This document is important and requires your immediate attention. It requires shareholders of WaterFurnace Renewable Energy, Inc. to make important decisions. If you are in doubt as to how to make such decisions, please contact your professional advisors. If you have questions, please contact CST Phoenix Advisors, our proxy solicitation agent, by telephone at: 1-800-240-0617 (North American Toll Free) or 1-201-806-2222 (Collect Outside North America); or by email at: inquiries@phoenixadvisorscst.com.

NOTICE OF MEETING

and

MANAGEMENT INFORMATION CIRCULAR

for the

SPECIAL MEETING
OF SHAREHOLDERS OF
WATERFURNACE RENEWABLE ENERGY, INC.

to be held on

August 18, 2014

DATED AS OF JULY 16, 2014

The board of directors of WaterFurnace Renewable Energy, Inc. has determined that the Arrangement is in the best interests of WaterFurnace and unanimously recommends that shareholders vote FOR the Arrangement, as further discussed herein.

July 16, 2014

Dear Shareholders of WaterFurnace Renewable Energy, Inc.:

It is my pleasure to extend to you, on behalf of the board of directors (the "**Board**") of WaterFurnace Renewable Energy, Inc. ("**WaterFurnace**"), an invitation to attend the special meeting (the "**Meeting**") of the shareholders ("**Shareholders**") of WaterFurnace to be held at 9:00 a.m. (Eastern Daylight Time) on Monday, August 18, 2014 at WaterFurnace's headquarters, located at 9000 Conservation Way, Fort Wayne, Indiana 46809 USA.

On June 22, 2014, WaterFurnace entered into an arrangement agreement with NIBE Industrier AB (publ) ("**NIBE**"), as amended by a consent and amending agreement dated July 14, 2014 (the "**Arrangement Agreement**"), whereby, subject to the terms and conditions of the Arrangement Agreement, NIBE Energy Systems Canada Corp., a subsidiary of NIBE, will acquire 100% of the outstanding common shares of WaterFurnace ("**Common Shares**") pursuant to a plan of arrangement (the "**Arrangement**") under Section 192 of the *Canada Business Corporations Act*. Pursuant to the Arrangement, Shareholders will be entitled to receive C$30.60 in cash for each Common Share held by them. At the Meeting, the Shareholders will be asked to approve the Arrangement.

The Board, based in part on the unanimous recommendation of the independent committee of the Board (the "**Independent Committee**") comprised of three independent directors, as described in the accompanying management information circular (the "**Circular**"), has determined that the Arrangement is in the best interests of WaterFurnace **AND UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ARRANGEMENT**. The determination of the Independent Committee and the Board is based on various factors described more fully in the accompanying notice of special meeting of Shareholders (the "**Notice of Meeting**") and Circular.

The accompanying Notice of Meeting and Circular provide a description of the Arrangement and include certain additional information to assist you in considering how to vote on the special resolution that is required to approve the Arrangement. You are urged to read this information carefully and, if you require assistance, to consult your tax, financial, legal or other professional advisors.

Your vote is very important regardless of the number of Common Shares you own. If you are a registered Shareholder (i.e., your name appears on the register of the Common Shares maintained by or on behalf of WaterFurnace) and you are unable to attend the Meeting in person, we encourage you to complete, sign, date and return the accompanying form of proxy, as applicable, so that your Common Shares can be voted at the Meeting (or at any adjournments or postponements thereof) in accordance with your instructions. To be effective, the enclosed form of proxy must be received by our transfer agent, Computershare Investor Services Inc. (according to the instructions on the proxy), not later than 9:00 a.m. (Eastern Daylight Time) on Thursday, August 14, 2014, or not later than 48 hours (other than a Saturday, Sunday or holiday) immediately preceding the time of the Meeting (as it may be adjourned or postponed from time to time). The deadline for the deposit of proxies may be waived or extended by the Chair of the Meeting at his discretion, without notice.

We also encourage registered Shareholders to complete, sign, date and return the enclosed letter of transmittal printed on blue paper in accordance with the instructions set out therein and in the accompanying Circular, so that if the Arrangement is completed the consideration to which you are entitled can be transferred to you as soon as possible following completion of the Arrangement.

