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Enercare Solutions Inc.

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

Second Quarter ended June 30, 2016

Dated August 5, 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 June 30, 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 dollars.

As at June 30, 2016, Enercare Solutions was a wholly-owned subsidiary of Enercare. Enercare Solutions' operates its businesses in two segments – Enercare Home Services - provision of water heaters, furnaces, air conditioners and other HVAC rental products, protection plans and related services and Service Experts – provision of sales, installation, maintenance and repair of HVAC systems through Enercare Solutions' Service Experts subsidiary.

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 August 5, 2016, contains certain forward-looking statements within the meaning of applicable Canadian securities laws ("forward-looking statements" or "forward-looking information") 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.

Statements other than statements of historical fact contained in 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. When used herein, the words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "goal", "intends", "may", "might", "outlook", "plans", "projects", "schedule", "should", "strive", "target", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. 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. Many factors could cause actual results to differ materially from the results and developments discussed in the forward-looking information.

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, strategic initiatives and tax efficiencies; 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;
- assumptions regarding the volume and mix of business activities remaining consistent with current trends;
- assumptions regarding the interest rates of the 2014 Term Loan and 2016 Term Loan, foreign exchange rates and commodity prices;
- 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;
- assumptions regarding non-recurring transaction costs estimated to be incurred by Enercare Solutions in connection with the SE Transaction;
- assumptions regarding future selling, general and administration costs estimated to be incurred by Enercare, including in connection with the running of the SE Transaction; and
- the number of Shares outstanding remaining constant.

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 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. All forward-looking information in this MD&A is made as of the date of this MD&A. 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.

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-segment and 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 Enercare Home Services business.

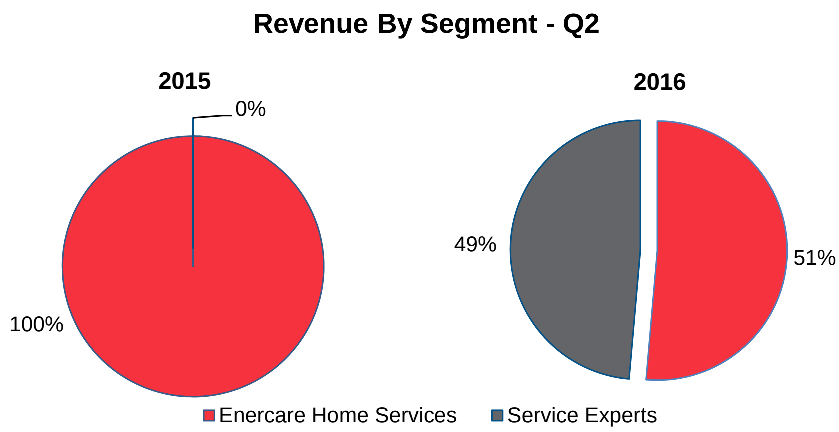
On May 11, 2016, Enercare Solutions acquired, through a merger, SEHAC Holdings Corporation ("Service Experts") (the "SE Transaction"). Enercare Solutions purchased 100% of the outstanding shares of Service Experts. Service Experts provides sales, installation, maintenance and repair of HVAC systems directly to residential and light commercial customers. There are 90 locations in the United States and Canada. The interim financial statements reflect Enercare Solutions' ownership of Service Experts for the period of May 11, 2016 to June 30, 2016.

Through its Enercare Home Services and Service Experts businesses, Enercare Solutions provides intelligent and energy-efficient products, services, programs and solutions that enable homeowners, multi-unit owners and tenants to make a substantial contribution to North America's growing culture of energy conservation.

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 from S&P and DBRS, respectively.

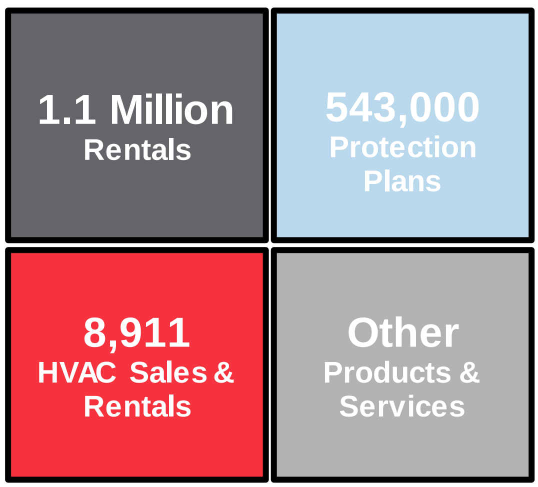
PORTFOLIO SUMMARY

Enercare Solutions' primary businesses are comprised of Enercare Home Services and Service Experts. As seen by the graph below, the Enercare Home Services business accounted for 51% of the overall revenue during the second quarter of 2016, compared to 100% during the same period in 2015, due to the acquisition of the Service Experts business on May 11, 2016. The primary business activities within each of the Enercare Home Services and Service Experts segments are discussed below.

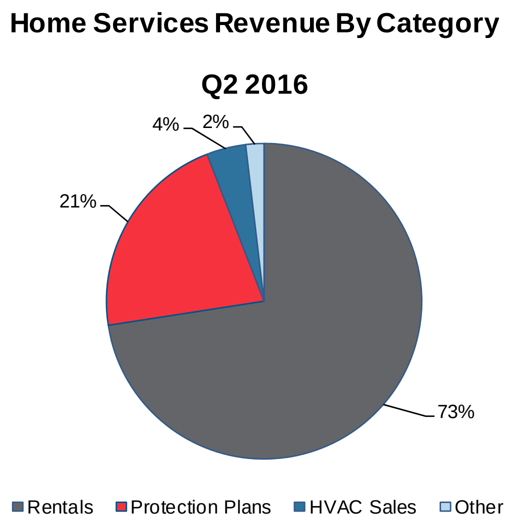


Enercare Home Services Business

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

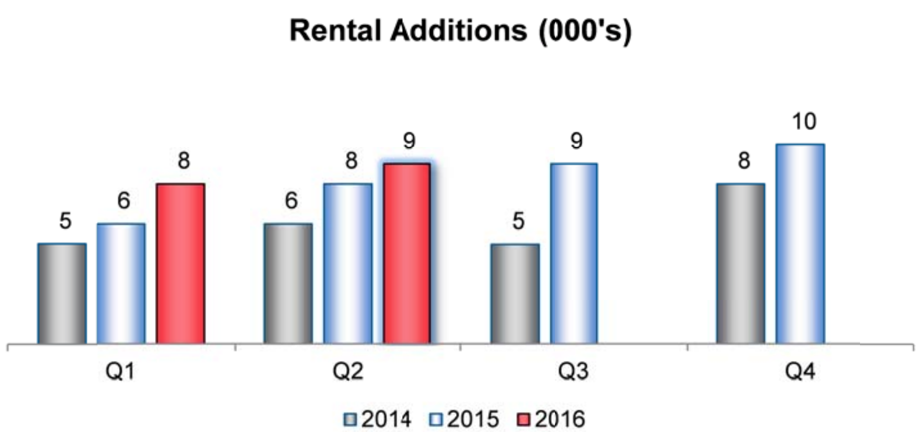


Of the four main business activities, the Rentals component produces the largest portion of revenue, followed by Protection Plans, HVAC Sales and Other, as illustrated in more detail by the following chart.

