Enercare Solutions Inc.

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

First Quarter ended March 31, 2016

Dated May 12, 2016

Table of Contents

The condensed interim 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 condensed interim consolidated financial statements for the period ended March 31, 2016. 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 March 31, 2016, 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 May 12, 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 Solutions Completes Acquisition of 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 discussion in respect of the material risks relating to the business and structure of Enercare Solutions.

OVERVIEW

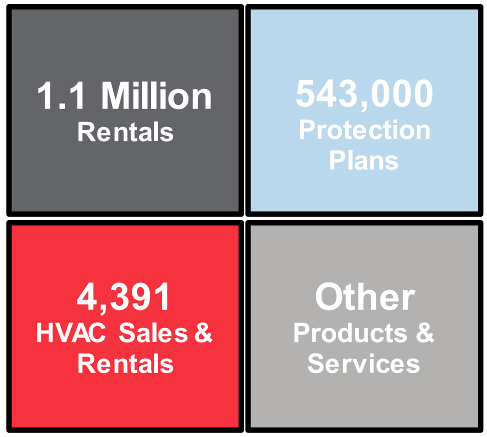
Enercare Solutions, primarily through acquisition, has become a multi-product company since its origins in 2002 as the Trust, which primarily financed rental equipment originated and serviced by DE. On October 20, 2014, Enercare Solutions purchased the Ontario home and small commercial services business 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) negative from S&P and DBRS, respectively.

PORTFOLIO SUMMARY

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

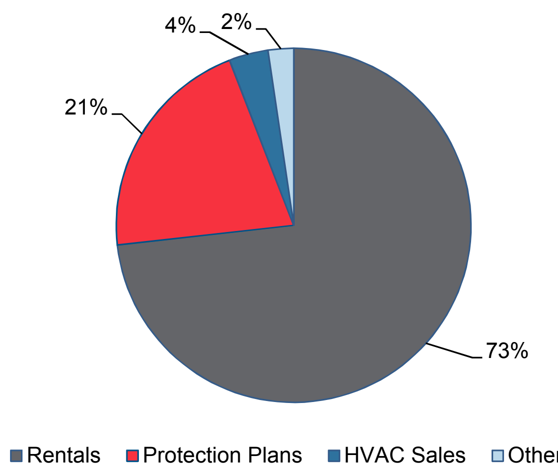
There are four main business activities within Enercare Solutions: Rentals, Protection Plans, HVAC Sales and Other (which includes duct cleaning, chargeable plumbing work and other chargeable services). The following diagram shows the breakdown of customer contracts for each such activity ending in the first quarter of 2016.



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

Q1 2016

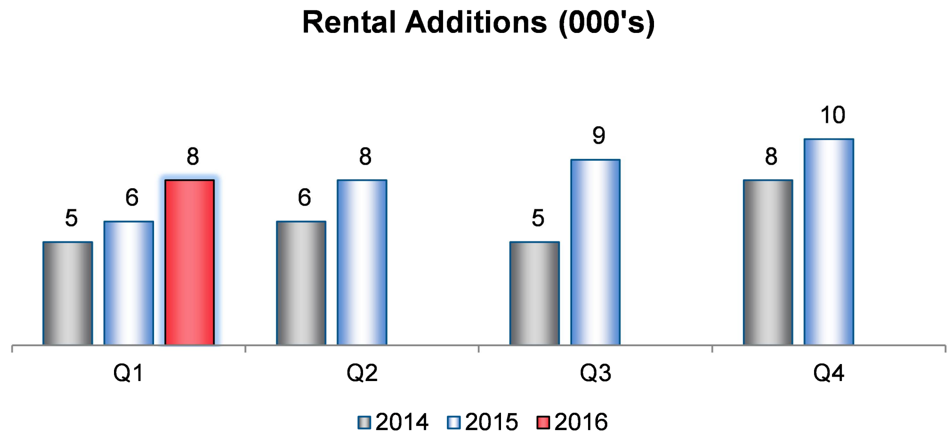


Rentals

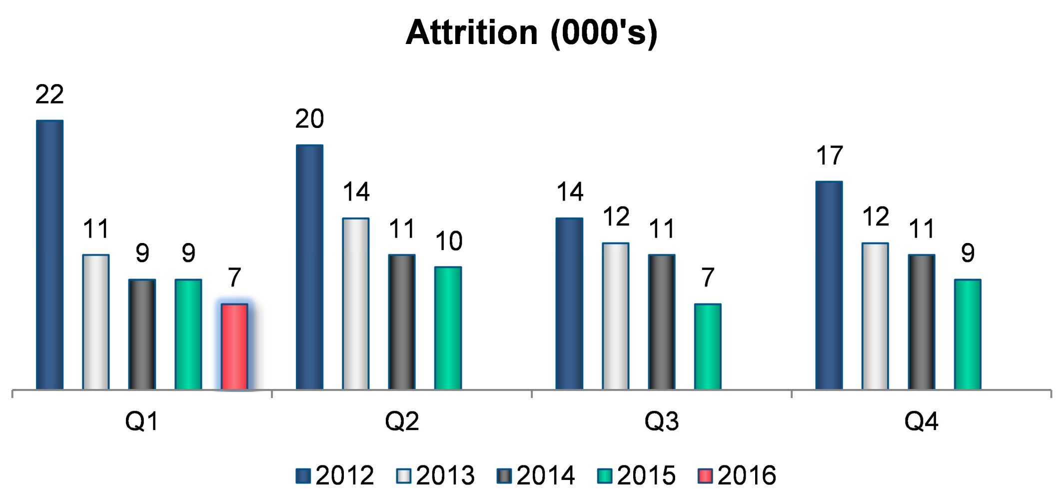
Prior to the DE Acquisition, Enercare Solutions had expanded its business through a number of acquisitions and origination arrangements with various parties; however, approximately 90% of the Rentals revenue was subject to the Co-ownership Agreement.

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 DE 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 8,000 units in the first quarter of 2016, an increase of 33%, compared to the same period in 2015.