If you hold Common Shares through a broker, custodian, nominee or other intermediary, you should follow the instructions provided by your intermediary to ensure your vote is counted at the Meeting and you should arrange for your intermediary to complete the necessary steps to ensure that you receive payment for your securities as soon as possible following completion of the Arrangement.

To be effective, the Arrangement must be approved by a special resolution (the "**Arrangement Resolution**") passed at the Meeting by at least 66⅔% of the votes cast on the Arrangement Resolution by the Shareholders present in person or by proxy at the Meeting. Each of the directors and senior officers of WaterFurnace and certain Shareholders, together holding approximately 25% of the outstanding Common Shares, have entered into voting agreements with NIBE agreeing to support and vote their Common Shares in favour of the Arrangement, subject to certain exceptions.

In addition, completion of the Arrangement is subject to, among other things, the performance by each of WaterFurnace and NIBE of their respective obligations under the Arrangement Agreement, the receipt of the Final Order from the Ontario Superior Court of Justice (Commercial List) and all other applicable waivers, consents and approvals required under the Arrangement Agreement, and all filings of WaterFurnace and NIBE pursuant to the HSR Act having been made and the applicable waiting period and any extensions thereof having expired or been terminated. Subject to satisfaction of the foregoing conditions, the Arrangement is expected to close as soon as reasonably practicable following the receipt of the Final Order, which is expected to be obtained on or about August 21, 2014.

If you have any questions or need assistance in your consideration of the Arrangement, with the completion and delivery of your proxy or about submitting your securities and letter of transmittal to the Arrangement, please contact CST Phoenix Advisors, our proxy solicitation agent, by telephone at: 1-800-240-0617 (North American Toll Free) or 1-201-806-2222 (Collect Outside North America); or by email at: inquiries@phoenixadvisorscst.com.

On behalf of WaterFurnace, I would like to thank all Shareholders for their continuing support.

Yours truly,

"Thomas F. Huntington"

Thomas F. Huntington
President and Chief Executive Officer

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the "**Meeting**") of holders (the "**Shareholders**") of common shares ("**Common Shares**") of WaterFurnace Renewable Energy, Inc. ("**WaterFurnace**") will be held on Monday, August 18, 2014 at 9:00 a.m. (Eastern Daylight Time) at WaterFurnace's headquarters, located at 9000 Conservation Way, Fort Wayne, Indiana 46809 USA for the following purposes:

(a) to consider, pursuant to an interim order of the Ontario Superior Court of Justice dated July 16, 2014, as the same may be amended (the "**Interim Order**") and, if deemed advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**") authorizing and approving an arrangement (the "**Arrangement**") under Section 192 of the *Canada Business Corporations Act* (the "**CBCA**") involving WaterFurnace, NIBE Industrier AB (publ) and NIBE Energy Systems Canada Corp., all as more particularly described in the accompanying management information circular dated July 16, 2014 (the "**Circular**") of WaterFurnace which accompanies this Notice of Meeting; and

(b) to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Specific details of the matters proposed to be put before the Meeting are set forth in the Circular that accompanies this Notice of Meeting. The full text of the Arrangement Resolution is attached to the Circular as Schedule "A".

The record date for determining the Shareholders entitled to receive notice of and vote at the Meeting is the close of business on July 14, 2014 (the "**Record Date**"). A registered Shareholder may attend the Meeting in person or may be represented by proxy. Registered Shareholders who are unable to attend the Meeting or any adjournment thereof in person are requested to complete, date, and sign the accompanying form of proxy and deliver it in accordance with the instructions set out in the applicable form of proxy and in the accompanying Circular.

Registered Shareholders returning the form of proxy are encouraged to review the accompanying Circular carefully before submitting the form of proxy.

If you are a non-registered Shareholder and have received these materials through your broker, custodian, nominee or other intermediary, please complete and return the form of proxy or voting instruction form provided to you by your broker, custodian, nominee or other intermediary in accordance with the instructions provided therein.