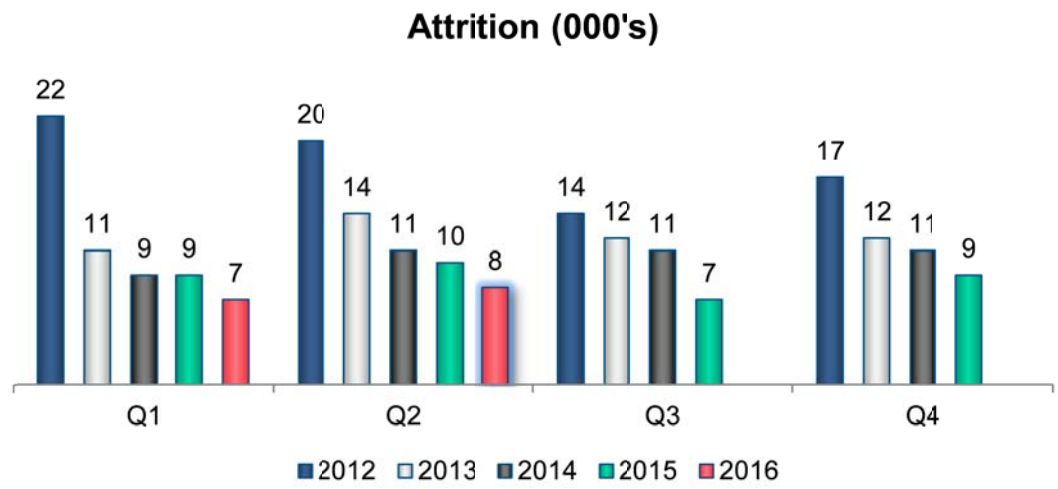


Rentals

Enercare Home Services 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 9,000 units in the second quarter of 2016, an increase of 13%, compared to the same period in 2015.

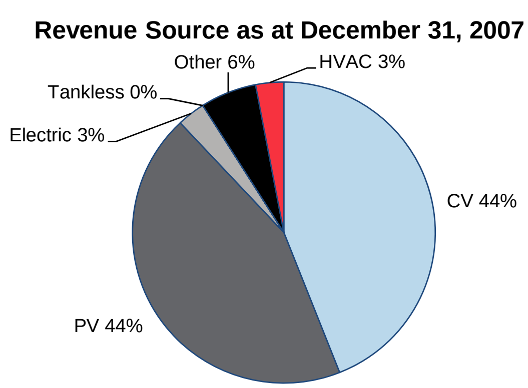


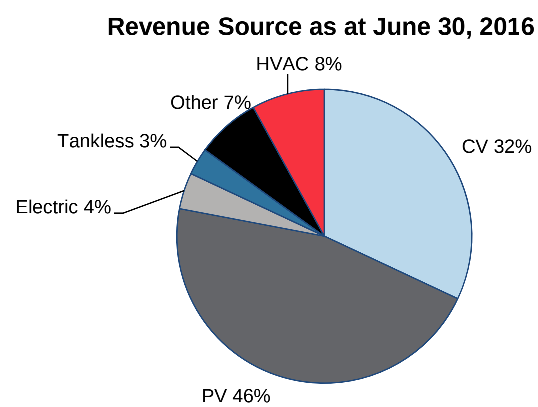
To aid in the reduction of Attrition, Enercare Home Services has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with enhancements to our customer value proposition (for example, the “same day service campaign”) and the coming into effect of Bill 55 on April 1, 2015, have helped to significantly reduce Attrition. Attrition decreased in the second quarter of 2016 by 2,000 units or 20%, compared to the same period in 2015. Attrition has improved year-over-year since 2009. The chart below illustrates Attrition trends since 2012.



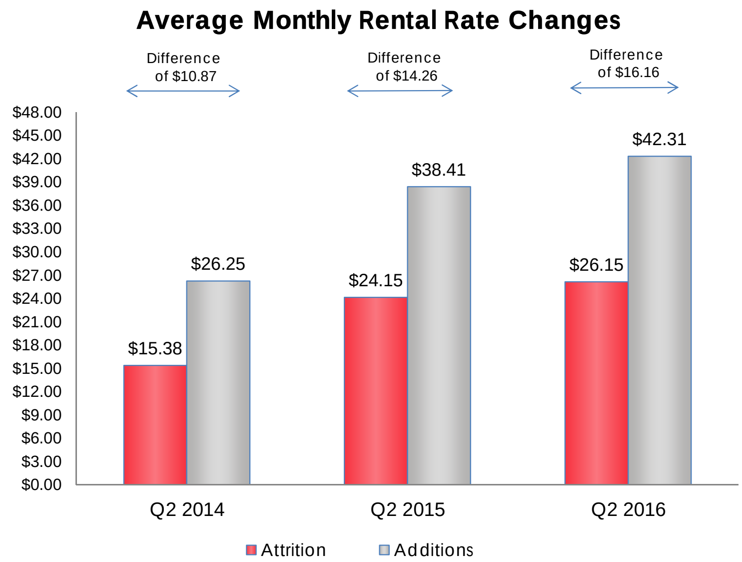
Rental unit growth has surpassed Attrition during the third and fourth quarters of 2015 and the first and second quarter of 2016 by approximately 5,000 units; the first four consecutive quarters of net unit growth in over a decade.

In recent years changes in water heater technology and consumer trends have led to an increase in the origination of 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 that the difference in rental rates applicable to new and lost customers has increased steadily over the past three years, with the second quarter of 2016 revenue spread widening to $16.16, an increase of $1.90 over the same period in 2015. New customers are worth approximately 1.7 times that of a lost customer.



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

Protection Plans

Enercare Home Services 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 Home Services 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 Home Services 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 78% of residential HVAC unit sales included an extended protection plan.