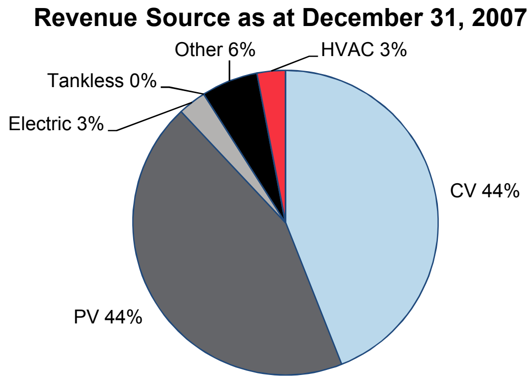


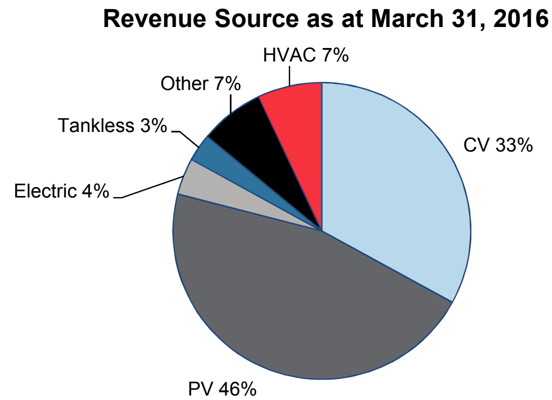
To aid in the reduction of Attrition, Enercare Solutions has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with enhancements to our customer value proposition (for example, the "same day service campaign") and the coming into effect of Bill 55 on April 1, 2015, have helped to significantly reduce Attrition. Attrition decreased in the first quarter of 2016 by 2,000 units or 22%, compared to the same period in 2015. Attrition has improved year-over-year since 2009. The chart below illustrates Attrition trends since 2012.



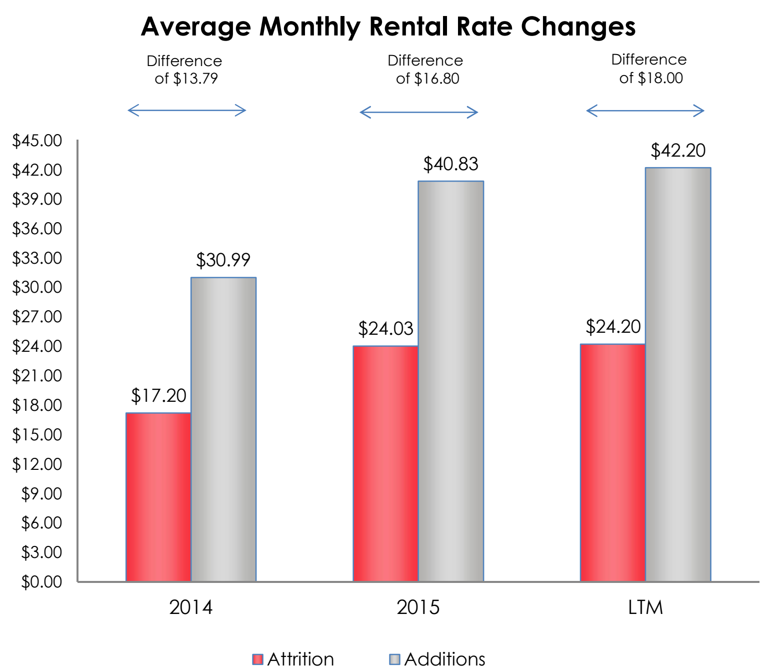
Rental unit growth has surpassed Attrition during the third and fourth quarters of 2015 and the first quarter of 2016 by approximately 4,000 units, the first three consecutive quarters of net unit growth since 2005.

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.

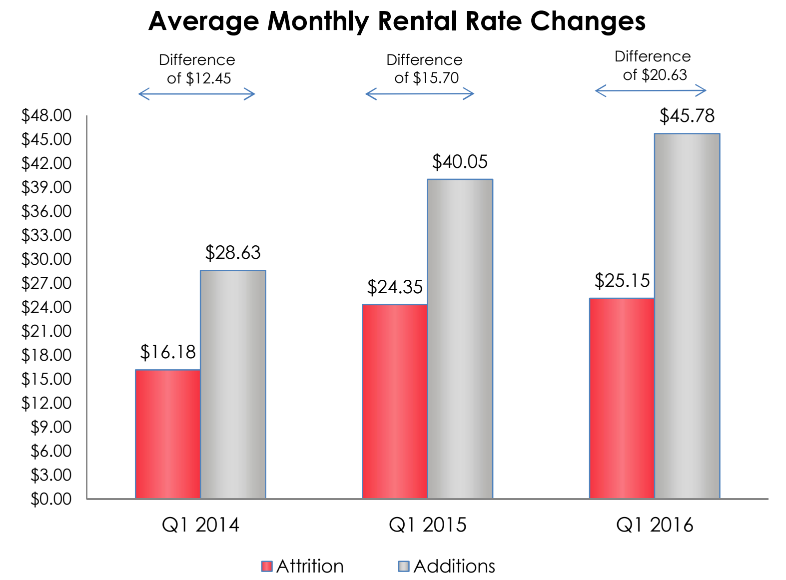




The impact of changes in product mix over time is outlined further in the graph below, which shows revenue for the last twelve months to March 31, 2016 from unit additions contributing approximately $18.00 per unit more than revenue from units lost on account of Attrition. New customers are worth approximately 1.7 times that of a lost customer.



This difference in rental rates applicable to new and lost customers has increased steadily over the past three years, with the first quarter of 2016 revenue spread widening to $20.63, an increase of $4.93 over the same period in 2015.



Subsequent to the DE Acquisition, Enercare Solutions offers the following additional products and services:

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.

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 76% of residential HVAC unit sales included an extended protection plan.

