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Enercare Solutions Inc.

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

Second Quarter ended June 30, 2017

Dated August 4, 2017

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The condensed interim consolidated financial statements of Enercare Solutions are prepared in accordance with IFRS. Enercare Solutions' basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the condensed interim consolidated financial statements for the period ended June 30, 2017. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units and "per unit" amounts, Shares and "per Share" amounts, SE Subscription Receipts and percentages (except as otherwise noted). Unless otherwise specified, dollar amounts are expressed in Canadian dollars.

As at June 30, 2017, 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, repair and rental of HVAC systems and rental water heater products 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 August 4, 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 and subsequent roll out of rental HVAC offerings in 5 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 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 rate of the 2016 Term Loan, foreign exchange rates and commodity prices; 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 and the United States 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.

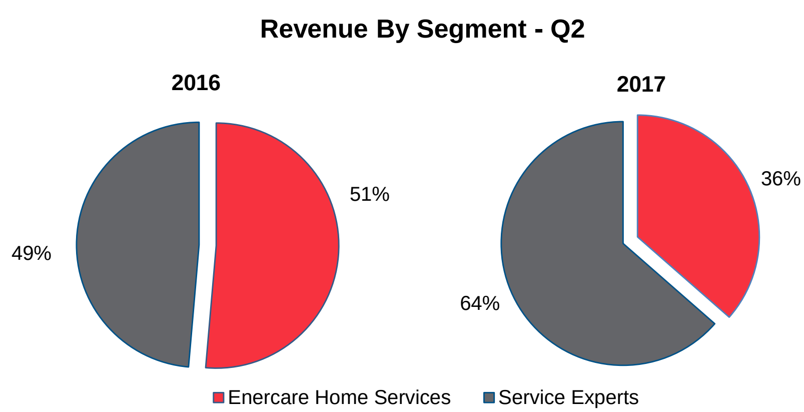
On May 11, 2016, Enercare Solutions acquired, through a merger, SEHAC Holdings Corporation, now SEHAC Holdings LLC, which owned Service Experts. Enercare Solutions purchased 100% of the outstanding shares of SEHAC. Service Experts provides sales, installation, maintenance, repair and rental of HVAC systems and rental water heater products directly to residential and light commercial customers. There are 90 Service Experts locations in the United States and Canada.

Through its Enercare Home Services and Service Experts businesses, Enercare Solutions provides intelligent and energy-efficient products, services, programs and solutions that enable homeowners and multi-unit owners 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.

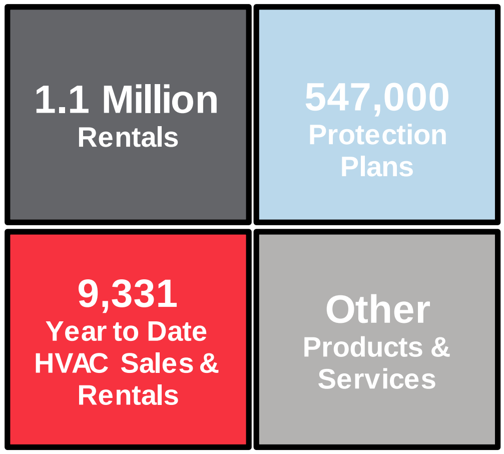
PORTFOLIO SUMMARY

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 36% of the overall revenue during the second quarter of 2017, compared to 51% during the same period in 2016, 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.

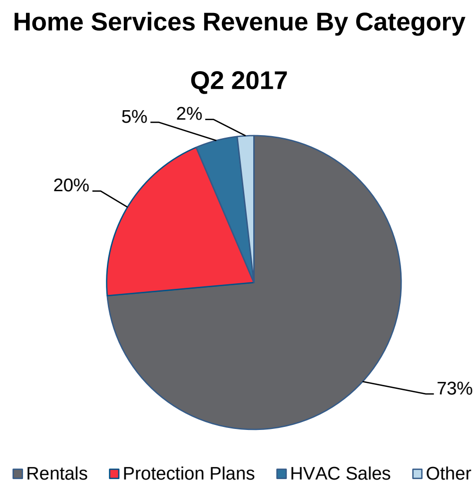


Enercare Home Services Business

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 as at the end of the second quarter of 2017.

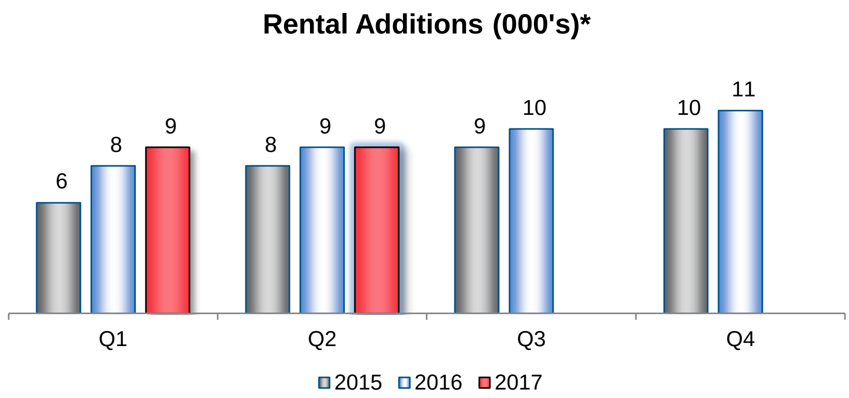


Of the four main business activities, the Rentals component produces the largest portion of revenue, followed by Protection Plans, HVAC Sales and Other, as illustrated in more detail by the following chart.



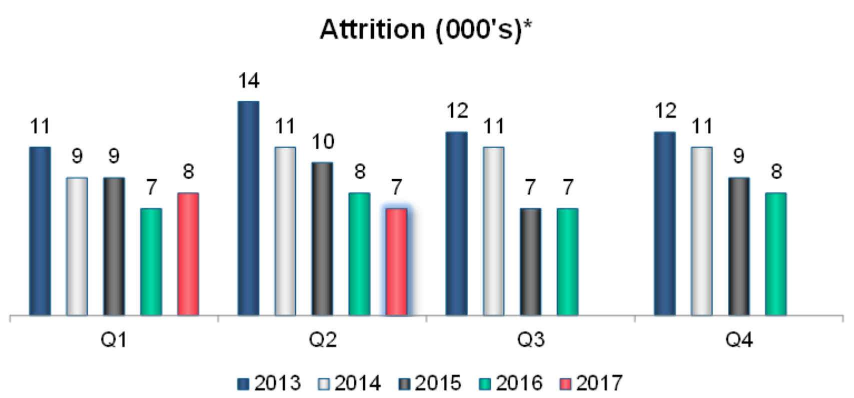
Rentals

Enercare Home Services is focused on growing its rental portfolio by increasing originations and reducing Attrition. Originations are primarily obtained from the new home builder market and new customers identified through its field technicians. New products, such as rental HVAC (discussed further below in the section entitled “HVAC Sales and Rentals”), have contributed significantly to increasing total originations. As seen in the graph below, additions were 8,900 units in the second quarter of 2017, an increase of 3%, compared to the same period in 2016.



* Rental additions presented have been rounded in thousands of units and are consistent with the installed asset unit continuity presented in the "Liquidity and Capital Resources – Capital Expenditures" section in this MD&A. To ensure consistency with rounded year to date and period end balances, the rounded units presented in the chart above may vary by +1 or -1 in certain quarters from results rounded to the nearest hundred units elsewhere in this MD&A.