While Enercare Home Services' protection plan base remained stable during the second quarter of 2016, protection plan additions increased by approximately 4,000 plans compared to the same period in 2015. The introduction of initiatives focusing on new customer acquisition and programs targeting customers who have moved from their homes have contributed to the higher protection plan additions.

During the second quarter of 2016, approximately 2,000 protection plans, 4,000 year to date, were converted to rentals as part of the Enercare Home Services growth strategy resulting in higher protection plan attrition. HVAC unit additions continued, in the second 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. 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 three months ended June 30, 2016 and 2015.

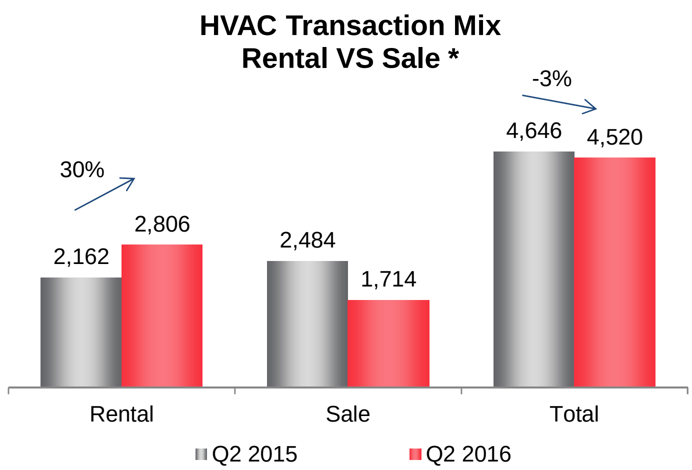
	Three months ended June 30,	
Protection Plan Unit Continuity (000's)	**2016**	2015
Contracts - start of period	**543**	555
Portfolio additions	**18**	14
Protection plan attrition	**(18)**	(17)
Contracts - end of period	**543**	552
% change in units during the period	**-%**	(0.5%)

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 Home Services' strategy to grow its recurring revenue customer base, in 2013 Enercare Home Services 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 Home Services estimates that a rental unit is worth approximately 2.5 times that of a sale on a discounted cash flow basis.

A second 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.

During the second quarter, Enercare Home Services rented approximately 2,806 new units, an increase of 30% over the prior year, and sold approximately 1,714 units for a total of 4,520 HVAC units, compared to 4,646 units in the prior year, a decrease of 3%. The onset of warmer spring weather during the second quarter was delayed, compared to historical norms, as measured by heating degree days[1] which were 11% higher than the 26 year average and the highest experienced in the past 12 years. The cooler weather

[1] Heating/cooling 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 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. Temperatures below 18°C result in higher heating degree days (lower cooling degree days) while those above 18°C result in lower heating degree days (higher cooling degree days).

resulted in lower demand for air conditioning sales and rentals in the early part of the quarter. Towards the end of the quarter, weather shifted in a more favourable direction leading to higher cooling degree days which was 46% higher than the 26 year average and the highest since 2012. This resulted in a significant increase in the demand for air conditioning sales and rentals.

The strategy to convert HVAC sales into Rentals has resulted in increases to our recurring revenue. During the second quarter of 2016, HVAC rental revenue accounted for an increase of approximately $2,000, or $4,300 year to date, compared to the same periods 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 2,162 in the second quarter of 2015 to 2,806 in the second quarter of 2016 resulted in reductions of $1,900 and $800 to revenues and EBITDA, respectively, compared to the same period in 2015. Furthermore, had all 2,806 new HVAC rental additions during the second quarter of 2016 been sales as opposed to rentals, revenues and EBITDA during the quarter would have increased by approximately $8,100 and $3,500, 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.

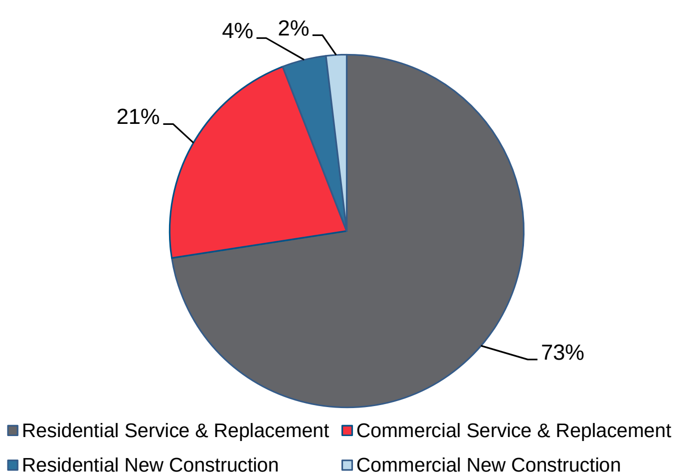
Other

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

Service Experts Business

Enercare Solutions expanded into the U.S. marketplace through its acquisition of Service Experts in May 2016. Service Experts is a leading provider of HVAC equipment and servicing to residential and light commercial customers and operates in 29 states in the United States and three provinces in Canada with a total of 90 branch locations. Service Experts has an average local brand age of more than 50 years and conducts over 645,000 customer appointments per year.

Service Experts Revenue Mix
May 11 - June 30, 2016



There are three main business activities within Service Experts: HVAC Sales and Servicing, Maintenance Contracts and Other.

HVAC Sales and Servicing

HVAC sales and servicing includes service and replacement, which consists of demand, tune-up and HVAC unit replacements and upgrades, commercial HVAC service and replacement, and HVAC installations in commercial and residential new construction.

HVAC repair and replacement activities comprise a majority of the Service Experts business and are considered essential services to both residential and commercial customers. This revenue stream has minimal exposure to new construction and in recent years has been positively affected by the housing stock growth and significant pent-up demand from residential recession-era replacement deferrals in the United States. Additionally, Service Experts has focused on various growth initiatives, including expanding outbound calling and online marketing to increase the number of customer contacts which convert to booked calls and ultimately result in a larger recurring customer base.

Service Experts installed approximately 11,624 HVAC units for the post-acquisition period from May 11 to June 30, 2016. Although unfavorably cooler weather conditions across the United States in May impacted HVAC sales during the early part of the month, the significantly warmer temperatures in late May and June led to higher air conditioning sales and demand service for repairs in the month resulting in strong overall sales during the post-acquisition period. May temperatures across the United States were the thirteenth coldest May in the past 25 years, while June temperatures were the second warmest June in 25 years[1]. Service Experts sales in Eastern Canada were also positively impacted by the same weather trends experienced by the Enercare Home Services segment while strong HVAC sales in Western Canada during the month of June were also partly the result of warmer weather conditions in this region, which saw the warmest temperatures in 25 years.