During the first quarter of 2016, Enercare Solutions experienced a decline of approximately 2,000 fewer protection plans as a result of the execution of its rental growth strategy. HVAC unit additions continued, in the first quarter of 2016, to be more through rentals than sales, and as a result, the opportunities for protection plan sales were fewer as rentals already include a service component. As well, approximately 2,000 rental HVAC unit additions in the first quarter of 2016 were originated from existing protection plan customers resulting in higher Protection Plan Attrition. The execution of our rental strategy is critical to the long term growth of the business, as we continue to grow our recurring revenue base, including service offerings that allow us to provide a valuable experience for customers while positioning ourselves for future cross selling opportunities.

The following table illustrates the protection plan contract continuity for the first quarter of 2016 and 2015.

Protection Plan Unit Continuity (000's) Three months ended March 31,	**2016**	2015
Contracts - start of period	**545**	553
Portfolio additions	**14**	16
Protection Plan Attrition	**(16)**	(14)
Contracts - end of period	**543**	555
% change in units during the period	**(0.4%)**	0.4%

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.

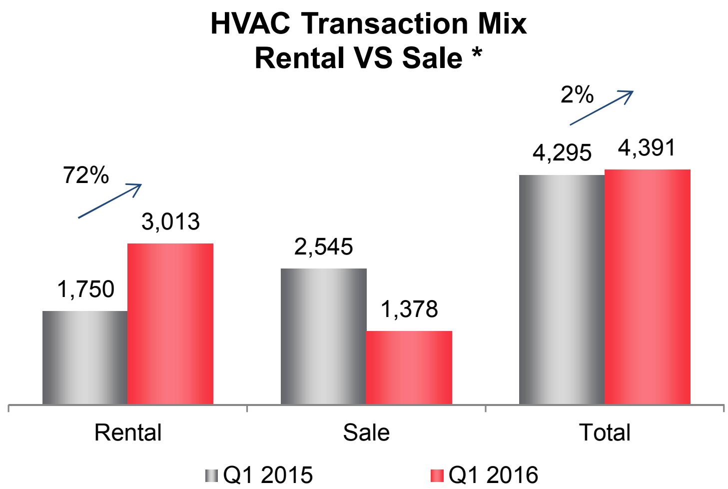
As part of Enercare Solutions' strategy to grow its recurring revenue customer base, in 2013 Enercare Solutions re-launched its HVAC rental program. Converting a customer from an outright sale to a long-term rental product is capital intensive and creates a short-term reduction in the income statement, 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 the first quarter, Enercare Solutions rented approximately 3,013 new units, an increase of 72% over the prior year and sold approximately 1,378 units for a total of 4,391 HVAC units, compared to 4,295 units in the prior year, an increase of 2%. The unseasonably warmer temperatures experienced during the fourth quarter of 2015 continued into the first quarter of 2016. During the first quarter of 2016, the number of heating degree days[1] was 23% lower than both the first quarters of 2015 and 2014, and was the warmest first quarter in the past 10 years, surpassed only by 2012. 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 2015.

The strategy to convert HVAC sales into Rentals has resulted in increases to our recurring revenue. During the first quarter of 2016, HVAC rental revenue accounted for an increase of approximately $2,300 compared to the same period in 2015. Nevertheless, Enercare Solutions continues to be financially impacted by this strategy in the short-term. Enercare Solutions estimates that the increase in the number of rental HVAC originations from 1,750 in the first quarter of 2015 to 3,013 in the first quarter of 2016 resulted in reductions of $3,900 and $1,800 to revenues and EBITDA, respectively, compared to the same period in 2015. Furthermore, had all 3,013 new HVAC rental additions during the first quarter of 2016 been sales as opposed to rentals, revenues and EBITDA during the quarter would have increased by approximately $9,200 and $4,200, respectively. These estimates take into account the impact of lost one-time sales revenues from corporate sales and royalty revenues earned on franchisee sales, both net of rental revenues earned during the quarter, and capitalized costs which would have otherwise been included in cost of goods sold had these new HVAC rental additions been sales as opposed to rentals.

[1] 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.

A first quarter comparison between 2016 and 2015 is outlined in the chart below.



* 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.

FIRST QUARTER 2016 HIGHLIGHTS

	Three months ended March 31,	
(000's)	**2016**	2015
Revenue	**$106,429**	$104,013
Dividend income	**863**	863
Investment income	**78**	72
Total revenues	**$107,370**	$104,948
EBITDA Excluding Intercompany Income[2]	**52,485**	51,144
Adjusted EBITDA[2]	**54,410**	52,896
Acquisition Adjusted EBITDA[2]	**58,017**	53,508
Earnings before income taxes	**10,215**	9,351
Current tax (expense)	**(11,965)**	(1,834)
Deferred income tax recovery/(expense)	**9,694**	(2,361)
Net earnings	**$ 7,944**	$ 5,156

The following highlights compare results for the first quarter of 2016 with the first quarter of 2015.

- Total revenues of $107,370 increased by 2% in the first quarter of 2016. Revenues, excluding dividend and investment income, were $106,429, greater than the prior year by $2,416, primarily as a result of rental rate increases, asset mix changes and growth in rental HVAC units. Dividend income relates to an investment in ECI preferred shares of $50,000.

[2] EBITDA excluding intercompany income, 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.

- EBITDA Excluding Intercompany Income increased by $1,341 to $52,485 in the first quarter of 2016, driven principally by improved total revenues partially offset by higher SG&A costs, primarily from costs associated with the SE Transaction. Adjusted EBITDA of $54,410 increased by $1,514 after removing from EBITDA Excluding Intercompany Income, the impact of the net loss on disposal of equipment. After removing $2,805 of acquisition related expenditures associated with the SE Transaction and $802 of integration and business transformation costs related to the DE Acquisition, Acquisition Adjusted EBITDA was $58,017 in the first quarter of 2016, an increase of $4,509 compared to the same period in 2015.
- During the first quarter of 2016, HVAC unit additions continued to be more through rentals than sales as a result of the success of our HVAC rental program. Emphasizing HVAC rentals over one-time sales resulted in lower revenue and EBITDA Excluding Intercompany Income of approximately $3,900 and $1,800, respectively, in the first quarter of 2016 compared to the same period in 2015.
- Net earnings of $7,944 in the first quarter of 2016 increased by $2,788 or 54% compared to the same period in 2015, reflecting increased EBITDA Excluding Intercompany Income and lower interest expense and total taxes, partially offset by higher amortization expense.
- Attrition in the Rentals portfolio decreased by 22% or 2,000 units in the first quarter of 2016 and has improved year-over-year since 2009. Rental unit growth surpassed Attrition during the third and fourth quarters of 2015 and the first quarter of 2016 by approximately 4,000, the first three consecutive quarters of net unit growth since 2005.

