Enercare Solutions Inc.

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

Year Ended December 31, 2015

Dated March 7, 2016

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The consolidated financial statements of Enercare Solutions are prepared in accordance with IFRS. Enercare Solutions' basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the consolidated financial statements for the period ended December 31, 2015. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units and "per unit" amounts, Shares and "per Share" amounts, SE Subscription Receipts and percentages (except as otherwise noted). Unless otherwise specified, dollar amounts are expressed in Canadian currency.

As at December 31, 2015, Enercare Solutions was a wholly-owned subsidiary of Enercare. Enercare Solutions' business is the rental of water heaters, furnaces, air conditioners and other HVAC rental products, protection plans and related services (collectively, known as "Home Services").

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

FORWARD-LOOKING INFORMATION

This MD&A, dated March 7, 2016, contains certain forward-looking statements that involve various risks and uncertainties and should be read in conjunction with Enercare Solutions' 2015 audited consolidated financial statements. Additional information in respect of 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, 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.

In respect of the forward-looking statements contained in the sections entitled "*Recent Developments – Enercare Signs Agreement to Acquire Service Experts*" and "*Outlook*", please see the "*Cautionary Note Regarding Forward-Looking Statements*" contained therein. Please see the section entitled "*Risk Factors*" in this MD&A for a thorough discussion in respect of the material risks relating to the business and structure of Enercare Solutions.

OVERVIEW

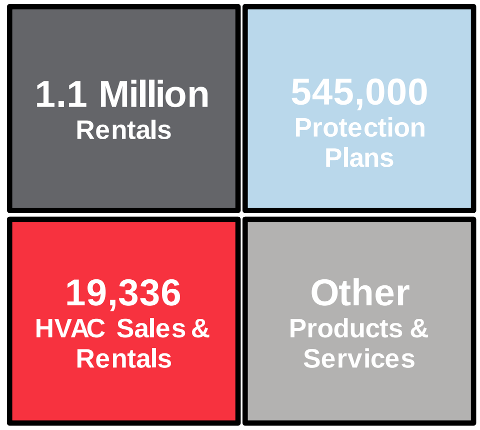
Enercare Solutions, primarily through acquisition, has become a multi-product company since its origins in 2002 as the Trust, which primarily financed rental equipment originated and serviced by DE. On October 20, 2014, Enercare Solutions purchased the Ontario home and small commercial services business from DE and effectively reunited the business separated in 2002 with the creation of the Trust. Enercare Solutions, through its subsidiaries, operates the Home Services business.

Enercare Solutions has grown revenues every year 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 from S&P and DBRS, respectively.

PORTFOLIO SUMMARY

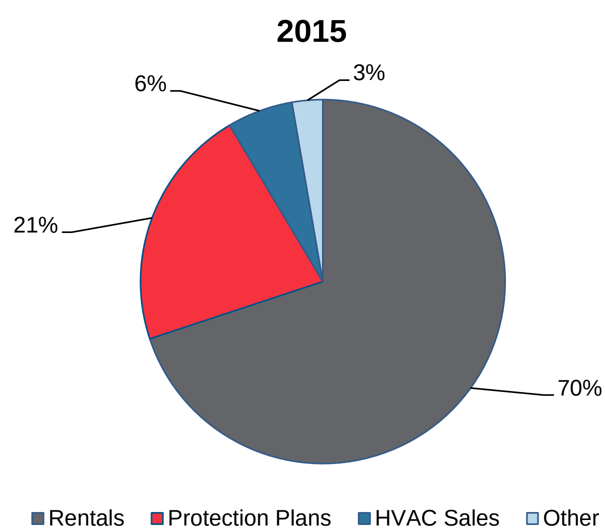
Prior to October 20, 2014, Enercare Solutions was mainly comprised of the rental of water heater and HVAC rental products, primarily subject to the origination and servicing arrangements with DE. Since the Acquisition, the business includes the other revenue sources discussed below.

There are four main business activities within Enercare Solutions: Rentals, Protection Plans, HVAC Sales and Other (which includes duct cleaning, chargeable plumbing work and other chargeable services). The following diagram shows the breakdown of customer contracts for each such activity for the year ending December 31, 2015.



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

Home Services Revenue By Category



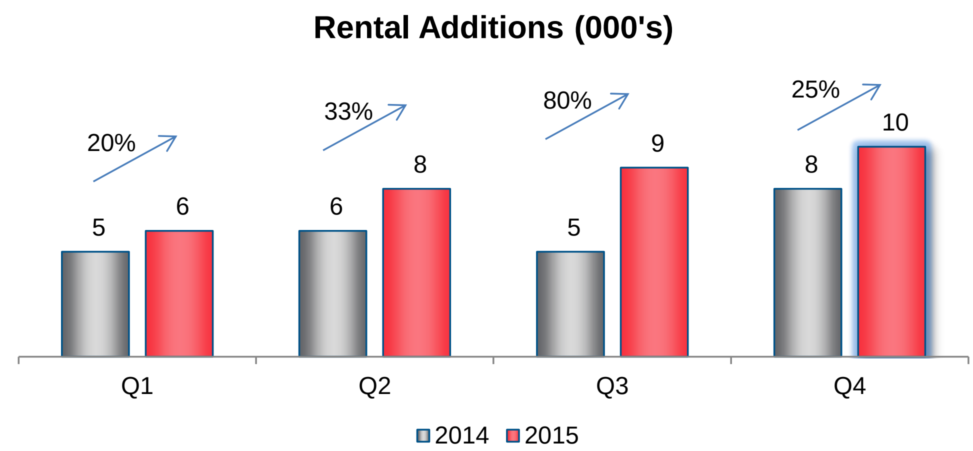
Rentals

Prior to the Acquisition, Enercare Solutions had expanded its business through a number of acquisitions and origination arrangements with various parties; however, approximately 90% of the Rentals revenue was subject to the Co-ownership Agreement.

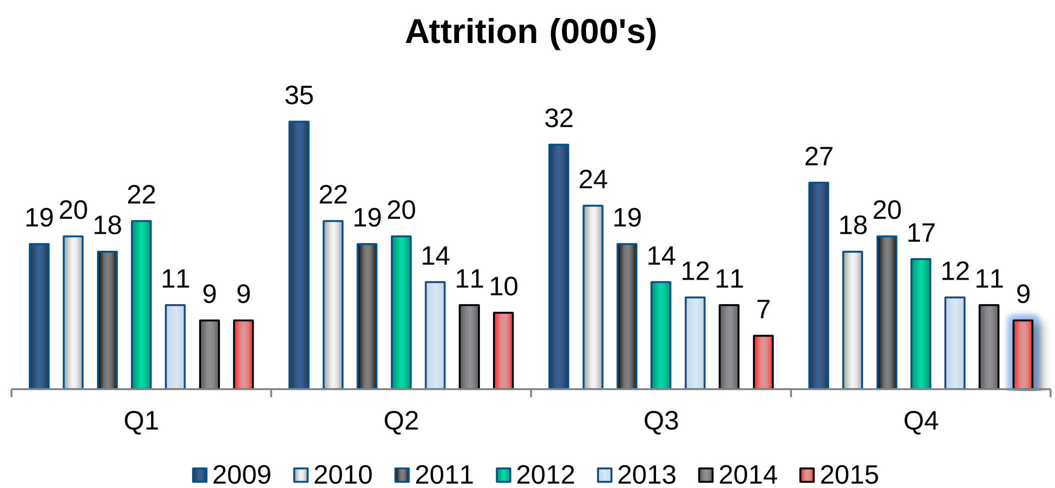
For the portfolios under the Co-ownership Agreement, Enercare Solutions was entitled to 65% of the revenue and other payments and DE was entitled to 35% of the revenue. For DE's portion of the revenue, it was responsible for servicing and maintaining the assets. Through its origination agreement with DE, Enercare Solutions essentially incurred the capital expenditures in respect of the portfolio. Following the Acquisition, Enercare Solutions now receives 100% of the revenues and is responsible for the service and maintenance obligations associated with those assets.

Enercare Solutions is focused on growing its rental portfolio by increasing originations and reducing Attrition. Originations are primarily obtained from the new home builder market and new customers identified through its field technicians. New products, such as rental HVAC (discussed further below in the section entitled

“HVAC Sales and Rentals”), have contributed significantly to increasing total originations. As seen in the graph below, additions were 10,000 units in the fourth quarter of 2015 and 33,000 units for the year ended December 31, 2015, increases of 25% and 38%, respectively, compared to the same periods in 2014.

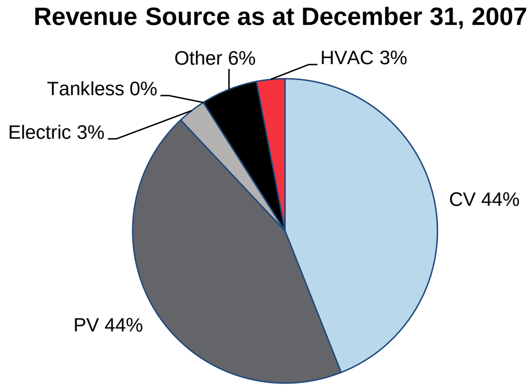


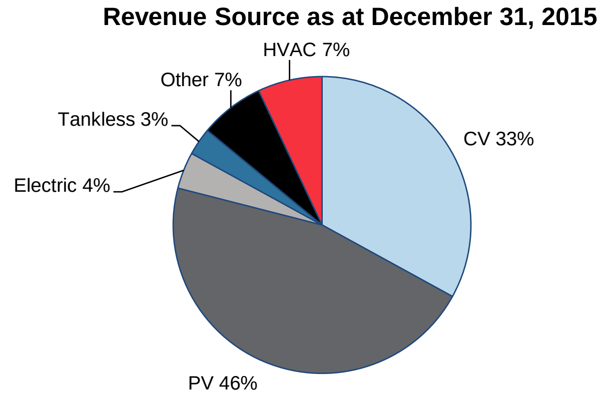
To aid in the reduction of Attrition, Enercare Solutions has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with enhancements to our customer value proposition (for example, the “same day service campaign”) and the coming into effect of Bill 55 on April 1, 2015, have helped to significantly reduce Attrition. Attrition decreased in the fourth quarter of 2015 by 2,000 units or 18% and by 7,000 units or 17% year to date, compared to the same periods in 2014. Attrition has improved year-over-year since 2009 (see table below).



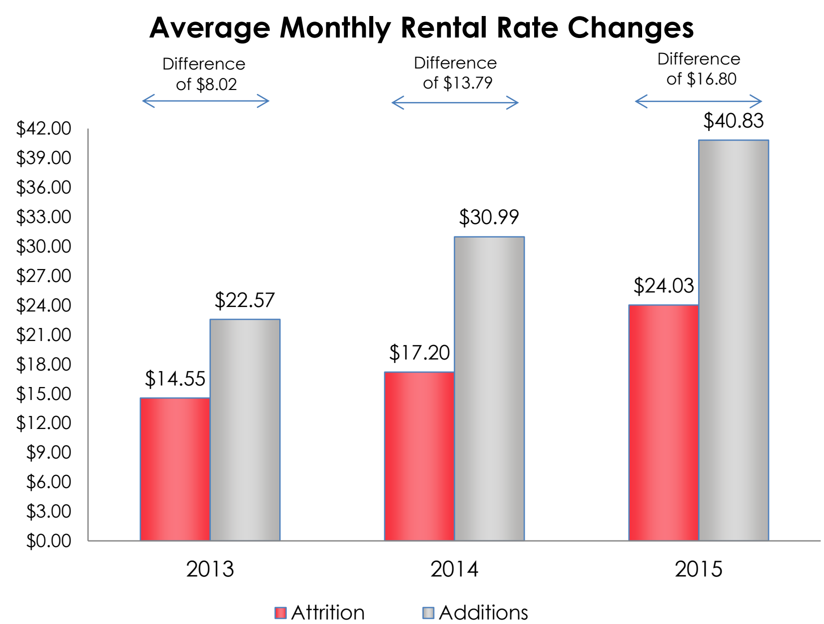
Rental unit growth surpassed Attrition during both of the third and fourth quarters of 2015, the first two consecutive quarters of net unit growth since 2006. The approximately 3,000 net unit growth achieved during these two consecutive quarters was the strongest organic growth for two consecutive quarters in the rental portfolio since 2005. In addition, net attrition for 2015, excluding acquisitions, was approximately 2,000 units, an improvement of 16,000 units compared to 2014.