Maintenance Contracts

Maintenance contracts generally consist of annual or semi-annual maintenance contracts predominantly to a recurring customer base. These maintenance plans not only generate recurring revenue but also promote the development of customer loyalty and provide the opportunity for cross-marketing of Service Experts' other products and services to such customers.

Service Experts currently has two types of maintenance contracts in respect of HVAC equipment. The first is a maintenance only contract where semi-annual or annual maintenance visits are conducted to perform diagnostics over HVAC equipment while the second is a full service plan that includes repair services along with certain parts and labour. Approximately 200,000 customers have ongoing maintenance contracts covering approximately 218,000 pieces of equipment. The following table illustrates the maintenance contracts continuity for the period of May 11, 2016 to June 30, 2016.

Maintenance Contract Unit Continuity (000's)	For the period May 11 to June 30, 2016
Contracts - start of period	218
Portfolio additions	12
Portfolio attrition	(12)
Contracts - end of period	218
% change in units during the period	-%

Other

The Other category includes ancillary residential services such as indoor air quality, plumbing, duct cleaning and energy audits.

[1] Weather trends from Weather Trends International.

SECOND QUARTER 2016 HIGHLIGHTS

	Three months ended June 30,		Six months ended June 30,	
(000's)	**2016**	2015	**2016**	2015
Enercare Home Services	**$107,989**	$106,373	**$214,418**	$210,386
Service Experts	**102,209**	-	**102,209**	-
Dividend income	**863**	863	**1,726**	1,726
Investment income	**160**	44	**238**	116
Total revenue	**211,221**	107,280	**318,591**	212,228
EBITDA Excluding Intercompany Income[2]	**68,579**	56,172	**121,064**	107,316
Adjusted EBITDA[2]	**69,510**	57,744	**123,920**	110,640
Acquisition Adjusted EBITDA[2]	**74,750**	59,521	**132,767**	113,029
Earnings before income taxes	**20,909**	14,317	**31,124**	23,668
Current tax (expense)	**(14,318)**	(1,297)	**(26,283)**	(3,131)
Deferred income tax recovery/(expense)	**7,913**	(484)	**17,607**	(2,845)
Net earnings	**$ 14,504**	$ 12,536	**$ 22,448**	$ 17,692

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

- Total revenues of $211,221 increased by 97% in the second quarter of 2016. Revenues, excluding dividend and investment income, were $210,198, greater than the prior year by $103,825, primarily as a result of $102,209 of revenues added through the partial quarter impact of the SE Transaction. Revenues in the Enercare Home Services business were $107,989, greater than the prior year by $1,616, primarily as a result of rental rate increases, asset mix changes and growth in rental HVAC units. Service Experts revenues of $102,209 since the May 11, 2016 acquisition date were stronger than anticipated, assisted by warm June temperatures across the United States, which resulted in higher air conditioning sales. Dividend income relates to an investment in ECI preferred shares of $50,000.
- EBITDA Excluding Intercompany Income increased by $12,407 to $68,579 in the second quarter of 2016, driven primarily by improved total revenues partly offset by higher SG&A costs, primarily from $3,859 of acquisition and integration costs incurred during the quarter associated with the SE Transaction. Service Experts contributed $12,993 of the increase in EBITDA Excluding Intercompany Income during the quarter, after adding back the $2,834 of acquisition costs that were incurred by Enercare Home Services. Adjusted EBITDA of $69,510 increased by $11,766 after removing from EBITDA Excluding Intercompany Income, the impact of the net loss on disposal of equipment.
- After removing $3,859 of acquisition and integration related expenditures associated with the SE Transaction and $1,381 of integration and business transformation costs related to the DE Acquisition, Acquisition Adjusted EBITDA was $74,750 in the second quarter of 2016, an increase of $15,229 compared to the same period in 2015.
- During the second quarter of 2016, HVAC customer installations 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 Enercare Home Services revenues and EBITDA Excluding Intercompany Income of approximately $1,900 and $800, respectively, in the second quarter of 2016 compared to the same period in 2015.
- Net earnings of $14,504 in the second quarter of 2016 increased by $1,968 or 16% compared to the same period in 2015, reflecting increased EBITDA Excluding Intercompany Income particularly offset by higher interest expense, total taxes and amortization expense.

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[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.

- Attrition in the Rentals portfolio decreased by 20% or 2,000 units in the second 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 and second quarters of 2016 by approximately 5,000, the first four consecutive quarters of net unit growth in over a decade.

RECENT DEVELOPMENTS

Enercare Solutions Completes Acquisition of Service Experts

On May 11, 2016, Enercare and Enercare Solutions announced that Enercare Solutions completed the SE Transaction for consideration of US$340,750 (the "Consideration"), excluding transaction costs and subject to final working capital and other adjustments.

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

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 the remaining portion of the Consideration. 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 a 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

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. Please see the section entitled “Forward-looking Information” in this MD&A.

RESULTS OF OPERATIONS

Earnings Statement

Three months ended June 30,				**2016**				2015
(000’s)	**Enercare Home Services**	**Service Experts**	**Corporate**	**Total**	Enercare Home Services	Service Experts	Corporate	Total
Revenues:								
Contracted revenue	**$101,719**	**$ 1,745**	**$ -**	**$103,464**	$ 97,325	$ -	$ -	$ 97,325
Sales and other services	**6,270**	**100,464**	**-**	**106,734**	9,048	-	-	9,048
Dividend income	**-**	**-**	**863**	**863**	-	-	863	863
Investment income	**83**	**77**	**-**	**160**	44	-	-	44
Total revenue	**$108,072**	**$102,286**	**$ 863**	**$211,221**	$106,417	$ -	$ 863	$107,280
Expenses:								
Cost of goods sold:								
Maintenance & servicing costs	**16,405**	**1,402**	**-**	**17,807**	14,360	-	-	14,360
Sales and other services	**5,312**	**59,263**	**-**	**64,575**	6,073	-	-	6,073
Total cost of goods sold	**21,717**	**60,665**	**-**	**82,382**	20,433	-	-	20,433
SG&A expenses	**23,516**	**31,420**	**3,533**	**58,469**	25,967	-	2,273	28,240
Foreign exchange loss/(gain)	**2**	**(5)**	**-**	**(3)**	-	-	-	-
Amortization expense	**30,145**	**3,336**	**-**	**33,481**	29,256	-	-	29,256
Net loss on disposal	**884**	**47**	**-**	**931**	1,572	-	-	1,572
Interest expense				**15,052**				13,462
Total expenses				**190,312**				92,963
Earnings before income taxes				**20,909**				14,317
Current tax (expense)				**(14,318)**				(1,297)
Deferred tax recovery/(expense)				**7,913**				(484)
Net earnings				**$ 14,504**				$ 12,536
EBITDA Excluding Intercompany Income	**$ 61,953**	**$ 10,159**	**$(3,533)**	**$ 68,579**	$ 58,445	$ -	$(2,273)	$ 56,172
Adjusted EBITDA	**$ 62,837**	**$ 10,206**	**$(3,533)**	**$ 69,510**	$ 60,017	$ -	$(2,273)	$ 57,744
Acquisition Adjusted EBITDA	**$ 60,698**	**$ 16,899**	**$(2,847)**	**$ 74,750**	$ 61,794	$ -	$(2,273)	$ 59,521

