the movement in asset mix to units with higher returns. One of EnerCare Solutions' growth platforms has been to focus on single family and multi-residential HVAC rental units. Although results are small on the unit continuity, HVAC units provide three to five times more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



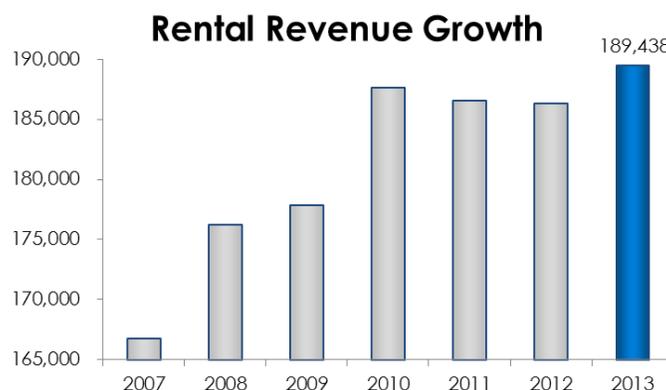
The impact of changes in product mix over time is outlined further in the graph below which shows revenue for 2013 from unit additions contributing approximately \$8.00 per unit more than revenue from units lost on account of Attrition. New customers are worth approximately 1.6 times that of a lost customer.



This difference in rental rates applicable to new and lost customers has increased steadily in each quarter of 2013, with the fourth quarter revenue spread widening to \$10.87, an increase of \$4.39 or 68% over the same period in 2012.



Rental revenue growth is flowing in the form of higher revenue from additions, offset by lower Attrition. As seen on the next chart, rental revenue for 2013 was \$189.4 million, an increase of almost 2%, and for the fourth quarter revenue was \$48 million, an increase of nearly 4% versus a rental rate increase for 2013 of 3%.



2013 HIGHLIGHTS

(000's)	2013	2012	Change	Percent Change
Rentals	\$189,438	\$186,288	\$ 3,150	2%
Dividend income	3,459	10,342	(6,883)	(67)%
Investment income	352	402	(50)	(12)%
Total revenues	\$193,249	\$197,032	\$(3,783)	(2)%
EBITDA ¹	153,236	143,561	9,675	7%
Adjusted EBITDA ¹	169,323	159,847	9,476	6%
Earnings/(loss) before income taxes	\$ 9,843	\$ (1,970)	\$11,813	600%
Current tax (expense)	(21,685)	(13,896)	(7,789)	56%
Deferred income tax recovery	18,627	9,696	8,931	92%
Net earnings/(loss)	\$ 6,785	\$ (6,170)	\$12,955	210%

The following highlights compare 2013 results with those of 2012.

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

- Total revenues of \$193,249 decreased by 2% in 2013. Revenues, excluding dividend and investment income, were \$189,438, greater than the prior year by \$3,150, primarily as a result of rental rate increases, improved billing completeness and asset mix changes, partially offset by fewer installed assets. Dividend income relates to an investment in ECI preferred shares, which declined to \$50,000 from \$250,000 during 2012.
- EBITDA increased by \$9,675 to \$153,236 in 2013, driven principally by improved rentals revenue and a lower loss on disposal of equipment. Adjusted EBITDA of \$169,323 increased by \$9,476 after removing from EBITDA the impact of a reduced loss on disposal of equipment in 2013 and including other income.
- Net earnings of \$6,785 increased by \$12,955 compared to 2012, reflecting increased EBITDA and other income and reductions in amortization and total taxes, partially offset by increased interest expense due to a non-recurring make-whole payment of \$13,754.
- Attrition decreased by 33% or 24,000 units for 2013. Attrition has improved year-over-year since 2009.

RECENT DEVELOPMENTS - 2013 AND 2014 TO DATE

Corporate Activities

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

On January 28, 2013, EnerCare Solutions entered into a \$60,000 term credit facility 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 2013 Notes. 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 2013 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 were used by EnerCare Solutions to redeem on March 6, 2013 its outstanding \$270,000 aggregate principal amount of the 2009-2 Notes for an aggregate redemption price of approximately \$290,095, which included 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.

Senior Management Changes

On March 25, 2013, Laima Cers was appointed Vice President, Marketing and Business Development of EnerCare and EnerCare Solutions and each of their respective subsidiary entities.

On April 15, 2013, Ross Garland was appointed Senior Vice President and General Manager of EnerCare and EnerCare Solutions and each of their respective subsidiary entities.

Stronger Protection for Ontario Consumers Act, 2013

On November 27, 2013, the *Stronger Protection for Ontario Consumers Act, 2013* ("Bill 55") passed third reading in the Ontario Legislature. Bill 55 is a direct response by the Ontario Government to aggressive and deceptive door-to-door water heater rental sales, which ranked second on the Ontario Ministry of Consumer Services' consumer complaints list in both 2012 and 2011.

Among other things, Bill 55:

- Doubles the existing 10-day cooling-off period to 20 days, providing consumers with more time to consider their decision;
- Bans the delivery and installation of water heaters during the new 20-day cooling-off period;
- Provides new consumer protection when the rules are not followed, such as requiring the supplier to reimburse the customer for all cancellation, return or removal fees when the 20-day cooling-off period is not observed; and
- Gives 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.

EnerCare Solutions looks forward to Bill 55 being proclaimed into force along with the corresponding regulations.

EnerCare Solutions believes that Bill 55 is a strong enhancement in consumer protection that will provide necessary protection for its customers and greatly assist with EnerCare Solutions' continued efforts to combat attrition in its water heater business.

EnerCare Shareholders Re-elect All of Management's Director Nominees and Confirms New By-Laws

At EnerCare's Annual and Special Meeting of Shareholders held on June 3, 2013, shareholders re-elected all of management's director nominees and confirmed EnerCare's new by-laws, which increase quorum at meetings of shareholders to two persons holding 25% of the eligible votes and require advance notice of director nominations by shareholders.