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



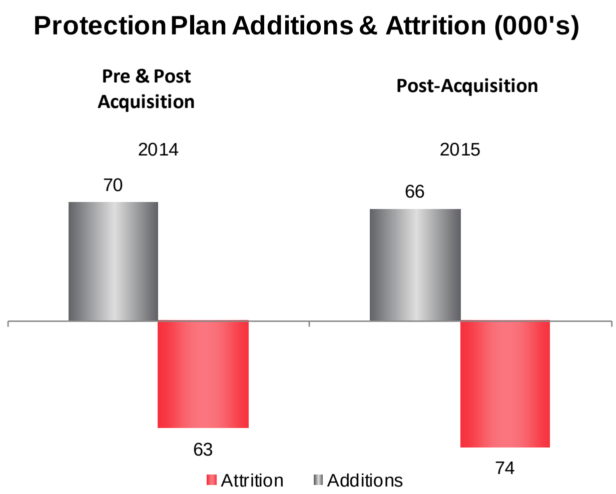


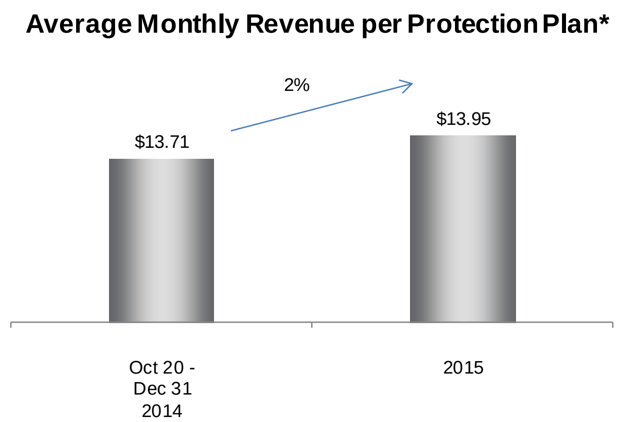
The impact of changes in product mix over time is outlined further in the graph below, which shows revenue for 2015 from unit additions contributing approximately $16.80 per unit more than revenue from units lost on account of Attrition. New customers are worth approximately 1.7 times that of a lost customer.



Protection Plans

Enercare Solutions sells a variety of plans covering such items as furnaces, air conditioning, plumbing and appliances. There are essentially two types of protection plans: maintenance protection plans and full service protection plans. Maintenance protection plans essentially only provide for maintenance services, whereas full service protection plans provide a broader suite of protections, such as parts and labour. The plans are typically one year in length with monthly, quarterly or annual payment options. Due to the annual nature of the contract, the protection plans tend to have a higher churn rate. The following chart depicts the additions and attrition for the category.





* Average monthly revenue per protection plan has been calculated using the total revenues during the period, divided by the number of days in the period, divided by the average number of protection plans for the period, multiplied by 365 days divided by 12-months.

During 2015, Enercare Solutions made changes to protection plan offerings and related promotions. As a result, a number of protection plans were consolidated and pricing was adjusted. As HVAC unit additions in 2015 were more through rentals than sales, the opportunities for protection plan sales were fewer as rentals already include service. Protection plan attrition also increased, primarily as a result of an increase in HVAC rental additions from customers that previously had protection plans, a higher number of terminations as a result of customer moves and non-renewals of one year promotional offers in connection with 2014 HVAC sales. Many of the changes made improved the average monthly revenue per protection plan.

As announced in the first quarter of 2015, Enercare Solutions launched an extended protection plan program on heating and air conditioning sales. Prior to the launch of this program, these types of plans were outsourced to a third party extended warranty provider. These plans not only allow Enercare Solutions to retain the customer relationship, but also provide for on-going maintenance, whereas the outsourced arrangement covered only limited parts and labour. These plans augment the customer value proposition when a customer chooses to purchase rather than rent. Since inception, approximately 74% of residential HVAC unit sales included an extended protection plan.

The following table illustrates the annualized protection plan contract continuity for 2015 and 2014.

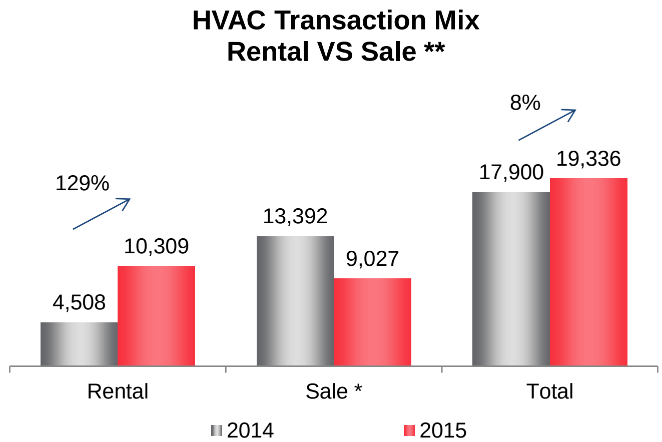
Protection Plan Unit Continuity (000’s)	Post-Acquisition **2015**	Pre and Post-Acquisition 2014
Contracts - start of year	**553**	546
Portfolio additions	**66**	70
Attrition	**(74)**	(63)
Contracts - end of year	**545**	553
% change in units during the year	**(1.4%)**	1.3%

HVAC Sales and Rentals

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

As part of Enercare Solutions’ strategy to grow its recurring revenue customer base, in 2013 Enercare Solutions re-launched its HVAC rental program. Converting a customer from an outright sale to a long-term rental product is capital intensive and creates a short-term reduction in the income statement, as instead of a one-time in year gain on margin, the rental HVAC creates a long-term customer revenue stream. However, the rental relationship provides greater cross-selling opportunities and is therefore more valuable than a one-time sale. Enercare Solutions estimates that a rental unit is worth approximately 2.5 times that of a sale on a discounted cash flow basis.

During 2015, Enercare Solutions rented approximately 10,309 new units, an increase of 129% over the prior year and sold approximately 9,027 units for a total of 19,336 HVAC units, compared to 17,900 units in the prior year, an increase of 8%. A year to date comparison between 2015 and 2014 is outlined in the chart below.



* The historical HVAC sale information is being provided as an illustration of the improvement in the overall HVAC segment. Enercare Solutions was not party to HVAC sales before the close of the Acquisition. However, Enercare Solutions did originate the historical HVAC rentals in 2014.

** HVAC rental and sales units presented include residential, commercial and multi-residential rental additions and sales. HVAC rental additions and sales reported in Enercare Solutions' previous quarterly reports represented only residential units and excluded commercial and multi-residential.

Other

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

2015 HIGHLIGHTS

(000's)	**2015**	2014	Change	Percent Change
Revenue	**$426,471**	$242,334	$184,137	76%
Dividend income	**3,452**	3,460	(8)	-%
Investment income	**186**	242	(56)	(23)%
Total revenues	**$430,109**	$246,036	$184,073	75%
EBITDA[1]	**216,998**	163,593	53,405	33%
Adjusted EBITDA[1]	**222,352**	173,860	48,492	28%
Acquisition Adjusted EBITDA[1]	**231,520**	181,582	49,938	28%
Earnings before income taxes	**49,188**	28,117	21,071	75%
Current tax (expense)	**(7,006)**	(26,374)	19,368	(73)%
Deferred income tax (expense)/recovery	**(5,414)**	19,048	(24,462)	(128)%
Net earnings	**$ 36,768**	$ 20,791	$15,977	77%

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

The following highlights compare 2015 results those of 2014.

- Total revenues of $430,109 increased by 75% in 2015. Revenues were $426,471, an increase of $184,137, of which approximately $176,800 of revenue was added through the Acquisition. The remaining increase of approximately $7,400 was primarily as a result of rental rate increases, improved billing completeness, asset mix changes and growth in rental HVAC units. Dividend income relates to an investment in ECI preferred shares of $50,000.
- EBITDA increased by $53,405 to $216,998 in 2015, driven principally by improved total revenues and lower losses on disposal of equipment, partially offset by higher cost of goods sold and SG&A costs, including re-branding and integration expenses, primarily related to the Acquisition. Adjusted EBITDA of $222,352 increased by $48,492 after removing from EBITDA the impact of the loss on disposal of equipment and including other income. After removing integration costs associated with the Acquisition of $9,168, Acquisition Adjusted EBITDA was $231,520 in 2015, an increase of $49,938 over the same period in 2014.
- Net earnings of $36,768 in 2015 increased by $15,977 or 77% compared to 2014, reflecting increased EBITDA, partly offset by higher amortization expenses and total taxes and increased interest expenses primarily from the increase in the promissory note resulting from the Acquisition.
- Attrition in the Rentals portfolio decreased by 17% or 7,000 units in 2015 and has improved year-over-year since 2009. Rental unit growth surpassed Attrition during both of the third and fourth quarters of 2015, the first two consecutive quarters of net unit growth since 2006. The approximately 3,000 net unit growth achieved during these two consecutive quarters was the strongest organic growth for two consecutive quarters in the rental portfolio since 2005.

RECENT DEVELOPMENTS – 2015 AND 2016 TO DATE

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.

On March 7, 2014 and October 10, 2014, the Ontario Ministry of Consumer Services (the “Ministry”) issued proposals for regulations to implement Bill 55 and invited public consultation on the proposals. Enercare Solutions submitted its comments on the proposals to the Ministry in respect of both consultations.

The amendments to the *Consumer Protection Act* (Ontario) pursuant to Bill 55 came into force on April 1, 2015.

Among other things, Bill 55 provides the following changes in respect of direct agreements for the supply of water heaters:

- Doubles the existing 10-day cooling-off period to 20 days, providing consumers with more time to consider their decision;
- Subject to certain exceptions, including where the consumer initiates contact with the supplier, bans the delivery and installation of water heaters during the new 20-day cooling-off period; and
- 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.

Concurrently with the coming into force of Bill 55, new or amended regulations under the Consumer Protection Act (the “Regulations”) are also to come into effect. Among other things, the Regulations require the following in respect of direct agreements for the supply of water heaters:

- Companies must confirm sales by making scripted and recorded telephone calls to the customer, subject to certain exceptions including where the consumer initiates contact with the supplier; and
- Enhanced disclosure, including the requirement to include mandatory cover pages and the comparable retail price, rental rate, total amounts payable under the contract and any termination charges.

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.

Senior Management Changes

On March 23, 2015, Lorne Solway was appointed Chief Marketing Officer of Enercare and Enercare Solutions and each of their respective subsidiary entities.

On April 27, 2015, Colleen Bailey Moffitt was appointed Vice President, Human Resources of Enercare and Enercare Solutions and each of their respective subsidiary entities.

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

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

Acquisition of Water Heaters from Cobourg Network Inc.

On March 2, 2015, a subsidiary of EnerCare Solutions acquired the rental portfolio of CNI, comprised of approximately 1,354 electric water heaters for cash consideration of $863 after post-closing adjustments. In connection with the acquisition, CNI and Enercare Solutions entered into a transitional services agreement pursuant to which CNI provided transitional support and billing and collection services on behalf of Enercare Solutions.

Enercare Solutions Launches Extended Protection Plan Program

On May 1, 2015, Enercare Solutions launched an extended protection plan program on heating and air conditioning sales. Prior to May 1, 2015, these types of plans were outsourced to a third party extended warranty provider. These plans not only allow Enercare Solutions to retain the customer relationship, but also provide ongoing maintenance whereby the outsourced arrangement covered only limited parts and labour. These plans augment the customer value proposition when a customer chooses to purchase rather than rent. During 2015, there were 3,705 plans sold representing an approximately 74% uptake on HVAC unit sales since the launch of the program.

Enercare Solutions Announces Successful Completion of Information Technology Transition and Exit from Transition Services Agreement with DE

On December 21, 2015, Enercare Solutions announced the successful completion of its information technology transition from DE and, as a result, the exit from the related transition services agreement (the "TSA").

Enercare Solutions entered into the TSA on October 20, 2014, concurrent with the closing of the Acquisition. Pursuant to the TSA, DE provided certain transition services to Enercare Solutions relating to, among other things, the provision of ongoing information technology and decoupling from DE's information technology platform for an initial period of up to 15-months and a proviso that either party could extend the TSA for up to two additional 3-month terms. With the transition complete, the agreement was not extended and expired on December 20, 2015.

Enercare Solutions Completes the Transfer of the Pension Assets and Liabilities from DE

On December 1, 2015, Enercare Solutions received regulatory approval for the settlement and transfer of pension assets and liabilities from the DE Plan to the DE established mirror pension plan (“RPP”) with respect to employees transferred in the Acquisition. This transfer was completed on January 28, 2016. Also, on January 28, 2016, the Reimbursement Right – Pension was settled through a $11,107 payment received from DE representing $84,360 of pension liabilities net of $73,453 of pension assets and $200 of wind up expenses, as of December 22, 2015. Effective as of January 28, 2016, Enercare Solutions assumed all responsibilities related to the sponsorship and administration of the RPP.

Enercare Solutions Signs Agreement to Acquire Service Experts

On March 7, 2016, Enercare and Enercare Solutions announced that Enercare Solutions has entered into a definitive merger agreement (the “Merger Agreement”) pursuant to which an indirect wholly-owned subsidiary of Enercare Solutions will acquire, through a merger, SEHAC Holdings Corporation (“Service Experts” or “SE”) (the “Transaction”) for consideration of US$340,750, excluding transaction costs (the “Consideration”), subject to customary working capital and other adjustments.

Transaction Highlights

- Provides Enercare Solutions with North American market leadership in home services.
- Geographic diversification provides access to large U.S. HVAC services market.
- Allows Enercare Solutions to introduce its rental products and service offerings to Service Experts’ customers.
- Step up in tax basis provides an estimated US$65,000 in tax shelter value.
- The Transaction is expected to close in the second quarter of 2016.

In conjunction with the Transaction, Enercare also announced that it entered into an agreement with a syndicate of underwriters to issue, on a bought deal basis, approximately $218,000 of subscription receipts (the “SE Subscription Receipts”) to finance a portion of the Consideration with the remainder being financed with a committed term loan provided by Enercare Solutions' existing lenders (the "Lenders").