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 7,300 units in the second quarter of 2017 and 15,000 units year to date remained comparable with that of the prior periods in 2016, which had Attrition of 7,200 and 14,700, respectively. The chart below illustrates Attrition trends since 2013.



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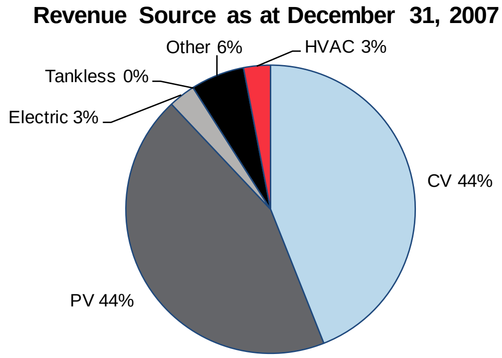
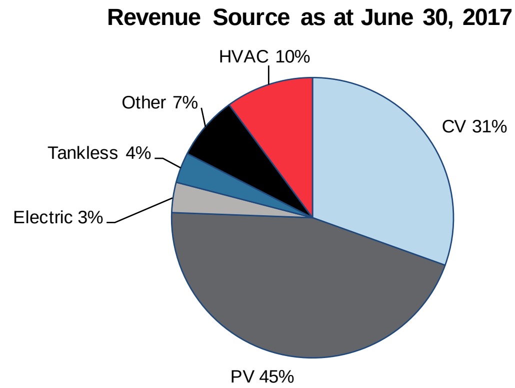
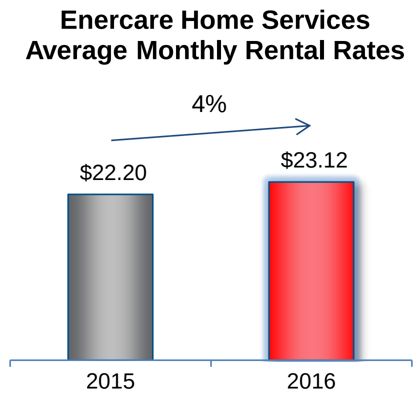
Rental unit growth has surpassed Attrition since the third quarter of 2015 by approximately 14,000 units in total, the first eight consecutive quarters of net unit growth for Enercare Home Services in over a decade.

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 Home Services' 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.





Enercare Home Services is also able to grow revenue through rental rate increases each year. In January 2016, Enercare Home Services increased its weighted average rental rate by 2.74%. This, in combination with product mix changes and the focus on adding rental HVACs, led to an increase in the average rental price per unit of 4% for 2016 as compared to 2015. In January 2017, Enercare Home Services increased its weighted average rental rate by 3.10%.



Protection Plans

Enercare Home Services sells a variety of plans covering such items as furnaces, air conditioning, plumbing and appliances. There are 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 82% of residential HVAC unit sales included an extended protection plan.

Enercare Home Services' protection plan performance improved during the second quarter of 2017. Protection plan additions of approximately 18,000 plans remained consistent with the same period in 2016, while protection plan attrition of approximately 17,000 plans in the second quarter and 32,000 year to date each improved by 6%,compared to the same periods in 2016, despite the loss of approximately 2,000 and

4,000 (2016 – 2,000 and 4,000) protection plans in the second quarter and year to date, respectively, as a result of them being replaced by rentals as part of the Enercare Home Services growth strategy. Overall and despite the loss of plans to rentals, Enercare Home Services' protection plan base increased by 1,000 and 5,000 plans during the second quarter of 2017 and year to date, respectively.

In the second quarter of 2017, HVAC unit originations 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 protection plan contract continuity for the three months ended June 30, 2017 and 2016.

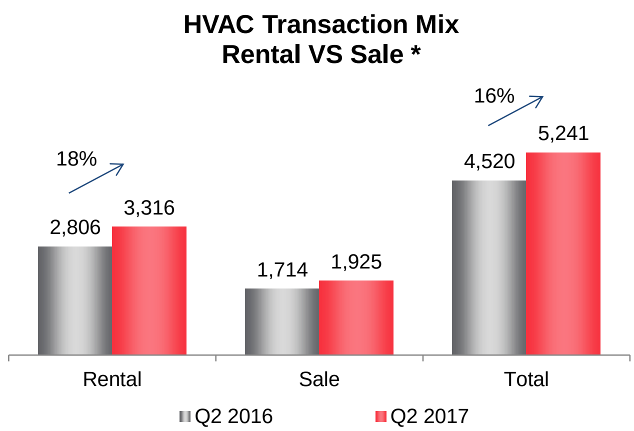
	Three months ended June 30,	
Protection Plan Unit Continuity (000's)	**2017**	2016
Contracts - start of the period	**546**	543
Portfolio additions	**18**	18
Protection plan attrition	**(17)**	(18)
Contracts - end of the period	**547**	543
% change in units during the period	**0.2%**	-%

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, Enercare Home Services re-launched its HVAC rental program in 2013. 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, 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 second quarter comparison between 2017 and 2016 is outlined in the chart below.



*HVAC rental and sales units presented include residential, commercial and multi-residential rental additions and sales.

During the second quarter of 2017, Enercare Home Services rented 3,316 new units, an increase of 18%

over the same period in 2016, and sold approximately 1,925 units, for a total of 5,241 HVAC units, compared to 4,520 units in the second quarter of 2016, an increase of 16%. HVAC sales and rentals during the second quarter of 2017 increased significantly despite a return to more seasonal temperatures, as measured by heating degree days[1]. During the second quarter of 2017 there were 18% fewer heating degree days and 36% fewer cooling degree days compared to the same period in 2016. These less favorable weather conditions compared to the same period in 2016 were offset by increased marketing and promotional offers coupled with customers taking advantage of Ontario air conditioning rebate offers prior to their expiry at the end of the second quarter of 2017.

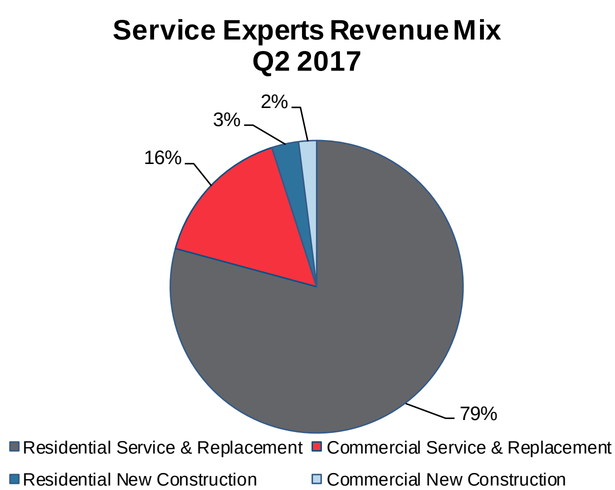
The strategy to convert HVAC sales into rentals has resulted in increases to recurring revenue. Nevertheless, Enercare Solutions continues to be financially impacted by this strategy in the short-term. For example, had all 3,316 new HVAC rental additions in the second quarter of 2017 been sales as opposed to rentals, revenues and EBITDA during 2017 would have increased by approximately $10,300 and $4,300, 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 centers.