Corporate Ratings Update

On November 19, 2013, S&P published its revised corporate ratings criteria. As a result of this criteria change, S&P lowered the long-term corporate credit rating on EnerCare and EnerCare Solutions and its debt rating on the 2012 Notes and 2013 Notes to 'BBB+' with a stable outlook from 'A-', while removing the rating from CreditWatch, where S&P placed them with negative implications on November 26, 2013, in conjunction with its global credit criteria redesign. S&P stated that the stable outlook is based on S&P's expectation that steady cash flow from the business will support the growth of EnerCare's sub-metering business and holding debt levels steady over their two-year rating horizon.

Business Activities

Attrition Fighting Programs

In January, EnerCare Solutions re-introduced an in-person consumer education program targeting the Greater Toronto Area. This program ran throughout the first two quarters of 2013. As part of the program, educational flyers, outlining consumer rights with respect to D2D sales, were distributed.

HVAC Program

During the second quarter, EnerCare Solutions and DE re-launched their single-family HVAC rentals program. One of EnerCare Solutions' growth platforms has been to focus on single-family and multi-residential HVAC rental units. HVAC units provide three to five times more rental revenue than that of a water heater.

GTA Flooding

On July 8, 2013 heavy rains caused flooding in the GTA. 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.

Enbridge Open Bill Access

In September 2013, Enbridge settled the terms of its open bill access ("OBA") program in respect of 2014 with its suppliers who invoice through the Enbridge bill. Effective January 6, 2014, suppliers are 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.

Acquisition of Water Heaters from Energy Services Niagara Inc.

In February 2014, a subsidiary of EnerCare Solutions acquired the rental portfolio of Energy Services Niagara Inc. ("ESN"), comprised of approximately 2,441 electric and gas-fired water heaters for cash consideration of \$3,002, subject to post-closing adjustments. In connection with the acquisition, ESN and EnerCare Solutions entered into a transitional agreement, as well as an assignment, assumption and consent agreement with Enbridge in respect of the ESN OBA. At the time of acquisition, approximately 97% of ESN's customers were billed through the OBA. The rental revenue from the ESN water heaters are not subject to the Co-ownership Agreement.

RESULTS OF OPERATIONS

Overview

Consolidated Financial Highlights (000's)	2013	2012	2011
Total revenues	\$193,249	\$197,032	\$195,352
Earnings/(loss) before income taxes	9,843	(1,970)	(4,602)
Current tax (expense)	(21,685)	(13,896)	(5,380)
Deferred income tax recovery	18,627	9,696	9,705
Net earnings/(loss)	6,785	(6,170)	\$ (277)
EBITDA	153,236	143,561	140,968
Adjusted EBITDA	169,323	159,847	160,067
Total assets	736,926	765,460	1,081,957
Total debt	832,121	817,508	918,054
Cash provided by operating activities	\$ 98,115	\$ 97,887	\$121,980

The definition of Adjusted EBITDA was 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.

2013 vs. 2012

Total revenues decreased by approximately 2% or \$3,783 to \$193,249 in 2013. Rentals revenues improved by \$3,150 or 2% driven primarily by a rental rate increase effective January 2013, but were offset by reduced dividend and investment incomes of \$6,933, primarily as a result of the reduction in the investment in preferred shares of ECI from \$250,000 to \$50,000 in 2012. Net earnings were \$6,785 in 2013, \$12,955 higher than 2012 as a result of improved EBITDA and other income, reductions in amortization and interest expense, partially offset by increased current taxes.

EBITDA increased by 7% or \$9,675 as a result of improved rentals revenues, reduced SG&A expenses and losses on disposal of equipment. Adjusted EBITDA increased by \$9,476 or 6% after removing from EBITDA the impact of a reduced loss on disposal of equipment and including other income.

Total assets decreased by approximately \$28,534 in 2013, primarily due to the amortization of intangible assets and equipment. Total debt increased to \$832,121 as a result of the debt refinancing in the first quarter of 2013. Cash flow from operating activities increased modestly to \$98,115 in 2013, primarily as a result of improved Adjusted EBITDA, reduced interest expense and changes in working capital requirements, partially offset by increased current taxes.

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.

Earnings Statement

(000's)	2013	2012
Revenues:		
<i>Rentals</i>	\$189,438	\$186,288
<i>Dividend income</i>	3,459	10,342
<i>Investment income</i>	352	402
Total revenues	193,249	197,032
SG&A expenses	24,562	27,579
Amortization expense	94,003	97,261
Loss on disposal of equipment	11,640	15,148
Interest on subordinated debt	3,510	10,490
Interest on promissory note	10,000	10,174
Interest expense	44,138	39,488
Total expenses	187,853	200,140
Other income	4,447	1,138
Earnings/(loss) before income taxes	9,843	(1,970)
Current tax (expense)	(21,685)	(13,896)
Deferred income tax recovery	18,627	9,696
Net earnings/(loss)	6,785	(6,170)
EBITDA	153,236	143,561
Adjusted EBITDA	\$169,323	\$159,847

Revenues

Total revenues of \$193,249 for 2013 decreased by \$3,783 or 2% compared to 2012. Rentals revenues increased by \$3,150 to \$189,438, compared to 2012, primarily due to a rental rate increase implemented in January 2013, improved billing completeness and changes in asset mix, partially offset by fewer installed assets.

Dividend income for 2013 was \$3,459, a reduction of \$6,883 compared to 2012 as a result of the reduction in the investment in preferred shares of ECI from \$250,000 to \$50,000.

Investment income decreased by \$50 to \$352 in 2013. The change in investment income was primarily attributable to lower investment balances, particularly after the repayment of the \$60,000 2009-1 Notes in April 2012.

Selling, General & Administrative Expenses

SG&A expenses of \$24,562 decreased by \$3,017 or 11% from 2012, primarily due to a decrease of approximately \$2,700 in professional fees, \$1,300 related to selling expenses and \$200 in office expenses, partially offset by increases of approximately \$700 on account of billing and servicing costs and \$500 in bad debts and claims.