In addition to the SE Subscription Receipts to be issued in the Offering, the Chief Executive Officer and certain other officers of Service Experts have indicated to Enercare that, concurrently with the closing of the Offering (as defined below) they intend, to subscribe for approximately $1,600 of SE Subscription Receipts at the Offering Price (as defined below) on a private placement basis (the “Concurrent Private Placement”). It is expected that the SE Subscription Receipts (and underlying Shares) issued in the Concurrent Private Placement will be subject to a contractual hold period of six months from closing.

The Transaction

Founded in 1996, Service Experts is a leading provider of HVAC service and repairs and related services to residential and commercial customers in 29 states in the United States and 3 provinces in Canada. Headquartered in Dallas, Texas, Service Experts is one of North America's largest heating and air conditioning companies, with 90 locations, 41 of which are located in the top 100 U.S. metropolitan statistical areas, and approximately 2,800 employees serving approximately 2,000 homes and businesses, on average, each working day.

The segments of the market served by Service Experts include:

- residential HVAC service and replacement;
- ancillary residential home services, including plumbing, indoor air quality and energy audits;
- commercial HVAC service and replacement for both light commercial customers and national accounts; and

- HVAC installation in commercial and residential new construction.

Service Experts focuses primarily on service and replacement offerings with approximately 95% of revenue coming from these segments.

Closing of the Transaction, which is expected to occur in the second quarter of 2016, is subject to customary closing conditions, including antitrust approvals in the United States and Canada. The Transaction is not subject to any due diligence or financing conditions.

Pro Forma Financial Highlights for Enercare

For the year ended December 31, 2015, if Service Experts and Enercare had been combined, the following would be the pro forma impact on certain of Enercare's metrics:

- Enercare's pro forma revenue of approximately $1,118,854, an increase of 98%
- Enercare's pro forma Acquisition Adjusted EBITDA of approximately $271,840, an increase of 16%
- Enercare's Normalized pro forma Distributable Cash of approximately $124,289, an increase of 37%

Enercare Solutions anticipates that the Transaction will have a substantially similar positive impact on its financial metrics as discussed in Enercare's MD&A for the year ended, December 31, 2015, having regard to the impact to Enercare of Enercare's sub-metering and corporate segments and the elimination of intercompany amounts.

For a reconciliation of Non-IFRS financial measures see Enercare's MD&A for the year ended, December 31, 2015.

Financing the Transaction

Equity Financing

In order to finance a portion of the Consideration and costs related to the Transaction, Enercare has entered into an agreement with a syndicate of underwriters (the "Underwriters") to sell 14,296,000 SE Subscription Receipts on a bought deal basis. The SE Subscription Receipts will be offered at a price of $15.25 per SE Subscription Receipt (the "Offering Price"), for gross proceeds to Enercare of $218,000 (the "Offering"). Enercare has also granted the Underwriters an over-allotment option to purchase up to an additional 1,429,600 SE Subscription Receipts (or, in certain circumstances, Shares), on the same terms and conditions as the Offering, exercisable no later than 30 days after the closing of the Offering.

Each SE Subscription Receipt represents the right of the holder to receive, upon closing of the Transaction, without payment of additional consideration, one Share plus an amount per Share, equal to the amount per Share of any dividends for which record dates have occurred during the period from the closing date of the Offering to the date immediately preceding the closing date of the Transaction, less withholding taxes, if any. Closing of the Offering is expected to occur on or about March 30, 2016, subject to TSX and other necessary regulatory approvals. The net proceeds from the Offering will be used to finance, in part, the Transaction, as well as Transaction-related costs and general working capital requirements, once the proceeds are released from escrow.

Debt Financing

In order to finance the remainder of the Consideration, Enercare Solutions has entered into a commitment with the "Lenders" pursuant to which the Lenders have committed, subject to customary conditions, to provide debt financing to Enercare Solutions in the form of an unsecured 4-year variable rate term credit facility in an aggregate amount of US$200,000 (the "Credit Facility"), which Enercare Solutions expects to fully draw at closing of the Transaction.

In addition, the Lenders have also provided a fully committed bridge facility in the amount of US$140,750 should the Offering not close.

Non-IFRS Financial Measures

The foregoing disclosure with respect to the Transaction includes certain adjusted financial measures which are not defined under International Financial Reporting Standards (IFRS) as noted below. Enercare Solutions' method of calculating the non-IFRS measures may differ from the methods used by other issuers. Therefore, Enercare Solutions' non-IFRS measures may not be comparable to similar measures presented by other issuers.

Pro Forma Acquisition Adjusted EBITDA

Pro Forma Acquisition Adjusted EBITDA is a pro forma measure comprised of pro forma net earnings plus income taxes, interest expense, amortization expense, impairment losses, loss on disposal of equipment, less investment income, however, eliminates the additional one-time costs associated with the acquisition of Service Experts, professional fees associated with due diligence, pre and post-merger integration, expenditures associated with business transformation initiatives, severance and other costs in SG&A. This measure further includes the SE Pro Forma Adjustments. This is one metric that can be used to determine Enercare's ability to service its ongoing debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Pro Forma Acquisition Adjusted EBITDA is reconciled with net earnings, an IFRS measure.

Normalized Pro Forma Distributable Cash

This is a pro forma measure calculated from pro forma net earnings, plus non-cash items such as deferred income taxes, amortization, contributions to defined benefit pension plan, defined benefit plan expense, deferred customer inducements and non-recurring expenses related to the Acquisition and transition of OHCS, plus the proceeds on disposal of rental equipment, less rental capital expenditures (excluding growth capital) and other non-recurring income. Normalized Pro Forma Distributable Cash eliminates the effect of a $19,001 tax deferral obtained in 2015 as a result of the acquisition of OHCS. Management has presented Normalized Pro Forma Distributable Cash to illustrate Enercare's recurring cash generated from the business available to service debt, financial capital expenditures and provide payment of dividends to shareholders. Normalized Pro Forma Distributable Cash is reconciled with net earnings and cash from operating activities, IFRS measures.

For the purposes of the Non-IFRS measures relating to the Transaction, "SE Pro Forma Adjustments" mean further adjustments to the identified measure to eliminate items that (i) are adjusted pursuant to the Merger Agreement and therefore will not be incurred by Enercare, or (ii) will not be incurred by Enercare subsequent to the closing of the Transaction. SE Pro Forma Adjustments include adjustments on account of management fees paid by Service Experts to its parent company and standby and other fees paid to the lender in a Service Experts credit facility that will not be continued following the closing of the Transaction and, in the case of Pro Forma Adjusted EBITDA, stock appreciate rights granted to employees of Service Experts.

Cautionary Note Regarding Forward-Looking Statements

This section of this MD&A contains forward-looking information within the meaning of applicable Canadian securities laws (“forward-looking statements”). Statements other than statements of historical fact contained in this section of this MD&A may be forward-looking statements, including, without limitation, management’s expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to Enercare Solutions, including Enercare Solutions’ business operations, business strategy and financial condition. Forward-looking statements may include words such as “anticipates”, “believes”, “budgets”, “could”, “estimates”, “expects”, “goal”, “intends”, “may”, “outlook”, “plans”, “strive”, “target” and “will”, although not all forward-looking information contains these words.

Some of the specific forward-looking statements in this presentation include, but are not limited to, statements with respect to the following:

- timing and completion of the Transaction;
- the investment by the Chief Executive Officer and certain other officers of Service Experts in SE Subscription Receipts pursuant to the Concurrent Private Placement;
- other statements made in this section of this MD&A regarding accretion or other financial enhancements anticipated to arise as a result of the Transaction;
- the impact of the Transaction on Enercare Solutions’ business and current and anticipated economic conditions.

These forward-looking statements may reflect the internal projections, expectations, future growth, results of operations, performance, business prospects and opportunities of Enercare Solutions and are based on information currently available to Enercare Solutions and/or assumptions that Enercare Solutions believes are reasonable. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements, as they are subject to a number of risks and uncertainties. In developing these forward-looking statements, certain material assumptions were made. These forward-looking statements are also subject to certain risks. These factors include, but are not limited to:

- actual future market conditions being different than anticipated by management;
- the failure to realize the anticipated benefits of the Transaction; and
- the risks and uncertainties described under “Risk Factors” in this MD&A.

Material factors or assumptions that were applied to drawing a conclusion or making an estimate set out in forward-looking statements including pro forma financial information include:

- the view of management regarding current and anticipated market conditions;
- industry trends remaining unchanged;
- the successful completion of the Transaction and the financing thereof;
- the financial and operating attributes of Enercare Solutions and Service Experts as at the date hereof and the anticipated future performance of Enercare Solutions and Service Experts following the Transaction;
- assumptions regarding the interest rates of the Credit Facility and foreign exchange rates;
- the extent to which the Transaction is accretive, which may be impacted by final financing arrangements, the realization and timing of synergies and the operating performance of Enercare Solutions and Service Experts post Transaction;
- assumptions regarding non-recurring transaction costs estimated to be incurred by Enercare in connection with the Transaction; and
- assumptions regarding future selling, general and administration costs estimated to be incurred by Enercare Solutions in connection with the running of Service Experts by it following the Transaction.

There can be no assurance that the Transaction will occur or that the anticipated strategic benefits and operational, competitive and cost synergies will be realized. The Transaction is subject to various conditions, including anti-trust approvals in the United States and Canada, and there can be no assurance that any such approvals will be obtained and/or any such conditions will be met. The Transaction could be modified, restructured or terminated at any time.

Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although forward-looking statements contained in this section of this MD&A are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on such forward-looking statements and assumptions as management cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Enercare Solutions. These forward-looking statements are subject to change as a result of new information, future events or other circumstances in which case they will only be updated by Enercare Solutions where required by law. These forward-looking statements speak as of the date of this MD&A.

RESULTS OF OPERATIONS

Overview

Consolidated Financial Highlights (000's)	**2015**	2014	2013
Total revenues	**$430,109**	$ 246,036	$193,249
Earnings before income taxes	**49,188**	28,117	9,843
Current tax (expense)	**(7,006)**	(26,374)	(21,685)
Deferred income tax recovery	**(5,414)**	19,048	18,627
Net earnings	**$ 36,768**	$ 20,791	$ 6,785
EBITDA	**216,998**	163,593	153,236
Adjusted EBITDA	**222,352**	173,860	169,323
Acquisition adjusted EBITDA	**231,520**	181,582	169,323
Total assets	**1,322,556**	1,356,834	736,926
Total debt	**1,291,085**	1,299,245	832,121
Cash provided by operating activities	**$ 139,056**	$ 128,481	$ 98,078

2015 vs. 2014

Total revenues increased by approximately 75% or $184,073 to $430,109 in 2015. The improved revenues were the result of an increase in contracted, sales and other services revenues of $184,137 or 76% to $426,471, driven by approximately $176,800 of revenues generated following the Acquisition and approximately $7,400 from a rental rate increase effective January 2016, improved billing completeness, asset mix changes and growth in rental HVAC units. Net earnings were $36,768 in 2015, $15,977 higher than 2014 as a result of improved EBITDA, partly offset by higher amortization expenses and total taxes and increased interest expenses primarily from the increase in the promissory note resulting from the Acquisition.

EBITDA increased by 33% or $53,405 as a result of improved revenues and lower losses on disposal of equipment, partially offset by a combined increase in cost of goods sold and SG&A expenses of $135,237, driven primarily by the Acquisition, including related rebranding and integration costs. Adjusted EBITDA increased by $48,492 or 28% after removing from EBITDA the impact of a reduced loss on disposal of equipment and including other income. After removing net expenditures of $9,168 associated with the Acquisition, Adjusted EBITDA was $231,520 in 2015, an increase of $49,938 over the same period in 2014.

Total assets decreased by approximately $34,278 in 2015, primarily due to the amortization of intangible assets and equipment. Total debt decreased by $8,160 primarily from $59,000 of repayments of the Subordinated Promissory Notes, partially offset by $50,000 which was drawn on the Revolver during the year. Cash flow from operating activities increased by $10,575 in 2015, primarily as a result of improved EBITDA, higher amortization and deferred income taxes partly offset by higher accounts receivable (see the discussion in "*Liquidity and Capital Resources – Cash from Financing*" in this MD&A).

2014 vs. 2013

Total revenues increased by approximately 27% or $52,787 to $246,036 in 2014. The improved revenues were the result of an increase in contracted, sales and other services revenues of $52,896 or 28% to $242,334, driven primarily by $46,065 of revenues generated following the Acquisition and $6,831 from a rental rate increase effective January 2014. Net earnings were $20,791 in 2014, $14,006 higher than 2013 as a result of improved EBITDA, lower interest expense and the non-recurring make-whole payment of $13,754 incurred in 2013, partially offset by reduced other income, higher bridge financing charges, professional fees associated with the Acquisition and total taxes payable.

EBITDA increased by 7% or $10,357 as a result of improved revenues and lower losses on disposal of equipment, partially offset by a combined increase in cost of goods sold and SG&A expenses of $44,320, of which $46,067 was driven by expenses incurred in the business following the Acquisition. Adjusted EBITDA increased by $4,537 or 3% after removing from EBITDA the impact of a reduced loss on disposal of equipment and including other income. After removing net expenditures of $7,722 associated with the Acquisition, Adjusted EBITDA was $181,582 in 2014, an increase of $12,259 over the same period in 2013.