Six months ended June 30,				**2016**				2015
(000's)	**Enercare Home Services**	**Service Experts**	**Corporate**	**Total**	Enercare Home Services	Service Experts	Corporate	Total
Revenues:								
Contracted revenue	**$202,050**	**$ 1,745**	**$ -**	**$203,795**	$190,978	$ -	$ -	$190,978
Sales and other services	**12,368**	**100,464**	**-**	**112,832**	19,408	-	-	19,408
Dividend income	**-**	**-**	**1,726**	**1,726**	-	-	1,726	1,726
Investment income	**161**	**77**	**-**	**238**	116	-	-	116
Total revenue	**$214,579**	**$102,286**	**$1,726**	**$318,591**	$210,502	$ -	$1,726	$212,228
Expenses:								
Cost of goods sold:								
Maintenance & servicing costs	**32,673**	**1,402**	**-**	**34,075**	28,748	-	-	28,748
Sales and other services	**10,593**	**59,263**	**-**	**69,856**	13,401	-	-	13,401
Total cost of goods sold	**43,266**	**60,665**	**-**	**103,931**	42,149	-	-	42,149
SG&A expenses	**49,408**	**31,420**	**8,169**	**88,997**	52,476	-	5,165	57,641
Foreign exchange loss/(gain)	**22**	**(5)**	**-**	**17**	72	-	-	72
Amortization expense	**60,181**	**3,336**	**-**	**63,517**	58,370	-	-	58,370
Net loss on disposal	**2,809**	**47**	**-**	**2,856**	3,324	-	-	3,324
Interest expense				**28,149**				27,004
Total expenses				**287,467**				188,560
Earnings before income taxes				**31,124**				23,668
Current tax (expense)				**(26,283)**				(3,131)
Deferred tax recovery/(expense)				**17,607**				(2,845)
Net earnings				**$ 22,448**				$ 17,692
EBITDA Excluding Intercompany Income	**$119,074**	**$ 10,159**	**$(8,169)**	**$121,064**	$112,481	$ -	$(5,165)	$107,316
Adjusted EBITDA	**$121,883**	**$ 10,206**	**$(8,169)**	**$123,920**	$115,805	$ -	$(5,165)	$110,640
Acquisition Adjusted EBITDA	**$124,037**	**$ 16,899**	**$(8,169)**	**$132,767**	$118,194	$ -	$(5,165)	$113,029

Revenues

Total revenues of $211,221 for the second quarter of 2016 increased by $103,941 or 97% and by $106,363 or 50% to $318,591 year to date compared to the same periods in 2015 primarily as a result of the SE Transaction.

Enercare Home Services revenues, excluding investment income and dividend income, increased during the quarter by $1,616 to $107,989 and by $4,032 to $214,418 year to date, compared to the same periods in 2015, primarily as a result of a rental rate increase implemented in January 2016, changes in asset mix and growth in rental HVAC units. Contracted revenue in Enercare 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. The onset of warmer spring weather during the second quarter was delayed, compared to historical norms, as measured by heating degree days, which were 11% higher than the 26 year average and the highest experienced in the past 12 years. The cooler weather resulted in lower demand for air conditioning sales and rentals in the early part of the quarter. Consequently, Enercare Solutions had fewer HVAC sales opportunities, but nonetheless increased rentals 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.

Service Experts revenues, excluding investment income, of $102,209 since the May 11, 2016 acquisition date were stronger than anticipated driven primarily by warm June temperatures across the United States which resulted in higher HVAC sales from the strong demand for air conditioning sales. Although unfavorably cooler weather conditions across the United States in May impacted HVAC sales during the month, the significantly warmer temperatures in June led to higher HVAC sales in the month resulting in strong overall sales during the post-acquisition period from the high demand for air conditioning sales. May temperatures across the United States were the thirteenth coldest May in the past 25 years while June temperatures were the second warmest June in 25 years. Service Experts sales in Eastern Canada were also positively impacted by the same weather trends experienced by the Enercare Home Services segment while strong HVAC sales in Western Canada during the month of June were also partly the result of warmer weather conditions in this region which saw the warmest temperatures in 25 years. Service Experts revenues during the second quarter of 2016 were lower by $7,836 as a result of the reduction of deferred revenues resulting from the SE Transaction.

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

Investment income was $160 in the second quarter of 2016 and $238 year to date, an increase of $116 and $122, respectively, when compared to the same periods in 2015. The change in investment income was primarily attributable to the registered pension plan, which was in an asset balance instead of a net obligation during a portion of the second quarter of 2016, resulting in additional investment income during the quarter.

Cost of Goods Sold

Total cost of goods sold for the second quarter of 2016 was $82,382, and $103,931 year to date, an increase of $61,949 or 303%, and $61,782 or 147%, respectively, compared to the same periods in 2015 primarily as a result of the SE Transaction.

Enercare Home Services cost of goods sold increased by $1,284 in the second quarter of 2016, and $1,117 year to date, compared to the same periods in 2015, primarily from approximately $1,300 of non-recurring supplier reimbursements and other items recorded in the second quarter of 2015. Maintenance and servicing costs in Enercare 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.

Service Experts cost of goods sold amounted to $60,665 since the May 11, 2016 acquisition date. Service Experts cost of goods sold during the second quarter of 2016 were lowered by $6,313 as a result of the release of deferred service obligation provisions resulting from the SE Transaction.

Selling, General & Administrative Expenses

Total SG&A expenses were $58,469 in the second quarter of 2016 and $88,997 year to date, increases of $30,229 and $31,356, respectively, compared to the same period in 2015.