Amortization Expense

Amortization expense decreased by \$3,258 or 3% to \$94,003 in 2013 compared to 2012, primarily due to a smaller installed asset base.

Loss on Disposal of Equipment

EnerCare Solutions reported a loss on disposal of equipment of \$11,640 in 2013, a reduction of \$3,508 or 23% over the same period 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

(000's)	2013	2012
Interest expense payable in cash	\$25,015	\$33,070
Interest expense on Subordinate Debt	3,510	10,490
Interest expense on Subordinated Promissory Notes	10,000	10,174
Make-whole payment on early redemption of debt	13,754	1,920
Non-cash items:		
Amortization of OCI and financing costs	5,369	4,498
Interest expense	\$57,648	\$60,152

Interest expense payable in cash decreased by \$8,055 to \$25,015 in 2013 compared to 2012. The decrease is 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. Reductions in the interest rate associated with the 2013 Notes and Term Loan also contributed to lower interest expense payable in cash in 2013. 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 2013.

Other Income

During 2013, EnerCare Solutions realized settlements from DE of \$4,447, including income of approximately \$2,769 on account of water heater installation costs, billing and collection deficiencies and third-party claims, and \$1,678 on account of billing and collection in respect of water heater buyouts. Other income in 2012 includes \$1,500 on account of a settlement reached by EnerCare Solutions and DE on account of billing disputes for water heater installation costs, approximately \$200 from DE on account of billing shortfalls and a reduction of \$600 related to reversal of billed amounts from Enbridge following the billing conversion.

Income Taxes

EnerCare Solutions reported a current tax expense of \$21,685 in 2013, an increase of \$7,789 over 2012, primarily as a result of higher taxable income and decreased loss carry forwards available to shelter taxable income. The deferred income tax recovery of \$18,627 for 2013, increased by \$8,931 primarily as a result of temporary difference reversals, including the 2013 make-whole payment inclusion through April 30, 2014.

Net Earnings

Net earnings in 2013 were \$6,785, or \$12,955 higher than 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)	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12
Net earnings/(loss)	\$ 5,230	\$ 6,291	\$ 6,397	\$(11,133)	\$(2,316)	\$ 337	\$(4,323)	\$ 132
Deferred tax (recovery)/expense	(3,472)	(3,442)	(3,480)	(8,233)	(5,109)	(3,065)	1,382	(2,904)
Current tax expense	6,069	5,410	4,725	5,481	4,786	3,821	2,035	3,254
Amortization expense	24,028	23,763	23,086	23,126	24,024	24,115	24,162	24,960
Interest expense	9,207	9,206	9,123	30,112	15,697	12,701	15,506	16,248
Dividend (income)	(869)	(870)	(860)	(860)	(870)	(870)	(4,301)	(4,301)
Other (income)/expense	(769)	(2,000)	(1,678)	-	362	-	-	(1,500)
Investment (income)	(35)	(20)	(29)	(268)	(189)	(14)	(59)	(140)
EBITDA	39,389	38,338	37,284	38,225	36,385	37,025	34,402	35,749
Add: Loss on disposal of equipment	2,666	2,633	3,449	2,892	3,523	3,397	4,113	4,115
Add: Other income/(expense)	769	2,000	1,678	-	(362)	-	-	1,500
Adjusted EBITDA ⁽¹⁾	\$42,824	\$42,971	\$42,411	\$41,117	\$39,546	\$40,422	\$38,515	\$41,364

(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 by 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 Enbridge following the billing conversion.

LIQUIDITY AND CAPITAL RESOURCES

(000's)	2013	2012
Cash flow from operating activities	\$98,115	\$97,887
Net change in non-cash working capital	1,055	3,154
Operating Cash Flow ²	99,170	101,041
Capital expenditures:		
Additions	(34,355)	(27,211)
Exchanges	(34,391)	(30,674)
Other	-	8
Subtotal	(68,746)	(57,877)
Proceeds on disposal of equipment	4,720	5,379
Net capital expenditures	(64,026)	(52,498)
Acquisitions	-	(1,944)
Cash used in investing activities	(64,026)	(54,442)
Dividends paid	(33,174)	(38,445)
Other financing activities	13,267	(51,786)
Cash used in financing activities	(19,907)	(90,231)
Cash and equivalents – end of period	\$17,799	\$ 3,617

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

Operating Cash Flow of \$99,170 decreased by \$1,871 in 2013 compared to 2012, primarily as a result of increased current taxes, partially offset by improved Adjusted EBITDA, reduced interest expense and changes in working capital requirements.

Net capital expenditures of \$64,026 in 2013 were \$11,528 greater than 2012, due to increases in HVAC rentals, exchange activity in part due to the flooding in the GTA which occurred in July and inclusion of venting costs previously borne by customers. 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" in this MD&A.

Other financing activities for 2013 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, which was not drawn as at December 31, 2013.

Management believes that EnerCare Solutions has sufficient cash flow, cash on hand and credit available to meet its 2014 obligations, including capital expenditures, financing activities 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)	2013	2012
Units - start of period	1,171	1,216
Portfolio additions	23	25
Acquisitions	-	3
Attrition	(49)	(73)
Units - end of period	1,145	1,171
Asset exchanges – units retired and replaced	54	47
% change in units during the period	(2.2%)	(3.7%)
% of units from start of period:		
Portfolio additions (net of acquisitions)	2.0%	2.1%
Attrition	(4.2%)	(6.0%)
Units retired and replaced	4.6%	3.9%

Net capital expenditures include portfolio additions and asset exchanges, net of proceeds on disposal. In 2013, net capital expenditures were \$64,026, increasing by 22% or \$11,528 when compared to 2012, primarily as a result of increased HVAC rentals, asset exchanges in part due to the flooding, as previously noted, and inclusion of venting costs previously borne by customers.