As illustrated in the chart above, residential service and replacement made up 79% of revenues, while commercial service and replacement made up 16%. Commercial service and replacement is comprised of 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 and water heater sales, servicing and rentals and maintenance contracts.

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).

HVAC and Water Heater Sales, Servicing and Rentals

HVAC and water heater 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. Water heater sales and rentals consist primarily of on-demand residential water heater unit replacements and upgrades.

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.

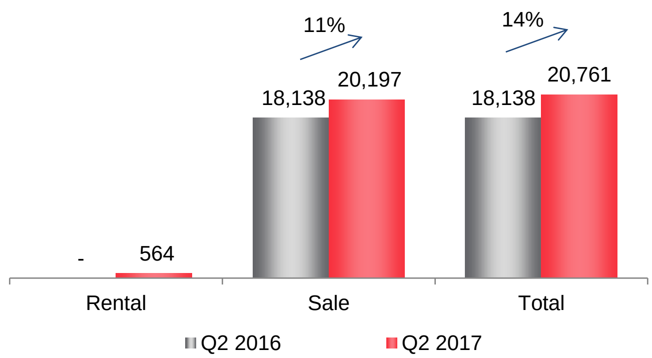
As part of Service Experts' strategy to grow its recurring revenues, in October 2016, Service Experts introduced a rental program for HVAC and water heater products in Canada. The program rollout was completed at all 15 locations in Canada in February 2017, and while the program is still in the very early stages, the initial results have shown a rental mix during the first half of 2017 of approximately 13% (ranging from 6% to 30% depending on the center) in Ontario and 7% (ranging from 3% to 11% depending on the center) in Western Canada, where the rental model is a new concept. The successful introduction of the rental model in Canada is part of Enercare Solutions' plan to integrate rentals throughout Service Experts' residential heating and cooling business over the next two years to create recurring revenue.

During the first quarter of 2017, Service Experts launched its HVAC rental program with a pilot in two U.S. states and subsequently rolled out to two additional states in late March and one in early May. The U.S. rental program is similar to the 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. Enercare Solutions 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 preliminary rental mix of total HVAC origination in the United States during the first half of 2017 was approximately 3% (ranging from 0.5% to 8% depending on the center). While the initial results in a number of these U.S. centers are encouraging, Service Experts continues to review its U.S. rental program to identify opportunities to improve its customer offerings and related rental execution processes.

During the second quarter of 2017, Service Experts sold approximately 20,197 HVAC and water heater units, an increase of 11% over the same period in 2016, and rented approximately 564 new units for a total of 20,761 HVAC and water heater unit installations, an increase of 14% compared to the same period in 2016. The increase in total HVAC and water heater unit installations was despite weather conditions experienced across the United States[2] in the second quarter being comparable to that experienced in the same period in 2016. Service Experts' sales and rentals in Eastern Canada were also similarly impacted by the same weather trends experienced by the Enercare Home Services segment, while Western Canada also experienced weather patterns that were similar to the same period in 2016. Higher revenues were primarily driven by Service Experts marketing and other initiatives to increase volumes and shift sales towards higher value products, which have contributed to improvements in the average selling prices of installed units. Additionally, had the 353 HVAC and 211 water heater rental additions during the second quarter of 2017 been sales as opposed to rentals, Service Experts revenues and EBITDA would have increased by approximately $2,654 and $1,130, respectively. These estimates take into account the impact of lost one-time sales revenues, 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 and water heater rental additions been sales as opposed to rentals. A comparison of HVAC and water heater sales and rentals for the second quarter of 2017 and 2016 is outlined in the chart below.

[2] Weather trends from Weather Trends International.

Service Experts Transaction Mix
Rental VS Sale *



* Historical HVAC and water heater sales information is provided as an illustration of the improvement in Service Experts' HVAC and water heater sales. Enercare Solutions was not party to Service Experts' HVAC and water heater 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 217,000 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 HVAC unit installations initiated by customers with maintenance contracts, in recent years, maintenance contracts have remained stable for Service Experts. The following table illustrates the maintenance contracts continuity for the three months ended June 30, 2017.

Maintenance Contract Unit Continuity**	**For the three months ended June 30,**	
(000's)	**2017**	**2016**
Contracts - start of period	**217**	218
Portfolio additions	**30**	12
Portfolio attrition	**(30)**	(12)
Contracts - end of period	**217**	218
% change in units during the period	**-%**	-%

** Enercare Solutions was not party to Service Experts' maintenance contracts before the closing of the SE Transaction on May 11, 2016. Results for the three months ended June 30, 2016 represent the period from May 11 to June 30, 2016.

SECOND QUARTER 2017 HIGHLIGHTS

	Three months ended June 30,		Six months ended June 30,	
(000's)	**2017**	2016	**2017**	2016
Enercare Home Services	**$112,985**	$107,989	**$223,933**	$214,418
Service Experts	**197,052**	102,209	**324,806**	102,209
Dividend income	**863**	863	**1,725**	1,726
Investment income	**378**	160	**637**	238
Total revenues	**$311,278**	$211,221	**$551,101**	$318,591
EBITDA Excluding Intercompany Income[3]	**79,094**	$68,579	**$132,175**	$121,064
Adjusted EBITDA[3]	**84,231**	69,510	**139,155**	123,920
Acquisition Adjusted EBITDA[3]	**84,504**	74,750	**139,532**	132,767
Earnings before income taxes	**$ 25,610**	$ 20,909	**$ 19,822**	$ 31,124
Current tax (expense)	**(5,629)**	(14,318)	**(10,171)**	(26,283)
Deferred income tax (expense) / recovery	**(1,576)**	7,913	**4,514**	17,607
Net earnings	**$ 18,405**	$ 14,504	**$ 14,165**	$ 22,448

The following highlights compare results for the second quarter of 2017 with the second quarter of 2016.

- Total revenues of $311,278 increased by 47% in the second quarter of 2017, primarily as a result of the SE Transaction. Revenues in the Enercare Home Services business were $112,985, increasing by $4,996 or 5%, primarily as a result of rental rate increases, asset mix changes and growth in rental HVAC units. Dividend income relates to an investment in ECI preferred shares of $50,000.
- EBITDA Excluding Intercompany Income increased by $10,515 to $79,094 in the second quarter of 2017, mainly as a result of the full quarter impact of the SE Transaction and related seasonality associated with Service Experts. The increase in EBITDA was despite the approximately $6,165 cumulative impact of the write-down and acceleration of software maintenance expenses related to an enterprise resource planning ("ERP") system that Service Experts had been developing. Had this one-time write-down not occurred, EBITDA Excluding Intercompany Income would have increased by 24%.
- Enercare Home Services EBITDA during the second quarter of 2017 increased by $3,182 or 5% to $65,135, primarily driven by rental rate increases, asset mix changes and growth in rental HVAC units partly offset by higher SG&A from higher professional fees resulting from a reclassification of acquisition expenses from Enercare Home Services to Service Experts during the second quarter of 2016.
- Service Experts EBITDA of $19,924 during the quarter was $9,765 or 96% higher than that reported for the same period in 2016, primarily because only a portion of Service Experts results for the second quarter of 2016 were included in 2016 compared to the full quarter impact of the SE Transaction in 2017. These results were despite the $6,165 cumulative impact on EBITDA of the system write-down and accelerated maintenance expense. Additionally, had the 353 HVAC and 211 water heater rental additions during the second quarter of 2017 been sales as opposed to rentals, Service Experts revenues and EBITDA would have increased by approximately $2,654 and $1,130, respectively.
- Adjusted EBITDA of $84,231 during the second quarter of 2017 was $14,721 higher than the same period in 2016, after removing from EBITDA the impact of the net loss on disposal of equipment and other assets. After removing $273 of acquisition related expenditures primarily associated with the acquisition of Hammond Plumbing and Heating Inc. ("Hammond"), Acquisition Adjusted EBITDA was $84,504 in the second quarter of 2017, an increase of $9,754, compared to the same period in 2016, which excluded $5,240 of both acquisition costs related to the SE Transaction and integration costs resulting from the DE Acquisition.