Enercare Home Services expenses of $23,516 in the second quarter and $49,408 year to date, decreased by $2,451 and $3,067 respectively, compared to the same periods in 2015. The $2,451 decrease in the second quarter was primarily from lower professional fees of $3,100 and selling expenses of $1,300, partly offset by $1,700 of higher billing and servicing costs. During the second quarter of 2015, there were approximately $500 of one-time items resulting in improvements to SG&A expenses which did not recur in the second quarter of 2016. The $3,067 year to date decrease was primarily as a result of approximately $1,400 in lower selling expenses, $1,000 of billing and servicing costs, $800 of professional fees, $500 of office expenses and $300 of bad debts and claims expenses, partly offset by $1,000 of higher wages and benefits, partly driven by $300 of higher stock based compensation costs resulting from an increase in the Share price.

Enercare Home Services SG&A expenses in the second quarter of 2016 included $695 and $2,154 year to date of integration and business transformation costs related to the DE Acquisition primarily from marketing spend related to continued rebranding and information technology integration activities to optimize the information technology platforms. During the second quarter and year to date 2015, Enercare Home Services SG&A expenses included $1,777 and $2,389, respectively, of integration costs associated with the DE Acquisition, primarily from marketing spend related to rebranding activities.

Service Experts SG&A expenses in the second quarter of 2016 amounted to $31,420 since the May 11, 2016 acquisition date. Included in these costs were $6,693 of acquisition related expenditures associated with the SE Transaction, primarily related to professional fees and integration costs. These costs included $2,834 of pre-acquisition expenditures incurred by Enercare Home Services.

Corporate SG&A expenses of $3,533 in the second quarter and $8,169 year to date, increased by $1,260 and $3,003, respectively, compared to the same periods in 2015. Corporate SG&A expenses primarily relate to charges from Enercare.

Amortization Expense

Amortization expense increased by $4,225 or 14% to $33,481 in the second quarter of 2016 and by $5,147 or 9% to $63,517 year to date, over the same periods in 2015, primarily due to an increasing capital asset base from asset mix changes in the Rentals portfolio and the addition of the Service Experts portfolio.

Loss on Disposal of Equipment

Enercare Solutions reported a net loss on disposal of equipment of $931 in the second quarter of 2016 and $2,856 year to date, a decrease of $641 or 41% and $468 or 14%, respectively, over the same periods 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 June 30,		Six months ended June 30,	
(000's)	**2016**	2015	**2016**	2015
Interest expense payable in cash	**$ 7,555**	$ 6,430	**$14,295**	$12,941
Interest on subordinated debt	**875**	875	**1,750**	1,750
Interest on promissory note	**6,169**	5,674	**11,233**	11,348
Non-cash items:				
Notional interest on employee benefit plans, net	**210**	274	**420**	548
Amortization of other comprehensive income and financing costs	**243**	209	**451**	417
Interest expense	**$15,052**	$13,462	**$28,149**	$27,004

Interest expense payable in cash of $7,555 in the second quarter of 2016 was $1,125 higher that than same period in 2015 from the addition of the 2016 Term Loan related to the financing of the SE Transaction.

Interest on the $50,000 Subordinated Debt was consistent with the prior period.

The SE Transaction resulted in an increase of the Subordinated Promissory Notes of $227,504 of which $14,492 was repaid during the quarter. This increase in the balance of the Subordinated Promissory Notes resulted in higher interest expenses starting in the second quarter of 2016 compared to the same period in 2015.

Notional interest of $210 in the second quarter and $420 year to date in 2016 relate to the defined benefit employee benefits plans. Amortization of financing costs includes the previously unamortized costs associated with the 2012 Notes, 2013 Notes, the 2014 Notes and 2016 Term Loan.

Income Taxes

Enercare Solutions reported current tax expenses of $14,318 in the second quarter of 2016 and $26,283 year to date, increases of $13,021 and $23,152, respectively, over the same periods 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 recoveries of $7,913 in the second quarter of 2016 and $17,607 year to date, were

$8,397 and $20,452 higher, respectively, compared to the deferred tax expense recorded in the same periods in 2015, primarily as a result of temporary difference reversals in the Enercare Home Services business.

Net Earnings

Net earnings were $14,504 in the second quarter of 2016 and $22,448 year to date, increases of $1,968 and $4,756, respectively, compared to the same periods 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)	**Q2/16**	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14
Net earnings	**$14,504**	$ 7,944	$ 8,445	$10,631	$12,536	$ 5,156	$ 3,202	$ 4,031
Deferred tax (recovery)/expense	**(7,913)**	(9,694)	814	1,755	484	2,361	(4,473)	(7,046)
Current tax expense	**14,318**	11,965	2,786	1,089	1,297	1,834	5,923	8,462
Amortization expense	**33,481**	30,036	29,995	29,646	29,256	29,114	28,609	23,514
Interest expense	**15,052**	13,097	13,047	13,386	13,462	13,542	12,845	9,980
Less: Dividend (income)	**(863)**	(863)	(863)	(863)	(863)	(863)	(870)	(870)
EBITDA Excluding Intercompany Income[(a)]	**68,579**	52,485	54,224	55,644	56,172	51,144	45,236	38,071
Add: Net loss on disposal	**931**	1,925	1,029	1,001	1,572	1,752	2,180	2,304
Adjusted EBITDA[(b)]	**69,510**	54,410	55,253	56,645	57,744	52,896	47,416	40,375
Add: Acquisition SG&A	**5,240**	3,607	3,012	3,767	1,777	612	4,138	3,584
Acquisition Adjusted EBITDA	**$74,750**	$58,017	$58,265	$60,412	$59,521	$53,508	$51,554	$43,959

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

(b) 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, as well as the SE Transaction results commencing in the second quarter of 2016 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 during 2016.
3. During the first and second quarter of 2016 additional interest expense was incurred as part of the SE Transaction, related to the 2016 Term Loan and 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 2014 Term Loan incurred to finance 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

(000's)	Three months ended June 30, **2016**	2015	Six months ended June 30, **2016**	2015
Cash flow from operating activities	**$ 798**	$46,409	**$38,802**	$41,738
Net change in non-cash working capital	**40,867**	(1,619)	**33,534**	42,353
Operating Cash Flow[3]	**41,665**	44,790	**72,336**	84,091
Capital expenditures: excluding acquisitions	**(30,816)**	(23,558)	**(58,610)**	(45,784)
Proceeds on disposal of equipment	**2,690**	2,017	**4,657**	3,697
Net capital expenditures	**(28,126)**	(21,541)	**(53,953)**	(42,087)
Acquisition – Service Experts	**(379,021)**	-	**(379,021)**	-
Acquisition – Cobourg Network Inc.	**-**	-	**-**	(880)
Cash used in investing activities	**(407,147)**	(21,541)	**(432,974)**	(42,967)
Dividends paid	**(12,928)**	(19,308)	**(24,630)**	(30,409)
Other financing activities	**429,544**	(302)	**423,661**	(470)
Cash (used in)/provided by financing activities	**416,616**	(19,610)	**399,031**	(30,879)
Cash and equivalents – end of period	**$ 22,492**	$20,747	**$22,492**	$20,747

Cash provided by operating activities decreased in the second quarter of 2016 due primarily to liabilities that Enercare Solutions assumed in the SE Transaction which were reflected as closing adjustments to the transaction price. The liabilities assumed on May 11, 2016 included $43,561 of share-based compensation, $12,422 of tax liabilities and $1,344 of liabilities related to an earn out provision, all of which were included in the cash consideration received by Enercare Solutions, which offset the acquisition price. These liabilities were subsequently paid by Enercare Solutions, which reduced cash provided by operating activities by approximately $57,327 during the second quarter.