Pursuant to and in accordance with the Interim Order and the provisions of Section 190 of the CBCA (as modified or supplemented by the Interim Order and any other order of the Court), each registered Shareholder has been granted the right to dissent in respect of the Arrangement Resolution and such dissent right is described in the accompanying Circular. To exercise such right, (a) a written notice of dissent to the Arrangement Resolution must be received by WaterFurnace, c/o Bennett Jones LLP, c/o Robert W. Staley, 3400 One First Canadian Place, P.O. Box 130, Toronto, Ontario M5X 1A4, fax: (416) 863-1716 or by email: staleyr@bennettjones.com, by 9:00 a.m. (Eastern Daylight Time) on August 14, 2014, or two business days prior to any adjournment or postponement of the Meeting, (b) the Shareholder must not have voted in favour of the Arrangement Resolution, and (c) the Shareholder must have otherwise complied with the provisions of Section 190 of the CBCA, as modified and supplemented by the Interim Order. The right to dissent is described in the Circular and the texts of the Interim Order and Section 190 of the CBCA are set forth in Schedule "E" and Schedule "F", respectively, to the Circular.

Non-registered Shareholders whose Common Shares are registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only registered Shareholders are entitled to dissent. Accordingly, a non-registered Shareholder desiring to exercise this right must make arrangements for the Common Shares beneficially owned by such person to be registered in his, her or its name prior to the time the written notice of dissent to the Arrangement Resolution is required to be received by WaterFurnace or, alternatively, make arrangements for the registered Shareholder to dissent on his, her or its behalf.

Failure to strictly comply with the requirements set forth in Section 190 of the CBCA, as modified and supplemented by the Interim Order, will result in the loss of any right of dissent.

If you have any questions or require any assistance in completing your proxy or voting instruction form, please contact CST Phoenix Advisors, our proxy solicitation agent, by telephone at: 1-800-240-0617 (North American Toll Free) or 1-201-806-2222 (Collect Outside North America); or by email at: inquiries@phoenixadvisorscst.com.

DATED at Toronto, Ontario this 16th day of July, 2014.

BY ORDER OF THE BOARD OF DIRECTORS

"Fred Andriano"

Fred Andriano
Chief Financial Officer, Treasurer and Secretary

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QUESTIONS AND ANSWERS ABOUT THE ARRANGEMENT

The following is a summary of certain information contained in this Circular, together with some of the questions that you, as a Shareholder, may have and answers to those questions. You are urged to read the remainder of this Circular, the form of proxy and the Letter of Transmittal carefully, because the information contained below is of a summary nature, and is qualified in its entirety by the more detailed information contained elsewhere in this Circular, the form of proxy and the Letter of Transmittal and the attached Schedules, all of which are important and should be reviewed carefully. Capitalized terms in this summary have the meanings set out under the heading "Glossary of Terms".

What approvals are required to be given by Shareholders at the Meeting?

To become effective, the Arrangement Resolution must be approved, with or without variation, by at least 66⅔% of the votes cast on the Arrangement Resolution by the Shareholders present in person or by proxy at the Meeting.

The Supporting Shareholders have entered into the Voting Agreements with NIBE in respect of Common Shares representing, in the aggregate, approximately 25% of the outstanding Common Shares, pursuant to which, and subject to certain exceptions, such Supporting Shareholders have agreed to vote their Subject Securities in favour of the Arrangement Resolution at the Meeting. See *"The Voting Agreements"*.

Does the Board support the Arrangement?

Yes. **The Board has unanimously determined (i) that the Arrangement is in the best interests of WaterFurnace, (ii) that WaterFurnace should enter into the Arrangement Agreement, and (iii) to recommend that Shareholders vote FOR the Arrangement Resolution.**

Prior to entering into the Arrangement Agreement, the Board established the Independent Committee, comprised of three independent directors (Jeffery C. Lozon (Chair), Thomas C. Dawson and Charles R. Diltz), to oversee and supervise the process carried out by WaterFurnace in negotiating and entering into the Arrangement Agreement and to, among other things, review and consider the terms and conditions of the Arrangement to advise the Board with respect to any recommendation that the Board should make to Shareholders.