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[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.

- Net earnings of $18,405 in the second quarter of 2017 was $3,901 or 27% higher than the same period in 2016, reflecting higher EBITDA partly offset by higher amortization, interest and total taxes.
- Rental unit growth has surpassed Attrition since the third quarter of 2015 by approximately 14,000 units in total, the first eight consecutive quarters of net unit growth for Enercare Solutions in over a decade.

RECENT DEVELOPMENTS

Service Experts Acquires Hammond

On May 24, 2017, Service Experts acquired Hammond Plumbing & Heating Inc., a full-service residential and commercial plumbing and heating company, for consideration of $5,300. Service Experts acquired certain assets plus assumed warranty liabilities and paid the purchase price using cash on hand.

The Putting Consumers First Act, 2016

On April 13, 2017, the Putting Consumers First Act (Consumer Protection Statute Law Amendment), 2016 (“Bill 59”) received royal assent. The government stated that Bill 59 is intended to protect consumers against high-pressure tactics used by “aggressive door-to-door sales marketers to sell certain products and services.” 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. On July 5, 2017, the Ministry of Government and Consumer Services posted a consultation paper seeking industry and other interested parties’ input on the regulations. Submissions are due August 21, 2017.

Among other things, if enacted 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
- Provide consumers with a 10-day cooling off period to reconsider their decision in respect of consumer-initiated contracts related to prescribed appliances signed in the home.

Enercare Solutions presented to the Standing Committee on Social Policy of the Ontario Legislature in respect of Bill 59 on February 28, 2017, and will be making submissions with respect to the regulations under consultation.

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. Enercare Solutions believes that Bill 59 will positively impact its rental water heater, HVAC and water treatment systems business.

RESULTS OF OPERATIONS

Earnings Statement

Three months ended June 30,				2017				2016
(000's)	Enercare Home Services	Service Experts	Corporate	Total	Enercare Home Services	Service Experts	Corporate	Total
Revenues:								
Contracted revenue	$105,857	$ 14,541	$ -	$120,398	$101,719	$ 1,745	$ -	$103,464
Sales and other services	7,128	182,511	-	189,639	6,270	100,464	-	106,734
Dividend income	-	-	863	863	-	-	863	863
Investment income	368	10	-	378	83	77	-	160
Total revenue	$113,353	$197,062	$ 863	$311,278	$108,072	$102,286	$ 863	$211,221
Expenses:								
Cost of goods sold:								
Maintenance & servicing costs	16,721	11,281	-	28,002	16,405	1,402	-	17,807
Sales and other services	5,248	116,366	-	121,614	5,312	61,101	-	66,413
Total cost of goods sold	21,969	127,647	-	149,616	21,717	62,503	-	84,220
SG&A expenses	25,897	44,840	5,965	76,702	23,516	29,582	3,533	56,631
Foreign exchange	88	(222)	-	(134)	2	(5)	-	(3)
Amortization expense	31,396	5,320	-	36,716	30,145	3,336	-	33,481
Net loss on disposal of equipment and other assets	264	4,873	-	5,137	884	47	-	931
Interest expense	-	-	-	17,631	-	-	-	15,052
Total expenses				285,668				190,312
Earnings before income taxes				25,610				20,909
Current tax (expense)				(5,629)				(14,318)
Deferred tax (expense) / recovery				(1,576)				7,913
Net earnings				$18,405				14,504
EBITDA Excluding Intercompany Income	$ 65,135	$ 19,924	$(5,965)	$79,094	$61,953	$10,159	$(3,533)	$ 68,579
Adjusted EBITDA	$ 65,399	$ 24,797	$(5,965)	$84,231	$62,837	$10,206	$(3,533)	$ 69,510
Acquisition Adjusted EBITDA	$ 65,399	$ 25,070	$(5,965)	$84,504	$60,698	$16,899	$(2,847)	$ 74,750

Six months ended June 30,				2017				2016
(000's)	Enercare Home Services	Service Experts	Corporate	Total	Enercare Home Services	Service Experts	Corporate	Total
Revenues:								
Contracted revenue	$210,259	$ 25,918	$ -	$236,177	$202,050	$ 1,745	$ -	$203,795
Sales and other services	13,674	298,888	-	312,562	12,368	100,464	-	112,832
Dividend income	-	-	1,725	1,725	-	-	1,726	1,726
Investment income	617	20	-	637	161	77	-	238
Total revenue	$224,550	$324,826	$1,725	$551,101	$214,579	$102,286	$ 1,726	$318,591
Expenses:								
Cost of goods sold:								
Maintenance & servicing costs	32,985	20,370	-	53,355	32,673	1,402	-	34,075
Sales and other services	10,799	193,691	-	204,490	10,593	61,101	-	71,694
Total cost of goods sold	43,784	214,061	-	257,845	43,266	62,503	-	105,769
SG&A expenses	53,596	89,765	9,070	152,431	49,408	29,582	8,169	87,159
Foreign exchange	166	(225)	-	(59)	22	(5)	-	17
Amortization expense	62,276	10,470	-	72,746	60,181	3,336	-	63,517
Net loss on disposal of equipment and other assets	2,127	4,857	-	6,984	2,809	47	-	2,856
Interest expense	-	-	-	41,332	-	-	-	28,149
Total expenses				531,279				287,467
Earnings before income taxes				19,822				31,124
Current tax (expense)				(10,171)				(26,283)
Deferred tax recovery				4,514				17,607
Net earnings				$ 14,165				22,448
EBITDA Excluding Intercompany Income	$124,877	$ 16,368	$(9,070)	$132,175	$119,074	$10,159	$(8,169)	$121,064
Adjusted EBITDA	$127,004	$ 21,225	$(9,070)	$139,159	$121,883	$10,206	$(8,169)	$123,920
Acquisition Adjusted EBITDA	$127,004	$ 21,602	$(9,070)	$139,536	$124,037	$16,899	$(8,169)	$132,767

Average Foreign Exchange

Enercare Solutions' results of operations may be affected by the impact of movements in foreign exchange rates from operations whose functional currency is not in Canadian dollars. The results of these foreign operations are translated into Canadian dollars using the average exchange rates shown in the table below for the corresponding periods. Such translations relate to Service Experts' U.S. operations whose functional currency is U.S. dollars. Where relevant throughout the "Results of Operations" discussion in this MD&A, reference is made to any material impacts resulting from movements in foreign exchange rates on reported amounts.

