Enercare Solutions Inc.

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

Year Ended December 31, 2016

Dated March 6, 2017

Table of Contents

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

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

FORWARD-LOOKING INFORMATION

This MD&A, dated March 6, 2017, 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' 2016 audited consolidated financial statements. Additional information in respect of Enercare Solutions, including the AIF, 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;
- the risk that the pilot of rental HVAC offerings in 4 states in the United States does not realize anticipated results as the rental model is a new concept in this industry in the United States; 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 Service Experts segment; 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. There can be no assurance that recent results from the introduction of the rental model to Service Experts in Canada are indicative of future results.

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.

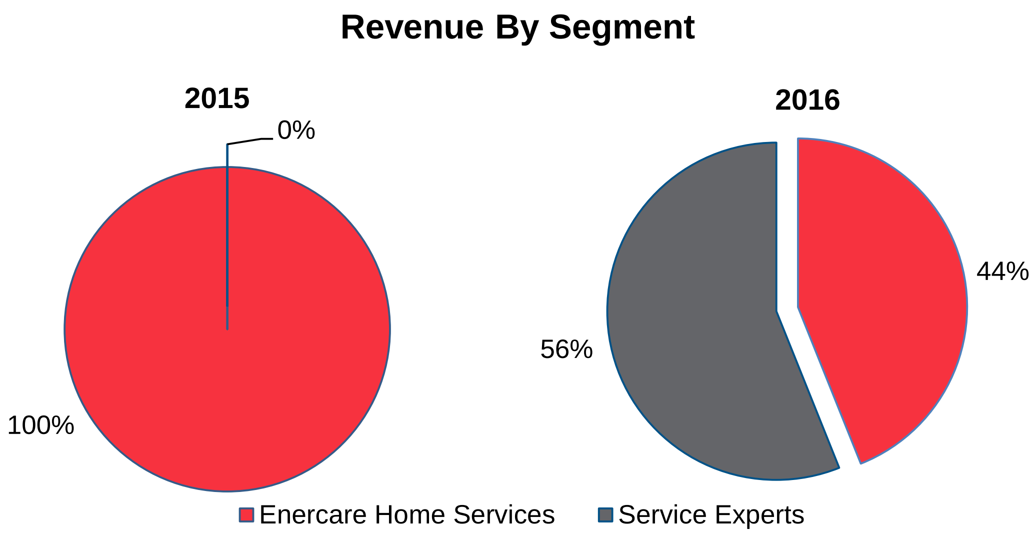
On May 11, 2016, Enercare Solutions acquired, through a merger, SEHAC Holdings Corporation, now SEHAC Holdings LLC ("SEHAC") (the "SE Transaction"), which owned Service Experts. Enercare Solutions purchased 100% of the outstanding shares of SEHAC. Service Experts provides sales, installation, maintenance and repair of HVAC systems directly to residential and light commercial customers. There are 90 Service Experts locations in the United States and Canada. The consolidated financial statements reflect Enercare Solutions' ownership of Service Experts for the period from May 11, 2016 to December 31, 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.

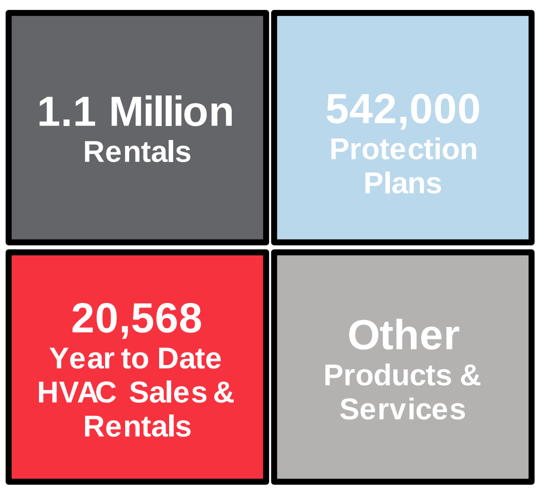
PORTFOLIO SUMMARY

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 44% of the overall revenue during 2016, compared to 100% during 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.



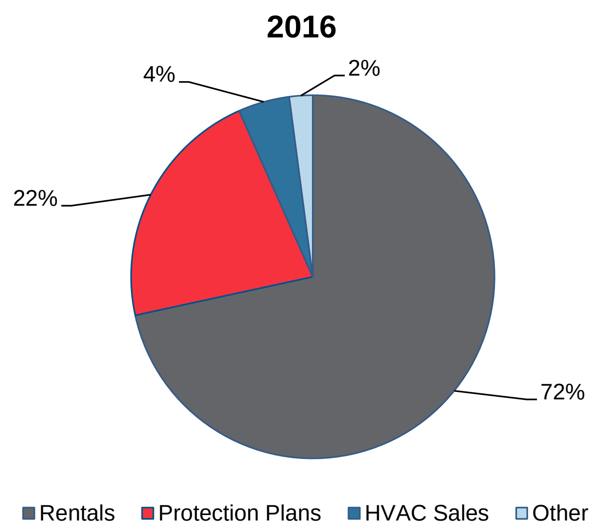
Enercare Home Services Business

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 for the year ending December 31, 2016.



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

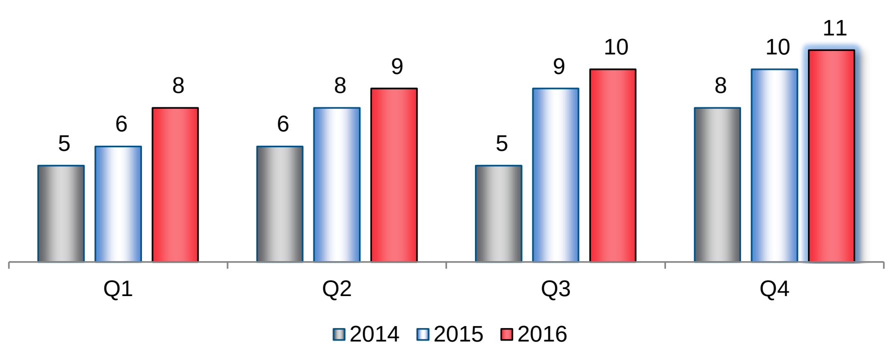
Home Services Revenue By Category



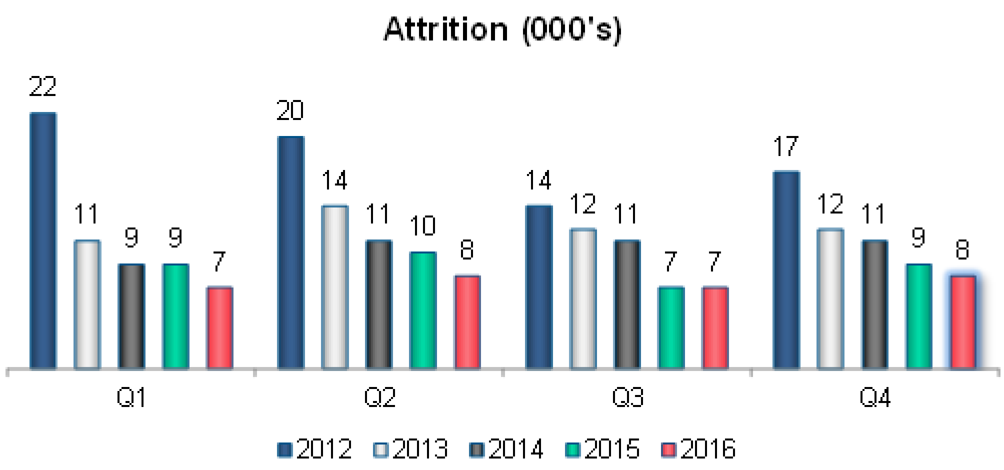
Rentals

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 11,000 units in the fourth quarter of 2016 and 38,000 units for the year ended December 31, 2016, increases of 10% and 15%, respectively, compared to the same periods in 2015.