Attrition decreased in 2013 by 24,000 units or 33% compared to 2012. 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 years.

Cash from Financing

Financing activities for EnerCare Solutions may reflect dividend payments and periodic financing of EnerCare Solutions' indebtedness. During 2013, EnerCare Solutions recorded financing proceeds, net of dividends, of \$13,267 primarily related to the redemption of the 2009-2 Notes and the issuance of the 2013 Notes and drawdown of the Term Loan.

Capitalization (000's)	2013	2012
Cash and cash equivalents	\$ 17,799	\$ 3,617
Net investment in working capital	(9,978)	(10,096)
Cash, net of working capital	7,821	(6,479)
Total senior debt	532,121	517,508
Promissory note	250,000	250,000
Subordinated debt	50,000	50,000
Total debt	832,121	817,508
Shareholder's equity	(237,517)	(215,011)
Total capitalization – book value	\$594,604	\$602,497

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, 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 the 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 three principal 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 December 31, 2013. No amounts were drawn under the Revolver at December 31, 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 December 31, 2013, EnerCare Solutions exceeded the ratio of Incurrence EBITDA to Net Interest Expense and had the capacity under the covenant to raise approximately \$190,000 to \$230,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12
Total revenues	\$48,719	\$48,138	\$48,182	\$48,210	\$47,184	\$47,465	\$51,095	\$51,288
Net earnings/(loss)	5,230	6,291	6,397	(11,133)	(2,316)	337	(4,323)	132
Dividends declared	\$10,161	\$10,019	\$ 6,632	\$ 6,502	\$ 9,745	\$ 9,728	\$ 9,706	\$ 9,424

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 December 31, 2013:

Period (000's)	Principal Payments	Interest Payments
Due in 2014	\$ -	\$ 22,600
Due in 2015	-	22,600
Due in 2016	60,000	21,225
Due in 2017	250,000	21,100
Due in 2018	-	10,350
Thereafter	225,000	15,525
Total	\$535,000	\$113,400

As at December 31, 2013, long-term senior contractual obligations of EnerCare Solutions included debt service on the 2012 Notes and 2013 Notes bearing interest at 4.30% and 4.60%, respectively. Interest on the 2012 Notes is payable semi-annually on May 30 and November 30 and is payable semi-annually on February 3 and August 3, in respect of the 2013 Notes. 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 2.49% at December 31, 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 December 31, 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 December 31, 2013, there were 1,001 common shares issued and outstanding.

FOURTH QUARTER RESULTS OF OPERATIONS

Earnings Summary (000's)	2013	2012
Revenues:		
<i>Rentals</i>	\$47,815	\$46,125
<i>Dividend income</i>	869	870
<i>Investment income</i>	35	189
Total revenues	48,719	47,184
SG&A expenses	5,760	6,217
Amortization expense	24,028	24,024
Loss on disposal of equipment	2,666	3,523
Interest on subordinated debt	882	882
Interest on promissory note	2,500	3,125
Interest expense	5,825	11,690
Total expenses	41,661	49,461
Other income/(expense)	769	(362)
Earnings/(loss) before income taxes	7,827	(2,639)
Current tax (expense)	(6,069)	(4,786)
Income tax recovery	3,472	5,109
Net earnings/(loss)	5,230	(2,316)
EBITDA	39,389	36,385
Adjusted EBITDA	\$42,824	\$39,546

Fourth Quarter Overview

Unless stated otherwise, the narrative in this section is in reference to the operating results for the fourth quarter of 2013 as compared to the same period in 2012.

Revenues

Total revenues of \$48,719 in 2013 increased by \$1,535 or 3% compared to 2012. Rentals revenue for the period increased by \$1,690 to \$47,815, primarily due to the January 2013 rate increase and improved billing performance by DE and asset mix changes, partially offset by the impact of net Attrition. Dividend income was consistent with 2012 and relates to preferred shares from ECI, which is wholly-owned by EnerCare. Investment income was \$35, \$154 lower than 2012, primarily due to the additional interest earned in 2012 through the investment of 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 \$457 or 7% from 2012 to \$5,760, primarily as a result of reductions in professional fees and selling expenses of approximately \$600 and \$500 on account of bad debts and claims, partially offset by \$380 in wages and benefits associated with the performance of the long term compensation plan, \$220 in respect of billing and servicing costs and other smaller amounts.

Amortization Expense

Amortization expense of \$24,028 was consistent with 2012, primarily as a result of increased capital expenditures, partially offset by a lower asset base.

Loss on Disposal of Equipment

Loss on disposal of equipment for the period was \$2,666, a decrease of \$857 or 24% over 2012. The net

decreased loss was primarily the result of lower Attrition, partially offset by increased exchanged assets during the period.

Interest Expense

In 2013, interest expense of \$9,207 was \$6,490 lower than in 2012, primarily as a result of interest expense reductions associated with the issuance of the 2012 Notes and the 2013 Notes, and the make-whole payment of \$1,920 in respect of the redemption of the \$240,000 2010 Notes in the fourth quarter of 2012.

Net Earnings

Earnings before income taxes in 2013 were \$7,827, \$10,466 better than 2012, as previously described. Net earnings were \$5,230, an increase of \$7,546 in 2013, reflecting an increase of \$1,283 in current taxes and lower deferred tax recoveries of \$1,637 impacted 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 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 December 31, 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 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 Enbridge, 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 Enbridge. 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-Enbridge 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 2 years, 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 accrued \$2,000 on account of water heater installation costs, billing and collection deficiencies and third-party claims, with an additional \$769 being recognized upon settlement in the fourth quarter of 2013. 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.

Capital Assets

Capital assets are 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 December 31, 2013. There have been no changes to our ICFR during the year ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, EnerCare Solutions' ICFR. The certifying officers have evaluated the effectiveness of the EnerCare Solutions' DC&P and ICFR at December 31, 2013 and are satisfied that EnerCare Solutions' DC&P and ICFR were both effective as at December 31, 2013. Management also did not identify any material weaknesses in EnerCare Solutions' ICFR at December 31, 2013.