The Independent Committee considered a number of factors, including the opinion of its financial advisor, Morrison Park, which determined that, as of the date of such opinion and subject to the assumptions, limitations and qualifications contained in such opinion, the consideration to be received by Shareholders pursuant to the Arrangement was fair, from a financial point of view, to Shareholders as of the date of the MPA Fairness Opinion, and the Independent Committee determined that the proposed Arrangement with NIBE is in the best interests of WaterFurnace. The Independent Committee then recommended that the Board approve the proposed Arrangement Agreement.

In making its recommendation, the Board considered a number of factors as described in this Circular under the heading *"The Arrangement – Recommendation of the Board"* and *"The Arrangement – Reasons for the Recommendation"*. See also, *"The Arrangement – Background to the Arrangement"*.

What will I receive for my Common Shares under the Arrangement?

Pursuant to the Arrangement, in connection with the acquisition of the Common Shares by NIBE Subco, each Shareholder at the Effective Time will be entitled to receive, for each Common Share, C$30.60 in cash.

When will the Arrangement become effective?

WaterFurnace, NIBE Subco and NIBE will implement the Arrangement when all of the conditions to the closing of the Arrangement have been satisfied or waived (where permitted). The Arrangement is subject to a number of conditions, some of which are beyond WaterFurnace's, NIBE Subco's and NIBE's control, and the exact timing of implementation of the Arrangement cannot be predicted with certainty. It is currently expected that the closing of the Arrangement will take place as soon as reasonably practicable following the receipt of the Final Order, which is expected to be obtained on or around August 21, 2014.

What is the cut-off time for depositing a Form of Proxy?

To ensure that your Common Shares are represented at the Meeting, proxies to be used at the Meeting must be either voted online or by telephone 48 hours before the time fixed for the Meeting or, if you are mailing the completed Form of Proxy, it must be received by WaterFurnace's transfer agent, Computershare Investor Services Inc., not less than 48 hours before the time fixed for the Meeting (that is, by 9:00 a.m. Eastern Daylight Time on Thursday, August 14, 2014).

When can I expect to receive the consideration for my Common Shares?

The Depositary will deliver to you your Cash Consideration as soon as practicable after the completion of the Arrangement upon the receipt by the Depositary from you of a properly completed and duly executed Letter of Transmittal (or a manually executed facsimile thereof) and all other relevant documents required by the instructions set out in the Letter of Transmittal, as applicable. If you hold your Common Shares through a broker, custodian, nominee or other intermediary your broker, custodian, nominee or other intermediary will surrender your Common Shares in exchange for your Cash Consideration.

What conditions must be satisfied to complete the Arrangement?

In addition to the applicable approval of the Arrangement Resolution by Shareholders at the Meeting, the Arrangement is conditional upon, among other things, the performance by each of WaterFurnace and NIBE of their respective obligations under the Arrangement Agreement and the receipt of, among other things, the Final Order from the Court and all other applicable waivers, consents and approvals required under the Arrangement Agreement, and all filings of WaterFurnace and NIBE pursuant to the HSR Act having been made and the applicable waiting period and any extensions thereof having expired or been terminated, all in accordance with the terms of the Arrangement Agreement. See *"The Arrangement Agreement – Conditions to the Arrangement Becoming Effective"*.

What will happen if the Arrangement Resolution is not approved or the Arrangement is not completed for any reason?

The Arrangement Agreement may be terminated if the Arrangement Resolution is not approved or the Arrangement is not completed by the Outside Date for any reason. If this occurs, WaterFurnace will continue to carry on its business operations in the normal and usual course. See *"Risk Factors – Risk Factors Relating to the Arrangement"*. In certain termination circumstances, WaterFurnace will be required to pay to NIBE the Termination Fee. See *"The Arrangement Agreement – Termination"* and *"The Arrangement Agreement – Termination Fee"*. If the Arrangement Agreement is not completed for any reason, the Letters of Transmittal and share certificates that have been submitted by Registered Shareholders will be returned to such Registered Shareholders.

What are the Canadian federal income tax consequences of the Arrangement to Shareholders?

For a summary of the principal Canadian federal income tax considerations applicable to Shareholders in connection with the Arrangement, see *"Certain Canadian Tax Considerations for Shareholders"*. Such summary is not intended to be legal or tax advice to any particular Shareholder. Shareholders should consult their own tax and investment advisors with respect to their particular circumstances.