RECENT DEVELOPMENTS

Enercare Solutions Signs Agreement to Acquire Service Experts

On March 7, 2016, Enercare and Enercare Solutions announced that Enercare Solutions 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 “SE Transaction”) for consideration of US$340,750, excluding transaction costs (the “Consideration”), subject to customary working capital and other adjustments. The SE Transaction closed on May 11, 2016 (see “– Enercare Solutions Completes Acquisition of Service Experts” in this MD&A).

In conjunction with the SE 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 plus approximately $21,800 of subscription receipts issuable pursuant to an overallotment option granted to the underwriters (collectively, 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. See “– Enercare Completes $239,800 Bought Deal Offering of SE Subscription Receipts” and “– Enercare Solutions Completes Acquisition of Service Experts” in this MD&A.

Enercare Completes $239,800 Bought Deal Offering of SE Subscription Receipts

On March 30, 2016, Enercare announced that it had completed its previously announced offering of SE Subscription Receipts (the “Offering”). The Offering, which raised gross proceeds of approximately $239,800, was underwritten on a bought deal basis by a syndicate of underwriters co-led by National Bank Financial Inc. and TD Securities Inc. and included RBC Dominion Securities Inc., Scotia Capital Inc., Desjardins Securities Inc. and Goldman Sachs Canada Inc. A total of 15,725,600 SE Subscription Receipts (which included 1,429,600 SE Subscription Receipts sold as a result of the exercise in full of the over-allotment option by the underwriters) were sold at a price of $15.25 per SE Subscription Receipt (the “Offering Price”).

The majority of the net proceeds from the Offering were used by Enercare to finance, in part, the SE Transaction (see “– Enercare Solutions Completes Acquisition of Service Experts” in this MD&A).

In addition to the SE Subscription Receipts issued pursuant to the Offering, the Chief Executive Officer and certain other officers of Service Experts subscribed for an aggregate of approximately $1,600 of SE Subscription Receipts at the Offering Price on a private placement basis (the "Concurrent Private Placement").

On March 31, 2016, the SE Subscription Receipts commenced trading on the Toronto Stock Exchange under the symbol "ECI.R" and ceased trading on May 11, 2016, the date of closing of the SE Transaction.

Enercare Annual General Meeting of Shareholders

At Enercare's Annual General Meeting of shareholders held on April 28, 2016, shareholders re-elected all of management's director nominees and reappointed PricewaterhouseCoopers LLP as Enercare's external auditor for the ensuing year. The directors and external auditors of Enercare are also the directors and external auditors of Enercare Solutions.

Enercare Solutions Completes Acquisition of Service Experts

On May 11, 2016, Enercare and Enercare Solutions announced that Enercare Solutions completed the SE Transaction.

Debt Financing

In order to finance a portion of the Consideration, Enercare Solutions entered into the 2016 Term Loan. The 2016 Term Loan comprises two 4-year non-revolving, non-amortizing variable rate term credit facilities in the aggregate amount of US$200,000 with a maturity date of May 11, 2020. The full amount of the 2016 Term Loan was drawn for the purpose of financing the SE Transaction. The 2016 Term Loan contains representations, warranties, covenants and events of default that are customary for credit facilities of this kind and on substantially the same terms as the 2014 Term Loan (see "Liquidity and Capital Resources – Debt Financing" in this MD&A), as the 2014 Term Loan was modified in conjunction with the SE Transaction as described below. Enercare Solutions' obligations under the 2016 Term Loan are guaranteed by all of Enercare Solutions' direct and indirect subsidiaries, including Service Experts and its subsidiaries.

The 2016 Term Loan is payable interest only until maturity and is pre-payable in whole or in part at any time without penalty. The 2016 Term Loan bears interest at a rate of LIBOR plus 125 basis points or base rate plus 25 basis points at Enercare Solutions' credit rating as of the date hereof.

In conjunction with the SE Transaction, Enercare Solutions entered into an amendment to the 2014 Debt Financing to give effect to the SE Transaction and 2016 Term Loan which included, among other things (i) modifying the definition of Adjusted EBITDA to exclude SE Transaction and integration costs up to $10,300 in the aggregate, (ii) adding Service Experts and its subsidiaries as guarantors, (iii) increasing certain of the "basket" sizes permitted under certain covenants and events of default (to take into account the increase of assets under management due to the SE Transaction) and (iv) the enhancement of certain financial covenants as described below.

The amendment to the 2014 Debt Financing included enhancements to certain of the financial covenants described under "Liquidity and Capital Resources – Debt Financing" in this MD&A as follows: (i) the ratio of total debt (other than subordinated debt) to Adjusted EBITDA must now only be equal to or less than 4.75:1 and (ii) the ratio of Adjusted EBITDA to Cash Interest Expense must now only be equal to or greater than 3.00:1.

Concurrent with the closing of the SE Transaction, a portion of the net funds from the SE Subscription Receipts were loaned from Enercare to Enercare Solutions in the form of an interest bearing promissory note of $187,504, such that an indirect wholly-owned subsidiary of Enercare Solutions could fund the SE Transaction.