Total assets increased by approximately $619,908 in 2014, primarily due to the Acquisition, partly offset by the amortization of intangible assets and equipment. Total debt increased to $1,299,245 as a result of the New Debt Financing related to the Acquisition, the issuance of promissory notes and repayment of the Previous Term Loan. Cash flow from operating activities increased by $30,403 in 2014, primarily as a result of improved EBITDA and lower accounts receivable (see the discussion in "*Liquidity and Capital Resources – Cash from Financing*" in this MD&A).

Earnings Statement

(000's)	**2015**	2014
Revenues:		
Contracted revenue	**$390,509**	$231,454
Sales and other services	**35,962**	10,880
Dividend income	**3,452**	3,460
Investment income	**186**	242
Total revenue	**$430,109**	$246,036
Expenses:		
Cost of goods sold:		
Maintenance & servicing costs	**61,164**	10,600
Sales and other services	**25,448**	7,743
Total cost of goods sold	**86,612**	18,343
SG&A expenses	**117,507**	50,539
Amortization expense	**118,011**	98,387
Net loss on disposal	**5,354**	9,859
Interest expense	**53,437**	41,199
Total expenses	**380,921**	218,327
Other income	**-**	408
Earnings before income taxes	**49,188**	28,117
Current tax (expense)	**(7,006)**	(26,374)
Deferred tax (expense) / recovery	**(5,414)**	19,048
Net earnings	**$36,768**	$ 20,791
EBITDA	**$216,998**	$163,593
Adjusted EBITDA	**$222,352**	$173,860
Acquisition Adjusted EBITDA	**$231,520**	$181,582

Revenues

Total revenues of $430,109 for 2015 increased by $184,073 or 75% compared to 2014.

Home Services revenues, excluding dividend and investment income, increased by $184,137 to $426,471 compared to 2014, primarily as a result of additional revenue added through the Acquisition of approximately $176,800. The remaining increase of approximately $7,400 was primarily due to a rental rate increase implemented in January 2015, improved billing completeness, changes in asset mix and growth in rental HVAC units. Contracted revenue in Home Services represents revenue generated by the Rentals portfolio and protection plan contracts, while sales and other services revenue mainly pertains to one-time sales and installations of residential furnaces, boilers and air conditioners as well as plumbing, duct cleaning and other services.

Dividend income for 2015 was $3,452 consistent with the same period in 2014.

Investment income was $186 in 2015, a reduction of $56 compared to 2014. The change in investment income was primarily attributable to lower investment balances in 2015.

Cost of Goods Sold

Total cost of goods sold were $86,612 in 2015, compared to $18,343 in 2014. Home Services cost of goods sold increased by $68,269 compared to 2014, primarily due to expenses resulting from the increased scope of the business following the Acquisition offset by approximately $1,300 relating to supplier reimbursements and other items recorded in the second quarter of 2015. Maintenance and servicing costs in Home Services primarily consist of protection plan expenses and servicing costs related to the rental portfolio, while sales and other services expenses mainly pertain to one-time sales and installations of residential furnaces, boilers, air conditioners and small commercial products as well as plumbing duct cleaning and other cleaning services.

Selling, General & Administrative Expenses

Total SG&A expenses were $117,507 in 2015, an increase of $66,968 or 133% compared to 2014, primarily due to additional expenses resulting from the increased scope of the business following the Acquisition. The $66,968 increase over 2014 was primarily as a result of approximately $26,100 in wages and benefits, $13,000 of billing and servicing costs, $12,500 in charges from Enercare, $12,000 in selling expenses, $5,000 in office expenses, $2,000 in bad debts and $550 in claims expenses, partly offset by $4,200 of lower professional fees. During the third quarter of 2015 there were one-time items totaling approximately $1,400, resulting in improvements to SG&A expenses. These improvements arose from revisions to estimates related to costs resulting from the Acquisition.

During 2015, SG&A expenses included $9,168 of integration costs associated with the Acquisition, primarily from marketing expenditures related to rebranding and IT integration activities. In 2014, SG&A expenses included $7,722 of Acquisition expenditures primarily consisting of professional fees associated with the entering into of the Asset Purchase Agreement and marketing related rebranding expenditures.

Amortization Expense

Amortization expense increased by $19,624 or 20% in 2015, primarily due to, additional Acquisition related amortization from capital and intangible assets of $2,947 and $16,037, respectively. The remaining increase of $640 over 2014 was primarily from an increasing capital asset base from asset mix changes in the Rentals portfolio.

Loss on Disposal of Equipment

Enercare Solutions reported a net loss on disposal of equipment of $5,354 in 2015, a reduction of $4,505 or 46%, over the same period in 2014. The net loss on disposal amount is influenced by the number of assets retired, proceeds on disposal of equipment, changes in the retirement asset mix and the age of the assets retired.

Interest Expense

(000's)	**2015**	2014
Interest expense payable in cash	**$25,719**	$23,537
Equity bridge financing fees	**-**	775
Interest on subordinated debt	**3,500**	3,510
Interest on promissory note	**22,281**	12,464
Non-cash items:		
Notional interest on employee benefit plans, net	**1,096**	254
Amortization of financing costs	**841**	659
Interest expense	**$53,437**	$41,199

Interest expense payable in cash increased by $2,182 to $25,719 in 2015 compared to 2014, primarily due to the increase in the New Term Loan related to the financing of the Acquisition. Interest on the $50,000 Subordinated Debt was consistent with the prior period. The Acquisition resulted in an increase of the Subordinated Promissory Notes from $250,000 to $567,367, of which $59,000 was repaid during 2015. This increase in the balance of the Subordinated Promissory Notes resulted in higher interest expense in 2015 compared to the same period in 2014. Notional interest of $1,096 in 2015 relate to the employee benefits plans acquired as part of the Acquisition. Amortization of financing costs includes the previously unamortized costs associated with the 2012 Notes, 2013 Notes and in 2015, the New Term Loan. Equity bridge financing fees of $775 were incurred as part of the Acquisition.

Other Income

During 2014, Enercare Solutions realized a settlement of $408 from DE on account of the reclassification of certain water heaters under the Co-ownership Agreement to Enercare Solutions' owned portfolio, originally associated with the Toronto Hydro Energy Services Inc. portfolio acquisition.

Income Taxes

Enercare Solutions reported current tax expenses of $7,006 in 2015 a reduction of $19,368 over 2014, primarily as a result of a one year tax deferral available through a subsidiary of Enercare Solutions. The deferred income tax expenses of $5,414 for 2015 was $24,462 higher compared to the deferred tax recovery recorded in the same period in 2014, primarily as a result of temporary difference reversals.

Net Earnings

Net earnings in 2015 were $36,768 or $15,977 higher than in 2014 as previously described.

EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA

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

(000's)	**Q4/15**	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14
Net earnings	**$8,445**	$10,631	$12,536	$ 5,156	$ 3,202	$ 4,031	$ 7,078	$ 6,480
Deferred tax expense/(recovery)	**814**	1,755	484	2,361	(4,473)	(7,046)	(3,941)	(3,588)
Current tax expense	**2,786**	1,089	1,297	1,834	5,923	8,462	6,203	5,786
Amortization expense	**29,995**	29,646	29,256	29,114	28,609	23,514	23,260	23,004
Interest expense	**13,047**	13,386	13,462	13,542	12,845	9,980	9,188	9,186
Dividend (income)	**(863)**	(863)	(863)	(863)	(870)	(870)	(860)	(860)
Other (income)	**-**	-	-	-	-	-	-	(408)
Investment (income)	**(32)**	(38)	(44)	(72)	(67)	(66)	(75)	(34)
EBITDA	**54,192**	55,606	56,128	51,072	45,169	38,005	40,853	39,566
Add: Net loss on disposal	**1,029**	1,001	1,572	1,752	2,180	2,304	2,371	3,004
Add: Other income	**-**	-	-	-	-	-	-	408
Adjusted EBITDA(1)	**55,221**	56,607	57,700	52,824	47,349	40,309	43,224	42,978
Add: Acquisition SG&A	**3,012**	3,767	1,777	612	4,138	3,584	-	-
Acquisition Adjusted EBITDA	**$58,233**	$60,374	$59,477	$53,436	$51,487	$43,893	$43,224	$42,978

(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 and the Acquisition results commencing in the fourth quarter of 2014.
2. Increasing current taxes from higher taxable income. Commencing in the first quarter of 2015, current taxes reflect the impact of a one year tax deferral available through a subsidiary of Enercare Solutions.
3. In the third quarter of 2014, additional interest expense was incurred as part of the Acquisition, related to the bridge financing. Commencing in the fourth quarter of 2014, interest expense reflects higher debt related to the financing of the Acquisition.
4. Amortization and net loss on disposal of equipment are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units. Commencing in the fourth quarter of 2014, amortization reflects increases from the amortization of capital assets and intangibles following the Acquisition.
5. Other income relates to settlements with DE on account of installation and billing matters.

LIQUIDITY AND CAPITAL RESOURCES

(000's)	**2015**	2014
Cash flow from operating activities	**$139,056**	$128,481
Net change in non-cash working capital	**28,763**	(17,287)
Operating Cash Flow[2]	**167,819**	111,194
Capital expenditures: excluding acquisitions	**(103,404)**	(77,943)
Proceeds on disposal of equipment	**7,866**	5,426
Net capital expenditures	**(95,538)**	(72,517)
Acquisition – CNI	**(863)**	-
Acquisition – Niagara portfolio	**-**	(3,035)
Acquisition – OHCS	**-**	(440,113)
Cash used in investing activities	**(96,401)**	(515,665)
Dividends paid	**(68,639)**	(43,885)
Other financing activities	**(9,290)**	466,125
Cash used in financing activities	**(77,929)**	422,240
Cash and equivalents – end of period	**$17,581**	$52,855

Operating Cash Flow of $167,819 increased by $56,625 in 2015 compared to the same period in 2014, primarily as a result of improved revenues, changes in non-cash working capital, partially offset by increased cost of goods sold, SG&A and net taxes. During 2014 and 2015, cash used in operating activities and the change in non-cash working capital were both influenced by the Enbridge prepayment on December 31, 2014, for December's Enercare Solutions billings in advance of its normal settlement dates. Under the OBA cash is typically paid 21 days after billing.

Net capital expenditures of $103,404 in 2015 increased by $25,461 compared to 2014, due to increased HVAC rentals, changes in asset mix and expenditures related to the decoupling from DE's information technology platform. Acquisition costs in 2015 include $863 in respect of the purchase of the CNI rental portfolio in the first quarter of 2015. In 2014, the acquisition of $3,035 represents the purchase of the ESN rental portfolio during the first quarter while the Acquisition of $440,113 represents the cash portion of the purchase price of OHCS in the fourth quarter.

Dividends paid reflect dividend payments on outstanding Shares.

Other financing activities in 2015 primarily reflect the $59,000 repayment of the Subordinated Promissory Notes and the repayment of obligations under finance leases during the period, partly offset by $50,000 which was drawn on the New Revolver during the fourth quarter.

Of the available credit of $100,000 under the New Revolver, $50,000 was drawn as at December 31, 2015.

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.

Management believes that Enercare Solutions has sufficient cash flow, cash on hand and available credit to meet its 2016 obligations, including capital expenditures, financing activities and working capital requirements for its businesses.

Capital Expenditures

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

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

Installed Asset Unit Continuity (000's)	**2015**	2014
Units – start of period	**1,129**	1,145
Portfolio additions	**33**	24
Acquisitions	**1**	2
Attrition	**(35)**	(42)
Units – end of period	**1,128**	1,129
Asset exchanges – units retired and replaced	**46**	51
% change in units during the period	**(0.1%)**	(1.4%)
% of units from start of period:		
Portfolio additions (net of acquisitions)	**2.9%**	2.1%
Attrition	**(3.1%)**	(3.7%)
Units retired and replaced	**4.1%**	4.5%

Net capital expenditures for the Rentals portfolio include unit additions and asset exchanges, net of proceeds on disposal and exclude assets not yet commissioned. In 2015 net capital expenditures for the Rentals portfolio were $88,635, increasing by 24% or $16,888 when compared to 2014, primarily as a result of increased HVAC rentals.

Attrition decreased in 2015 by 7,000 units or 17% compared to 2014. Enercare Solutions has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with Bill 55 as well as enhancements to our customer value proposition (for example, the "same day service campaign"), have helped to significantly reduce Attrition in recent years.

Cash from Financing

Financing activities for Enercare Solutions may reflect dividend payments, periodic financing of Enercare Solutions' indebtedness and share issuances. During 2015, Enercare Solutions' recorded $9,000 of financing repayments, excluding dividends and obligations under finance lease. During 2015, Enercare Solutions drew $50,000 on the New Revolver and repaid $59,000 of the Subordinated Promissory Notes.

Capitalization (000's)	**2015**	2014
Cash and cash equivalents	**$ 17,581**	$ 52,855
Net investment in working capital	**34,397**	6,654
Cash, net of working capital	**51,978**	59,509
Total senior debt	**682,718**	681,878
New Revolver	**50,000**	-
Promissory note	**508,367**	567,367
Subordinated debt	**50,000**	50,000
Shareholder's equity	**(185,483)**	(153,561)
Total capitalization – book value	**$1,105,602**	$1,145,684

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, 2015, total debt was comprised of the 2012 Notes, the 2013 Notes and the New Term Loan.