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 except for the adoption of new accounting standards as described below.

On December 16, 2011, the IASB released Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). The standard amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosure to require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32. The standard requires a financial asset and a financial liability to be offset and the net amount presented in the statement of financial position when, and only when, an entity (1) currently has a legally enforceable right to set off the recognized amounts and (2) intends either to settle on

a net basis, or to realize the asset and settle the liability simultaneously. 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 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.

RISK FACTORS

The risks related to the business and structure of EnerCare Solutions are discussed below.

Risks Related to the Rental Portfolio Business and Industry

Billing Arrangements

As a result of the billing agreements, EnerCare Solutions is reliant on the personnel, expertise, technical resources, proprietary information and judgment of Enbridge, among others, in providing customer services in respect of the Rental Portfolio to DE. EnerCare Solutions and its subsidiaries are therefore exposed to adverse developments in the business and affairs of Enbridge, and to its management and financial strength. Although Enbridge is required, under each New OBA, directly and through DE, to make the Enbridge Payment to EnerCare Solutions, thereby effectively guaranteeing EnerCare Solutions’ collection of 99.56% (99.46% for 2013 and 99.42% for 2012) of the amount invoiced by EnerCare Solutions on the Enbridge bill, there can be no assurance that Enbridge will have the financial capability to honour such obligation.

In the event that EnerCare Solutions and DE do not enter into further arrangements with Enbridge upon expiration of the New OBAs, DE and EnerCare Solutions may provide the billing and collection services and issue stand-alone bills in the Enbridge billing territory, either themselves or through contracts with other third parties.

Any provision of customer services in respect of the Rental Portfolio by DE or EnerCare and stand-alone billing could have a material adverse effect on EnerCare Solutions’ financial condition and results of operations and on its ability to satisfy its debt service obligations on the Senior Notes as there can be no

assurance that the customer services delivered by DE or EnerCare, or other third parties, will be of the same standard as those delivered under the New OBAs and stand-alone billing may result in increased bad debt. Bad debt experience may also increase if any arrangement relating to stand-alone billing and collection services does not include a collection guarantee. It is also possible that transitional issues may arise following a termination of the New OBAs and associated arrangements, and those issues may have a material adverse effect on EnerCare Solutions' financial condition and results of operations and on its ability to satisfy its debt service obligations on the Senior Notes.

Furthermore, any failure to maintain such billing and trust arrangements may have an adverse impact on the credit rating of EnerCare Solutions' outstanding indebtedness, EnerCare's and EnerCare Solutions' respective issuer credit ratings and EnerCare Solutions' ability to refinance any of its indebtedness.

Regulatory Matters

As the vast majority of EnerCare Solutions' customers are consumers, DE and EnerCare Solutions are subject to consumer protection laws and regulations (including the Consumer Protection Act, 2005 (Ontario)). Although EnerCare Solutions believes that DE and EnerCare Solutions are in compliance with such consumer protection laws and regulations in all material respects, given the likelihood that regulatory determinations are likely to favour consumers in the event of any ambiguity in such laws or regulations (of which there are many), no assurance can be given that DE or EnerCare Solutions will be able to comply with such laws or regulations. Furthermore, changes to any of the laws, rules, regulations or policies respecting the installation, contracting, servicing or billing practices in relation to water heaters could have a significant impact on ESLP's business. There can be no assurance that DE or EnerCare Solutions will be able to comply with any future laws, rules, regulations and policies. Failure by DE or EnerCare Solutions to comply with applicable laws, rules, regulations and policies may subject ESLP to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on EnerCare Solutions' financial condition and results of operations and on its ability to satisfy its debt service obligations on the Senior Notes.

In addition, although the Consent Order expired in accordance with its terms in February 2012 and EnerCare Solutions believes that the competitive landscape in the Enbridge gas distribution territory has significantly changed since the imposition of the Consent Order in 2002 (most particularly subsequent to 2008) no assurance can be given that DE and EnerCare Solutions will not in the future be subject to constraints on their respective business operations under the Competition Act (Canada) or otherwise in respect of the Rental Portfolio.

Attrition and Competition

EnerCare Solutions operates in a competitive environment and hence its growth and sustainability may be negatively impacted by loss of market share to new competition or due to change in consumers' behaviour. In 2009, EnerCare Solutions encountered increased competitive pressure and a resulting increase in the attrition rate (customer buy outs and terminations). The Attrition rate for 2013 was 4.17% compared to 5.98% in 2012, 6.00% in 2011, 6.35% in 2010 and 8.02% in 2009. The Attrition rate in 2008 was 3.2%. The higher Attrition rates that began in 2009 are attributable principally to increased competition, from both traditional entities and new entrants. Some of these new market entrants used aggressive door to door promotion.

As a result of these and other competitive pressures, EnerCare Solutions may experience increased Attrition rates in the future as well as higher expenses in defense of the installed water heater customer base. Increased attrition rates could have a material adverse effect on EnerCare Solutions' financial condition and results of operations and on its ability to satisfy its debt service obligations on the Senior Notes.

Buy-outs and Returns of Water Heaters

Pursuant to the terms of the Custodial Rental Contracts and as required pursuant to the Consent Order, customers are permitted to purchase their installed water heaters at a price discounted based on the age of the water heater, determined with reference to the price of the water heater at the time of installation of the water heater. Since the third quarter of 2004, customers have been permitted to terminate their Custodial Rental Contract without charge. Prior to that time, in accordance with the Consent Order, the exit charge permitted to be charged to customers in the first five years following installation was not sufficient to cover the capital cost of the installed water heaters and, if the water heater was installed for over five years, there was no exit charge payable. In 2010, EnerCare Solutions implemented new terms and conditions for certain new customers pursuant to which EnerCare Solutions may require these customers to buy-out their water heaters at a pre-determined price if the contract is terminated prior to the end of the useful life of the applicable equipment. If customers choose to buy their installed water heaters or terminate their Custodial Rental Contracts, the number of installed water heaters and the composition of the portfolio of installed water heaters could change. Any loss of customers could have a material adverse effect on EnerCare Solutions' financial condition and results of operations and on its ability to satisfy its debt service obligations on the Senior Notes.