Rental Additions (000's)

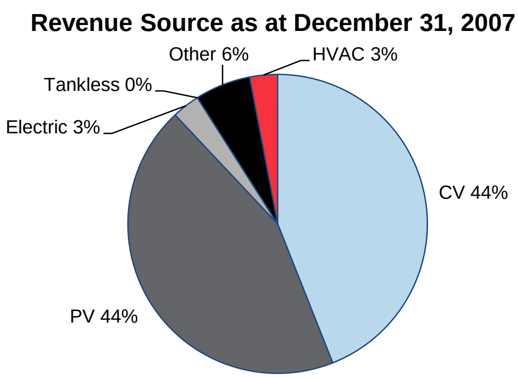


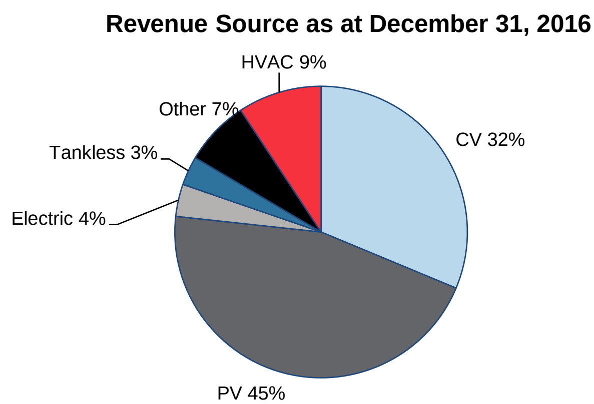
To aid in the reduction of Attrition, Enercare Home Services has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with enhancements to our customer value proposition (for example, the “same day service campaign”) and the coming into effect of Bill 55 on April 1, 2015, have helped to significantly reduce Attrition. Attrition of approximately 8,300 units in the fourth quarter of 2016 and approximately 30,000 units for the year ended December 31, 2016, improved by 6% or 500 units and approximately 14% or 5,000 units, respectively, compared to the same periods in 2015. Attrition has improved year-over-year since 2009. The chart below illustrates Attrition trends since 2012.



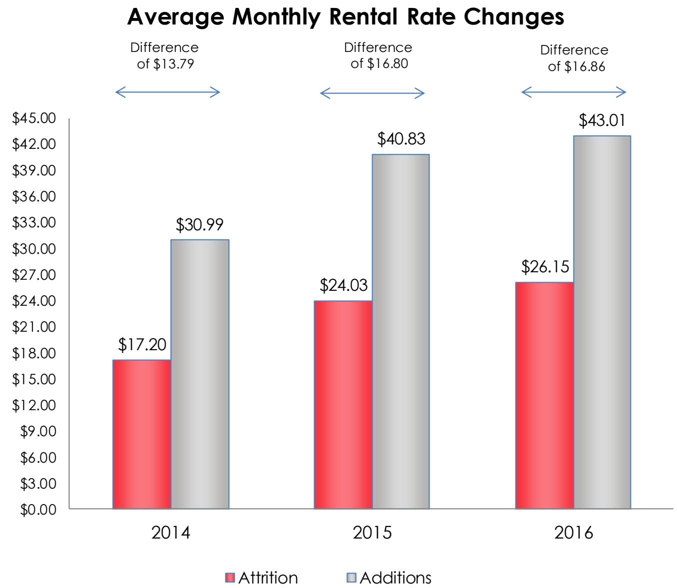
Rental unit growth surpassed Attrition during the third and fourth quarters of 2015 and all of 2016 by approximately 11,000 units in total, the first six consecutive quarters of net unit growth for Enercare in over a decade.

In recent years changes in water heater technology and consumer trends have led to an increase in the origination of higher value products. 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 nine years ago to that of today reveals that the portfolio contains a higher percentage of power vent ("PV"), HVAC and tankless rental 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 2016 revenue spread widening to $16.86, an increase of $0.06 over 2015. In 2016, new customers were worth approximately 1.6 times that of a lost customer.



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 74% of residential HVAC unit sales included an extended protection plan.

While Enercare Home Services' protection plan base decreased by approximately 3,000 plans in 2016, protection plan additions increased by approximately 5,000 plans compared to 2015. Higher protection plan additions are a direct result of new customer acquisition and improved customer retention programs and product offerings.

Overall protection plan attrition remained stable throughout 2016, despite the loss of approximately 9,300 (2015 - 6,700) protection plans, as a result of them being replaced by rentals as part of the Enercare Home Services growth strategy. In 2016, HVAC unit additions continued to be more through rentals than sales. As a result, the opportunities for protection plan sales were fewer as rentals already include a service component. The execution of our HVAC rental strategy is a key component of 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 annualized protection plan contract continuity for 2016 and 2015.

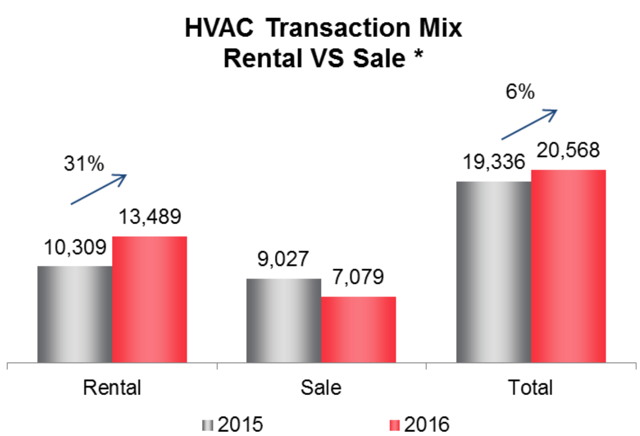
Protection Plan Unit Continuity (000's) December 31,	**2016**	2015
Contracts - start of year	**545**	553
Portfolio additions	**71**	66
Protection plan attrition	**(74)**	(74)
Contracts - end of year	**542**	545
% change in units during the year	**(0.6%)**	(1.4%)

HVAC Sales and Rentals

A customer can acquire an HVAC asset through a sale, comprised of an outright purchase or through financing. 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 opposed to a one-time in year gain on margin. However, the rental HVAC creates a long-term customer revenue stream and 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 over the life of the asset.

A year-to-date 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's quarterly reports prior to the fourth quarter of 2015 represented only residential units and excluded commercial and multi-residential.

During 2016, Enercare Home Services rented approximately 13,489 new units, an increase of 31% over the prior year, and sold approximately 7,079 units for a total of 20,568 HVAC units, compared to 19,336 units in the prior year, an increase of 6%. HVAC sales and rentals in 2016 were significantly impacted by weather trends throughout the year. The unseasonably warmer temperatures experienced during the fourth quarter of 2015 continued into the first quarter of 2016, leading to fewer furnace breakdowns and therefore lower demand for HVAC replacements and repairs. The onset of warmer spring weather during the second quarter was also delayed, compared to historic norms, leading to lower demand for air conditioning sales and rentals in the early part of the second quarter. Demand for air conditioning sales and rentals increased significantly starting towards the end of the second quarter and continuing throughout the third quarter, which experienced 71% higher cooling degree days[1] compared to the 25 year average. Warm weather trends continued during the first half of the fourth quarter before returning to more seasonable temperatures in December. The cooler weather experienced in December, combined with strong sales execution, resulted in a 3% increase in the demand for HVAC sales and rentals during the fourth quarter, compared to the same period in 2015.

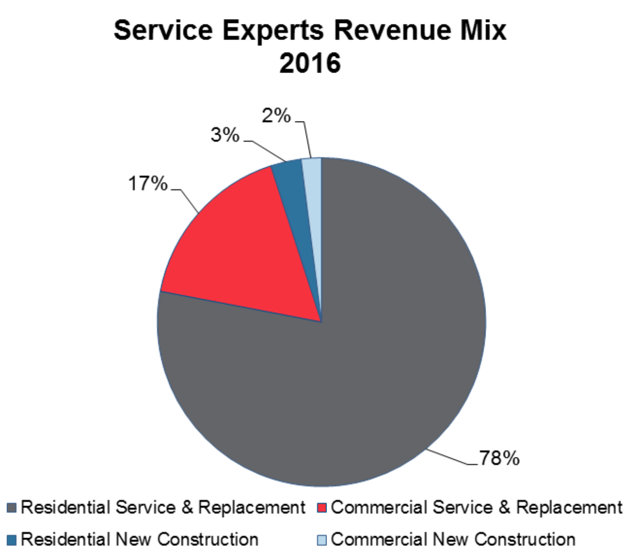
The strategy to convert HVAC sales into Rentals has resulted in increases to our recurring revenue. During 2016, HVAC rental revenue accounted for an increase of approximately $8,700, compared to 2015. Nevertheless, Enercare Solutions continues to be financially impacted by this strategy in the short-term. Enercare Solutions estimates that the increase in the number of rental HVAC originations from 10,309 in 2015 to 13,489 in 2016 resulted in reductions of $8,400 and $2,800 to revenues and EBITDA, respectively, compared to 2015. Furthermore, had all 13,489 new HVAC rental additions in 2016 been sales as opposed to rentals, revenues and EBITDA during 2016 would have increased by approximately $33,800 and $12,000, 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.



As illustrated in the chart above, residential service and replacement made up 78% of revenues, while commercial service and replacement made up 17%. Commercial service and replacement is comprised of

[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).

both services to commercial customers at Service Experts' local centers as well as commercial services to its national account customers that are managed through Service Experts' national accounts group. The major business activities within both the residential and commercial businesses consist of HVAC Sales and Servicing and Maintenance Contracts.