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

Debt Financing

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

The New Debt Financing is an amendment and restatement of Enercare Solutions' Previous Revolver, with substantially similar terms to that facility but with the following material additions and revisions made to reflect the inclusion of the New Term Loan and contemplation of the Acquisition: (i) the addition of the New Term Loan commitments, (ii) the addition of EHCS LP and the general partner of EHCS LP as guarantors, (iii) the revision to the definition of "Adjusted EBITDA" to include add-backs for Acquisition-related transaction expenses, one-time rebranding costs and information technology system harmonization costs not to exceed $23,500, (iv) increase in the "basket" sizes permitted under certain covenants and events of default (to take into account the increase of assets under management due to the Acquisition), and (v) favourable changes to the financial covenants as described below.

The Previous Revolver and Previous Term Loan contained 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 Previous Revolver and Previous Term Loan defined "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 with DE (as assigned to Enercare Solutions in connection with the Acquisition), amortization and depreciation expenses, income taxes and any other non-cash items, losses on hedging contracts, proceeds of disposal of water heaters in the ordinary course of business, determined on a consolidated basis. The Previous Revolver and Previous Term Loan essentially defined "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 New Debt Financing contains financial covenants that are more favourable than the Previous Revolver and Previous Term Loan. The ratio of total debt (other than subordinated debt) to Adjusted EBITDA described above must now only be less than 4.75:1, and the financial covenant pertaining to the ratio of Adjusted EBITDA less capital expenditures to Cash Interest Expense described above has been removed entirely. The New Debt Financing also contains substantially similar definitions to those of the Previous Revolver and Previous Term Loan except that "Adjusted EBITDA" adds back certain specified items incurred with respect to the Acquisition, including transaction expenses, one-time rebranding costs and information technology system harmonization costs, not to exceed $23,500.

Enercare Solutions was in compliance with the covenants within the New Revolver and New Term Loan as of December 31, 2015. A total of $50,000 was drawn under the New Revolver at December 31, 2015.

2012 Notes and 2013 Notes – Incurrence Test

The covenants in respect of the 2012 Notes and 2013 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test is less than 3.8 to 1.

On December 31, 2015, Enercare Solutions exceeded this minimum and had the capacity under the covenant to raise more than $300,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	**Q4/15**	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14
Total revenues	**$110,160**	$107,721	$107,280	$104,948	$96,257	$50,090	$50,159	$49,530
Net earnings	**8,445**	10,631	12,536	5,156	3,202	4,031	7,078	6,480
Dividends declared	**$ 18,705**	$ 19,245	$ 19,308	$ 11,987	$16,648	$ 8,486	$10,600	$10,312

In addition to quarterly comments found under "*Results of Operations – EBITDA and Adjusted EBITDA*", differences in net earnings between quarters reflect the timing of expenses, current tax expense, the temporary difference reversals of deferred income tax and the impact of the Acquisition in the fourth quarter of 2014. Dividends declared primarily reflect the change in outstanding Shares over time as well as the dividend increases implemented in the first quarters of 2014 and 2015.

SUMMARY OF CONTRACTUAL DEBT AND LONG TERM OBLIGATIONS

The following schedule summarizes the contractual debt and long term obligations of Enercare Solutions at December 31, 2015:

Period	Debt		Finance Leases		Other
(000's)	Principal	Interest	Principal	Interest	Obligations
Due in 2016	$ -	$25,864	$2,061	$206	$1,641
Due in 2017	250,000	25,864	1,766	138	724
Due in 2018	210,000	14,363	1,363	81	165
Due in 2019	50,000	11,130	903	40	111
Due in 2020	225,000	5,175	455	14	115
Thereafter	-	-	147	2	29
Total	$735,000	$82,396	$6,695	$481	$2,785

As at December 31, 2015, 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. The New Term Loan, maturing on October 20, 2018, bears interest at a variable rate based upon the banker's acceptance rate plus 1%, which was 1.821% at December 31, 2015.

At December 31, 2015, $50,000 was drawn on the New Revolver. The New Revolver bears a standby charge of 0.20%, and interest on amounts drawn at a variable rate based upon the banker's acceptance rate plus 1%, which was 1.866% at December 31, 2015. The New Revolver has not been included in the above schedule.

The obligations under finance leases are secured by the leased vehicles and bear floating interest rates that are 2.5% above the 1-month banker's acceptance rate, per annum, which are contingent on market rates. The finance leases mature at dates ranging between January 2016 and November 2021.

Other obligations include premises, sponsorships and office equipment. Substantially all of the future expense obligations are the result of naming rights for the Enercare Centre and leased premises.

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, 2015, there were 1,169 common shares issued and outstanding.

FOURTH QUARTER RESULTS OF OPERATIONS

Earnings Summary (000's)	**2015**	2014
Revenues:		
Contracted revenue	**$101,544**	$84,513
Sales and other services	**7,721**	10,807
Dividend income	**863**	870
Investment income	**32**	67
Total revenues	**$110,160**	$96,257
Expenses:		
Cost of goods sold:		
Maintenance and servicing costs	**$ 15,894**	$10,600
Sales and other services	**5,928**	7,693
Total cost of goods sold	**21,822**	18,293
SG&A expenses	**32,222**	29,678
Amortization expense	**29,995**	28,609
Net loss on disposal	**1,029**	2,180
Interest expense	**13,047**	12,845
Total expenses	**98,115**	91,605
Other income	**-**	-
Earnings before income taxes	**12,045**	4,652
Current tax (expense)	**(2,786)**	(5,923)
Deferred tax (expense) / recovery	**(814)**	4,473
Net earnings	**$ 8,445**	$ 3,202
EBITDA	**$ 54,192**	$45,169
Adjusted EBITDA	**$ 55,221**	$47,349
Acquisition Adjusted EBITDA	**$ 58,233**	$51,487

Fourth Quarter Overview

Unless stated otherwise, the narrative in this section is in reference to the operating results for the fourth quarter of 2015 as compared to the same period in 2014.

Revenues

Total revenues of $110,160 in 2015 increased by $13,903 or 14% compared to 2014.

Home Services revenue, excluding dividend and investment income, for the period increased by $13,945 to $109,265, primarily as a result of 19 additional days, in 2015, of revenues added through the Acquisition, rental rate increases implemented in January 2015, improved billing completeness and changes in asset mix, partially offset by the impact of net Attrition. Contracted revenues represent revenues generated by the Rentals units and protection plan contracts, while sales and other services revenues mainly pertain to royalties from franchisee protection plan sales, one-time sales and installations of residential furnaces, boilers, air conditioners and small commercial products as well as plumbing and duct cleaning services. During the fourth quarter of 2015, temperatures remained unseasonably warmer, as the number of heating degree days[3] in this period was approximately 23% lower than in the fourth quarter of 2014, and the lowest fourth quarter in the past 20 years. This led to lower furnace breakdowns and therefore lower demand for HVAC replacements and repair. Consequently, Enercare Solutions had fewer HVAC sales opportunities, but nonetheless increased sales over the comparable period in 2014.

Dividend income was consistent with 2014 and relates to preferred shares from ECI, which is wholly-owned by Enercare.

Investment income was $32, $35 lower than 2014, primarily from lower investment income balances in 2015.

Cost of Goods Sold

Cost of goods sold increased by $3,529 compared to 2014, primarily due to 19 additional days, in 2015, of expenses resulting from the increased scope of the business following the Acquisition. Maintenance and servicing costs primarily consist of protection plan expenses and servicing costs related to the Rentals portfolio while sales and other services expenses mainly pertain to one-time sales and installations of residential and commercial furnaces, water heaters, boilers, air conditioners as well as plumbing and duct cleaning services.

Selling, General & Administrative Expenses

Total SG&A expenses were $32,222 in 2015, an increase of $2,544 compared to 2014, primarily as a result of 19 additional days, in 2015, of additional expenses from the increased scope of the business following the Acquisition. The $2,544 increase over 2014 was primarily due to approximately $4,600 in charges from Enercare, $1,300 in selling expenses, $775 in office expenses and $700 in wages and benefits, partly offset by reductions of $2,800 in professional fees and $2,000 in billing and servicing costs. During the fourth quarter of 2015, SG&A expenses included $3,012 of costs associated with the Acquisition, mainly from marketing related rebranding and IT integration costs. During the fourth quarter of 2014, SG&A expenses included $4,138 of costs associated with the Acquisition, of which approximately $3,470 were professional fees, $480 selling expenses, $110 office expenses and $70 of contract labour.

Amortization Expense

Amortization expense of $29,995 was $1,386 higher than in 2014, primarily due to additional amortization from capital and intangible asset additions resulting from the Acquisition of $13 and $998, respectively. The remaining increase of $375 over 2014 was primarily from an increasing capital asset base from asset mix changes in the Rentals portfolio.

Loss on Disposal of Equipment

Net loss on disposal of equipment for the period was $1,029, a decrease of $1,151 or 53% over 2014. The decreased loss was primarily the result of lower Attrition, fewer exchanged assets during the period and higher proceeds on disposal of equipment.

Interest Expense

In 2015, interest expense of $13,047 was $202 higher than in 2014, primarily from an increase in Subordinated Promissory Notes, resulting from the Acquisition, and interest expense from the $50,000

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[3] Heating degree-days for a given day represent the number of Celsius degrees that the mean temperature is above or below a given base temperature, in this case 18°C. If the temperature is equal to or greater than 18°C, then the number will be zero. Values above or below the base of 18°C are used primarily to estimate the heating and cooling requirements of buildings.

drawn on the New Revolver during the fourth quarter of 2015, partly offset by lower interest rates on the New Term Loan.

Net Earnings

Earnings before income taxes in 2015 were $12,045, $7,393 better than 2014, as previously described. Net earnings were $8,445, an increase of $5,243 in 2015, reflecting a decrease of $3,137 in current taxes and lower deferred tax recoveries of $5,287 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' basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the consolidated financial statements for the period ended December 31, 2015.

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 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.

EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA, Operating Cash Flow and Capital Expenditures and Acquisitions should not be construed as alternatives to net income determined in accordance with IFRS as indicators of Enercare Solutions' performance.

Non-IFRS financial indicators used by Enercare Solutions and reported in this MD&A, in addition to the Non-IFRS financial measures described under "*Recent Developments – 2015 to 2016 to Date – Enercare Solutions Signs Agreement to Acquire Service Experts*", 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, Adjusted EBITDA and Acquisition Adjusted EBITDA*" in this MD&A.

Adjusted EBITDA

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 (see "*Results of Operations – EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA*" in this MD&A).

Acquisition Adjusted EBITDA

This measure reflects the same components as Adjusted EBITDA, however, eliminates the additional one-time costs associated with the Acquisition, including equity bridge financing fees related to the Acquisition, professional fees associated with due diligence, pre and post-Acquisition integration, expenditures associated with business transformation initiatives, rebranding, severance and other costs in SG&A. This is one metric that can be used to determine Enercare Solutions' ability to service its ongoing debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Acquisition Adjusted EBITDA is reconciled with net earnings, an IFRS measure (see *"Results of Operations – EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA"* in this MD&A).

Operating Cash Flow

Operating Cash Flow is the cash flow from operating activities excluding changes in non-cash working capital. It represents the net cash generated in earnings, excluding non-cash items. It is one indicator of the financial strength of Enercare Solutions. Operating Cash Flow is reconciled with cash flow from operating activities, an IFRS measure (see "*Liquidity and Capital Resources"* in this MD&A).

Measures Regarding Debt Covenants

As at December 31, 2015, Enercare Solutions was in compliance with all covenants under the 2012 Notes, 2013 Notes, New Revolver and New Term Loan. A summary of the financial covenants in respect of such debt, together with those of the New Debt Financing (see "*Liquidity and Capital Resources – Debt Financing*" in this MD&A).

New Revolver and New Term Loan

Under the New Revolver and New Term Loan agreements, Enercare Solutions is subject to three principal financial covenants as described in the section *"Liquidity and Capital Resources – Debt Financing"* in this MD&A. The covenants address interest and debt coverage. Enercare Solutions complied with these covenants on December 31, 2015. There was $50,000 drawn under the New Revolver at December 31, 2015.

2012 Notes and 2013 Notes – Incurrence Test

The covenants under the 2012 Notes and 2013 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test is less than 3.8 to 1.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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. Management applies judgment in its assessment of Enercare Solutions' arrangements with customers when determining the classification of leases and the extent to which the risks and rewards incidental to ownership lie with the company or the customer. In addition to leases, other estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following items are of significance for the period.

Revenue Accruals

At December 31, 2015, Enercare Solutions recorded a revenue accrual of approximately $47,200 (2014

- $45,800) reflecting accrued service periods. Unbilled protection plans comprise approximately $28,700 (2014 - $27,800) of this balance which is predominantly made up of protection plans sold in franchisee service areas which are recognized as royalty revenue at inception but are invoiced over a period of 12-months. The remaining unbilled revenues reflect accrued service periods for rental water heaters and other products.

Bad Debt Provisions

Enercare Solutions is exposed to credit risk in the normal course of business for customers who are billed directly by Enbridge within its service territory and secondarily when billed by Enercare Solutions or are billed by Enbridge outside of its service territory. For billing within the Enbridge service territory, Enercare Solutions was guaranteed payment by Enbridge for 99.49% in 2015 and 99.56% in 2014 of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued. For the remaining billings, Enercare Solutions considers several factors in the determination of the accounts receivable provision, which was approximately $6,100 at December 31, 2015, compared to approximately $3,400 in 2014.