Equity Financing

The majority of the net proceeds from the Offering were used by Enercare to finance the remaining portion of the Consideration (see "– Enercare Solutions Completes Acquisition of Service Experts" in this MD&A). In accordance with the terms of the agreement pursuant to which the SE Subscription Receipts were issued, each outstanding SE Subscription Receipt was exchanged for one Share, resulting in the issuance of 15,834,600 Shares (including 109,000 Shares issued to certain U.S. persons, including the Chief Executive Officer and certain other officers of Service Experts in exchange for the SE Subscription Receipts issued to them in the Concurrent Private Placement and a cash payment equal to $0.14 per SE Subscription Receipt. The cash payment was equal to the aggregate amount of dividends per Share for which record dates occurred since the issuance of the SE Subscription Receipts, less any withholding taxes, if any, to the date of closing of the SE Transaction. The Shares issued in exchange for the SE Subscription Receipts issued in the Concurrent Private Placement are subject to a contractual hold period of six months from closing of the Offering.

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, including Enercare's 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:

- other statements made in this section of this MD&A regarding accretion or other financial enhancements anticipated to arise as a result of the SE Transaction; and
- the impact of the SE 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 SE 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 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 SE Transaction;
- assumptions regarding the interest rates of the 2014 Term Loan and 2016 Term Loan and foreign exchange rates;
- the extent to which the SE Transaction is accretive, which may be impacted by the realization and timing of synergies and the operating performance of Enercare Solutions and Service Experts post-closing of the SE Transaction;
- assumptions regarding non-recurring transaction costs estimated to be incurred by Enercare Solutions in connection with the SE 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 closing of the SE Transaction.

There can be no assurance that the anticipated strategic benefits and operational, competitive and cost synergies from the SE Transaction will be realized.

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

Earnings Statement

(000's)	Three months ended March 31, 2016	2015
Revenues:		
Contracted revenue	**$100,331**	$93,653
Sales and other services	**6,098**	10,360
Dividend income	**863**	863
Investment income	**78**	72
Total revenue	**107,370**	104,948
Expenses:		
Cost of goods sold:		
Maintenance & servicing costs	**16,268**	14,388
Sales and other services	**5,281**	7,328
Total cost of goods sold	**21,549**	21,716
SG&A expenses	**30,548**	29,473
Amortization expense	**30,036**	29,114
Net loss on disposal	**1,925**	1,752
Interest expense	**13,097**	13,542
Total expenses	**97,155**	95,597
Earnings before income taxes	**10,215**	9,351
Current tax (expense)	**(11,965)**	(1,834)
Deferred tax (expense) / recovery	**9,694**	(2,361)
Net earnings	**7,944**	$5,156
EBITDA Excluding Intercompany Income	**$ 52,485**	$51,144
Adjusted EBITDA	**$ 54,410**	$52,896
Acquisition Adjusted EBITDA	**$ 58,017**	$53,508

Revenues

Total revenues of $107,370 for the first quarter of 2016 increased by $2,422 or 2% compared to the same period in 2015.

Revenues, excluding dividend and investment income, increased by $2,416 to $106,429 compared to the first quarter of 2015, primarily as a result of a rental rate increase implemented in January 2015, changes in asset mix and growth in rental HVAC units. Contracted revenue 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. The unseasonably warmer temperatures experienced during the fourth quarter of 2015 continued into the first quarter of 2016. During the first quarter of 2016, the number of heating degree days was 23% lower than both the first quarters of 2015 and 2014, and was the warmest first quarter in the past 10 years, surpassed only by 2012. 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 2015.

Our strategy to emphasize HVAC rentals over outright sales resulted in significant increases in recurring revenue at the expense of sales and other services revenue.

Dividend income for 2016 was $863 consistent with the same period in 2015.

Investment income was $78 in the first quarter of 2016, which was largely consistent with the amount in the same period in 2015.

Cost of Goods Sold

Total cost of goods sold of $21,549, was consistent in the first quarter of 2016 compared to the same period in 2015, decreasing by $167 or 1%. Maintenance and servicing costs 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 $30,548 in the first quarter of 2016, an increase of $1,075 or 4% compared to the same period in 2015. The $1,075 increase over 2015 was primarily as a result of approximately $2,300 of professional fees, $1,100 of charges from Enercare and $900 in wages and benefits, partly offset by $2,800 of lower billing and servicing costs, $200 in claims expenses and $200 in selling and office expenses.

During the first quarter of 2016, SG&A expenses included $2,805 of acquisition related expenditures associated with the SE Transaction, primarily consisting of professional fees associated with the entering into of the Merger Agreement. SG&A expenses in the first quarter of 2016 also included $802 of integration costs related to the DE Acquisition, primarily from marketing spend related to continued rebranding.

During the first quarter of 2015, SG&A expenses included $612 of integration costs associated with the DE Acquisition, primarily from marketing spend related to rebranding activities.

Amortization Expense

Amortization expense increased by $922 or 3% in the first quarter of 2016, primarily due to 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 $1,925 in the first quarter of 2016, an increase of $173 or 10% over the same period in 2015. 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

	Three months ended March 31,	
(000's)	**2016**	2015
Interest expense payable in cash	**$ 6,551**	$ 6,511
Interest on subordinated debt	**875**	875
Interest on promissory note	**5,064**	5,674
Equity bridge financing fees	**189**	-
Non-cash items:		
Notional interest on employee benefit plans, net	**210**	274
Amortization of financing costs	**208**	208
Interest expense	**$13,097**	$13,542

Interest expense payable in cash of $6,551, in the first quarter of 2016 was consistent with the same period in 2015. Interest on the $50,000 Subordinated Debt was also consistent with the prior period. Interest on promissory notes decreased in the first quarter of 2016, compared to the same period in 2015, from partial repayments of the Subordinated Promissory Notes. Equity bridge financing fees of $189, were incurred during the first quarter of 2016, as part of the SE Transaction. Notional interest of $210 in the quarter relates to the employee benefits plans acquired as part of the DE Acquisition. Amortization of financing costs includes the previously unamortized costs associated with the 2012 Notes, 2013 Notes and in 2015, the 2014 Term Loan.