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Average exchange rate (CDN$/US$1.00)	**0.7435**	0.7733	**0.7495**	0.7733

Revenues

Total revenues of $311,278 for the second quarter of 2017 increased by $100,057 or 47% and by $232,510 or 73% to $551,101 year to date compared to the same periods in 2016, primarily as a result of the timing of the SE Transaction, which was completed during the second quarter of 2016.

Enercare Home Services revenues, excluding investment income, of $112,985 for the second quarter of 2017 increased by $4,996 or 5% and by $9,515 to $223,933 year to date, compared to the same periods in 2016, primarily as a result of a rental rate increase implemented in January 2017, 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.

Enercare Solutions' strategy to emphasize HVAC rentals over outright sales results in significant increases in recurring revenue at the expense of sales and other services revenue.

Service Experts revenues, excluding investment income, were $197,052 and $324,806 during the second quarter of 2017 and year to date, respectively. Service Experts revenues were lowered by $4,562 for the second quarter of 2017 and $7,960 year to date as a result of purchase accounting adjustments for deferred revenue associated with the SE Transaction. These adjustments compare to $7,836 in respect of the same periods in 2016. Changes in foreign exchange rates during the second quarter and year to date 2017 accounted for approximately $6,400 and $8,900, respectively, of the increase in revenues compared to the same periods in 2016. The increase in revenue is primarily due to the timing of the SE Transaction in 2016 coupled with strong origination growth in 2017.

Dividend income for the second quarter of 2017 was $863 and $1,725 year to date, consistent with the same periods in 2016.

Investment income was $378 in the second quarter of 2017 and $637 year to date, increases of $218 and $399, respectively, when compared to the same periods in 2016. The change in year to date investment income was primarily attributable to the investment of the 2017 Notes proceeds for approximately 30 days prior to the redemption of the 2014 Term Loan and the 2012 Notes during the first quarter of 2017.

Cost of Goods Sold

Total cost of goods sold for the second quarter of 2017 was $149,616 and $257,845 year to date, increases of $65,396 or 78% and $152,076 or 144%, respectively, compared to the same periods in 2016, primarily as a result of the timing of the SE Transaction, which was completed in May of 2016.

Enercare Home Services cost of goods sold increased by $252 in the second quarter of 2017, and $518 year to date, compared to the same periods in 2016, increasing by 1% in both of the respective periods as a result of an increased emphasis on cost containment. 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 $127,647 in the second quarter of 2017 and $214,061 year to date. Service Experts cost of goods sold was reduced by $3,506 for the second quarter of 2017 and $6,197 year to date as a result of purchase accounting adjustments for the service obligation associated with the SE Transaction, compared to $6,313 in the same periods in 2016. Changes in foreign exchange rates during the second quarter and year to date 2017, accounted for approximately $4,000 and $5,700, respectively, of the increase in cost of goods sold compared to the same periods in 2016. The increase in cost of goods sold is primarily due to the timing of the SE Transaction in 2016 combined with increases in originations offset by lower costs per unit resulting from price reductions from suppliers.

Selling, General & Administrative Expenses

Total SG&A expenses were $76,702 in the second quarter of 2017 and $152,431 year to date, an increase of $20,071 or 35% and $65,272 or 75%, respectively, compared to the same periods in 2016, primarily as a result of the SE Transaction.

Enercare Home Services SG&A expenses of $25,897 in the second quarter and $53,596 year to date, increased by $2,381 and $4,188, respectively, compared to the same periods in 2016. The $2,381 increase in the second quarter was primarily from increases of approximately $2,500 in professional fees partly offset by lower claims expenses of $100. The increase in professional fees resulted from a reclassification of acquisition expenses from Enercare Home Services to Service Experts during the second quarter of 2016. The $4,188 year to date increase was primarily as a result of increases of approximately $3,000 in higher wages and benefits, driven partly by higher stock-based compensation costs resulting from an increase in Share price, $1,500 in sales and marketing expenses, $1,400 of support costs, $300 in claims and $200 in bad debt expenses partly offset by a reduction in office expenses of $1,900 and professional fees of $400.

Enercare Home Services SG&A expenses included $695 in the second quarter of 2016 and $2,154 year to date 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.

Service Experts SG&A expenses in the second quarter of 2017 amounted to $44,840 and $89,765 year to date. Second quarter SG&A expenses primarily comprised of approximately $24,600 of wages and benefits, $11,800 of sales and marketing costs, $6,100 of office related expenses and $1,600 of professional fees. Year to date SG&A expenses are primarily comprised of approximately $51,200 of wages and benefits, $23,000 of sales and marketing costs, $11,300 of office related expenses and $2,600 of professional fees. Service Experts SG&A expenses in the second quarter included one-time expenses relating to prepaid software maintenance costs of approximately $1,000, which were expensed during the quarter relating to the write-down of an enterprise resource planning system. Service Experts SG&A expenses in the second quarter of 2017 included acquisition related expenditures of $273 and $377 year to date, primarily consisting of professional fees associated with the acquisitions of Hammond and CS Operating LLC (“Church Services”). Changes in foreign exchange rates during the second quarter and year to date 2017 accounted for approximately $1,500 and $2,400, respectively, of the increase in SG&A compared to the same periods in 2016.

Service Experts SG&A expenses in the second quarter of 2016 and year to date included $6,693 of acquisition related expenditures associated with the SE Transaction, primarily consisting of professional fees. These costs included $2,834 of pre-acquisition expenditures incurred by Enercare Home Services. Certain wage related expenditures, in the amount of $1,948 for the year to date 2017 and $1,838 during the second quarter of 2016, have been reclassified from SG&A expenses to cost of goods sold.

Corporate SG&A expenses of $5,965 in the second quarter of 2017 and $9,070 year to date increased by $2,432 or 69% and $901 or 11%, compared to the same periods in 2016. Corporate SG&A expenses primarily relate to charges from Enercare.

Amortization Expense

Amortization expense increased by $3,235 or 10% in the second quarter of 2017 and $9,229 or 15% year to date, compared to the same periods in 2016, primarily due to the SE Transaction and an increasing capital asset base from asset mix changes in the Rentals portfolio.

Net Loss on Disposal of Equipment and Other Assets

Enercare Solutions reported a net loss on disposal of equipment and other assets of $5,137 in the second quarter of 2017 and $6,984 year to date, increases of $4,206 or 452% and $4,128 or 145%, respectively, over the same periods in 2016. 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.

During the second quarter of 2017, net loss on disposal included a non-recurring write-down of $5,165 of software intangible assets related to an enterprise resource system that Service Experts had been developing that will now be superseded by a common platform implemented across both the Enercare Home Services and Service Experts businesses. The year to date net loss on disposal also includes a non-recurring write down of $845 from the first quarter of 2017 relating to stranded technology investments resulting from going concern issues with a supplier that was developing software solutions for the Enercare Home Services business.

Interest Expense

	For the three months ended June 30,		For the six months ended June 30,	
(000's)	**2017**	2016	**2017**	2016
Interest expense payable in cash	**$9,240**	$7,546	**$18,896**	$14,097
Interest on subordinated debt	**875**	875	**1,750**	1,750
Interest on promissory notes	**7,031**	6,169	**14,003**	11,233
Equity bridge financing fees	**-**	9	**-**	198
Make-whole payment on early redemption of senior debt	**-**	-	**5,049**	-
Non-cash items:				
Notional interest on employee benefit plans	**226**	210	**452**	420
Amortization of financing costs	**259**	243	**1,182**	451
Interest expense	**$17,631**	$15,052	**$41,332**	$28,149

Interest expense payable in cash increased by $1,694 to $9,240 in the second quarter of 2017 and by $4,799 to $18,896 year to date, compared to the same periods in 2016. These increases were primarily related to the addition of the 2016 Term Loan related to the financing of the SE Transaction and the issuance of 2017 Notes during the first quarter of 2017. A make-whole payment for the early redemption of the 2012 Notes during the first quarter of 2017 resulted in a one-time interest expense of $5,049.