Leases

Management applies judgment in its assessment of Enercare Solutions' arrangements with customers when determining the classification of leases and the extent to which the risks and rewards incidental to ownership resides with the company or the customer.

Impairment of Non-Financial Assets and Goodwill

Impairment tests are conducted at least annually, or when events or circumstanced indicate an impairment may exist. The recoverable amount is based upon a number of assumptions, including but not limited to: discount rates, billable units, cash flows and expenses. Changes in any of these assumptions may result in a materially different recoverable amount.

Employee Benefit Plans

Enercare Solutions maintains active employee defined benefit plans which are closed to new members. The balances related to these plans are subject to a number of assumptions. The actuarial valuations rely on estimates and assumptions including those for wage escalation, mortality, health care and dental costs inflation, retirement ages, life expectancies and discount rates. Changes in these estimates could have a material impact on the employee benefit plans liability and employee benefit plan costs.

Recoverability of Deferred Tax Assets

Deferred tax assets are recognized to the extent that realization is considered probable. Judgments regarding projected future income and tax planning strategies are considered in making this assessment.

Business Combination

With respect to the fair value of acquired assets and assumed liabilities and other adjustments related to the Acquisition, these consolidated financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations, under which, the total fair value of the consideration transferred has been assigned to the assets acquired and liabilities assumed based on their estimated fair values at the date of the respective acquisitions, with any excess purchase price allocated to goodwill.

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. Enercare Solutions has used the Internal Control – Integrated Framework (2013) from The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in order to assess the effectiveness of Enercare Solutions' internal control over financial reporting. There are no material weaknesses relating to the design of either DC&P or ICFR at December 31, 2015. There have been no changes to our ICFR during the quarter and year to date ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, Enercare Solutions' ICFR. The certifying officers have evaluated the effectiveness of Enercare Solutions' DC&P and ICFR at December 31, 2015 and are satisfied that Enercare Solutions' DC&P and ICFR were both effective as at December 31, 2015. Management also did not identify any material weaknesses in Enercare Solutions' ICFR at December 31, 2015.

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 the 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.

Adoption of New Accounting Standards

Enercare Solutions has adopted new or revised standards as required by IFRS, effective January 1, 2015.

IAS 19, "Employee Benefits" ("IAS 19"), was amended in November 2013. The amendments include changes to the accounting treatment of employee or third-party contributions to defined benefit plans under certain circumstances. This standard is required to be applied for accounting periods beginning on or after January 1, 2015. Enercare Solutions implemented the standard and has determined that it did not have an impact on the consolidated financial statements.

Accounting Standards Issued But Not Yet Applied

The following are accounting policy changes to be implemented by Enercare Solutions in future periods:

Revenue Recognition

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. Enercare Solutions is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Financial Instruments

The final version of IFRS 9, “Financial Instruments” (“IFRS 9”), was issued by the IASB in July 2014 and will replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces a model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Enercare Solutions is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Financial Instruments Disclosures

IFRS 7, “Financial Instruments: Disclosures” (“IFRS 7”), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. Enercare Solutions is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Presentation of Financial Statements

IAS 1, “Presentation of Financial Statements” (“IAS 1”) was amended by the IASB to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment gives guidance that information within the consolidated statements of financial position and consolidated statements of income should not be aggregated or disaggregated in a manner that obscures useful information, and that disaggregation may be required in the consolidated statements of income in the form of additional subtotals as they are relevant to understanding the entity’s financial position or performance. The amendments to IAS 1 are effective for periods beginning on or after January 1, 2016. Enercare Solutions is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Leases

IFRS 16, “Leases” (“IFRS 16”), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. Enercare Solutions is currently evaluating the impact of adopting this standard on the consolidated financial statements.

RISK FACTORS

The risks related to the business and structure of Enercare Solutions are discussed below, including a discussion of the risks related to the Transaction and the business of Service Experts.

Risks Related to the Transaction and Business of Service Experts

Possible Failure to Complete the Transaction

Completion of the Transaction is subject to the satisfaction of certain closing conditions, including the obtaining of certain regulatory approvals. As such, there is no assurance that the Transaction will be completed or, if completed, will be on terms that are substantially the same as those described herein. If the conditions to the Transaction are not satisfied, Enercare Solutions will not benefit from the Transaction and will have incurred significant management time and expenses.

Risks Related to the Integration of Service Experts into Enercare Solutions' Business

In order to achieve the anticipated benefits of the Transaction, Enercare Solutions will rely upon its ability to successfully retain staff, consolidate functions and integrate operations, procedures and personnel in a timely and efficient manner and to realize the anticipated growth opportunities from combining Service Experts and related operations with those of Enercare Solutions. The integration of Service Experts and related operations requires the dedication of management effort, time and resources, which may divert management's focus and resources away from other strategic opportunities and from operational matters during the integration process. The integration process may result in the disruption of ongoing business and customer relationships that may materially adversely affect Enercare Solutions' ability to achieve the anticipated benefits of the Transaction. The challenges involved in the integration may include, among other things: the necessity of coordinating both geographically disparate and geographically overlapping organizations; retaining key personnel during the period between execution of the Merger Agreement and the closing, including addressing the uncertainties of key employees regarding their future; integration of information technology systems and resources; integrating Service Experts into Enercare's accounting system and adjusting Enercare Solutions' internal control environment to cover Service Experts' operations; and performance shortfalls relative to expectations at one or both of the businesses as a result of the diversion of management's attention to the Transaction and integration.

Possible Failure to Realize Expected Returns on the Transaction

Business combinations such as the Transaction involve risks that could materially and adversely affect Enercare Solutions' business plan, including the failure of the Transaction to realize the results Enercare Solutions expects. There can be no assurance that management of Enercare Solutions will be able to fully realize some or all of the expected benefits of the Transaction, including, among other things, those described under "Recent Developments – 2015 and 2016 to Date – Enercare Solutions Signs Agreement to Acquire Service Experts". The ability to realize these anticipated benefits will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on the ability to realize growth opportunities and potential synergies from integrating Service Experts with Enercare Solutions' existing business following the closing of the Transaction. There is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management. The realization of some or all of such benefits may be affected by a number of factors, many of which are beyond the control of Enercare Solutions.

Foreign Exchange Risk

A significant majority of Service Experts' operations are conducted in United States dollars. Furthermore, Enercare Solutions is partially financing the Transaction through the Credit Facility and the proceeds thereof will be in United States dollars. As a result, fluctuations in the United States dollar against the Canadian dollar could have a material adverse effect on Enercare Solutions' business, financial condition, results of operations and cash flow, and its ability to satisfy debt service obligations as well as the returns it expects to realize from the Transaction.

Leverage Risk

Enercare Solutions' degree of leverage could have material adverse consequences for Enercare Solutions, including: limiting Enercare Solutions' ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; restricting Enercare Solutions' flexibility and discretion to operate its business; having to dedicate a portion of Enercare Solutions' cash flows from operations to the payment of interest on its existing indebtedness and not having such cash flows available for other purposes, including operations, capital expenditures and future business opportunities; exposing Enercare Solutions to increased interest expense on borrowings at variable rates (including the Credit Facility); limiting Enercare Solutions' ability to adjust to changing market conditions; placing Enercare Solutions at a competitive disadvantage compared to its competitors that have incurred less debt; making Enercare Solutions more vulnerable in a downturn in general economic conditions; and making Enercare Solutions unable to make capital expenditures that are important to its growth and strategies. As a result of the increased leverage arising as a result of the Transaction, there can be no assurance that any credit ratings assigned to Enercare Solutions' outstanding senior unsecured debentures and/or Enercare Solutions will not be revised by either or both of DBRS and S&P and any revision will affect the interest payable under the Credit Facility. Even where such credit ratings are not revised, real or anticipated changes in credit ratings can affect the cost at which Enercare Solutions can access the capital markets.

Risks Related to Entering a New Market

A substantial majority of Service Experts operations are in the United States, a jurisdiction where Enercare Solutions currently has no operations. Each of the risks applicable to Enercare Solutions' ability to successfully operate in Canada is also applicable to its ability to successfully operate the United States. In addition to these risks, Enercare Solutions may not possess the same level of familiarity with the dynamics and market conditions of the United States, or in local markets in the jurisdictions in which Service Experts operates, which could materially adversely affect its ability to expand into or operate in the United States or integrate Service Experts into Enercare Solutions' operations. The United States also presents a different regulatory environment, tax regime and degree of litigation risk when compared to Canada. Consequently, Enercare Solutions may be unable to achieve a desired return on its investments in the United States. If expansion into the United States by way of the Transaction is unsuccessful, it could materially adversely affect Enercare Solutions' business, financial condition, results of operations and cash flow and its ability to satisfy debt service obligations.

Assumption of Service Experts' Liabilities

Under the terms of the Merger Agreement, Enercare Solutions will effectively assume all of Service Experts liabilities post-closing. Enercare Solutions may assume unknown liabilities that could be significant. There may be liabilities that Enercare Solutions failed to discover or was unable to quantify during its pre-Transaction due diligence and Enercare Solutions may not be indemnified for any of these liabilities under the Merger Agreement or the representations and warranties insurance policy obtained by Enercare Solutions. The subsequent discovery or quantification of material liabilities could have a material adverse effect on Enercare Solutions' business, financial condition or future prospects. The representations and warranties contained in the Merger Agreement, and related indemnification, may not apply or be sufficient so as to fully indemnify Enercare Solutions for such liabilities (see also "Indemnities in the Merger Agreement", below).

Risks Related to Service Experts' Business Model

Unlike Enercare Solutions, Service Experts' business model has significantly fewer recurring revenue sources as most of its product and service offerings are ad hoc in nature, rather than through long term contracts with customers. Although the diversity of Service Experts' customer base and broad geographic footprint mitigates much of the risk associated with non-recurring contracted revenue and Service Experts' has historically generated a significant amount of its revenues from repeat customers, there nevertheless remains the risk to Service Experts' business and financial performance if a significant number of Service Experts' customers elect to utilize the services of competitors to Service Experts. Some of those competitors may be better capitalized, have better call centre and distribution networks, offer higher service levels and/or offer similar products and services at a lower cost than Service Experts. Furthermore, Service Experts operates in more than 29 states in the United States and in three provinces in Canada which will increase Enercare Solutions' regulatory and other compliance costs.

Indemnities in the Merger Agreement

The representations and warranties provided by Service Experts pursuant to the Merger Agreement are customary for a transaction of this nature; however, the indemnities provided by the security holders of Service Experts are generally limited to 0.75% of the consideration and are generally subject to a deductible equal to 0.75% of the purchase price. As a result, Enercare Solutions has obtained a US$30,000, 6-year buyer-side representations and warranties insurance policy (the "RWI Policy") from a third party insurer experienced in underwriting such policies, which insurance is subject to an initial deductible of 0.75% of the consideration. However, Enercare Solutions will not be entitled to claim under the RWI Policy for losses that are expressly excluded from the RWI Policy (such as known tax exposures, known environmental issues and known litigation) nor for losses suffered that relate to (i) any matter known to Enercare Solutions before signing the Merger Agreement and (ii) any matter in respect of which, according to the insurer, Enercare Solutions did not conduct a sufficient level of due diligence. Furthermore, there can be no assurance that the length and amount of the insurance under the RWI Policy will be sufficient to satisfy the losses Enercare Solutions may suffer as a result of breaches of the Merger Agreement for which it is entitled to be indemnified.

Dependence on key personnel

Enercare Solutions intends to retain key personnel of Service Experts following the completion of the Transaction to continue to manage and operate Service Experts. Enercare Solutions will compete with other potential employers for employees, and it may not be successful in keeping the services of the executives and other employees that may be needed to allow Enercare Solutions to realize the anticipated benefits of the Transaction. Enercare Solutions' failure to retain key personnel as part of the management team of Service Experts in the period following the Transaction could have a material adverse effect on Service Experts' business and, therefore, Enercare Solutions' results of operations.

Information Provided by Service Experts

All information relating to Service Experts contained in this MD&A has been provided to Enercare Solutions by Service Experts or derived from the historical financial statements of Service Experts. Although Enercare Solutions has conducted what it believes to be a prudent and thorough level of investigation in connection with Service Experts, an unavoidable level of risk remains regarding the accuracy and completeness of such information. While Enercare Solutions has no reason to believe that the information provided by Service Experts is misleading, untrue or incomplete in any material respect, Enercare Solutions has not verified the accuracy or completeness of such information. Furthermore, the financial information contained in this MD&A relating to Service Experts may not reflect what Service Experts' financial position, results of operations or cash flows would have been had Enercare Solutions owned Service Experts during the periods presented, or what Enercare Solutions' financial position, results of operations or cash flows will be in the future. Enercare Solutions has not made adjustments to such historical financial information to reflect changes that may occur in Service Experts' cost structure, financing and operations as a result of the Transaction.

Risks Related to Potential Asset Sales

Enercare Solutions may be required, whether as a result of anti-trust review or pre-existing obligations to its franchisees in a limited number of service areas in Ontario where there may be overlap between the service territory of a Service Experts' location with that of a franchisee, to divest of assets or facilities of Service Experts on or following the closing of the Transaction. Should any such disposition be required, there can be no assurance as to the price which Enercare Solutions would receive in any such disposition or the impact on Service Experts' financial position, results of operations or cash flows.