Income Taxes

Enercare Solutions reported current tax expense of $11,965 in the first quarter of 2016, an increase of $10,131 over the same period in 2015, primarily as a result of a one year tax deferral recognized in 2015, available through a subsidiary of Enercare Solutions. The deferred income tax recovery of $9,694 in the first quarter of 2016 was $12,055 higher compared to the deferred tax expense recorded in the same period in 2015, primarily as a result of temporary difference reversals.

Net Earnings

Net earnings in the first quarter of 2016 were $7,944 or $2,788 higher than in the same period in 2015 as previously described.

EBITDA Excluding Intercompany Income, 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 Excluding Intercompany Income, Adjusted EBITDA and Acquisition Adjusted EBITDA.

(000's)	**Q1/16**	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14
Net earnings	**$ 7,944**	$ 8,445	$10,631	$12,536	$ 5,156	$ 3,202	$ 4,031	$ 7,078
Deferred tax (recovery)/expense	**(9,694)**	814	1,755	484	2,361	(4,473)	(7,046)	(3,941)
Current tax expense	**11,965**	2,786	1,089	1,297	1,834	5,923	8,462	6,203
Amortization expense	**30,036**	29,995	29,646	29,256	29,114	28,609	23,514	23,260
Interest expense	**13,097**	13,047	13,386	13,462	13,542	12,845	9,980	9,188
Less: Dividend (income)	**(863)**	(863)	(863)	(863)	(863)	(870)	(870)	(860)
EBITDA Excluding Intercompany Income [(1)]	**52,485**	54,224	55,644	56,172	51,144	45,236	38,071	40,928
Add: Net loss on disposal	**1,925**	1,029	1,001	1,572	1,752	2,180	2,304	2,371
Adjusted EBITDA [(2)]	**54,410**	55,253	56,645	57,744	52,896	47,416	40,375	43,299
Add: Acquisition SG&A	**3,607**	3,012	3,767	1,777	612	4,138	3,584	-
Acquisition Adjusted EBITDA	**$58,017**	$58,265	$60,412	$59,521	$53,508	$51,554	$43,959	$43,299

(1) Historical EBITDA Excluding Intercompany Income has been conformed to the current presentation which includes investment income, other income and excludes related party dividend income.

(2) Historically Adjusted EBITDA has been conformed to the current presentation which includes investment income and other income and excludes related party dividend income and net loss on disposal.

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 DE Acquisition results commencing in the fourth quarter of 2014.
2. Increasing current taxes from higher taxable income. During 2015, current taxes reflect the impact of a one year tax deferral available through a subsidiary of Enercare Solutions which was not available for 2016 and accordingly, results in a higher current tax expense this quarter.
3. In the first quarter of 2016 additional interest expense was incurred as part of the SE Transaction, related to the bridge financing. In the third quarter of 2014, additional interest expense was incurred as part of the DE Acquisition, related to the bridge financing. Commencing in the fourth quarter of 2014, interest expense reflects higher debt related to the financing of the DE Acquisition.

4. Amortization and net loss on disposal of equipment are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units. Increases in amortization of capital assets and intangibles relate primarily to increased additions.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31,	
(000's)	**2016**	2015
Cash (used in)/provided by operating activities	**$38,004**	$(4,671)
Net change in non-cash working capital	**(7,333)**	43,972
Operating Cash Flow[3]	**30,671**	39,301
Capital expenditures: excluding acquisitions	**(27,794)**	(22,226)
Proceeds on disposal of equipment	**1,967**	1,680
Net capital expenditures	**(25,827)**	(20,546)
Acquisition – Cobourg portfolio	**-**	(880)
Cash used in investing activities	**(25,827)**	(21,426)
Dividends paid	**(11,702)**	(11,101)
Other financing activities	**(5,883)**	(168)
Cash used in financing activities	**(17,585)**	(11,269)
Cash and equivalents – end of period	**$12,173**	$15,489

Operating Cash Flow of $30,671 in the first quarter of 2016 decreased by $8,630 compared to the same period in 2015, primarily as a result of higher current tax expense from a one year tax deferral recognized in 2015.

Net capital expenditures of $25,827 in the first quarter of 2016 increased by $5,281 compared to the same period in 2015, due to increased HVAC rentals and changes in asset mix. Acquisition costs in 2015 include $880 relating to the purchase of the CNI rental portfolio in the first quarter of 2015.

Dividends paid reflect dividend payments on outstanding common shares.

Of the available credit of $100,000 under the 2014 Revolver, $50,000 was drawn as at March 31, 2016.

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.

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

Capital Expenditures

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

Installed Asset Unit Continuity (000's)	Three months ended March 31, **2016**	2015
Units – start of period	**1,128**	1,129
Portfolio additions	**8**	6
Acquisitions	**-**	1
Attrition	**(7)**	(9)
Units – end of period	**1,129**	1,127
Asset exchanges – units retired and replaced	**12**	13
% change in units during the period	**0.1%**	(0.2%)
% of units from start of period:		
Portfolio additions (net of acquisitions)	**0.7%**	0.5%
Attrition	**(0.6%)**	(0.8%)
Units retired and replaced	**1.1%**	1.2%

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 the first quarter of 2016 net capital expenditures for the Rentals portfolio were $25,827, increasing by 26% or $5,281 when compared to the same period in 2015, primarily as a result of increased HVAC rentals.

Attrition decreased in the first quarter of 2016 by 2,000 units or 22% compared to the same period in 2015. 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 the first quarter of 2016, EnerCare Solutions' financing activity was comprised of dividend payments, $6,000 of financing repayments and obligations under finance leases.

Capitalization (000's)	Three months ended March 31, **2016**	2015
Cash and cash equivalents	**$ 12,173**	$ 15,489
Net investment in working capital	**26,365**	49,235
Cash, net of working capital	**38,538**	63,870
Total senior debt	**682,926**	682,086
2014 Revolver	**50,000**	-
Promissory note	**502,367**	567,367
Subordinated debt	**50,000**	50,000
Shareholder's equity	**(191,573)**	(162,069)
Total capitalization – book value	**$1,093,720**	$1,137,384

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 March 31, 2016, total debt was comprised of the 2012 Notes, the 2013 Notes, the 2014 Term Loan and the 2014 Revolver.