What are the U.S. federal income tax consequences of the Arrangement to Shareholders?

For a summary of certain U.S. federal income tax considerations applicable to Shareholders in connection with the Arrangement, see *"Certain U.S. Federal Income Tax Considerations for U.S. Holders"*. Such summary is not intended to be legal or tax advice to any particular Shareholder. Shareholders should consult their own tax and investment advisors with respect to their particular circumstances.

The Arrangement will be a taxable event to a U.S. Holder (as defined below). A U.S. Holder of Common Shares will recognize gain or loss equal to the difference, if any, between (i) the Cash Consideration and (ii) the U.S. Holder's adjusted tax basis in the Common Shares surrendered. For Shareholders who hold their Common Shares as capital assets, any gain or loss recognized by a U.S. Holder will be capital gain or loss, and will be long-term capital gain or loss if the holding period for the Common Shares surrendered was more than one year at the closing of the Arrangement. Preferential tax rates for long-term capital gains generally are applicable to a U.S. Holder that is an individual, estate or trust. There are no preferential tax rates for long-term capital gains for a U.S. Holder that is a corporation. The deduction of capital losses is subject to limitations. The foregoing assumes that WaterFurnace has never been a passive foreign investment company.

Who can help answer my questions?

If you who would like additional copies of this Circular, the Form of Proxy or the Letter of Transmittal or have any questions about the Arrangement, including the procedures for submitting your Form of Proxy or voting, you should contact**:**

North American Toll Free Phone:

1-800-240-0617

Banks, Brokers and collect calls: 201-806-2222
Toll Free Facsimile: 1-888-509-5907
Email: inquiries@phoenixadvisorscst.com

If you have questions about deciding how to vote, you should contact your professional advisors. If your Common Shares are held in a stock brokerage account or by a bank, nominee or other intermediary, you should call your broker, bank nominee or other intermediary for additional information.

MANAGEMENT INFORMATION CIRCULAR

This Circular is furnished in connection with the solicitation of proxies by or on behalf of the management of WaterFurnace for use at the Meeting of Shareholders to be held at WaterFurnace's headquarters, located at 9000 Conservation Way, Fort Wayne, Indiana 46809 USA at 9:00 a.m. (Eastern Daylight Time) on Monday, August 18, 2014 and at any adjournment(s) or postponement(s) thereof for the purposes set forth in the accompanying notice of special meeting of Shareholders (the "**Notice of Meeting**").

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Circular contains forward-looking information (within the meaning of applicable Canadian securities legislation) and forward-looking statements within the meaning of applicable U.S. securities legislation (collectively, "**forward-looking statements**") about WaterFurnace's objectives, strategies, financial condition, results of operations, cash flows and businesses. These forward-looking statements can be identified by the use of terminology such as: "plan", "expect", "believe", "anticipate", "foresee", "should", "intend", "will", "may", "suspect", "estimate", "outlook", "continue", "project" and similar expressions concerning matters that are not historical facts. These statements are based on certain factors and assumptions including, but not limited to, market trends, competitive activities, market acceptance of new products, expected growth, regulatory requirements, foreign exchange rates, the economic environment and other assumptions, which are believed to be reasonable based on currently available information. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions, which could cause actual results to differ materially from those anticipated in these forward-looking statements. In addition to other factors and matters contained in this Circular, WaterFurnace believes the following factors could cause actual results to differ materially from those discussed in the forward-looking statements: failure to satisfy the conditions to complete the Arrangement, including the receipt of the required Shareholder, court or regulatory approvals; the occurrence of any event, change or other circumstance that could give rise to the termination of the Arrangement Agreement; and retention of customers, suppliers and personnel being adversely affected by the uncertainty surrounding the Arrangement, as well as those risk factors discussed in the section entitled "*Risk Factors*" herein. Additional risks are discussed under the heading entitled "Risk Factors" in the AIF, a copy of which is available under WaterFurnace's issuer profile on SEDAR at www.sedar.com.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Although the forward-looking statements contained in this Circular are based upon what management of WaterFurnace currently believes to be reasonable assumptions, actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits will be derived therefrom. These forward-looking statements are made as of the date of this Circular and, other than as specifically required by law, WaterFurnace does not assume any obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