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 the 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 43,546 HVAC units during 2016, an increase of 8% compared to the 40,196 HVAC sales units installed during the same pre-acquisition period in 2015. Service Experts HVAC sales were also significantly impacted by weather trends during the year[2]. Favourably warm weather conditions across the United States during the second and third quarters led to a significant increase in the demand for air conditioning sales, service and repairs. Temperatures across the United States in June, July, August and September were each one of the top three warmest, compared to the same months, in the past 25 years[1]. However, similar warm weather trends during the fourth quarter led to lower heating demand. Service Experts sales in Eastern Canada were also similarly impacted by the same weather trends experienced by the Enercare Home Services segment. Higher revenues were also driven by Service Experts initiatives to shift sales towards higher value products, which have contributed to improvements in the average selling prices of installed units. A comparison of HVAC sales from May 11 to December 31 of 2016 and 2015 is outlined in the chart below.

HVAC Sales For the period May 11 to December 31,	**2016**	2015
Installations	**43,546**	40,196
% change	**8%**	

* Historical HVAC sales information is provided as an illustration of the improvement in Service Experts' HVAC sales. Enercare was not party to Service Experts' HVAC sales before the closing of the SE Transaction on May 11, 2016.

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 216,000 pieces of equipment. Although the total number of maintenance contracts can fluctuate from quarter to quarter as a result of the timing of contract renewals and the number of new

[2] Weather trends from Weather Trends International

HVAC unit installations initiated by customers with maintenance contracts, in recent years, maintenance contracts has remained stable for Service Experts. Service Experts experienced a slight decline in maintenance contracts during the post-acquisition period from May 11, 2016 to December 31, 2016. This was consistent with historical trends where slight reductions in the number of maintenance contracts have been experienced during periods of high HVAC sales. The following table illustrates the maintenance contracts continuity for the period of May 11, 2016 to December 31, 2016.

Maintenance Contract Unit Continuity (000's)	**May 11 to December 31, 2016**
Contracts - start of period	**218**
Portfolio additions	**68**
Portfolio attrition	**(70)**
Contracts - end of period	**216**
% change in units during the period	**(1%)**

2016 HIGHLIGHTS

(000's)	**2016**	**2015**	Change	Percent Change
Enercare Home Services	**$438,618**	**$426,471**	$ 12,147	3%
Service Experts	**410,735**	**-**	410,735	100%
Dividend income	**3,452**	**3,452**	-	-%
Investment income	**377**	**186**	191	103%
Total revenue	**$853,182**	**$430,109**	$423,073	98%
EBITDA Excluding Intercompany Income[3]	**$267,475**	**$217,184**	$50,291	23%
Adjusted EBITDA[3]	**271,958**	**222,538**	49,420	22%
Acquisition Adjusted EBITDA[3]	**286,836**	**231,706**	55,130	24%
Earnings before income taxes	**$ 74,031**	**$ 49,188**	$ 24,843	51%
Current tax (expense)	**(51,358)**	**(7,006)**	(44,352)	633%
Deferred income tax recovery/(expense)	**31,318**	**(5,414)**	36,732	(678)%
Net earnings	**$ 53,991**	**$ 36,768**	$ 17,223	47%

The following highlights compare 2016 results with those of 2015.

- At the time of the SE Transaction, Enercare Solutions anticipated the SE Transaction to be 25% accretive to Normalized Pro Forma Distributable Cash per Share in 2016. Enercare Solutions is pleased to announce that the accretion delivered was 30%.
- Total revenues of $853,182 increased by 98% in 2016. Revenues, excluding dividend and investment income, were $849,353, greater than the prior year by $422,882, primarily as a result of $410,735 of revenues added through the SE Transaction. Revenues in the Enercare Home Services business were $438,618, increasing by $12,147, primarily as a result of rental rate increases, asset mix changes and growth in rental HVAC units. Service Experts revenues of $410,735 were stronger than anticipated, assisted by warmer temperatures during the second and third quarters, which resulted in higher air conditioning sales, partly offset by similar warm weather trends during the fourth quarter, which led to lower heating demand. Dividend income relates to an investment in ECI preferred shares of $50,000.
- EBITDA Excluding Intercompany Income increased by $50,291 to $267,475 in 2016, driven primarily by improved total revenues partly offset by higher SG&A costs, primarily from $11,485 of acquisition and integration costs incurred during the year associated with the SE Transaction. Service Experts contributed $38,990 of the increase in EBITDA Excluding Intercompany Income during the year. Adjusted EBITDA of $271,958 increased by $49,420 after removing from EBITDA Excluding Intercompany Income, the impact of the net loss on disposal of equipment.

[3] 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.

- After removing $11,485 of acquisition and integration related expenditures associated with the SE Transaction and $3,393 of integration and business transformation costs related to the DE Acquisition, Acquisition Adjusted EBITDA was $286,836 in 2016, an increase of $55,130, primarily as a result of the SE Transaction.
- HVAC rental unit additions of 13,489 units in 2016 increased 31%, compared to the prior year, as a result of the HVAC rental program. During 2016, HVAC customer installations continued to be more through rentals than sales as a result of the success of the HVAC rental program. Emphasizing HVAC rentals over one-time sales resulted in lower Enercare Home Services revenues and EBITDA of approximately $33,800 and $12,000, respectively, in 2016.
- Net earnings of $53,991 in 2016 increased by $17,223 or 47%, reflecting higher EBITDA Excluding Intercompany Income offset by higher total taxes, amortization and interest from the 2016 Term Loan.
- Attrition in the Rentals portfolio was approximately 8,000 units in the fourth quarter of 2016 and 30,000 units for the year ended December 31, 2016, improvements of 11% and 14%, respectively, compared to the same periods in 2015. Attrition has improved year-over-year since 2009. Rental unit growth surpassed Attrition during the third and fourth quarters of 2015 and every quarter of 2016 by approximately 11,000 units in total; such periods have been the first six consecutive quarters of net unit growth in over a decade.

RECENT DEVELOPMENTS – 2016 AND 2017 TO DATE

Senior Management Changes

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

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

Enercare Annual General Meeting of Shareholders

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

Enercare Solutions Completes Acquisition of Service Experts

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

The SE Transaction was expected to be 25% accretive to Normalized pro forma Distributable Cash per Share in 2016 (see *"2016 Highlights"* in this MD&A for results with respect to accretion). For the year ended 2015, if Service Experts and Enercare had been combined, the following would be the pro forma impact on certain of Enercare Solutions' metrics:

- pro forma revenue of approximately $1,118,854, an increase of 98%;
- pro forma Acquisition Adjusted EBITDA of approximately $271,840, an increase of 16%;
- Normalized pro forma Distributable Cash of approximately $124,289, an increase of 37%;
- Normalized pro forma Distributable Cash per Share[4] of approximately $1.18, an increase of 18%; and
- Normalized pro forma Payout Ratio improves to 70% from 82%.

Debt Financing

[4] Excludes transaction costs, potential synergies in the SE Transaction and the shares issued under the over-allotment option. See "Non-IFRS Financial and Performance Measures" in this MD&A.

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.

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.

Enercare Solutions Launches New Community Program to Give Families in Need a Fresh Start

On September 13, 2016, Enercare Solutions announced the launch of the Enercare Fresh Start Program, a signature new corporate social responsibility program designed to help families transitioning between temporary shelters and a home of their own.

One of Enercare Solutions' key objectives with the Fresh Start Program is to give back to the communities where it operates by partnering with local organizations to help disadvantaged families living in a shelter due to unfortunate and unforeseen circumstances. The Enercare Fresh Start Program helps families get back on their feet by providing simple necessities, small luxuries and professional home tips essential to starting a new beginning in a new home.

Enercare Solutions Launches Industry First Mobile App for Customers

On September 27, 2016, Enercare Solutions announced that it had become the first Canadian home services company to launch a self-service mobile app, offering customers an easy-to-use, real-time tracking tool to manage their service appointments and enhance their overall experience with Enercare Solutions.

Enercare Solutions Honoured for HR Excellence with the Accompass Award for HR Team of the Year

On September 29, 2016, Enercare Solutions announced that it had been honoured by HRM Canada, a leading human resources publication, with the Accompass Award for HR Team of the Year. The prize, which is awarded annually to an organization with 500 or more employees in Canada, recognizes Enercare Solutions' high performance and focus on talent amid a period of exponential growth of its workforce.