Social or Technological Changes

Within Canada, the Province of Ontario marketplace is unique in that the vast majority of homeowners rent their water heaters. There can be no assurance that homeowners will continue to rent their water heaters for an indefinite period. It is also possible that more economical or efficient water heating technology than that which is currently used by customers will be developed or that the economic conditions in which the current technology is applied will change resulting in a reduction in the number of installed water heaters. Any material change in homeowners' rental practices or in technology may have a material adverse effect on EnerCare Solutions' financial condition and results of operations and on its ability to satisfy its debt service obligations on the Senior Notes. It is also possible that new types of water heaters will, for regulatory or competitive reasons, be required to be installed by DE that necessitates an adjustment to the relative entitlements to rents under the Custodial Rental Contracts to reflect changing servicing requirements in relation to this new type of water heater. Any reduction in EnerCare Solutions' entitlement to receive 65% of the aggregate rent paid by customers under the Custodial Rental Contracts could have a material adverse effect on EnerCare Solutions' financial condition and results of operations and on its ability to satisfy its debt service obligations on the Senior Notes.

Useful Life of Water Heaters

Past experience indicates that the average useful life of a water heater is approximately 16 years. However, there can be no assurance that water heaters will continue to have a useful life of that length. EnerCare Solutions, as indirect owner of water heaters, will be responsible for, among other things, the capital cost and installation fees related to the purchase and installation of replacement water heaters. There can be no assurance that EnerCare Solutions will have sufficient cash flow or financing capabilities to fund the purchase and installation of replacement water heaters. Lack of such funds could limit the ability of ESLP to maintain the portfolio of water heaters which could have a material adverse effect on EnerCare Solutions' financial condition and results of operations and on its ability to satisfy its debt service obligations on the Senior Notes.

Concentration of Suppliers, Product Faults and Costs

Although there are a number of manufacturers of water heaters outside Canada, DE relies principally on three suppliers for its supply of water heaters, GSW Inc., Rheem Canada Ltd. and Bradford White Corporation. Should any of these suppliers fail to deliver in a timely manner, the result could be delays or disruptions in the supply and installation of water heaters. In addition, as many of the installed water heaters are of the same or similar type manufactured by these two manufacturers, manufacturer's defects or product

recalls relating to a particular production model or type of water heater could affect a material portion of the Rental Portfolio. Furthermore, different water heater manufacturers may, from time to time, source components from the same manufacturers for use in their water heaters. As a result, a parts defect relating to a commonly sourced component could affect water heaters produced by more than one manufacturer. DE does not insure against this risk of product defects or product recalls and EnerCare Solutions does similarly not insure. All water heaters manufactured by GSW Inc. that are purchased by DE are currently made in Canada. If GSW Inc. moved production out of Canada, the capital cost of their water heaters may increase. Rheem Canada Ltd. moved production to Mexico in June of 2006. Bradford White Corporation's production facilities are located in the United States.

ESLP's business will expose it to potential product liability and product defect risks that are inherent in the ownership of water heaters. While ESLP currently maintains what it believes to be suitable product liability insurance, there can be no assurance that ESLP will be able to maintain such insurance on acceptable terms or that any such insurance will provide adequate protection against potential liabilities. In the event of a successful claim against ESLP, a lack of sufficient insurance coverage could have a material adverse effect on EnerCare Solutions' financial condition and results of operations and on its ability to satisfy its debt service obligations on the Senior Notes. Moreover, even if ESLP maintains adequate insurance, any successful claim could have a material adverse effect on EnerCare Solutions' financial condition and results of operations and on its ability to satisfy its debt service obligations on the Senior Notes. DE does not insure against the risk of product defects or product recalls and EnerCare Solutions does similarly not insure.

While there are several major suppliers of water heaters, HVAC Equipment and other rented equipment, the cost of the equipment is affected by commodity prices, such as steel and copper, and currency fluctuations, mainly the U.S. currency relative to the Canadian currency. EnerCare Solutions and DE do not hedge these types of exposures, so in any given year, there can be no assurance that increases in capital costs will be able to be recovered fully in rental rates charged to customers.

Geographic Concentration and New Home Construction

Essentially all of the Rental Portfolio assets are located in the Province of Ontario as the Canadian water heater rental market is primarily limited to the Province of Ontario. Furthermore, most of the growth in the number of installed water heaters is principally as a result of new home construction of detached, semi-detached and row houses, which is a particularly competitive section of the water heater rental industry in Ontario. Consequently, EnerCare Solutions is particularly reliant on the economy of the Province of Ontario to maintain and to grow the Rental Portfolio. The recent downturn and uncertainty in the Ontario economy and corresponding slowdown in new home construction of detached, semi-detached and row houses has had in 2008 and 2009, and to a lesser extent in 2010, 2011, 2012 and 2013, an adverse effect on demand for water heaters.

Uninsured or Underinsured Risks

EnerCare Solutions' current insurance coverage in respect of potential liabilities of EnerCare Solutions and the accidental loss of value of the assets of EnerCare Solutions from risks is in the form of comprehensive property and casualty insurance in respect of claims for bodily injury or property damage arising out of assets or operations (subject to deductible amounts). However, not all risks are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of DE or ESLP.

Lack of Written Custodial Rental Contracts

In many cases, DE has not entered into written agreements with customers or has not entered into updated written agreements to reflect the current rental terms and conditions. As a result, those customers may assert a right to terminate their relationship with DE at any time or DE may be unable to enforce payment of

certain charges payable by such customers. Any loss of customers or inability to enforce payment of certain charges paid by customers for installed water heaters could have a material adverse effect on EnerCare Solutions' financial condition and results of operations and on its ability to satisfy its debt service obligations on the Senior Notes.