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 in the second quarter of 2016, partly offset by repayments of $7,000 during 2016. In 2017, the Subordinated Promissory Notes decreased by $3,000 due to repayments. This increase in the balance of the Subordinated Promissory Notes for the full quarter resulted in higher interest expenses in the second quarter of 2017 compared to the same period in 2016.

Notional interest of $226 in the second quarter of 2017, $452 year to date, 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, 2016 Term Loan and 2017 Notes.

Income Taxes

Enercare Solutions reported current tax expense of $5,629 in the second quarter of 2017 and $10,171 year to date, reductions of $8,689 and $16,112, respectively, over the same periods in 2016. These reductions were primarily from higher taxes owed in the first half of 2016, resulting from a one-year tax deferral originated in 2015, and additional interest expense incurred in the first half of 2017, partly offset by higher taxes owed by Service Experts in 2017. The deferred income tax expense of $1,576 and recovery of $4,514 year to date decreased by $9,489 and $13,093, respectively, over the same periods in 2016, primarily as a result of temporary difference reversals in the Enercare Home Services and Service Experts businesses.

Net Earnings

Net earnings were $18,405 in the second quarter of 2017 and $14,165 year to date, an increase of $3,901 and decrease of $8,283, respectively, compared to the same periods in 2016, as previously described.

EBITDA Excluding Intercompany Income, Adjusted EBITDA and Acquisition Adjusted EBITDA

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

(000's)	**Q2/17**	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Net earnings/(loss)	**$18,405**	$(4,240)	$14,382	$17,161	$14,504	$ 7,944	$ 8,445	$10,631
Deferred tax expense/(recovery)	**1,576**	(6,090)	(5,957)	(7,754)	(7,913)	(9,694)	814	1,755
Current tax expense	**5,629**	4,542	10,679	14,396	14,318	11,965	2,786	1,089
Amortization expense	**36,716**	36,030	36,544	35,958	33,481	30,036	29,995	29,646
Interest expense	**17,631**	23,701	16,430	16,298	15,052	13,097	13,047	13,386
Less: Dividend (income)	**(863)**	(862)	(863)	(863)	(863)	(863)	(863)	(863)
EBITDA Excluding Intercompany Income[(a)]	**79,094**	53,081	71,215	75,196	68,579	52,485	54,224	55,644
Add: Net loss on disposal	**5,137**	1,847	893	734	931	1,925	1,029	1,001
Adjusted EBITDA[(b)]	**84,231**	54,928	72,108	75,930	69,510	54,410	55,253	56,645
Add: Acquisition SG&A	**273**	104	603	4,347	5,240	3,607	3,012	3,767
Acquisition Adjusted EBITDA	**$84,504**	$55,032	$72,711	$80,277	$74,750	$58,017	$58,265	$60,412

(a) Historical EBITDA Excluding Intercompany Income has been conformed to the current presentation which includes investment income and 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. Net earnings are also impacted by the seasonality associated with Service Experts business, which tends 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.
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 in 2016 and accordingly, resulted in higher current tax expenses during 2016.
3. During the first quarter of 2017, additional interest expense was incurred as a result of the early redemption of the 2012 Notes, which included a make-whole payment of $5,049. 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 and other assets 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. Commencing in the second quarter of 2016, amortization reflects increases from the amortization of capital assets and intangibles following the SE Transaction.

5. During the second quarter of 2017, net loss on disposal included a non-recurring write-down of $5,165 of software intangible assets related to an enterprise resource system that Service Experts had been developing that will now be superseded by a common platform implemented across both the Enercare Home Services and Service Experts businesses. During the first quarter of 2017, net loss on disposal included a non-recurring write down of $845 relating to stranded technology investments resulting from going concern issues with a supplier that was developing software solutions for the Enercare Home Services business. In the fourth quarter of 2015, net (gain)/loss on disposal reflects a $2,484 gain on disposal of sub-metering equipment resulting from a customer that exercised its buy-out option.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended June 30,		Six months ended June 30,	
(000's)	**2017**	2016	**2017**	2016
Cash flow provided by operating activities	**$ 80,947**	$ (3,060)	**$64,219**	$34,944
Net change in non-cash working capital	**(19,801)**	44,725	**24,471**	37,392
Operating Cash Flow[4]	**61,146**	41,665	**88,690**	72,336
Capital expenditures: excluding acquisitions	**(31,381)**	(30,318)	**(64,001)**	(57,420)
Proceeds on disposal of equipment	**4,530**	2,690	**7,656**	4,657
Net capital expenditures	**(26,851)**	(27,628)	**(56,345)**	(52,763)
Acquisition of intangible assets	**(1,001)**	-	**(2,131)**	-
Acquisition – Service Experts	**-**	(375,163)	**-**	(375,163)
Acquisition – Hammond	**(5,300)**		**(5,300)**	
Acquisition – Church Services	**-**	-	**(1,144)**	-
Cash used in investing activities	**(33,152)**	(402,791)	**(64,920)**	(427,926)
Dividends paid	**(17,784)**	(12,928)	**(34,850)**	(24,630)
Other financing activities	**4,350**	429,046	**52,098**	422,471
Cash (used in)/provided by financing activities	**(13,434)**	416,118	**17,248**	397,841
Cash and equivalents – end of period	**$ 51,648**	$ 22,492	**$51,648**	$ 22,492

Operating Cash Flow of $61,146 in the second quarter of 2017 increased by $19,481 and by $16,354 to $88,690 year to date, compared to the same periods in 2016, primarily due to the impact of the SE Transaction and the seasonality in the Service Experts business as described under "Outlook" in this MD&A.

Net capital expenditures of $26,851 in the second quarter of 2017, increased by $777 and decreased by $3,582 to $56,345 year to date, compared to the same periods in 2016, due to increased HVAC and water heater rentals and changes in asset mix. The acquisition amounts of $1,144 and $5,300 represent the purchase consideration for the acquisition of Church Services during the first quarter of 2017 and the acquisition of Hammond during the second quarter of 2017. The increase of $1,001 in acquisition of intangible assets in the second quarter and $2,131 year to date are primarily due to expenditures on upgrades and optimization of the information technology systems. Dividends paid reflect cash dividend payments on outstanding common shares.

Other financing activities primarily reflect both repayments of subordinated promissory notes and obligations under finance leases, as well as proceeds and repayments related to the revolving credit facility. During 2017, other financing activities also reflected proceeds from the issuance of the 2017 Notes, the redemption of the 2012 Notes and the repayment of the 2014 Term Loan.

Of the available credit of $200,000 under the 2014 Revolver, $40,000 was drawn as at June 30, 2017. Enercare Solutions is subject to a number of covenants and has the ability to incur additional senior debt as

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

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.