Enercare Solutions Commends the Introduction of the Putting Consumers First Act, 2016

On November 7, 2016, Enercare Solutions commended the Ontario Government for strengthening protections for Ontario consumers with its introduction of the Putting Consumers First Act (Consumer Protection Statute Law Amendment), 2016 ("Bill 59"). The government stated that Bill 59 is intended to protect consumers against 'aggressive door-to-door sales marketers who use high-pressure tactics to sell certain products and services.' Among other things, if passed as introduced and described, Bill 59 is expected to:

- Ban unsolicited door-to-door sales of prescribed appliances such as water heaters, furnaces, air conditioners and water filters;
- Void all contracts resulting from unsolicited door-to-door sales of the prescribed appliances;
- Enable consumers to demand a refund from the supplier up to one year after the payment was made under the void contract; and
- Provides consumers with a 10-day cooling off period to reconsider their decision in respect of consumer-initiated contracts related to prescribed appliances signed in their home.

As Bill 59 is a framework act, its substance will be contained in regulations passed under it. As a result, the details of the act, including the specific appliances to which Bill 59 will apply and any exceptions to the ban on door-to-door sales will be found in regulations, which have yet to be published.

On February 28, 2017, Enercare presented to the Standing Committee on Social Policy of the Ontario Legislature in respect of Bill 59.

The new rules for water heater door-to-door sales that came into effect on April 1, 2015, coupled with various Enercare Solutions initiatives to educate consumers and enhance its customer value proposition, have helped to significantly reduce attrition in its rental water heater business. If passed, Enercare Solutions believes that Bill 59 will positively impact its rental water heater, HVAC and water treatment systems business.

Enercare Solutions Introduces New Finance Plan for Purchases of Heating and Cooling Equipment

On November 16, 2016, Enercare Solutions announced that it had launched a new finance program allowing technicians to provide quick onsite credit approvals to residential customers to finance furnaces, air conditioners and water treatment equipment. The Enercare Finance Plan provides customers with an efficient and user-friendly program that allows them to deal directly with Enercare Solutions for the purchase and financing of their equipment. Features include an automated credit approval process, real-time quote comparisons based on financing options or amounts, and up to 180 month terms.

Enercare Solutions Introduces Rental HVAC and Water Heater Offerings to Service Experts Centres in Canada

On February 13, 2017, Enercare Solutions announced the completed rollout of rental HVAC products and rental water heaters at all 15 residential heating and air conditioning Service Experts locations in Canada.

In addition to rolling out rental HVAC and water heater products at Service Experts locations in Canada, rental HVAC offerings are being piloted in two U.S. states, and Enercare Solutions expects to rollout in two additional states in the coming months. The U.S. rental program is similar to Enercare Solutions' existing Canadian rental program, except that due to U.S. regulations, the rental contracts in the United States will be for a definitive term, which in the piloted states is 10 years.

Issuance of 2017 Notes and Redemption of Series 2012-1 Notes

On February 21, 2017, Enercare Solutions completed its offering of $500,000 aggregate principal amount of 2017 Notes, consisting of $275,000 (the "2017-1 Notes") and $225,000 (the "2017-2 Notes"). The 2017-1 Notes were sold at a price of 99.982% of the principal amount, with an effective yield of 3.384% per annum if held to maturity and the 2017-2 Notes were sold at 99.982% of the principal amount, with an effective yield of 3.993% per annum if held to maturity.

The 2017 Notes received ratings of "BBB", with a "stable" trend from DBRS and "BBB", with a "stable" outlook from S&P.

The proceeds of the offering will be used by Enercare Solutions (i) to redeem all of its outstanding 2012 Notes on March 23, 2017, (ii) to repay existing credit facilities and (iii) for general corporate purposes. The principal amount of 2012 Notes outstanding as of the date hereof is $250,000. Holders of the 2012 Notes will receive an aggregate redemption price of approximately $258,377, which includes interest and the applicable make-whole payment.

RESULTS OF OPERATIONS

Overview

Consolidated Financial Highlights (000’s)	**2016**	2015	2014
Total revenues	**$853,182**	$430,109	$ 246,036
Earnings before income taxes	**74,031**	49,188	28,117
Current tax (expense)	**(51,358)**	(7,006)	(26,374)
Deferred income tax recovery	**31,318**	(5,414)	19,048
Net earnings	**$ 53,991**	$ 36,768	$ 20,791
EBITDA	**267,475**	217,184	164,243
Adjusted EBITDA	**271,958**	222,538	174,102
Acquisition adjusted EBITDA	**286,836**	231,706	181,824
Total assets	**1,900,180**	1,322,556	1,356,834
Total debt	**1,724,653**	1,291,085	1,299,245
Cash provided by operating activities	**$ 148,114**	$ 139,056	$ 128,481

2016 vs. 2015

Total revenues increased by approximately 98% or $423,073 to $853,182 in 2016. Service Experts revenues, excluding investment income, contributed $410,763 for 2016 since the May 11, 2016 acquisition date. Enercare Home Services revenues, excluding investment income, increased during the year by $12,147 to $438,618, compared to 2015, primarily as a result of a rental rate increase implemented in January 2016 and changes in asset mix and growth in rental HVAC units. Net earnings were $53,991 in 2016, $17,223 higher than 2015, primarily from the SE Transaction, partly offset by higher amortization expenses and total taxes.

EBITDA increased by 23% or $50,291 as a result of the SE Transaction. Adjusted EBITDA increased by $49,420 or 22% after removing from EBITDA the impact of a reduced loss on disposal of equipment and including other income. After removing net expenditures of $14,878 associated with the SE Transaction and DE Acquisition, Acquisition Adjusted EBITDA was $286,836 in 2016, an increase of $55,130 over 2015.

Total assets increased by approximately $577,624 in 2016, primarily due to the SE Transaction. Total debt increased by $433,568 to $1,724,653 primarily from the 2016 Term Loan and the $227,504 issuance of the Subordinated Promissory Notes in the second quarter, partially offset by a $7,000 repayment. Cash flow from operating activities increased by $9,058 in 2016, primarily as a result of improved EBITDA.

2015 vs. 2014

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

EBITDA increased by 32% or $52,941 as a result of improved revenues and lower losses on disposal of equipment, partially offset by a combined increase in cost of goods sold and SG&A expenses, driven primarily by the DE Acquisition, including related rebranding and integration costs. Adjusted EBITDA increased by $48,436 or 28% after removing from EBITDA the impact of a reduced loss on disposal of equipment and including other income. After removing net expenditures of $9,168 associated with the DE Acquisition, Adjusted EBITDA was $231,706 in 2015, an increase of $49,882 over 2014.

Total assets decreased by approximately $34,278 in 2015, primarily due to the amortization of intangible assets and equipment. Total debt decreased by $8,160 primarily from $59,000 of repayments of the Subordinated Promissory Notes, partially offset by $50,000 which was drawn on the 2014 Revolver during the year. Cash flow from operating activities increased by $10,575 in 2015, primarily as a result of improved EBITDA, higher amortization and deferred income taxes partly offset by higher accounts receivable.

Earnings Statement

Year ended December 31,				**2016**				2015
(000's)	**Enercare Home Services**	**Service Experts**	**Corporate**	**Total**	Enercare Home Services	Service Experts	Corporate	Total
Revenues:								
Contracted revenue	**$410,018**	**$ 22,574**	**$ -**	**$432,592**	$390,509	$ -	$ -	$390,509
Sales and other services	**28,600**	**388,161**	**-**	**416,761**	35,962	-	-	35,962
Dividend income	**-**	**-**	**3,452**	**3,452**	-	-	3,452	3,452
Investment income	**349**	**28**	**-**	**377**	186	-	-	186
Total revenue	**$438,967**	**$410,763**	**$3,452**	**$853,182**	$426,657	$ -	$ 3,452	$430,109
Expenses:								
Cost of goods sold:								
Maintenance & servicing costs	**66,994**	**17,711**	**-**	**84,705**	61,164	-	-	61,164
Sales and other services	**22,274**	**239,415**	**-**	**261,689**	25,448	-	-	25,448
Total cost of goods sold	**89,268**	**257,126**	**-**	**346,394**	86,612	-	-	86,612
SG&A expenses	**100,343**	**114,593**	**16,622**	**231,558**	104,858	-	12,542	117,400
Foreign exchange (gain)/loss	**(215)**	**35**	**-**	**(180)**	107	-	-	107
Amortization expense	**122,194**	**13,825**	**-**	**136,019**	118,011	-	-	118,011
Net loss on disposal	**4,464**	**19**	**-**	**4,483**	5,354	-	-	5,354
Interest expense				**60,877**				53,437
Total expenses				**779,151**				380,921
Earnings before income taxes				**74,031**				49,188
Current tax (expense)				**(51,358)**				(7,006)
Deferred tax recovery/(expense)				**31,318**				(5,414)
Net earnings				**$53,991**				36,768
EBITDA Excluding Intercompany Income	**$245,107**	**$ 38,990**	**$(16,622)**	**$267,475**	$229,726	$ -	$(12,542)	$217,184
Adjusted EBITDA	**$249,571**	**$ 39,009**	**$(16,622)**	**$271,958**	$235,080	$ -	$(12,542)	$222,538
Acquisition Adjusted EBITDA	**$252,964**	**$ 50,494**	**$(16,622)**	**$286,836**	$244,248	$ -	$(12,542)	$231,706

Revenues

Total revenues of $853,182 for 2016 increased by $423,073 or 98% compared to 2015 primarily as a result of the SE Transaction.