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

Debt Financing

The 2014 Revolver and 2014 Term Loan each contain terms, representations, warranties, covenants and events of default that are 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 2014 Revolver and 2014 Term Loan include a cross-default provision and the occurrence of a change of control of Enercare or Enercare Solutions. Enercare Solutions' obligations under the 2014 Revolver and 2014 Term Loan are guaranteed by all of Enercare Solutions' direct and indirect subsidiaries.

The 2014 Term Credit Facility bears interest at a rate of bankers' acceptances plus 125 basis points or prime plus 50 basis points at Enercare Solutions' credit rating as of the date hereof.

The 2014 Revolver and 2014 Term Loan contain 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 4.75:1; and (iii) the ratio of Adjusted EBITDA to "Cash Interest Expense" must be greater than 3.00:1.

The 2014 Revolver and 2014 Term Loan define "Adjusted EBITDA" as the consolidated net income of Enercare Solutions and any losses on dispositions of assets less, to the extent included in calculating such net income, all interest income and income tax recoveries, gains on hedging contracts and all extraordinary, non-recurring and unusual income items, plus, to the extent deducted in calculating such net income, amounts for total interest expense, fees payable under the Origination Agreement, amortization and depreciation expenses, income taxes and any other non-cash items, losses on hedging contracts, proceeds of disposal of water heaters in the ordinary course of business, and with respect to the DE Acquisition, transaction expenses, one-time rebranding costs and information technology system harmonization costs up to $23,500 in the aggregate, determined on a consolidated basis. The 2014 Revolver and 2014 Term Loan essentially define "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.

Enercare Solutions was in compliance with the covenants within the 2014 Revolver and 2014 Term Loan as of March 31, 2016. A total of $50,000 was drawn under the 2014 Revolver at March 31, 2016.

The 2014 Debt Financing has been amended in conjunction with the SE Transaction, including enhancements to certain of the financial covenants described above, and the 2016 Term Loan was entered into by Enercare Solutions to partially fund the SE Transaction. See "*Recent Developments – Enercare Solutions Completes Acquisition of Service Experts*".

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 March 31, 2016, 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)	**Q1/16**	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14
Total revenues	**$107,370**	$110,160	$107,721	$107,280	$104,948	$96,257	$50,090	$50,159
Net earnings	**7,944**	8,445	10,631	12,536	5,156	3,202	4,031	7,078
Dividends declared	**$ 12,314**	$ 18,705	$ 19,245	$ 19,308	$ 11,987	$16,648	$ 8,486	$10,600

In addition to quarterly comments found under "*Results of Operations – EBITDA Excluding Intercompany Income 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 DE Acquisition in the fourth quarter of 2014. Dividends declared primarily reflect the change in outstanding Shares over time as well as the dividend increase implemented in the first quarter of 2015.

SUMMARY OF CONTRACTUAL DEBT AND LONG TERM OBLIGATIONS

The following schedule summarizes the contractual debt and long term obligations of Enercare Solutions at March 31, 2016:

Period	Debt		Finance Leases		Operating
(000's)	Principal	Interest	Principal	Interest	Leases
Due in 2016	$ -	$19,498	$1,599	$163	$1,376
Due in 2017	250,000	25,864	1,880	156	878
Due in 2018	210,000	14,363	1,484	95	325
Due in 2019	50,000	11,130	1,024	50	273
Due in 2020	225,000	5,175	568	20	277
Thereafter	-	-	242	5	366
Total	$735,000	$76,030	$6,797	$489	$3,495

As at March 31, 2016, 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 2014 Term Loan, maturing on October 20, 2018, bears interest at a variable rate based upon the banker's acceptance rate plus 1.25%, which was 2.118% at March 31, 2016.

At March 31, 2016, $50,000 was drawn on the 2014 Revolver. The 2014 Revolver bears a standby charge of 0.25%, and interest on amounts drawn at a variable rate based upon the banker's acceptance rate plus 1.25% which was 2.122%, at March 31, 2016. 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 March 31, 2016, there were 1,169 common shares issued and outstanding.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The condensed interim consolidated financial statements of Enercare Solutions are prepared in accordance with IFRS. Enercare Solutions' basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the condensed interim consolidated financial statements for the period ended March 31, 2016.

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 Excluding Intercompany Income, 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, 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 Excluding Intercompany Income

This measure is comprised of net earnings plus income taxes, interest expense and amortization expense, less intercompany 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 Excluding Intercompany Income is reconciled with net earnings, an IFRS measure, in the section "Results of Operations – EBITDA Excluding Intercompany Income, Adjusted EBITDA and Acquisition Adjusted EBITDA" in this MD&A. The calculation of EBITDA Excluding Intercompany Income includes investment and other income with the exception of intercompany income which continues to be excluded. Comparatives have been restated accordingly.

Adjusted EBITDA

This measure is comprised of net earnings plus income taxes, interest expense, amortization expense, impairment losses, loss on disposal of equipment less related party 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 Excluding Intercompany Income, 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 DE Acquisition and the SE Transaction, including equity bridge financing fees, professional fees associated with due diligence, pre and post-merger 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 Excluding Intercompany Income, 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 March 31, 2016, Enercare Solutions was in compliance with all covenants under the 2012 Notes, 2013 Notes, 2014 Revolver and 2014 Term Loan. For a summary of the financial covenants in respect of such debt see "*Liquidity and Capital Resources – Debt Financing*" in this MD&A. For a summary of the financial covenants in respect of the 2016 Term Loan see "*Recent Developments – Enercare Solutions Completes Acquisition of Service Experts*".

2014 Revolver and 2014 Term Loan

Under the 2014 Revolver and 2014 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 March 31, 2016. There was $50,000 drawn under the 2014 Revolver at March 31, 2016.