Installed Asset Unit Continuity (000's)	For the three months ended June 30, 2017			2016		
Segment	**Enercare Home Services**	**Service Experts**	**Total**	Enercare Home Services	Service Experts	Total
Units - start of period	**1,137**	**1**	**1,138**	1,129	-	1,129
Portfolio additions*	**9**	**-**	**9**	9	-	9
Acquisitions	**-**	**-**	**-**	-	-	-
Attrition*	**(7)**	**-**	**(7)**	(8)	-	(8)
Units - end of period	**1,139**	**1**	**1,140**	1,130	-	1,130
Asset exchanges – units retired and replaced	**12**	**-**	**12**	11	-	11
% change in units during the period			**0.2%**			0.1%
% of units from start of period:			**-**			-
Portfolio additions (net of acquisitions)			**0.8%**			0.8%
Attrition			**(0.6%)**			(0.7%)
Units retired and replaced			**1.1%**			1.0%

Installed Asset Unit Continuity (000's)	For the six months ended June 30, 2017			2016		
Segment	**Enercare Home Services**	**Service Experts**	**Total**	Enercare Home Services	Service Experts	Total
Units - start of period	**1,136**	**-**	**1,136**	1,128	-	1,128
Portfolio additions*	**18**	**1**	**19**	17	-	17
Acquisitions	**-**	**-**	**-**	-	-	-
Attrition*	**(15)**	**-**	**(15)**	(15)	-	(15)
Units - end of period	**1,139**	**1**	**1,140**	1,130	-	1,130
Asset exchanges – units retired and replaced	**22**	**-**	**22**	23	-	23
% change in units during the period			**0.4%**			0.2%
% of units from start of period:			**-**			-
Portfolio additions (net of acquisitions)			**1.7%**			1.5%
Attrition			**(1.3%)**			(1.3%)
Units retired and replaced			**1.9%**			2.0%

* Enercare Home Services and Service Experts portfolio additions and attrition units presented have been rounded in thousands of units. To ensure consistency with rounded year to date and period end balances the rounded units presented in the chart above may vary by +1 or -1 in certain quarters from results rounded to the nearest hundred units which may be discussed in this MD&A.

In the second quarter of 2017, the portions 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, were $25,076 and $52,092 year to date, decreasing by $94 and increasing by $1,441, respectively, compared to the same periods in 2016, primarily as a result of increased HVAC and water heater rentals and exchanges.

In the Enercare Home Services business, Attrition of approximately 7,300 units in the second quarter of 2017 and 15,000 units year to date remained comparable to the same periods in 2016. 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.

In the Service Experts business, 564 water heater and HVAC rental additions were installed during the second quarter of 2017 and 1,015 year to date, for a total of 1,199 installed units since the introduction of its rental programs.

Cash from Financing

Financing activities for Enercare Solutions may reflect dividend payments, periodic financing of Enercare Solutions' indebtedness and share issuances. During the second quarter of 2017, Enercare Solutions drew an additional $10,000 on the 2014 Revolver and recorded $2,602 of financing repayments primarily related to obligations under finance leases.

	For the six months ended June 30,	
Capitalization (000's)	**2017**	2016
Cash and cash equivalents	**$ 51,648**	$ 22,492
Net investment in working capital	**(17,352)**	(19,567)
Cash, net of working capital	**34,296**	2,925
Total senior debt	**1,020,575**	950,550
Promissory note	**702,431**	715,379
Subordinated debt	**50,000**	50,000
Shareholders' equity	**(202,541)**	(185,693)
Total capitalization – book value	**$1,570,465**	$1,530,236

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

At June 30, 2017, total debt was comprised of the 2013 Notes, the 2014 Revolver, the 2016 Term Loan and the 2017 Notes.

Enercare Solutions is subject to a number of covenant requirements as described in the AIF and below. The following discussion outlines the principal covenants.

Debt Financing

As described in the AIF, the 2014 Revolver and 2016 Term Loan each contain terms, representations, warranties, covenants and events of default that are customary for credit facilities of this kind, including financial covenants discussed below, restrictions on asset sales and reorganizations, a negative pledge and limits on distributions to Enercare (and, therefore, in effect, holders of Shares). Events of default under the 2014 Revolver and 2016 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 2016 Term Loan are guaranteed by all of Enercare Solutions' material direct and indirect 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.

As described in the AIF, the 2014 Revolver and 2016 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 to 1; and (iii) the ratio of Adjusted EBITDA to "Cash Interest Expense" must be greater than 3.00 to 1.

As described in the AIF, the 2014 Revolver and 2016 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, and with respect to the SE Transaction, transaction and integration costs up to $10,300 in the aggregate. The 2014 Revolver and 2016 Term Loan essentially define "Cash Interest Expense" as the aggregate amount of interest and other financing charges payable in cash and expensed by Enercare Solutions with respect to debt (other than subordinated debt between Enercare Solutions and Enercare or any subsidiary of Enercare Solutions or between subsidiaries of Enercare Solutions), but excluding any make-whole, prepayment, penalty or premium or other yield maintenance amount with respect to debt.

Enercare Solutions was in compliance with the covenants within the 2014 Revolver as of June 30, 2017. A total of $40,000 was drawn under the 2014 Revolver as at June 30, 2017.

2013 Notes and 2017 Notes – Incurrence Test

The covenants in respect of the 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.

On June 30, 2017, Enercare Solutions exceeded this minimum and had the capacity under the covenant to raise more than $300,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	**Q2/17**	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Total revenues	**$311,278**	$239,823	$260,383	$274,208	$211,221	$107,370	$110,160	$107,721
Net earnings/(loss)	**18,405**	(4,240)	14,382	17,161	14,504	7,944	8,445	10,631
Dividends declared	**$ 17,784**	$ 17,066	$ 18,382	$ 12,075	$ 6,160	$ 12,314	$ 18,705	$ 19,245

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 June 30, 2017:

	Debt		Finance Lease Obligations		Total	
Period	Principal	Interest	Principal	Interest	Principal	Interest
Due in 2017	$ -	$ 17,597	$ 4,825	$ 420	$ 4,825	$ 18,017
Due in 2018	-	35,193	9,129	641	9,129	35,834
Due in 2019	-	35,193	8,339	414	8,339	35,607
Due in 2020	484,540	26,414	6,814	217	491,354	26,631
Due in 2021	40,000	19,092	3,985	77	43,985	19,169
Thereafter	500,000	20,541	912	7	500,912	20,548
Total	$1,024,540	$154,030	$34,004	$1,776	$1,058,544	$155,806

As at June 30, 2017, long-term senior contractual obligations of Enercare Solutions included debt service on the 2013 Notes bearing interest at 4.60%. 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. Interest on the 2013 Notes is payable semi-annually on February 3 and August 3. The 2014 Term Loan, which was repaid on February 23, 2017, bore interest at a variable rate based upon the applicable prime rate plus 0.25%, which was 2.95% at March 31, 2017. The 2012 Notes, which were redeemed on March 23, 2017, bore interest at 4.30%.

At June 30, 2017, $40,000 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 2.14% at June 30, 2017.