Enercare Home Services revenues, excluding investment income, increased during the year by $12,147 to $438,618, compared to 2015, primarily as a result of a rental rate increase implemented in January 2016 and 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. HVAC sales and rentals in 2016 were significantly impacted by weather trends throughout the year. The unseasonably warmer temperatures experienced during the fourth quarter of 2015 continued into the first quarter of 2016, leading to fewer furnace breakdowns and therefore lower demand for HVAC replacements and repairs. The onset of warmer spring weather during the second quarter was also delayed, compared to historic norms, leading to lower demand for air conditioning sales and rentals in the early part of the second quarter. Demand for air conditioning sales and rentals increased significantly starting towards the end of the second quarter and continuing throughout the third quarter, which experienced 71% higher cooling degree days[8] compared to the 25 year average. Warm weather trends continued during the first half of the fourth quarter before returning to more seasonable temperatures in December. The cooler weather experienced in December, combined with strong sales execution, resulted in a 3% increase in the demand for HVAC sales and rentals during the fourth quarter, compared to the same period in 2015.

Enercare's 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 $410,735 for 2016 since the May 11, 2016 acquisition date were stronger than anticipated, driven primarily by favourably warm weather conditions across the United States and higher average dollars per contract.

Temperatures across the United States during 2016 were one of the top three warmest in the past 25 years[5]. Favourably warm weather conditions across the United States during the second and third quarters, led to a significant increase in the demand for air conditioning sales, service and repairs. Temperatures across the United States in June, July, August and September were each one of the top three warmest, compared to the same months, in the past 25 years[2]. Similar warm weather trends during the fourth quarter led to lower heating demand. Service Experts sales in Eastern Canada were also positively impacted by the same weather trends experienced by the Enercare Home Services segment. Higher revenues were also driven by Service Experts initiatives to shift sales towards higher value products, which have contributed to improvements in the average selling prices of installed units. Service Experts revenues were lowered by $20,833 of 2016, as a result of purchase accounting adjustments of deferred revenue associated with the SE Transaction.

Dividend income for 2016 was $3,452 consistent with 2015.

Investment income was $377 in 2016, an increase of $191 when compared to 2015. The change in investment income was primarily attributable to non-recurring interest earned in the second quarter of 2016 from the SE Subscription Receipts proceeds received in connection with the SE Transaction combined with interest income from the registered pension plan, which was in an asset balance instead of a net obligation during 2016.

Cost of Goods Sold

Total cost of goods sold for 2016 was $346,394, an increase of $259,782 or 300%, compared to 2015, primarily as a result of the SE Transaction.

Enercare Home Services cost of goods sold increased by $2,656 in 2016 compared to 2015, primarily from approximately $1,300 of non-recurring supplier reimbursements and other items recorded in the second quarter of 2015 and growth in the Rentals business. Maintenance and servicing costs in Enercare Home Services primarily consist of protection plan expenses and servicing costs related to the Rentals portfolio, while sales and other services expenses mainly pertain to one-time sales and installations of residential furnaces, boilers, air conditioners and small commercial products as well as plumbing, duct cleaning and other chargeable services.

Service Experts cost of goods sold amounted to $257,126 in 2016 since the May 11, 2016 acquisition date. Service Experts cost of goods sold were lower by $16,549 during the year, as a result of purchase accounting adjustments for the service obligation associated with the SE Transaction.

Selling, General & Administrative Expenses

Total SG&A expenses were $231,558 in 2016, an increase of $114,158, compared to 2015.

Enercare Home Services SG&A expenses of $100,343 in the year, decreased by $4,515, compared to 2015. The $4,515 decrease was primarily as a result of approximately $4,900 in lower selling and marketing

[5] Weather trends from Weather Trends International.

expenses, $3,000 of professional fees, both primarily from one time integration and rebranding activities in 2015, and $500 in claims expense, partly offset by $2,600 increases in wages and benefits, $600 in office expenses and $700 in bad debts. During 2016, there were acquisition related items totaling $930, compared to $1,400 in 2015, resulting in improvements to SG&A expense. The improvements in both periods arose from revisions to estimates.

Enercare Home Services SG&A expenses in 2016 included $2,312 of integration and business transformation costs related to the DE Acquisition, primarily from information technology integration activities to optimize the information technology platforms and marketing spend related to continued rebranding. In 2015, SG&A expenses included $9,168 of integration costs associated with the DE Acquisition, primarily from marketing spend related to rebranding activities.

Service Experts SG&A expenses in 2016 amounted to $114,593 since the May 11, 2016 acquisition date. Included in SG&A expenses were $11,485 of acquisition related expenditures associated with the SE Transaction, primarily related to professional fees and integration costs. The costs included $2,834 of pre-acquisition expenditures incurred by Enercare Home Services.

Corporate SG&A expenses of $16,622, increased by $4,080 compared to 2015. Corporate SG&A expenses primarily relate to charges from Enercare.

Amortization Expense

Amortization expense increased by $18,008 or 15% in 2016, primarily due to an increasing capital asset base from asset mix changes in the Rentals portfolio and the SE Transaction.

Net Loss on Disposal of Equipment

Enercare Solutions reported a net loss on disposal of equipment of $4,483 in 2016, a decrease of $871 or 16%, over 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

	Year ended December 31,	
(000's)	**2016**	2015
Interest expense payable in cash	**$30,171**	$25,719
Interest on subordinated debt	**3,500**	3,500
Interest on promissory note	**25,341**	22,281
Non-cash items:		
Notional interest on employee benefit plans, net	**840**	1,096
Amortization of financing costs	**1,025**	841
Interest expense	**$60,877**	$53,437

Interest expense payable in cash of $30,171 in 2016 was $4,452 higher that than 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, partly offset by repayments of $7,000 during the year. This increase in the balance of the Subordinated Promissory Notes resulted in higher interest expenses starting in the second quarter of 2016 compared to 2015.

Notional interest of $840 in 2016 relates 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 Term Loan and 2016 Term Loan.

Income Taxes

Enercare Solutions reported current tax expenses of $51,358, an increase of $44,352 over 2015, primarily as a result of a one year tax deferral recognized in 2015, available through a subsidiary of Enercare Solutions, and the acquisition of Service Experts. The deferred income tax recovery of $31,318, an increase of $36,732, was primarily as a result of temporary difference reversals in the Enercare Home Services and Service Experts businesses.

Net Earnings

Net earnings were $53,991 in 2016, an increase of $17,223, compared to 2015.

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)	**Q4/16**	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15
Net earnings	**$14,382**	$17,161	$14,504	$ 7,944	$ 8,445	$10,631	$12,536	$ 5,156
Deferred tax (recovery)/expense	**(5,957)**	(7,754)	(7,913)	(9,694)	814	1,755	484	2,361
Current tax expense	**10,679**	14,396	14,318	11,965	2,786	1,089	1,297	1,834
Amortization expense	**36,544**	35,958	33,481	30,036	29,995	29,646	29,256	29,114
Interest expense	**16,430**	16,298	15,052	13,097	13,047	13,386	13,462	13,542
Less: Dividend (income)	**(863)**	(863)	(863)	(863)	(863)	(863)	(863)	(863)
EBITDA Excluding Intercompany Income[(a)]	**71,215**	75,196	68,579	52,485	54,224	55,644	56,172	51,144
Add: Net loss on disposal	**893**	734	931	1,925	1,029	1,001	1,572	1,752
Adjusted EBITDA[(b)]	**72,108**	75,930	69,510	54,410	55,253	56,645	57,744	52,896
Add: Acquisition SG&A	**603**	4,347	5,240	3,607	3,012	3,767	1,777	612
Acquisition Adjusted EBITDA	**$72,711**	$80,277	$74,750	$58,017	$58,265	$60,412	$59,521	$53,508

(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) Historical 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.
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 quarters of 2016 additional interest expense was incurred as part of the SE Transaction, related to the 2016 Term Loan, bridge financing and the treatment of SE Subscription Receipts for accounting purposes.
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)	**2016**	2015
Cash flow provided by operating activities	**$148,114**	$139,056
Net change in non-cash working capital	**15,836**	28,763
Operating Cash Flow[6]	**163,950**	167,819
Capital expenditures: excluding acquisitions	**(127,901)**	(101,472)
Proceeds on disposal of equipment	**10,982**	7,866
Net capital expenditures	**(116,919)**	(93,606)
Acquisition – Service Experts	**(375,163)**	(863)
Acquisition – Cobourg Network Inc.	**-**	-
Cash used in investing activities	**(492,082)**	(94,469)
Dividends paid	**(55,087)**	(68,639)
Other financing activities	**416,194**	(11,222)
Cash (used in)/provided by financing activities	**361,107**	(79,861)
Cash and equivalents – end of period	**$ 36,446**	$ 17,581

Operating Cash Flow of $163,950 in 2016 decreased by $3,869 compared to the prior year, primarily due to acquisition related expenditures in SG&A, an increase in current tax expense due to the SE Transaction and the impact of a one year tax deferral available in 2015 through a subsidiary of Enercare Solutions which was not available in 2016.