Other Risks

As Service Experts' business is substantially similar to Enercare Solutions', many of the risks applicable to Enercare Solutions as described below will be applicable to Service Experts' business. In particular, as is the case with Enercare Solutions' business, (i) as the vast majority of Service Experts' customers are consumers, Service Experts is subject to consumer protection laws and regulations in both Canada and the United States and no assurance can be given that Service Experts' will be able to comply with such laws and regulations, or any future laws, rules, regulations and policies, (ii) Service Experts relies on a limited number of suppliers for its HVAC equipment, relying, in particular, on Lennox International Inc. Should such supplier fail to deliver HVAC equipment in a timely manner, the result could be delays or disruptions in the supply and installation of HVAC equipment by Service Experts. In addition, manufacturer's defects or product recalls relating to a particular production model or type could affect a material portion of the HVAC equipment installed by Service Experts' resulting in customer complaints, and (iii) Service Experts' business exposes it to potential product liability and product defect risks that are inherent in the servicing and installation of HVAC equipment and, even where Service Experts is insured for such risks, no assurance can be given that such insurance is sufficient or that the terms of such insurance will provide adequate protection against potential liabilities.

Risks Related to the Acquisition and Integration

Risks Related to the Ongoing Integration of OHCS into Enercare Solutions' Business

Although the integration of OHCS into Enercare Solutions' business is largely complete, Enercare Solutions nevertheless relies upon its ability to successfully retain staff, consolidate functions and integrate operations, procedures and personnel in a timely and efficient manner and to continue to realize the anticipated growth opportunities from combining OHCS and related operations with those of Enercare Solutions, which is an ongoing process. The ongoing integration of OHCS and related operations requires the dedication of management effort, time and resources, which may divert management's focus and resources away from other strategic opportunities and from operational matters. The ongoing integration process may result in the disruption of ongoing business and customer relationships that may materially adversely affect Enercare Solutions' ability to achieve the anticipated benefits of the Acquisition.

Possible Failure to Realize Expected Returns on the Acquisition

There can be no assurance that management of Enercare Solutions will be able to fully realize some or all of the expected benefits of the Acquisition. The ability to realize these anticipated benefits will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on the ability to realize growth opportunities and potential synergies from integrating OHCS with Enercare Solutions' existing business. There is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management. The realization of some or all of such benefits may be affected by a number of factors, many of which are beyond the control of Enercare Solutions.

Risks Related to Rebranding

OHCS has been rebranded by Enercare Solutions. No assurance can be given that Enercare Solutions' brand will be as valuable as the "DE" brand or that rebranding will not result in a loss of customers due to a lack of brand recognition or otherwise.

Assumption of Liabilities

Enercare Solutions assumed certain liabilities arising out of or related to OHCS, and agreed to indemnify DE for, among other matters, such liabilities. In addition, there may be liabilities that Enercare Solutions failed to discover or was unable to quantify during its due diligence and which could have a material adverse effect on Enercare Solutions' business, financial condition or future prospects. DE's representations and warranties, and related indemnification, may not apply or be sufficient so as to fully indemnify Enercare Solutions for such liabilities.

Internalization of OHCS

The success of the Acquisition will depend in large part on the ability of management to integrate DE personnel and systems into Enercare Solutions. Going forward, Enercare Solutions will depend on the diligence, experience and skill of the former DE personnel that joined Enercare Solutions in conjunction with the closing of the Acquisition and the future success of Enercare Solutions will depend on the continued service of these individuals. Enercare Solutions may be unable to retain former employees of DE to the same extent that DE has been able to do so in the past. Such individuals may depart because of issues relating to the uncertainty or difficulty associated with the integration, including potential differences in corporate cultures and management philosophies. Furthermore, pursuant to the Asset Purchase Agreement, senior management employees of DE that had responsibility for overseeing OHCS or corporate support functions did not become employees of Enercare Solutions and therefore Enercare Solutions does not have the benefit of their experience in the management of OHCS. The departure of a significant number of OHCS employees is not expected but if this occurs for any reason, the failure to appoint qualified or effective successors in the event of such departures or the failure to replace senior management employees of DE that were not employed by Enercare Solutions on closing of the Acquisition could have a material adverse effect on Enercare Solutions' ability to achieve its objectives, the market price or value of Enercare's securities and on Enercare Solutions' ability to satisfy its debt service obligations.

Indemnities in the Asset Purchase Agreement

The representations and warranties provided by DE pursuant to the Asset Purchase Agreement are customary for a transaction of this nature. There can be no assurance, however, of adequate recovery by Enercare Solutions from DE for any breach of the representations, warranties and covenants of DE under the Asset Purchase Agreement, or that the length and amounts of the indemnities provided will be sufficient to satisfy such obligations, or that DE will have the financial ability to satisfy such obligations. Similarly, there can be no assurance of recovery from Centrica plc.

Risks Related to the Home Services Business and Industry

Billing Arrangements

As a result of current 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 Home Services. 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 OBA to make the specified payments to Enercare Solutions, thereby effectively guaranteeing Enercare Solutions' collection of 99.49% of the amount invoiced by Enercare Solutions on the Enbridge bill effective January 1, 2015, subject to adjustments in accordance with the terms of the OBAs, there can be no assurance that Enbridge will have the financial capability to honour such obligation.

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

Any provision of customer services in respect of the Rentals portfolio by Enercare Solutions and standalone 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 as there can be no assurance that the customer services delivered by Enercare Solutions, or other third parties, will be of the same standard as those delivered under the 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 OBAs and associated arrangements, and those issues may have a material adverse effect on Enercare Solutions' financial condition and results of operations and on Enercare Solutions' ability to satisfy its debt service obligations.

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

Reliance on Call Centres

Enercare Solutions utilizes third party service providers in the Home Services business in the provision of most customer care services, including dealing with customer telephone queries, protection plan sales and renewals and other direct telephonic communications with customers. As a result, Enercare Solutions is reliant on the personnel, good faith, expertise, technical resources and information systems, proprietary information and judgment of those service providers in providing such customer care services. Accordingly, Enercare Solutions will be exposed to adverse developments in the business and affairs of such service providers, their management and their financial strength.

Regulatory Matters

As the vast majority of Enercare Solutions' customers are consumers, Enercare Solutions is subject to consumer protection laws and regulations (including the *Consumer Protection Act, 2002* (Ontario)). Although Enercare Solutions believes that it is 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 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, including Bill 55, could have a significant impact on Enercare Solutions' business, including its compliance costs. There can be no assurance that Enercare Solutions will be able to comply with any future laws, rules, regulations and policies or, if it does so comply, what the impact may be on its costs to so comply. Failure by Enercare Solutions to comply with applicable laws, rules, regulations and policies may subject it 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.

In November 2014, following the Acquisition, Enercare voluntarily provided written assurance to the Commissioner under the Competition Act so as to fully resolve concerns that the Commissioner had in respect of certain water heater return policies and practices of DE. Although Enercare Solutions does not expect that the changes provided for in such written assurance, which was the culmination of a co-operative process between Enercare and the Commissioner, will have a significant impact on its operating costs or Attrition, no assurance can be given in that regard and no assurance can be given that Enercare Solutions will not in the future be subject to other constraints on its business operations under the Competition Act or otherwise in respect of Home Services.

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 changes in consumer behaviour. In 2009, Enercare Solutions encountered increased competitive pressure and a resulting increase in its Attrition rate. The annualized Attrition rate for 2015 was 3.1% compared to 3.67% in 2014, 4.17% in 2013, 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.

Buy-Outs and Returns of Water Heaters

Since the fourth quarter of 2004, customers have been permitted to terminate their Rentals contracts without charge. Prior to that time, 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 determined with reference to the price of the water heater at the time of installation of the water heater 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 Rentals 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.

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.

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 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. The lack of such funds could limit the ability of Enercare Solutions 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.

Concentration of Suppliers, Product Faults and Costs

Although there are a number of manufacturers of water heaters outside Canada, Enercare Solutions relies principally on four suppliers for its supply of water heaters, A.O. Smith Enterprises Ltd. (GSW), Rheem Canada Ltd, Usines Giant Factories Inc. and Redmond-Williams Distributing Inc. 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 or distributed by these four suppliers, manufacturer's defects or product recalls relating to a particular production model or type of water heater could affect a material portion of the Rentals 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. Enercare Solutions does not insure against this risk of product defects or product recalls. As most manufacturers of water heaters relied on by Enercare have production facilities outside of Canada and/or use raw materials and components from the United States, they may be impacted by foreign exchange fluctuations and the capital cost of the water heaters may increase.

Enercare Solutions' business exposes it to potential product liability and product defect risks that are inherent in the ownership and servicing of water heaters and HVAC equipment rentals. While Enercare Solutions currently maintains what it believes to be suitable product liability insurance, there can be no assurance that Enercare Solutions 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 Enercare Solutions, 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. Moreover, even if Enercare Solutions 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. Enercare Solutions does not insure against the risk of product defects or product recalls.

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. dollar relative to the Canadian dollar. Enercare Solutions does not hedge these types of exposures, so in any given year, there can be no assurance that increases in capital costs and expenses will be able to be recovered fully in rental rates charged to customers.

Franchisee Independence and Relationships

Approximately 40% of the Home Services portfolio is serviced by licensed franchisees. Licensed franchisees are independent businesses and, as a result, their operations may be adversely affected by factors beyond Enercare Solutions' control which, in turn, could adversely affect Enercare Solutions' reputation, operations and financial performance. Revenues and earnings could also be adversely affected, and Enercare Solutions' reputation could be harmed, if a significant number of licensed franchisees were to experience operational failures, health and safety exposures or were unable to perform the necessary services under the Rentals contracts. The franchise system is also subject to franchise legislation in the Province of Ontario. Any new legislation or failure to comply with existing legislation could adversely affect operations and could add administrative costs and burdens, any of which could adversely affect Enercare Solutions' relationship with its licensed franchisees. Enercare Solutions provides various services to the licensed franchisees to assist with management of their operations and dedicated personnel manage Enercare Solutions' obligations to its licensed franchisees. Despite these efforts, relationships with licensed franchisees could pose significant risks if they are disrupted, which could adversely affect the reputation, operations and financial performance of Enercare Solutions.

Labour Relations

Enercare Solutions' workforce is comprised of both unionized and non-union employees. With respect to those employees that are covered by collective bargaining agreements, including the CBA, there can be no assurance as to the outcome of any negotiations to renew such agreement on satisfactory terms. Failure to renegotiate collective bargaining agreements, including the CBA, could result in strikes, work stoppages or interruptions, and if any of these events were to occur, they could have a material adverse effect on Enercare Solutions' reputation, operations and financial performance and its ability to satisfy its debt service obligations. If non-unionized employees become subject to collective agreements, the terms of any new collective agreements would have implications for the affected operations, and those implications could be material.

Pension Plan and Other Post-Employment Benefits Obligations

OHCS participates in a hybrid pension plan which provides defined benefits to a closed group of active employees, and offers other post-employment benefits. Enercare Solutions assumed the pension-related obligations of the OHCS pursuant to a new pension plan established pursuant to the Asset Purchase Agreement following regulatory approval and DE's full funding of the new pension plan on a solvency basis. The transfer was completed on January 28, 2016. The notes to Enercare's financial statements as at and for the year ended December 31, 2014 include a discussion of the most significant sources of risk for Enercare Solutions as a result of the defined benefit portion of the pension plan, including a sensitivity analysis.

Geographic Concentration and New Home Construction

Essentially all of Home Services assets are located in the Province of Ontario as the Canadian water heater rental market is primarily limited to the Province of Ontario. As a result, the income generated by the Rentals business and the performance of the Rentals business will be highly sensitive to changes in economic conditions in the Province of Ontario, which may differ from those affecting other regions of Canada. Adverse changes in the economic conditions in the Province of Ontario may have a material adverse effect on Enercare Solutions' business, cash flows, financial condition and results of operations and ability to satisfy its debt service obligations.

Furthermore, most of the growth in the number of installed rental water heaters and HVAC equipment 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 and HVAC equipment rental industry in the Province of Ontario. Consequently, Enercare Solutions is particularly reliant on the economy of the Province of Ontario to maintain and to grow the Rentals portfolio. While Ontario's economy is benefiting from a lower U.S. dollar exchange rate, other factors including a slower job recovery rate and an anticipated increase in mortgage rates are creating uncertainty and a corresponding slowdown in new home construction of detached, semi-detached and row houses may lead to an adverse effect on demand for water heaters and HVAC equipment.

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 Enercare Solutions.

Lack of Written Rental Contracts

In many cases, DE did not enter into written agreements with customers or did not enter 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 Enercare Solutions at any time or Enercare Solutions 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 or HVAC equipment 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.

Protection Plan Renewal Risk

Protection plans typically have a 12-month term. Upon the expiry of any protection plan, there can be no assurance that the protection plan will be renewed or, if it is renewed, that the terms thereof will be as favourable to Enercare Solutions as the expiring contract terms. The failure to achieve renewals and/or price increases may have a material adverse effect on the financial position and results of operations of Enercare Solutions and on its ability to satisfy its debt service obligations.