NOTE TO U.S. SECURITYHOLDERS

THE ARRANGEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") OR THE SECURITIES REGULATORY AUTHORITIES IN ANY STATE OF THE UNITED STATES, NOR HAVE THE SEC OR THE SECURITIES REGULATORY AUTHORITIES IN ANY STATE OF THE UNITED STATES PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Shareholders that are residents in, or citizens of, the United States should be aware that the Arrangement described herein may have tax consequences both in the U.S. and in Canada. Such consequences for Shareholders may not be described fully herein. For a general discussion of the principal Canadian federal income tax considerations to investors who are resident in the U.S., see *"Certain Canadian Tax Considerations for Shareholders – Holders Not Resident in Canada"*. For a general discussion of certain U.S. federal income tax considerations to investors who are resident in the U.S., see *"Certain U.S. Federal Income Tax Considerations for U.S. Holders"*. Shareholders resident in, or citizens of, the United States are urged to consult their own tax advisors to determine the particular consequences to them of the transactions to be effected in connection with the Arrangement, in light of their particular situation, as well as any tax consequences that may arise under the Laws of any other relevant foreign, state, local or other taxing jurisdiction.

WaterFurnace is a corporation existing under the Laws of Canada and is not subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "U.S. Exchange Act"). Because the Common Shares are not registered under Section 12 of the U.S. Exchange Act, the proxy solicitation rules under the U.S. Exchange Act are not applicable to WaterFurnace or this solicitation, and, accordingly, this solicitation is not being effected in accordance with such rules. Securityholders should be aware that disclosure requirements under Canadian corporate and securities laws may be different from requirements under United States corporate and securities laws, including, but not limited to, those under the U.S. Exchange Act. Information concerning the operations of NIBE and WaterFurnace have also been prepared in accordance with the requirements of Canadian Securities Laws, which differ from the requirements of United States Laws.

Shareholders should be aware that WaterFurnace's financial statements are prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and are subject to Canadian auditing and auditor independence standards, each of which differ in some respects from United States generally accepted accounting principles and thus may not be comparable to financial statements of United States companies. The financial statements of WaterFurnace are available on SEDAR at www.sedar.com.

The enforcement by Shareholders of civil liabilities under United States Securities Laws may be affected adversely by the fact that the parties to the Arrangement are incorporated or organized under the Laws of jurisdictions other than the United States, that some or all of the officers and directors of such parties are residents of countries other than the United States, that some or all of the experts named in this Circular may be residents of countries other than the United States, and that all or a substantial portion of the assets of the parties to the Arrangement may be located outside the United States. As a result, it may be difficult or impossible for Shareholders in the United States to effect service of process within the United States upon the parties to the Arrangement, their respective officers and directors or the experts named herein, or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the federal Securities Laws of the United States or "blue sky" Laws of any state within the United States. In addition, Shareholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the Securities Laws of the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the Securities Laws of the United States.

GENERAL MATTERS

Reporting Currencies and Accounting Principles

Unless otherwise indicated, all references to "C$" in this Circular refer to Canadian dollars and all references herein to "US$" in this Circular refer to U.S. dollars.

Exchange Rate Data

The following table sets forth the high and low exchange rates for one U.S. dollar expressed in Canadian dollars for each period indicated, the average of the exchange rates for each period indicated and the exchange rate at the end of each such period, based upon the noon buying rates provided by the Bank of Canada:

	Year End December 31		
	2013	**2012**	**2011**
	(C$)	(C$)	(C$)
High	1.0697	1.0418	1.0604
Low	0.9839	0.9710	0.9449
Rate at end of period	1.0636	0.9949	1.0170
Average rate for period	1.0299	0.9996	0.9893

On July 15, 2014, the noon exchange rate for one U.S. dollar expressed in Canadian dollars as reported by the Bank of Canada, was C$1.0766.

INFORMATION CONTAINED IN THIS CIRCULAR

The information contained in this Circular is given as at July 16, 2014, except where otherwise noted. No person has been authorized to give any information or to make any representation in connection with the Arrangement and other matters described herein other than those contained in this Circular and, if given or made, any such information or representation should be considered not to have been authorized by WaterFurnace, NIBE Subco or NIBE.