Net capital expenditures of $116,919 in 2016, increased by $23,313, compared to the prior year, due to increased HVAC rentals and changes in asset mix. The acquisition amount of $375,163 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 $200,000 under the 2014 Revolver, $15,000 was drawn as at December 31, 2016. Enercare Solutions is subject to a number of covenants and has the ability to incur additional senior debt as described in *"Liquidity and Capital Resources – Cash from Financing"* in this MD&A.

Management believes that Enercare Solutions has sufficient cash flow, cash on hand and available credit to meet its 2017 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.

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

Installed Asset Unit Continuity (000's)	**2016**	2015
Units – start of period	**1,128**	1,129
Portfolio additions	**38**	33
Acquisitions	**-**	1
Attrition	**(30)**	(35)
Units – end of period	**1,136**	1,128
Asset exchanges – units retired and replaced	**45**	46
% change in units during the period	**0.7%**	(0.1%)
% of units from start of period:		
Portfolio additions (net of acquisitions)	**3.4%**	2.9%
Attrition	**(2.7%)**	(3.1%)
Units retired and replaced	**4.0%**	4.1%

In 2016, the portion of net capital expenditures in Enercare Home Services related to unit additions and asset exchanges, net of proceeds on disposal and excluding assets not yet commissioned, was $107,449, increasing by 28% or $23,359 compared to 2015, primarily as a result of increased HVAC rentals.

In the Enercare Home Services business, Attrition of approximately 30,000 units in 2016 improved by 14% compared to approximately 35,000 units in 2015. Enercare Solutions has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with Bill 55 as well as enhancements to our customer value proposition (for example, the "same day service campaign"), have helped to significantly reduce Attrition in recent years.

Cash from Financing

Financing activities for Enercare Solutions may reflect dividend payments, periodic financing of Enercare Solutions' indebtedness and share issuances. During 2016, EnerCare Solutions' financing activity was comprised of dividend payments, repayments of obligations under finance leases and the repayment of $7,000 of the Subordinated Promissory Notes.

Capitalization (000's)	**2016**	2015
Cash and cash equivalents	**$ 36,446**	$ 17,581
Net investment in working capital	**(44,813)**	34,397
Cash, net of working capital	**(8,367)**	51,978
Total senior debt	**966,274**	732,718
Promissory note	**708,379**	508,367
Subordinated debt	**50,000**	50,000
Shareholders' equity	**(171,381)**	(185,483)
Total capitalization – book value	**$1,553,272**	$1,105,602

Typically, Enercare Solutions maintains cash balances and available credit to provide sufficient cash reserves to satisfy short-term requirements, including interest payments, dividends and certain capital expenditures and acquisitions**.**

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

On February 21, 2017, Enercare Solutions completed its offering of $500,000 aggregate principal amount of Senior Unsecured Notes. The proceeds of the offering were used to repay the 2014 Term Loan on February 23, 2017 and will be used to redeem the 2012 Notes on March 23, 2017 with the balance to be used to repay a portion of the 2014 Revolver.

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

Debt Financing

The 2014 Revolver and 2014 Term Loan, which was repaid on February 23, 2017, 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 bore 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, 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.

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 above.

Enercare Solutions was in compliance with the covenants within the 2014 Revolver and 2014 Term Loan as of December 31, 2016. In the fourth quarter, Enercare Solutions increased the 2014 Revolver limit by $100,000 to $200,000, maintaining the same terms. A total of $15,000 was drawn under the 2014 Revolver as at December 31, 2016. As of March 6, 2017, $30,000 was drawn on the 2014 Revolver.

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. 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, as the 2014 Term Loan was modified in conjunction with the SE Transaction. 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.

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.

2012 Notes and 2013 Notes – Incurrence Test

The covenants in respect of the 2012 Notes, 2013 Notes and 2017 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test is less than 3.8 to 1.

On December 31, 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)	**Q4/16**	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15
Total revenues	**$260,383**	$274,208	$211,221	$107,370	$110,160	$107,721	$107,280	$104,948
Net earnings	**14,382**	17,161	14,504	7,944	8,445	10,631	12,536	5,156
Dividends declared	**$ 18,382**	$ 12,075	$ 6,160	$ 12,314	$ 18,705	$ 19,245	$ 19,308	$ 11,987

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 SE Transaction in the second quarter of 2016. Cash payments to Enercare are comprised of the corporate charges from Enercare, interest and debt repayments on the Subordinated Promissory Notes and dividend payments. Dividends declared primarily reflect the additional cash required to fund dividends paid by Enercare.

SUMMARY OF CONTRACTUAL DEBT AND LONG TERM OBLIGATIONS

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

Period	Debt		Finance Leases		Operating
(000's)	Principal	Interest	Principal	Interest	Leases
Due in 2017	$250,000	$31,957	$ 7,304	$ 570	$ 9,304
Due in 2018	210,000	20,324	6,702	386	6,365
Due in 2019	10,000	16,648	5,841	223	4,097
Due in 2020	493,540	7,504	4,223	92	2,832
Due in 2021	5,000	138	1,391	20	2,898
Thereafter	-	-	163	4	3,272
Total	$968,540	$76,571	$25,624	$1,295	$28,768

As at December 31, 2016, long-term senior contractual obligations of Enercare Solutions included debt service on the 2012 Notes and 2013 Notes bearing interest at 4.30% and 4.60%, respectively. Interest on the 2012 Notes is payable semi-annually on May 30 and November 30 and is payable semi-annually on February 3 and August 3 in respect of the 2013 Notes. The 2014 Term Loan, which was repaid on February 23, 2017, bears interest at a variable rate based upon the applicable banker's acceptance rate plus 1.25%, which was 2.14% at December 31, 2016.

At December 31, 2016, $15,000 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 applicable banker's acceptance rate plus 1.25% which was 2.95%, at December 31, 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 December 31, 2016, the 2016 Term Loan bears interest of 2.20%.

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 January 2017 and August 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.

The 2017-1 Notes and 2017-2 Notes offered on February 21, 2017 bear interest at 3.38% and 3.99% and are due in February 2022 and February 2024 respectively.

ENERCARE SOLUTIONS SHARES ISSUED AND OUTSTANDING

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

At December 31, 2016, there were 1,169 common shares issued and outstanding.

FOURTH QUARTER RESULTS OF OPERATIONS

Three months ended December 31,			2016					2015
(000's)	**Enercare Home Services**	**Service Experts**	**Corporate**	**Total**	Enercare Home Services	Service Experts	Corporate	Total
Revenues:								
Contracted revenue	**$104,958**	**$ 14,088**	**$ -**	**$119,046**	$101,544	$ -	$ -	$101,544
Sales and other services	**8,265**	**132,088**	**-**	**140,353**	7,721	-	-	7,721
Dividend income	**-**	**-**	**863**	**863**	-	-	863	863
Investment income	**111**	**10**	**-**	**121**	32	-	-	32
Total revenue	**$113,334**	**$146,186**	**$ 863**	**$260,383**	$109,297	$ -	$ 863	$110,160
Expenses:								
Cost of goods sold:								
Maintenance & servicing costs	**17,256**	**11,367**	**-**	**28,623**	15,894	-	-	15,894
Sales and other services	**6,173**	**81,480**	**-**	**87,653**	5,928	-	-	5,928
Total cost of goods sold	**23,429**	**92,847**	**-**	**116,276**	21,822	-	-	21,822
SG&A expenses	**27,117**	**39,217**	**4,917**	**71,251**	27,611	-	4,598	32,209
Foreign exchange (gain)/loss	**(200)**	**85**	**-**	**(115)**	13	-	-	13
Amortization expense	**31,284**	**5,260**	**-**	**36,544**	29,995	-	-	29,995
Net loss on disposal	**877**	**16**	**-**	**893**	1,029	-	-	1,029
Interest expense				**16,430**				13,047
Total expenses				**241,279**				98,115
Earnings before income taxes				**19,104**				12,045
Current tax (expense)				**(10,679)**				(2,786)
Deferred tax recovery/(expense)				**5,957**				(814)
Net earnings				**$ 14,382**				8,445
EBITDA Excluding Intercompany Income	**$ 62,111**	**$ 14,021**	**$(4,917)**	**$ 71,215**	$ 58,822	$ -	$(4,598)	$ 54,224
Adjusted EBITDA	**$ 62,988**	**$ 14,037**	**$(4,917)**	**$ 72,108**	$ 59,851	$ -	$(4,598)	$ 55,253
Acquisition Adjusted EBITDA	**$ 62,988**	**$ 14,640**	**$(4,917)**	**$ 72,711**	$ 62,863	$ -	$(4,598)	$ 58,265

Fourth Quarter Overview

Unless stated otherwise, the narrative in this section is in reference to the operating results for the fourth quarter of 2016 as compared to the same period in 2015.