Litigation Risk

In the normal course of Enercare Solutions' operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to, among other things, personal injuries, property damage, contract disputes and 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 Solutions and as a result, could have a material adverse effect on its financial conditions and results of operations and its ability to satisfy its debt service obligations. Even if Enercare Solutions prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel away from Enercare Solutions' business operations which could have a material adverse effect on its financial condition and results of operations and on its ability to satisfy its debt service obligations. 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 Solutions will not become involved in litigation, whether as defendant or plaintiff, in other matters from time to time.

Foreign Exchange Impacts

Since December 31, 2013, the Canadian dollar has continued to weaken compared to the US dollar. The Home Services business incurs significant capital and operating expenditures, such as water heater, HVAC equipment and other parts costs, that are denominated in U.S. dollars. The continued devaluation of the Canadian dollar may significantly increase Enercare Solutions' capital and operating expenditures in Canadian dollar terms. Enercare Solutions continuously monitors, evaluates and mitigates foreign exchange impacts to Enercare Solutions' margins through price adjustments that are passed on to customers.

Risks Related to the Structure of Enercare Solutions

Leverage Risk and Restrictive Covenants

Enercare Solutions has significant debt service obligations under its 2012 Notes, 2013 Notes and New Debt Financing. The degree to which Enercare Solutions is leveraged could have material adverse consequences for Enercare Solutions, including: (i) limiting Enercare Solutions' ability to obtain additional financing for working capital, capital expenditures (which are important to its growth and strategies), product development, debt service requirements, acquisitions and general corporate or other purposes; (ii) having to dedicate a portion of Solutions' cash flows from operations to the payment of interest on Enercare Solutions' existing indebtedness and not having such cash flows available for other purposes, including operations, capital expenditures and future business opportunities; (iii) restricting Enercare Solutions' flexibility and discretion to operate its business; (iv) exposing Enercare Solutions to increased interest expense on borrowings at variable rates (including the New Debt Financing); (v) limiting Enercare Solutions' ability to adjust to changing market conditions; (vi) placing Enercare at a competitive disadvantage compared to its competitors that have incurred less debt; (vii) making Enercare Solutions more vulnerable in a downturn in general economic conditions; and (viii) Enercare Solutions' failure to refinance its 2012 Notes, 2013 Notes and New Debt Financing will have a material adverse effect on its ability to satisfy its debt service obligations. The amount of interest payable on the New Debt Financing is variable, and the interest rate may fluctuate significantly. Historical levels, fluctuations and trends in interest rates are not necessarily indicative of future levels. Any significant upward movement in interest rates could materially increase the cost of borrowing under the New Debt Financing.

The Senior Unsecured Indenture and the New Debt Financing contain restrictive covenants of a customary nature, including covenants that limit the discretion of the board 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 dividends 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. Failure to comply with these obligations could result in an event of default which, if not cured or waived, could permit acceleration of the 2012 Notes, 2013 Notes and New Debt Financing. If the 2012 Notes, 2013 Notes or New Debt Financing were to be accelerated, there could be no assurance that the assets of Enercare Solutions would be sufficient to repay in full such indebtedness. There can also be no assurance that the 2012 Notes, 2013 Notes, New Debt Financing or any other indebtedness will be able to be refinanced by Enercare Solutions on commercially reasonable terms, or at all.

Credit Ratings and Credit Risk

There can be no assurance that any credit ratings assigned to Enercare Solutions, 2012 Notes and/or 2013 Notes and/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 Enercare Solutions may affect the market value of the Shares, 2012 Notes and 2013 Notes. In addition, real or anticipated changes in credit ratings can affect the cost at which Enercare Solutions can access the capital markets and the pricing of the New Debt Financing.

Reliance on Key Executives

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 Enercare Solutions.

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. although investments made by Enercare Solutions are carefully selected, 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.

OHCS Acquisition

The Acquisition has been transformative for Enercare Solutions. The Acquisition has allowed Enercare Solutions to have direct access to its customers, control over all aspects of its operations and larger financial scale. The reunification of the two businesses has been successful to-date.

Growth Initiatives

Enercare Solutions continues to experience improved results through improved rental customer retention and increased average monthly rental rates, largely as a result of our rental HVAC strategy. We continue to believe that the factors contributing to the decline in Attrition, including improved customer awareness, an enhanced customer experience, Bill 55 (effective April 1, 2015) and actions taken in respect of competitive activity, will create a favourable environment for further improvement in customer retention. We are very pleased that during both of the third and fourth quarters of 2015 rental unit growth surpassed Attrition, the first two consecutive quarters of net unit growth since 2006. The net unit growth achieved during these two consecutive quarters was the strongest organic growth for two consecutive quarters in the rental portfolio since 2005. In addition, net attrition for 2015, excluding acquisitions, was approximately 2,000 units, an improvement of 16,000 units compared to 2014. Our focus remains to grow our annuity contracts, through new products and promotional offers.

In January 2016, Enercare Solutions increased its weighted average rental rate by 2.74%.

Growing the protection plan portfolio and related revenues is also a key priority. During 2015, Enercare Solutions made changes to protection plan offerings and related promotions. As a result, a number of protection plans were consolidated and pricing was adjusted. As HVAC unit additions in 2015 were more through rentals than sales, the opportunities for protection plan sales were fewer as rentals already include service. Protection plan attrition also increased, primarily as a result of an increase in HVAC rental additions from customers that previously had protection plans, a higher number of terminations as a result of customer moves and non-renewals of one year promotional offers in connection with 2014 HVAC sales. Many of the changes made improved the average monthly revenue per protection plan.

In December 2015, Enercare Solutions launched a pilot program for a new rental proposition for water softeners, which is complementary to its water heater rental product. Similar to water heaters, water softeners have a useful life of approximately 16 years and have the benefits of enhancing the useful life of water heaters in hard water areas. These products will be rolled out in phases within the operating territory during 2016.

In December 2015, Enercare Solutions introduced a pilot HVAC financing program, which will be rolled out in phases within the operating territory during 2016. Approximately 20% of HVAC transactions are financed and Enercare Solutions estimates that it will invest $10,000 to $20,000 over the next 12-months on this initiative.

Enercare has developed a mobile app, which is in beta testing, that offers users an easy to use real-time tracking tool to manage their homecare needs. Enercare Solutions believes that the mobile app will provide customers with added convenience and lead to an improved customer experience.

Enercare has set its annual general meeting of shareholders for April 28, 2016. Jim Pantelidis, Chair of the Board and management will provide an update to shareholders on Enercare’s achievements in 2015 and strategy.

GLOSSARY OF TERMS

Defined Term	Definition
Acquisition	The acquisition of the OHCS business of DE by Enercare Solutions on October 20, 2014 through EHCS LP pursuant to the Asset Purchase Agreement.
Asset Purchase Agreement	The agreement dated July 24, 2014 between Enercare, EHCS LP and DE regarding the Acquisition.
Attrition	Termination of customer relationships, including buyouts, in the Rentals portfolio.
Bill 55	Stronger Protection for Ontario Consumers Act, 2013.
CBA	The collective bargaining agreement negotiated and ratified in 2012 and 2014 by DE with Unifor Local 975.
CNI	Cobourg Network Inc.
Competition Act	Competition Act (Canada).
Conversion	The conversion of the Fund and the Trust, income trusts, to Enercare and Enercare Solutions, respectively.
Co-ownership Agreement	Co-ownership Agreement dated December 17, 2002 between DE, Rentco, 4104285 Canada Limited and CIBC Mellon Trust Company as custodian, as assigned by Rentco to ESLP on December 17, 2002, as amended on February 6, 2003, January 1, 2005, December 29, 2006, February 8, 2007 and April 25, 2007, as assigned by DE to EHCS LP on October 20, 2014, and further amended on January 1, 2015 and assigned by CIBC Mellon Trust Company to EHCS GP, as successor custodian.
Credit Facility	The debt financing of Enercare Solutions in respect of the Transaction consisting of an unsecured 4-year variable rate term credit facility in an aggregate amount of US$200,000.
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.).
EHCS GP	Enercare Home and Commercial Services Inc.
EHCS LP	Enercare Home and Commercial Services Limited Partnership, the limited partnership formed to own OHCS following the closing of the Acquisition, an indirect wholly-owned subsidiary of Enercare Solutions.
ESLP	Enercare Solutions Limited Partnership (formerly Waterheater Operating Limited Partnership).
ESN	Energy Services Niagara Inc.
Enbridge	Enbridge Gas Distribution Inc.
Enercare	Enercare Inc., formerly the Fund.
Enercare Solutions	Enercare Solutions Inc., formerly the Trust.
Fund	The Consumers' Waterheater Income Fund, predecessor to Enercare prior to the conversion of the Fund from an income trust to corporate structure pursuant to a plan of arrangement on January 1, 2011.
Guarantors	Collectively, ESLP, Rentco, WGP Inc., EHCS LP and the general partner of EHCS LP.
HVAC	Heating, ventilation and air conditioning.
Home Services	Enercare Solutions business, which provides rental water heaters, furnaces, air conditioners and other HVAC products and, as of October 20, 2014, also provides protection plans, HVAC sales and related services.
IASB	The International Accounting Standards Board.
ICFR	Internal Control Over Financial Reporting as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
IFRS	International Financial Reporting Standards as adopted by the International Accounting Standards Board.
Incurrence Test	2009 Notes and 2012 Notes Incurrence EBITDA to Net Interest Expense.
MD&A	Management's Discussion and Analysis.
New Debt Financing	The debt financing of Enercare Solutions in respect of the Acquisition consisting of an unsecured (i) 4-year variable rate, non-revolving term loan facility in the amount of $210,000 and (ii) 5-year variable rate, revolving credit facility in the maximum amount of $100,000.
New Revolver	The 5-year variable rate, revolving credit facility in the maximum amount of $100,000 issued under the New Debt Refinancing.
New Term Loan	The 4-year variable rate, non-revolving term loan facility in the amount of $210,000 issued under the New Debt Financing.
OBA	Open bill access agreement with Enbridge.
OCI	Other Comprehensive Income.
OHCS	The Ontario home and small commercial services business of DE acquired by Enercare Solutions on October 20, 2014 pursuant to the Asset Purchase Agreement.
Origination Agreement	The origination agreement dated December 17, 2002 between Rentco and DE providing for the sale to ESLP of rental water heaters originated by DE, as amended on January 1, 2005, December 29, 2006, January 1, 2013 and August 1, 2013, as assigned by DE to EHCS LP on October 20, 2014.
Previous Revolver	$35,000 line of credit, with a maturity date of November 15, 2014, as amended and restated as of July 6, 2011, and further amended on November 15, 2012, February 26, 2013 and July 4, 2014 and replaced on October 20, 2014 with the New Revolver.
Previous Term Loan	$60,000 single draw, variable rate, interest only, open loan with a maturity date of January 28, 2016, which was repaid and terminated on October 20, 2014.
Protection Plan Attrition	Termination of customer relationships in the protection plan portfolio.
Rentals	Business that provides rental water heaters, furnaces, air conditioners and other HVAC products.
Rentco	4483588 Canada Inc. (formerly Direct Waterheater Rentals Inc.).
SE Subscription Receipts	$218,000 (net of underwriters' fees) of subscription receipts expected to be issued by Enercare on a bought deal basis in relation to the Transaction.
SG&A	Selling, general and administrative expenses.
S&P	Standard and Poor's Rating Services.
Senior Notes	The 2012 Notes and the 2013 Notes and prior to March 6, 2013, the 2009-2 Notes, and prior to December 21, 2012, the 2010 Notes and prior to April 30, 2012, the 2009-1 Notes, and any other series of senior notes authorized, issued and certified in accordance with the terms of the Senior Unsecured Indenture and for the time being outstanding.
Senior Unsecured Indenture	The trust indenture dated as of January 29, 2010 between the Trust, as issuer, the Guarantors, as guarantors, and Computershare Company of Canada, as indenture trustee, as supplemented by the first supplemental indenture dated as of January 29, 2010, the second supplemental indenture dated as of February 19, 2010, the third supplemental indenture dated as of December 1, 2010, the fourth supplemental indenture dated as of January 1, 2011, the fifth supplemental indenture dated as of September 30, 2012, the sixth supplemental indenture dated as of November 21, 2012 and the seventh supplemental indentured dated as of February 1, 2013, as the same may be amended, modified, supplemented, restated or replaced from time to time. The Trust was wound-up and dissolved in connection with the reorganization of the Fund`s income trust structure to a corporate structure and all of the covenants and obligations of the Trust with respect to the Senior Unsecured Indenture were assumed by Enercare Solutions.
Service Experts	SEHAC Holdings Corporation which operates under the Brand "Service Experts"
Shares	Common shares of Enercare.
Stratacon	Stratacon Inc. (now ECI).

Defined Term	Definition
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 Enercare Solutions owing to Enercare which was issued on September 28, 2012.
Transaction	The contemplated acquisition of Service Experts by Enercare Solutions, through an indirect wholly-owned subsidiary, pursuant the definitive merger agreement.
Transition Services Agreement	The agreement entered into on closing of the Acquisition in respect of the provision by DE of certain ongoing information technology transitional services and information technology decoupling services.
Trust	The Consumers' Waterheater Operating Trust.
Units	Trust Units of the Fund.
2009 Notes	Collectively, the 2009-1 Notes and 2009-2 Notes.
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.
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.