The 2016 Term Loan is payable interest only until maturity and is pre-payable in whole or in part at any time without penalty. The 2016 Term Loan bears interest at a rate of LIBOR plus 125 basis points or base rate plus 25 basis points at Enercare Solutions' credit rating as of the date hereof. As at June 30, 2017, 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 0.97% to 2.44% and at floating interest rates that are 2.5% above the three month banker's acceptance rate, 0.75% above the three months LIBOR rate per annum or are 0.35% above the one month LIBOR rate, per annum. The finance leases mature at dates ranging between July 2017 and March 2024.

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

ENERCARE SOLUTIONS SHARES ISSUED AND OUTSTANDING

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

At June 30, 2017, there were 1,169 common shares issued and outstanding.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

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

30, 2017.

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, the SE Transaction, the acquisition of Hammond and the acquisition of Church Services including equity bridge financing fees, professional fees associated with due diligence, pre and post-merger integration, expenditures associated with business transformation initiatives, rebranding, severance and other costs in SG&A. This is one metric that can be used to determine Enercare Solutions' ability to service its ongoing debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Acquisition Adjusted EBITDA is reconciled with net earnings, an IFRS measure (see "Results of Operations – EBITDA Excluding Intercompany Income, Adjusted EBITDA and Acquisition Adjusted EBITDA" in this MD&A).

Operating Cash Flow

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

Measures Regarding Debt Covenants

As at June 30, 2017, Enercare Solutions was in compliance with all covenants under the 2013 Notes, 2014 Revolver, 2016 Term Loan and 2017 Notes. 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 2016 Term Loan

Under the 2014 Revolver agreement and 2016 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 June 30, 2017. There was a total of $40,000 drawn under the 2014 Revolver at June 30, 2017. Enercare Solutions' obligations under the 2016 Term Loan are guaranteed by all of Enercare Solutions' material subsidiaries, including SEHAC and its subsidiaries.

2013 Notes and 2017 Notes – Incurrence Test

The covenants under the 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 these interim 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 June 30, 2017, the Enercare Home Services segment recorded a revenue accrual of approximately $42,400 reflecting accrued service periods, compared to $43,600 at June 30, 2016. Unbilled protection plans comprise approximately $25,900 of this balance, compared to $27,100 at June 30, 2016. 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 June 30, 2017, the Service Experts segment recorded a revenue accrual of approximately $4,100 reflecting accrued revenue for contracts in progress, compared to $2,200 at June 30, 2016.

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 2017 and 2016 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 $6,400 at June 30, 2017, compared to approximately $5,000 at the end of 2016. 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 acquisitions, these interim 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.

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 June 30, 2017. There have been no changes to our ICFR during the quarter and year to date ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, Enercare Solutions' ICFR.

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

CHANGES IN ACCOUNTING POLICIES

Enercare Solutions has adopted new or revised standards as required by IFRS, effective January 1, 2017.

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 these interim financial statements and has modified its debt disclosure to include movements in net debt between changes arising from cash flows and non-cash changes.

Accounting Standards Issued But Not Yet Applied

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

Revenue Recognition

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. Enercare Solutions 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 any impact on adopting the new standard 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 entity's 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 any impact on adopting the new standard 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 main priority for the business in 2017 is to grow EBITDA. In order to grow EBITDA in the Enercare Home Services business, our key priority is to continue to grow the number of rental contracts. We believe that we have the opportunity to continue to grow the number of contract additions in excess of Attrition throughout 2017. Other key priorities for the Enercare Home Services business include growing the protection plan portfolio, enabled by the full launch of the electrical protection plans, investing in the replacement of key infrastructure and IT systems that support our vision for sustainable growth and further enhancing our customer satisfaction levels. We will also continue to build on the innovation of our mobile app with further enhancements to the customer experience throughout the year.
- 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.
- Our collective bargaining agreement in respect of Enercare Home Services with UNIFOR Local 975 expired on March 31, 2017. Renegotiations began in March and are continuing.

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. Enercare Solutions estimates that on a year to date basis approximately half of these synergies have already been achieved with savings coming primarily from improved sourcing costs leading to lower cost of goods sold, SG&A and capital expenditures as well as lower current taxes.
- Our key priority for the Service Experts business in 2017 is to grow revenues and EBITDA while continuing to expand the rental programs for HVAC and water heater products in both Canada and the U.S. Service Experts will also continue to explore strategic acquisition opportunities.
- 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 Solutions is encouraged by the initial results which show an initial rental mix during the first half of 2017 of approximately 13% (ranging from 6% to 30% depending on the center) in Ontario and 7% (ranging from 3% to 11% depending on the center) 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 recurring revenue. During the first quarter of 2017, Service Experts extended the rental HVAC offerings through a pilot in two U.S. states and subsequently rolled out to two additional states in late March and one in early May. 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. Enercare Solutions 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 preliminary rental mix of total HVAC origination in the United States during the first half of 2017 was approximately 3% (ranging from 0.5% to 8% depending on the center). While the initial results in a number of these U.S. centers are encouraging, Service Experts continues to review its U.S. rental program to identify opportunities to improve its customer offerings and related rental execution processes.
- 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 three 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.

Corporate

- Enercare Solutions has embarked on an ongoing program to increase efficiency and innovation by investing in its systems and technology. During the second half of 2017, in order to improve its customer experience, Enercare Solutions will deploy a new interactive voice response system as well as make enhancements to its mobile app. Enhancements to the mobile app will allow customers, not currently with Enercare Home Services, the ability to download the app to purchase products and services. In the third quarter of 2017, Enercare Solutions will also launch a human resource management system to automate human resource activities and processes. As well, Enercare Solutions plans to implement a customer relationship management system and an ERP system across both the Enercare Home Services and Services Experts businesses, which initiative is currently in the scoping phase. As these and other innovations are rolled out over the next few years, Enercare Solutions will continue making additional investments in both capital and SG&A expenditures.

- Consistent with previous guidance, 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 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.
- Enercare Solutions is targeting a range of between $121 million and $138 million in capital investments in 2017, primarily reflecting higher unit costs due to higher end product originations and higher sales volume. The target ranges for some capital expenditure categories have been adjusted in the table below.

Capital Expenditure(1)	Target Range for 2017 as of March 31, 2017	Adjustments	Target Range for 2017 as of June 30, 2017
HVAC rentals	$46M – $52M	($1M)	$45M – $51M
Water heater additions	$35M – $39M	$2M	$37M – $41M
Water heater exchanges	$32M – $36M	$2M	$34M – $38M
In-house financing(2)	$5M – $ 8M	–	$5M – $ 8M
Total range	$118M – $135M	$3M	$121M – $138M(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 Services 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, 44,000 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.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of Enercare Solutions dated April 10, 2017.
Attrition	Termination of customer relationships, including buyouts, in the Rentals portfolio.
BBB	Better Business Bureau.
Bill 55	Stronger Protection for Ontario Consumers Act, 2013.
Bill 59	Putting Consumers First Act (Consumer Protection Statute Amendment Law), 2016.
Church Services	CS Operating LLC acquired by Service Experts on February 13, 2017, which provides HVAC and plumbing services in Austin, Texas
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).
EGD	Enbridge Gas Distribution Inc.
Enercare	Enercare Inc., formerly the Fund.
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.
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.
Hammond	Hammond Plumbing & Heating Inc. acquired by Service Experts on May 24, 2017, which provides residential and commercial plumbing and heating services in Kitchener, Ontario
HVAC	Heating, ventilation and air conditioning.
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 Canada	SE Canada 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 to 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 and SE Canada.
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 was 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.