Revenues

Total revenues of $260,383 for the fourth quarter of 2016 increased by $150,223 or 136%, primarily as a result of the SE Transaction.

Enercare Home Services revenues, excluding investment income, increased during the quarter by $3,958 to $113,223, 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. Revenues were also impacted by warm weather during the first half of the fourth quarter before returning to cooler temperatures in December, which experienced 44% more heating degree days compared to the same month in 2015. The cooler weather experienced in December, combined with strong sales execution, resulted in a 3% increase in the demand for HVAC sales and rentals during the fourth quarter.

Enercare Solutions' 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 $146,176 for the fourth quarter of 2016 were slightly stronger than anticipated, driven by higher average dollars per contract and cooler weather conditions across the United States during December, partly offset by warmer weather trends during October and November. Service Experts sales in Eastern Canada were also impacted by the same weather trends experienced by the Enercare Home Services segment. Service Experts revenues were lower by

$4,278 during the fourth quarter of 2016, as a result of purchase accounting adjustments of deferred revenue associated with the SE Transaction.

Dividend income for the fourth quarter of 2016 was $863 consistent with 2015.

Investment income was $121 in the quarter, an increase of $89. The change in investment income was primarily attributable to non-recurring interest earned in 2016 from the SE Subscription Receipts proceeds received in connection with the SE Transaction combined with interest income from the registered pension plan, which was in an asset balance instead of a net obligation during 2016.

Cost of Goods Sold

Total cost of goods sold for the fourth quarter of 2016 was $116,276, an increase of $94,454 or 433%, primarily as a result of the SE Transaction.

Enercare Home Services cost of goods sold increased by $1,607 in the fourth quarter of 2016, primarily from growth of the rental business. 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 $92,847 in the fourth quarter of 2016, lower by $3,472, as a result of purchase accounting adjustments for the service obligation associated with the SE Transaction.

Selling, General & Administrative Expenses

Total SG&A expenses were $71,251 in the fourth quarter of 2016, an increase of $39,042.

Enercare Home Services SG&A expenses of $27,117 in the fourth quarter, decreased by $494. The $494 decrease was primarily as a result of approximately $1,700 lower in selling expenses, $800 lower in office expenses and $700 lower in professional fees, primarily from one time integration and rebranding activities in 2015. This is partly offset by higher billing and servicing costs of $1,300, wages and benefits of $1,000 and bad debt expense of $500.

In 2015, Enercare Home Services SG&A expenses in the fourth quarter included $3,012 of integration costs associated with the DE Acquisition, primarily from marketing spend related to rebranding activities.

Service Experts SG&A expenses in the fourth quarter of 2016 amounted to $39,217. Included in SG&A expenses in the fourth quarter were $603 of acquisition related expenditures associated with the SE Transaction, primarily related to professional fees and integration costs.

Corporate SG&A expenses of $4,917, decreased by $319. Corporate SG&A expenses primarily relate to charges from Enercare.

Amortization Expense

Amortization expense increased by $6,549 or 22% to $36,544 in the fourth quarter of 2016, primarily due to an increasing capital asset base from asset mix changes in the Rentals portfolio and the SE Transaction.

Net Loss on Disposal of Equipment

Enercare Solutions reported a net loss on disposal of equipment of $893 in the fourth quarter of 2016, a decrease of $136 or 13%. The net loss on disposal amount is influenced by the number of assets retired, proceeds on disposal of equipment, changes in the retirement asset mix and the age of the assets retired.

Interest Expense

(000's)	Three months ended December 31, **2016**	2015
Interest expense payable in cash	**$ 7,926**	$ 6,409
Interest on subordinated debt	**875**	875
Interest on promissory note	**7,122**	5,276
Non-cash items:		
Notional interest on employee benefit plans, net	**210**	274
Amortization of financing costs	**297**	213
Interest expense	**$16,430**	$13,047

Interest expense payable in cash of $7,926 in the fourth quarter of 2016 was $1,517 higher 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, partly offset by repayments of $7,000 during the year. This increase in the balance of the Subordinated Promissory Notes resulted in higher interest expenses starting in the second quarter of 2016.

Notional interest of $210 in the fourth quarter of 2016 relates 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 Term Loan and 2016 Term Loan.

Income Taxes

Enercare Solutions reported current tax expenses of $10,679, increases of $7,893, primarily as a result of a one year tax deferral recognized in 2015, available through a subsidiary of Enercare Solutions, and the acquisition of Service Experts. The deferred income tax recoveries of $5,957, an increase of $6,771, compared to the deferred tax expenses recorded in 2015, were primarily as a result of temporary difference reversals in the Enercare Home Services and Service Experts businesses.

Net Earnings

Net earnings were $14,382 in the fourth quarter of 2016, an increase of $5,937, as previously described.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

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

2014 Revolver and 2014 Term Loan

Under the 2014 Revolver agreement and 2014 Term Loan agreement, Enercare Solutions is subject to three principal financial covenants as described in the section *"Liquidity and Capital Resources – Debt Financing"* in this MD&A. The covenants address interest and debt coverage. Enercare Solutions complied with these covenants on December 31, 2016. There was a total of $15,000 drawn under the 2014 Revolver at December 31, 2016. The 2014 Term Loan was repaid on February 23, 2017.

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, 2013 Notes and 2017 Notes – Incurrence Test

The covenants under the 2012 Notes, 2013 Notes and 2017 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 (as described in the AIF) is less than 3.8 to 1.

Critical Accounting Estimates and Judgments

Enercare Solutions makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Management continually evaluates estimates and judgments, which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following items are of significance for the period.

Revenue Accruals

At December 31, 2016, the Enercare Home Services segment recorded a revenue accrual of approximately $46,400 reflecting accrued service periods, compared to $47,200 at December 31, 2015. Unbilled protection plans comprise approximately $28,200 of this balance, compared to $28,700 at December 31, 2015. This balance 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 twelve months. The remaining unbilled revenues reflect accrued service revenues for rental water heaters and other products.

At December 31, 2016, the Service Experts segment recorded a revenue accrual of approximately $1,700 reflecting accrued revenue for contracts in progress, compared to $nil at December 31, 2015.

Bad Debt Provisions

The Enercare Home Services segment is exposed to credit risk in the normal course of business for customers who are billed directly by Enbridge Gas Distribution Inc. ("EGD") within its service territory and secondarily when billed by Enercare Solutions or are billed by EGD outside of its service territory. For billing within the EGD service territory, Enercare Solutions is guaranteed payment by EGD 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 comprising the Enercare Home Services and Service Experts segments was approximately $5,000 at December 31, 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 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

Employee defined benefit plan balances 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 of Service Experts, these consolidated financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations, under which, the total fair value of the consideration transferred has been assigned to the assets acquired and liabilities assumed based on their estimated fair values at the date of the 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 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 Enercare Solutions' 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 December 31, 2016. There have been no changes to our ICFR during the quarter and year to date ended December 31, 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 Solutions' consolidated financial statements for the year ended December 31, 2016 was approximately 48% of revenues and 32% of net earnings. In addition, Service Expert's current assets and current liabilities were approximately 41% and 23% of the consolidated current assets and current liabilities, respectively, and its long term assets and long term liabilities were approximately 30% and 10% 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

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.

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 has assessed the impact of adopting this amendment on the consolidated financial statements, and notes that additional disclosure of the movements in net debt between changes arising from cash flows and non-cash changes may be required.

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 has begun to assess the terms and conditions of its inventory of revenue contracts with customers, and continues to evaluate the impact of adopting this standard on the consolidated financial statements. Quantification of the impact is expected in 2017.