Operating Cash Flow of $41,665 in the second quarter of 2016 decreased by $3,125 and by $11,755 to $72,336 year to date, compared to the same periods in 2015, primarily due to acquisition related expenditures in SG&A and current taxes.

Net capital expenditures of $28,126 in the second quarter of 2016, increased by $6,585 and by $11,866 to $53,953 year to date, compared to the same periods in 2015, due to increased HVAC rentals and changes in asset mix. The acquisition amount of $379,021 represents the purchase consideration net of cash received for the acquisition of Service Experts. Dividends paid reflect dividend payments on outstanding common shares.

Of the available credit of $100,000 under the 2014 Revolver, $10,000 was drawn as at June 30, 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.

Capital Expenditures

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

[3] 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	Three months ended June 30,		Six months ended June 30,	
(000's)	**2016**	2015	**2016**	2015
Units – start of period	**1,129**	1,127	**1,128**	1,129
Portfolio additions	**9**	8	**17**	14
Acquisitions	**-**	-	**-**	1
Attrition	**(8)**	(10)	**(15)**	(19)
Units – end of period	**1,130**	1,125	**1,130**	1,125
Asset exchanges – units retired and replaced	**11**	12	**23**	25
% change in units during the period	**0.1%**	(0.2%)	**0.2%**	(0.4%)
% of units from start of period:				
Portfolio additions (net of acquisitions)	**0.8%**	0.7%	**1.5%**	1.2%
Attrition	**(0.7%)**	(0.9%)	**(1.3%)**	(1.7%)
Units retired and replaced	**1.0%**	1.1%	**2.0%**	2.2%

In the second quarter of 2016, the portion of net capital expenditures in Enercare Home Services related to unit additions and asset exchanges, net of proceeds on disposal were $25,112 in the second quarter of 2016 and $50,593 year to date, increasing by 23% or $4,758 and 28% or $11,085, respectively, when compared to the same periods in 2015, primarily as a result of increased HVAC rentals.

In the Enercare Home Services business, Attrition decreased in the second quarter of 2016 by 2,000 units or 20% and 4,000 units or 21% year to date compared to the same period in 2015. Enercare Home Services 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 second quarter of 2016, EnerCare Solutions' financing activity was comprised of dividend payments, repayments of obligations under finance leases, the increase of the Subordinated Promissory Notes of $227,504 and $258,320 of additional debt, both as part of the financing for the SE Transaction, and the repayment of $40,000 of the 2014 Revolver. During the quarter $14,492 of the Subordinated Promissory Notes were also repaid.

Capitalization	Six months ended June 30,	
(000's)	**2016**	2015
Cash and cash equivalents	**$ 22,492**	$ 20,747
Net investment in working capital	**(19,768)**	47,871
Cash, net of working capital	**2,724**	68,618
Total senior debt	**950,550**	682,295
Promissory note	**715,379**	567,367
Subordinated debt	**50,000**	50,000
Shareholder's equity	**(185,693)**	(166,486)
Total capitalization – book value	**$1,530,236**	$1,133,176

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 June 30, 2016, total debt was comprised of the 2012 Notes, the 2013 Notes, the 2014 Term Loan, the 2014 Revolver and the 2016 Term Loan.

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 Loan 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.

In conjunction with the 2016 Term Loan (see *"Recent Developments – Enercare Completes Acquisition of Service Experts"*), 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 June 30, 2016. A total of $10,000 was drawn under the 2014 Revolver at June 30, 2016.

The 2016 Term Loan, which is on substantially the same terms as the 2014 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 June 30, 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)	**Q2/16**	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14
Total revenues	**$211,221**	$107,370	$110,160	$107,721	$107,280	$104,948	$96,257	$50,090
Net earnings	**14,504**	7,944	8,445	10,631	12,536	5,156	3,202	4,031
Dividends declared	**$ 6,160**	$ 12,314	$ 18,705	$ 19,245	$ 19,308	$ 11,987	$16,648	$ 8,486

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 and the SE Transaction in the second quarter of 2016. Dividends declared primarily reflect the change in outstanding Shares over time as well as the dividend increases implemented in the second quarter of 2016.

SUMMARY OF CONTRACTUAL DEBT AND LONG TERM OBLIGATIONS

The following schedule summarizes the contractual debt and long term obligations of Enercare Solutions at June 30, 2016:

Period	Debt		Finance Leases		Operating
(000's)	Principal	Interest	Principal	Interest	Leases
Due in 2016	$ -	$15,352	$3,456	$277	$1,711
Due in 2017	250,000	30,704	5,845	425	2,003
Due in 2018	210,000	19,063	5,087	272	616
Due in 2019	10,000	15,375	4,201	144	273
Due in 2020	483,340	6,967	2,125	259	277
Thereafter	-	-	569	7	388
Total	$953,340	$87,461	$21,283	$1,384	$5,268

As at June 30, 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 2.16% at June 30, 2016.

At June 30, 2016, $10,000 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 2.12%, at June 30, 2016.

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. As at June 30, 2016 the 2016 Term Loan bears interest of 1.88%.

The obligations under finance leases bear floating interest rates that are either 2.5% above the one month banker's acceptance rate, per annum or are equal to the yield of interest rate swaps as quoted in the Federal Reserve system, per annum. Additional obligations under finance leases acquired during the period bear fixed interest rates of 1.05% to 2.44% and at floating interest rates that are 2.5% above the three month banker's acceptance rate, or are 0.35% above the one month LIBOR rate, per annum. The finance leases mature at dates ranging between July 2016 and January 2022.

Other obligations include long term sponsorship, premises 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 June 30, 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 June 30, 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, 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 - Enercare Completes Acquisition of 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 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 and 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 June 30, 2016, Enercare Solutions was in compliance with all covenants under the 2012 Notes, 2013 Notes, 2014 Revolver, 2014 Term Loan and 2016 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 June 30, 2016. There was $10,000 drawn under the 2014 Revolver at June 30, 2016.