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 condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts in the condensed interim consolidated financial statements and accompanying notes. 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 March 31, 2016, Enercare Solutions recorded a revenue accrual of approximately $45,900 (2015 - $46,400) reflecting accrued service periods. Unbilled protection plans comprise approximately $28,300 (2015 - $28,100) 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 is guaranteed payment by Enbridge for 99.51% in 2016 and 99.49% in 2015 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 $6,400 at March 31, 2016, compared to approximately $6,100 at the end of 2015.

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 circumstances 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.

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 March 31, 2016. There have been no changes to our ICFR during the quarter and year to date ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, Enercare Solutions' ICFR.

Management does recognize that any controls and procedures no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure or internal controls and procedures occur and/or mistakes happen, Enercare Solutions intends to take whatever steps are necessary to minimize the consequences thereof.

CHANGES IN ACCOUNTING POLICIES

The condensed interim consolidated financial statements of Enercare Solutions are prepared in accordance with IFRS as issued by IASB applicable to the preparation of condensed interim consolidated financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015. 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, 2016.

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 implemented the standard and has determined that it did not have any impact.

Accounting Standards Issued But Not Yet Applied

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

Statement of Cash flows

IAS 7, "Statement of cash flows" ("IAS 7"), has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment to IAS 7 is effective for annual periods beginning or after January 1, 2017. Enercare Solutions is currently evaluating the impact of adopting this standard on the consolidated financial statements.

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.

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 discussed in its MD&A in respect of the year ended December 31, 2015 remain unchanged except that the SE Transaction was completed on May 11, 2016.

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.

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 are very pleased that during the third and fourth quarters of 2015 and the first quarter of 2016, rental unit growth surpassed Attrition by approximately 4,000 units, the first three consecutive quarters of net unit growth since 2005.

Our main priority for the business in 2016 is to grow EBITDA. Our key objective in the year is to continue to grow the number of rental contracts. We believe that we have the opportunity to continue the improved results experienced in the second half of 2015 by growing the number of contracts in excess of Attrition throughout 2016.

Our strategy to emphasize HVAC rentals over outright sales in order to create a long-term customer revenue stream and provide valuable cross-selling opportunities, continues to be successful. While this strategy has resulted in a significant increase in recurring HVAC rental revenues, we anticipate the short-term impact on non-recurring sales and other services revenue to continue throughout 2016.

In December 2015, we announced the launch of our water treatment products. These products ensure the quality of water in customers' homes is clean and pure by removing contaminants and impurities and filtering and softening water. Customers will be able to safely drink and use water directly from the source. We believe the market for these products has strong growth potential and over the past quarter we have been ramping up our sales and marketing efforts. We expect to have the sales channels activated and product sales to show modest growth throughout the year as we build market awareness and customer demand.

Other key priorities for the business also include reinventing and growing the protection plan portfolio, continuing to implement our long term logistics strategy and further enhancing our customer satisfaction levels.

Development of the customer mobile app continues to progress well. Following the approval for both Apple iOS and Android operating systems, on February 24, 2016 and March 29, 2016, respectively, Enercare Solutions proceeded with a limited release pilot in late March 2016 followed by a wider scale customer pilot launched on April 22, 2016. Subsequent releases are planned for 2016.

The closing of the SE Transaction on May 11, 2016 provides a natural extension to our business. Through Service Experts, Enercare Solutions emerges as a North American market leader, creating new opportunities for growth and broadening its scope from Canada to North America. Our priority for the first 12-months will be to focus on successfully integrating the Service Experts operations both in the United States and Canada.

GLOSSARY OF TERMS

Defined Term	Definition
Attrition	Termination of customer relationships, including buyouts, in the Rentals portfolio.
Bill 55	Stronger Protection for Ontario Consumers Act, 2013.
CNI	Cobourg Network Inc.
Conversion	The conversion of the Fund and the Trust, income trusts, to Enercare and Enercare Solutions, respectively.
Co-ownership Agreement	Co-ownership agreement dated December 17, 2002 between DE, Rentco, 4104285 Canada Limited and CIBC Mellon Trust Company as custodian, as assigned by Rentco to ESLP on December 17, 2002, as amended on February 6, 2003, January 1, 2005, December 29, 2006, February 8, 2007 and April 25, 2007, and assigned to EHCS LP as part of the DE Acquisition.
Credit Facility	The debt financing of Enercare Solutions in respect of the SE 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.
DE Acquisition	The acquisition of the OHCS business of DE by Enercare Solutions on October 20, 2014 through EHCS LP.
ECI	Enercare Connections Inc. (formerly Stratacon, Enbridge Electric Connections Inc. and Triacta Power Technologies 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 DE Acquisition, an indirect wholly-owned subsidiary of Enercare Solutions.
ESLP	Enercare Solutions Limited Partnership (formerly Waterheater Operating Limited Partnership).
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 IASB.
Incurrence Test	2012 Notes and 2013 Notes Incurrence EBITDA to Net Interest Expense.
MD&A	Management's Discussion and Analysis.
Merger Agreement	The agreement dated March 7, 2016 between, among others, Enercare Solutions and Service Experts regarding the SE Transaction.
OBA	Open bill access agreement with Enbridge.
OHCS	The Ontario home and small commercial services business of DE acquired by Enercare Solutions on October 20, 2014 in the DE Acquisition.
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	$231,947 (net of underwriters' fees) of subscription receipts issued by Enercare on a bought deal basis in relation to the SE Transaction.
SE Transaction	The acquisition of Service Experts by Enercare Solutions, through an indirect wholly-owned subsidiary, pursuant the definitive merger agreement which was completed on May 11, 2016.
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.
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.
Trust	The Consumers' Waterheater Operating Trust.
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.
2014 Debt Financing	The debt financing of Enercare Solutions in respect of the DE 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.
2014 Revolver	The 5-year variable rate, revolving credit facility in the maximum amount of $100,000 issued under the 2014 Debt Financing.
2014 Term Loan	The 4-year variable rate, non-revolving term loan facility in the amount of $210,000 issued under the 2014 Debt Financing.
2016 Term Loan	Two 4-year non-revolving, non-amortizing variable rate term credit facilities in the aggregate amount of US$200,000 .