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. Quantification of the impact is expected in 2017.

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 twelve 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 the AIF remain unchanged.

OUTLOOK

The forward-looking statements contained in this section are not historical facts but, rather, reflect Enercare Solutions' current expectations regarding future results or events and are based on information currently available to management.

Enercare 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 negative short-term impact on non-recurring sales and other services revenue to continue throughout 2017.
- In January 2017, Enercare Home Services increased its weighted average rental rate by 3.1%.
- In October 2016, Enercare Home Services launched the Enercare Finance Plan ("ECFP") to consumers across Ontario. Replacing our current external finance provider, ECFP is a new in-house financing program that provides finance options to residential HVAC customers who choose to purchase their equipment from Enercare Home Services. By bringing financing in-house, we retain a customer relationship and enhance the customer experience, by completing the entire sales transaction conveniently with one service provider. During the fourth quarter of 2016, approximately 7.5% of all HVAC sales were sold to customers who took advantage of the ECFP.
- In late December 2016, Enercare Solutions implemented an electrical protection plan pilot program available to customers in Ontario. The electrical protection plan provides customers coverage for specified residential home electrical components, including diagnosis, repair, replacement and adjustment. The pilot program will continue to be rolled out in early 2017, with a full launch planned for the second quarter of 2017.
- One of our key strategies is to continue to transform the customer experience through digital enhancements such as Enercare Home Services' new mobile and iPad apps. In late September 2016, Enercare Home Services became the first Canadian home services company to launch a self-service mobile app, enabling customers who in the past would have contacted the call centre, to now use the mobile app to easily access their personalized account details, book maintenance, plumbing or service appointments and to be notified when a technician is on route to their home or business. In early October 2016, Enercare Home Services launched its new iPad app that makes processing finance credit applications and rental credit approvals more convenient and efficient for customers. Both of these initiatives significantly improve the ease with which customers can use digital tools to manage their experience with Enercare Home Services and enables us to improve the customer experience by providing a faster and more efficient and convenient experience, while reducing calls to the service centers. As we continue to invest in new and innovative digital tools, and differentiate the customer experience through technology solutions, we feel we are well positioned to offer our customers more products and services through an interactive experience.

Service Experts Segment

- Consistent with previous guidance, cost synergies relating to the SE Transaction are estimated to be in the range of $0.05 to $0.08 per Share on an annualized basis by the end of 2017, primarily as a result of a reduction in sourcing costs.
- In October 2016, Service Experts introduced a rental program for HVAC products and water heaters in several centers within Canada. This rollout was completed at all 15 locations in Canada in February 2017, and while the program is still in the very early stages, Enercare is encouraged by the initial results which show an initial rental mix of approximately 20% in Ontario and 10% in Western Canada where the rental model is a new concept. The successful introduction of our recurring revenue rental model in Canada is part of our plan to integrate rentals throughout Service Experts residential heating and cooling operations over the next two years to create continued organic growth. During the first quarter of 2017, Service Experts has extended the rental HVAC offerings through a pilot in two U.S. states and expects to

rollout in two additional states during the first half of 2017. The U.S. rental program is similar to Enercare Home Services' existing Canadian rental program, except that due to U.S. regulations, the rental contracts in the United States will be for a definitive term, which in the piloted states is 10 years. Service Experts anticipates that the form of the contract, as driven by the U.S. regulatory environment, will result in a slower adoption of the rental program in the U.S.

- The business of Service Experts is subject to greater seasonality than Enercare Home Services as a result of it having fewer recurring revenue sources. Revenue and EBITDA tend to be seasonally highest in the second quarter of the year, followed by the third quarter, and substantially less in the fourth and first quarters, 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. This results in 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 EBITDA, relative to other quarters, in the first quarter. Service Experts normally generates a neutral level of profitability in the first quarter of the year and 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.

2017 Income Taxes

- Enercare Solutions' current income tax expense for 2016 was in line with previous estimates at $51 million. Current tax expense was approximately $19,001 higher in 2016, as a result of a one year tax deferral available through a subsidiary of Enercare Solutions during 2015 that reversed in 2016.
- Enercare Solutions estimates that it will recognize approximately $21 million to $27 million in current income tax expense for the fiscal year ending December 31, 2017. This estimate is based on taxable income normalized for a full year of Service Experts and assumes corporate tax rates of approximately 26.5% in Canada and 39% in the US. Taxable income is principally impacted by changes in revenue, operating expenses, potential acquisitions or divestitures, appropriate tax planning and capital expenditures through the capital cost allowance deduction.
- 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. At acquisition, Enercare Solutions estimated 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.

2017 Capital Investments

- In 2016, Enercare Solutions capital investments of $122 million were in line with previous guidance. The Internal Rate of Return from capital investments on both rental water heater and rental HVAC additions were also in line with management's targets of between 15% to 20%.

Capital Expenditure (1)	2016
HVAC rentals	$46M
Water heater additions	$37M
Water heater exchanges	$36M
In-house financing (2)	$3M
Total Range	$122M

- Enercare Solutions is targeting a range of between $118 million and $135 million in capital investments in 2017, primarily reflecting higher unit costs due to higher end product originations and higher sales volume.

Capital Expenditure (1)	Target Range for 2017
HVAC rentals	$46M - $52M
Water heater additions	$35M – $39M
Water heater exchanges	$32M – $36M
In-house financing (2)	$5M – $ 8M
Total Range	$118M – $135M (3)

(1) Excludes acquisitions.
(2) In-house financing represents the increase in financing receivables related to the program.
(3) The target range of capital spend for the Enercare Home Service and Service Experts businesses is largely based on the number and type of equipment originated (assumed to be approximately 26,000 water heater and water treatment rental additions, 42,000 water heater exchanges and 14,500 HVAC rental additions) and the mix between rental, sales and financing arrangements similar to actual results experienced in the last 12 months of operations.

Corporate

- Enercare has set its annual general meeting of shareholders for May 1, 2017. Jim Pantelidis, Chair of the Board, along with management will provide an update to shareholders on Enercare's achievements in 2016 and strategy to grow shareholder value.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of Enercare Solutions dated January 20, 2017
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	ESLP, Rentco and WGP Inc., EHCS LP, EHCS GP, SE Canada Inc., SEHAC and its operating subsidiaries and affiliates.
HVAC	Heating, ventilation and air conditioning.
Enercare 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.
Origination Agreement	The origination agreement dated December 17, 2002 between Rentco and DE providing for the sale to ESLP of rental water heaters originated by DE, as amended on January 1, 2005, December 29, 2006, January 1, 2013 and August 1, 2013, as assigned by DE to EHCS LP on October 20, 2014.
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 Merger Agreement which was completed on May 11, 2016.
SEHAC	SEHAC Holdings LLC (formerly SEHAC Holdings Corporation).
Senior Unsecured Indenture	means the trust indenture dated as of January 29, 2010 between the Operating Trust, as issuer, the Guarantors, as guarantors, and Computershare Trust 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, the seventh supplemental indenture dated as of February 1, 2013, the eighth supplemental indenture dated as of October 20, 2014, the ninth supplemental indenture dated as of May 11, 2016, the tenth supplemental indenture dated as of June 10, 2016, the eleventh supplemental indenture dated as of February 21, 2017 and the twelfth supplemental indenture dated as of as of February 21, 2017 the same may be amended, modified, supplemented, restated or replaced from time to time.
Service Experts	Enercare business operating under the brand "Service Experts", which provides HVAC products and servicing to residential and light commercial customers, primarily operated by SEHAC Holdings LLC and SE Canada Inc.
SG&A	Selling, general and administrative expenses.
S&P	Standard and Poor's Rating Services.
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.
WGP Inc.	4113152 Canada Limited
2012 Notes	$250,000 of 4.30% Series 2012-1 Senior Unsecured Notes of Enercare Solutions, which are to be redeemed on March 23, 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 $200,000.
2014 Revolver	The 5-year variable rate, revolving credit facility in the maximum amount of $100,000 issued under the 2014 Debt Financing. In December of 2016, the revolving credit facility was increased to a maximum amount of $200,000, maintaining the same terms.
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, which was repaid on February 23, 2017.
2016 Term Loan	Two 4-year non-revolving, non-amortizing variable rate term credit facilities in the aggregate amount of US$200,000.
2017-1 Notes	The $275,000 of 3.38% Series 2017-1 Senior Unsecured Notes of Enercare Solutions, due February 21, 2022.
2017-2 Notes	The $225,000 of 3.99% Series 2017-2 Senior Unsecured Notes of Enercare Solutions, due February 21, 2024.
2017 Notes	The Series 2017-1 Notes and Series 2017-2 Notes.