2016 Term Loan

Under the 2016 Term Loan agreement, Enercare Solutions is subject to 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). 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.

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 June 30, 2016, the Enercare Home Services business recorded a revenue accrual of approximately $43,600 (2015 - $44,000) reflecting accrued service periods. Unbilled protection plans comprise approximately $27,100 (2015 - $26,500) 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.

At June 30, 2016, the Service Experts segment recorded a revenue accrual of approximately $2,214 (2015 - $nil) reflecting accrued revenue for contracts in progress.

Bad Debt Provisions

The Enercare Home Services business 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.

Management evaluates a number of factors and assumptions in the determination of the bad debt provision. The total bad debt provision was approximately $4,100 at June 30, 2016, compared to approximately $6,100 at the end of 2015. Changes in any of the variables or assumptions may result in a materially different amount.

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.

Business Combination

With respect to the fair value of acquired assets and assumed liabilities and other adjustments related to the acquisition Service Experts, these condensed interim 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 acquisition, with any excess purchase price allocated to goodwill. Changes may be expected as additional information becomes available following the closing date of May 11, 2016. Accordingly, the final fair value determinations may differ from those set forth in these condensed interim consolidated financial statements and such differences may be material.

Estimation of insurance claims

Insurance liabilities are subject to measurement uncertainty. The recognized amounts of such items are based on the company's best information and judgment. Estimates and other judgments are continuously evaluated based on management's experience and expectations about future events, including insurance claims for events that have occurred but not yet been reported to management.

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 June 30, 2016. There have been no changes to our ICFR during the quarter and year to date ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, Enercare Solutions' ICFR.

Enercare Solutions has limited the scope of its design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Service Experts which was acquired on May 11, 2016.

Service Expert's contribution to Enercare Solution's condensed interim consolidated financial statements for the three months ended June 30, 2016 was approximately 48% of revenues and 24% of net earnings. Year to date, Service Expert's contribution to Enercare Solution's condensed interim consolidated financial statements were approximately 32% of revenues and 16% of net earnings. In addition, Service Expert's current assets and current liabilities were approximately 39% and 49% of the consolidated current assets and current liabilities, respectively, and its long term assets and long term liabilities were approximately 30% and 8% of consolidated long term assets and long term liabilities, respectively.

Enercare Solutions is currently in the process of documenting and evaluating the controls, policies and procedures in respect of Service Experts.

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. Please see the section entitled *“Forward-looking Information”* in this MD&A.

Enercare Home Services Segment

- 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, Enercare Solutions launched a pilot HVAC financing program, which was planned to be rolled out in phases within the operating territory during 2016. As this pilot program ran longer than anticipated, Enercare Solutions has revised the timing of its phased roll out to be completed in 2017.

Service Experts Segment

- The Service Experts Transaction is expected to be 25% accretive to Enercare's Normalized Pro Forma Distributable Cash per common share in 2016.
- Cost synergies relating to the SE Transaction are estimated to be in the range of $0.05 to $0.08 per common share of Enercare on an annualized basis by the end of 2017, primarily as a result of a reduction in sourcing costs.
- Our priority for the first 12-months will continue to be to focus on successfully integrating the Service Experts operations both in the United States and Canada. In addition, Enercare Solutions intends to introduce a rental program for Service Experts within Canada during the fall of 2016 and extend this program into select states in the United States in the first half of 2017.
- The business of Service Experts is subject to greater seasonality than Enercare Home Services as a result of fewer recurring revenue sources. Revenue and profits tend to be seasonally highest in the second quarter of the year, followed by the third quarter, due primarily to the geography where Service Experts operates and weather patterns. The heating season (roughly November through February) and cooling season (roughly May through August) are periods when consumers transition their buying patterns from one season to the next. In most of the states that Services Experts operates, cooling equipment as opposed to heating equipment represents a substantial portion of its annual HVAC sales and service revenue. Conversely, in the 3 provinces that Service Experts operates, heating equipment represents a large portion of its Canadian sales and service revenue. The sales are also impacted by seasonal weather patterns; in periods of extreme heat and cold, installation and demand service revenue tend to increase. These seasonal influences, along with the location of operations, affect the mix and volume which can drive sales and related segment profit. This results in somewhat higher sales in the second and third quarters due to the higher volume in the cooling season relative to the heating season and the lowest revenue and substantially reduced profit, relative to other quarters, in the first quarter. As a result, the working capital needs are generally greater in the first quarter, followed by higher operating cash inflows in the second and third quarters.

2016 Income Taxes

- Enercare's current 2016 Canadian income taxes are expected to be in the range of $46 million to $53 million.
- The SE Transaction was structured to permit Enercare Solutions to "step up" the tax basis of Service Experts' assets in the United States through a "338 election" under US tax rules. Enercare Solutions estimates the resulting tax shelter value to be approximately US$65 million on a net present value basis. This tax shelter is estimated to result in a reduction of US taxable income of approximately $24 million to $28 million per year for the next 15 years.
- Enercare Solutions is assessing corporate expenses expected to be incurred in Canada to manage and benefit the US operations of Service Experts, which Enercare Solutions estimates will result in a favourable expense reimbursement of between $2 million and $5 million per year.

2016 Capital Investments

- Enercare Solutions is targeting a range of between $86 million and $115 million in capital investments in 2016, excluding Service Experts. Management targets an Internal Rate of Return from capital investments in its core businesses of between 15% and 20%.

Capex[(1)]	Target Range for 2016
HVAC rentals	$30M - $40M
In-house financing	$1M - $5M
Water heater additions	$25M – $30M
Water heater exchanges	$30M – $40M
Total Range	$86M – $115M[(2)]

(1) Excludes acquisitions.
(2) The target range of capital spend for Enercare Home Service is largely based on the number and type of equipment originated (assumed to be approximately 25,000 water heater and water treatment rental additions, 50,000 water heater exchanges and 10,000 HVAC rental additions) and the mix between rental, sales and financing arrangements similar to actual results experienced in the last 6 months of operations.

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.
Conversion	The conversion of the Fund and the Trust, income trusts, to Enercare and Enercare Solutions, respectively.
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.
OHCS	The Ontario home and small commercial services business of DE acquired by Enercare Solutions on October 20, 2014 in the DE Acquisition.
Rentals	Component of the Enercare Home Services 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 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, an additional $150,000 subordinated promissory note of Enercare Solutions owing to Enercare which was issued on September 28, 2012, and additional $227,504 of subordinated promissory notes of Enercare Solutions owing to Enercare which were issued on May 11, 2016, less periodic repayments.
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.