Litigation Risk

In the normal course of EnerCare's and EnerCare Solutions' operations, whether directly or indirectly, they 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 their 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 and EnerCare Solutions and as a result, could have a material adverse effect on their respective financial conditions and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes. Even if EnerCare or EnerCare Solutions prevail 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's and EnerCare Solutions' respective business operations which could have a material adverse effect on their respective financial conditions and results of operations and on the ability of EnerCare Solutions to satisfy its debt service obligations on the Senior Notes. In particular, EnerCare and a subsidiary of EnerCare Solutions have 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 will not become involved in litigation, whether as defendant or plaintiff, in other matters from time to time.

Risks Related to the Structure of EnerCare Solutions

Reliance on DE

EnerCare Solutions is relying on DE's ability to originate water heaters, commercial water heaters and HVAC Equipment in order for the Rental Portfolio to be sustained and to grow, including the availability of its personnel, proprietary information and related information systems. DE's obligation to continue to originate new water heaters is dependent, in part, on terms proposed annually by DE to ESLP that are economic for DE, acceptable to ESLP and are commercially reasonable to customers, as determined by DE acting reasonably. There can be no assurance that terms that are economic for DE will continue to be commercially reasonable to customers or that ESLP will continue to accept the terms proposed by DE. Shareholders are also relying on DE to establish rental rates on installed water heaters subject to Custodial Rental Contracts in order for the portfolio of installed water heaters to generate the same level of cash flow as historically experienced by EnerCare Solutions. EnerCare Solutions is also relying on DE's personnel, good faith, expertise, historical performance, technical resources and information systems, proprietary information and judgment in servicing the Rental Portfolio. EnerCare Solutions is therefore exposed to adverse developments in the business and affairs of DE, to its management and financial strength and to its ability to operate its business profitably.

Reliance on DE itself will increase further in the event it directly provides customer services in respect of the Rental Portfolio.

In particular, following the September 2009 billing system conversion implemented by DE, which coincided with a billing system conversion by Enbridge, the Fund's internal controls identified issues principally associated with DE's system conversion impacting the Fund's customers, including issues in respect of the allocation of customer payments, customer collections, and billing issues, including completeness of billing, billing in respect of new customers and implementation of new rental rates. EnerCare Solutions has been working closely with DE to identify and rectify these issues.

Conflicts of Interest

The Trust was originally established at the initiative of DE. EnerCare Solutions is in part dependent on DE to originate water heaters, commercial water heaters and HVAC Equipment in order for EnerCare Solutions to be sustained and to grow, and are dependent on DE to service approximately 98% of the Rental Portfolio. Negotiations with respect to transactions and agreements among the Trust, DE and its affiliates should not be regarded as having been conducted on an arm's length basis. In addition, the former trustees of the Trust did not receive independent advice pertaining to the agreements that were entered into by the Trust and DE in connection with the investment in Rentco and the Fund's initial public offering and follow-on offerings of Units.

EnerCare Solutions may be subject to various conflicts of interest because DE, its directors, officers and associates, as well as the directors of EnerCare, are engaged in various business activities, some of which might compete with the business of EnerCare Solutions. EnerCare Solutions may become involved in transactions which conflict with the interests of the foregoing. From time to time, these persons may be competing with EnerCare Solutions for available investment opportunities. Certain conflicts of interest may arise as a result of DE or an affiliate thereof pursuing its own business interests, which may render DE and its affiliates in competition with EnerCare Solutions. The Non-competition Agreement contains provisions to address certain of these potential conflicts of interest.

Reliance on Management

EnerCare Solutions' operations and prospects are dependent upon the participation of key executives. The loss of their services and EnerCare Solutions' inability to attract and retain qualified and experienced personnel may materially affect EnerCare Solutions' ability to operate and grow.

Restrictive Covenants

EnerCare Solutions has significant debt service obligations under its Senior Indebtedness. The degree to which EnerCare Solutions is leveraged could have important consequences including (i) EnerCare Solutions' ability to obtain additional financing; (ii) a substantial portion of the cash flow from EnerCare Solutions will be dedicated to the payment of interest on its Senior Indebtedness; and (iii) EnerCare Solutions' failure to refinance its Senior Indebtedness will have a material adverse effect on EnerCare Solutions' ability to satisfy its debt service obligations on the Senior Notes.

The Senior Unsecured Indenture, Revolver and Term Loan contain restrictive covenants of a customary nature, including covenants that limit the discretion of the board of directors of EnerCare Solutions with respect to certain business matters. These covenants place restrictions on, among other things, the ability of EnerCare Solutions and the Guarantors to incur additional indebtedness, to pay distributions or make certain other payments, and to sell or otherwise dispose of significant assets or consolidate with another entity. In addition, there are also a number of financial covenants that require EnerCare Solutions to meet certain financial ratios and financial condition tests. A failure to comply with these obligations could result in an event of default which, if not cured or waived, could permit acceleration of the Senior Indebtedness. If the Senior Indebtedness were to be accelerated, there could be no assurance that the assets of EnerCare Solutions would be sufficient to repay in full the Senior Indebtedness. There can also be no assurance that the Senior Indebtedness or any other indebtedness will be able to be refinanced.

Credit Ratings and Credit Risk

There can be no assurance that any credit ratings assigned to the Senior Notes or EnerCare Solutions will remain in effect for any given period of time or that the ratings will not be withdrawn or revised by either or both of DBRS and S&P at any time. Real or anticipated changes in credit ratings on the Senior Notes or EnerCare Solutions may affect the market value of the Senior Notes. In addition, real or anticipated changes in credit ratings can affect the cost at which EnerCare Solutions can access the capital markets.

Market Value Fluctuations

Prevailing interest rates will affect the market value of the Senior Notes, as they carry a fixed interest rate. Assuming all other factors remain unchanged, the market value of the Senior Notes, which carry a fixed interest rate, will decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

Reliance on Directors

In assessing the risk of an investment in EnerCare Solutions, potential investors should be aware that they will be relying on the good faith, experience and judgment of the board of directors of EnerCare Solutions. Although investments made by EnerCare Solutions are carefully chosen, there can be no assurance that such investments will earn a positive return in the short or long term or that losses may not be suffered by EnerCare Solutions from such investments.

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 fourth quarter of 2013. Overall, we are encouraged by the positive trend we have seen in 2013, with a 33% reduction in year-over-year Attrition and the decreasing trend over the last six quarters. As discussed in the "Recent Developments" section of this MD&A, on November 27, 2013 Bill 55 passed third reading in the Ontario Legislature. EnerCare believes that Bill 55 is a strong enhancement in consumer protection that will provide necessary protection for its customers and greatly assist with EnerCare Solutions' continued efforts to combat Attrition. Going forward we continue to believe that the factors that have led to the decline in Attrition over the last five years, including improving consumer awareness, as well as the new Enbridge OBA and 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 in 2013 were to continue to reduce 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 pleased to report that we exceeded our targets with respect to these objectives.

In January 2014, EnerCare Solutions increased its weighted average rental rate by 3%.

As previously announced, EnerCare has set its annual and general and special meeting for May 1, 2014. Jim Pantelidis, chair of the board and management will provide an update to shareholders on EnerCare's and EnerCare Solutions' achievements in 2013 and strategy.

GLOSSARY OF TERMS

Defined Term	Definition
Amended Receivables Trust Agreement	The amended and restated proceeds transfer, serving and trust agreement effective February 4, 2010 between, among others, Enbridge, DE and CIBC Mellon Trust Company, as trustee, pursuant to which, among other things, collections on joint billing statements issued on behalf of DE and Enbridge pursuant to the amended and restated open bill access billing and collection services agreement between DE and Enbridge effective December 21, 2012, are transferred to CIBC Mellon Trust Company, as trustee, and allocated by Enbridge.
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-owners	The holders from time to time of the DE Co-ownership Interest and the EnerCare Co-ownership Interest.
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.
Custodial Assets	Custodial Rental Contracts (including all receivables generated thereby on and after December 17, 2002), all customer records and information required for billing and collecting Rental Portfolio rentals and performing CIBC Mellon Trust Company's obligations as the custodian under the Custodial Rental Contracts (as updated from time to time by DE as the servicer), certain customer services agreements to the extent relating to collections under the Custodial Rental Contracts, the amended and restated open bill access billing and collection services agreements between DE and Enbridge effective December 21, 2012, Amended Receivables Trust Agreement, all product warranty rights from manufacturers relating to the Rental Portfolio which have not been assigned to ESLP, as owner of the Rental Portfolio, and a limited licence to use DE's trademarks in accordance with the terms of the Co-ownership Agreement.
Custodial Rental Contracts	All present and future rental contracts or arrangements with customers (whether or not in writing) relating to (i) water heaters (A) owned by Rentco on December 17, 2002, (B) originated and sold to Rentco or ESLP pursuant to the terms of the Origination Agreement, or (C) as the Co-owners may otherwise expressly agree, and (ii) certain other Rental Portfolio assets, but does not include present and future rental contracts and arrangements (whether or not in writing) relating to (x) the Toronto Hydro Water Heaters, Festival Water Heaters, Thunder Bay Water Heaters or HVAC Equipment purchased by ESLP pursuant to the HVAC Agreement, or (y) a water heater, commercial water heater or HVAC Equipment rented pursuant to a rental contract or arrangement with ESLP or an affiliate thereof in replacement of water heaters or commercial water heaters or HVAC Equipment that immediately prior thereto were water heaters, commercial water heaters or HVAC Equipment subject to (x).
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.).
Enbridge	Enbridge Gas Distribution Inc.
Enbridge Payment	The payment made by Enbridge to DE pursuant to the New OBAs constituting, subject to certain exceptions, 99.56% (99.46% for 2013 and 99.42% 2012) of all amounts invoiced to applicable customers on the Enbridge bill.
EnerCare	EnerCare Inc., formerly the Fund.
EnerCare Co-ownership Interest	The undivided co-ownership interest in the Custodial Assets initially owned by 4104285 Canada Limited (now owned by the ESLP) under the Co-ownership Agreement.
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.
GreenSource	GreenSource Capital Inc., formerly owned by DE.
GTA	The greater Toronto area.
Guarantors	Collectively, ESLP, Rentco and WGP Inc.
HVAC	Heating, ventilation and air conditioning.
HVAC Agreement	HVAC origination and servicing agreement dated as of April 25, 2007 between ESLP and DE, as the same may be amended, modified, supplemented, restated or replaced from time to time.
HVAC Equipment	Commercial and residential mechanical systems which provide heating, cooling, ventilation and/or domestic hot water within a building, to provide a controlled environment for the occupants, whether fuelled by natural gas, electricity or otherwise.
IASB	The International Accounting Standards Board.
ICFR	Internal Control Over Financial Reporting as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
IFRS	International Financial Reporting Standards as adopted by the Canadian Institute of Chartered Accountants under Part I of the Handbook.
MD&A	Management's Discussion and Analysis.
OBA	The Enbridge open bill access agreement.
New OBAs	The amended and restated open bill access billing and collection services agreements effective December 21, 2012, as amended and restated effective January 6, 2014 between (i) DE and Enbridge; and (ii) EnerCare and Enbridge.
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, December 29, 2006, January 1, 2013 and August 1, 2013 and as may be further amended, modified, supplemented, restated or replaced from time to time.
Rental Portfolio	Residential and commercial water heaters, HVAC Equipment and other related assets owned by ESLP.
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.

Defined Term	Definition
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 indenture 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 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.
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.
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.