This Circular does not constitute the solicitation of an offer to purchase, or the making of an offer to sell, any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation or offer is not authorized or in which the person making such solicitation or offer is not qualified to do so or to any person to whom it is unlawful to make such solicitation or offer.

Information contained in this Circular should not be construed as legal, tax or financial advice and Shareholders are urged to consult their own professional advisors in connection therewith.

Descriptions in this Circular of the terms of the Arrangement Agreement and the Plan of Arrangement are summaries of the terms of those documents and are qualified in their entirety by such terms. Shareholders should refer to the full text of each of the Arrangement Agreement and the Plan of Arrangement for complete details of those documents. The full text of the Arrangement Agreement may be viewed under WaterFurnace's issuer profile on SEDAR at www.sedar.com. The Plan of Arrangement is attached hereto as Schedule "B".

SUMMARY OF CIRCULAR

This Summary should be read together with and is qualified in its entirety by the more detailed information and financial data and statements contained elsewhere in this Circular, including the Schedules hereto. Capitalized terms in this Summary have the meanings set out in the Glossary of Terms or as set out in this Summary. The full text of the Arrangement Agreement is available under WaterFurnace's issuer profile on SEDAR at www.sedar.com.

The Meeting

Date, Time and Place of Meeting

The Meeting will be held on Monday, August 18, 2014 at 9:00 a.m. (Eastern Daylight Time) at WaterFurnace's headquarters, located at 9000 Conservation Way, Fort Wayne, Indiana 46809 USA.

The Record Date

The Record Date for determining the Shareholders entitled to receive notice of and to vote at the Meeting is July 14, 2014. Only Shareholders of record as of the close of business (Eastern Daylight Time) on the Record Date are entitled to receive notice of and to vote at the Meeting.

Purpose of the Meeting

The purpose of the Meeting is for Shareholders to consider and vote upon the Arrangement Resolution, the full text of which is set out in Schedule "A" to this Circular.

MANAGEMENT OF WATERFURNACE AND THE BOARD RECOMMEND THAT SHAREHOLDERS VOTE FOR THE ARRANGEMENT RESOLUTION, THE FULL TEXT OF WHICH IS SET OUT IN SCHEDULE "A" TO THIS CIRCULAR.

Parties to the Arrangement

WaterFurnace is a corporation existing under the CBCA. WaterFurnace's head office is located at 9000 Conservation Way, Fort Wayne, Indiana 46809 and WaterFurnace's registered office is located at 3400 One First Canadian Place, P.O. Box 130, Toronto, Ontario M5X 1A4. The Common Shares are listed for trading in Canadian dollars on the TSX under the symbol "WFI" and are listed for trading in U.S. dollars on the TSX under the symbol "WFI.U".

NIBE is a company existing under the laws of Sweden. NIBE's head office is located at Hannabadsvägen 5, SE 285 21 Markaryd, Sweden.

NIBE Subco is a corporation incorporated under the laws of the Province of British Columbia (Canada). NIBE Subco's registered and records office is located at Suite 2200, HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8. All of the issued and outstanding common shares of NIBE Subco are legally and beneficially owned by NIBE.

See *"Information Concerning WaterFurnace"*, *"Information Concerning NIBE"* and *"Information Concerning NIBE Subco"* in this Circular for a description of WaterFurnace, NIBE and NIBE Subco, respectively.

Effects of the Arrangement

Under the Arrangement, NIBE Subco will acquire all of the outstanding Common Shares and WaterFurnace will become a wholly-owned subsidiary of NIBE Subco. Pursuant to the Arrangement, each Shareholder at the Effective Time will be entitled to receive, for each Common Share held by such Shareholder, C$30.60 in cash. See *"The Arrangement – Description of the Arrangement"*.

Securityholder Approval

The requisite approval for the Arrangement Resolution shall be at least 66⅔% of the votes cast on the Arrangement Resolution by the Shareholders present in person or by proxy at the Meeting.

The Arrangement Resolution must be passed in order for WaterFurnace to seek the Final Order and implement the Arrangement on the Effective Date. See *"The Arrangement – Securityholder and Court Approvals"*.

The Arrangement

Background to the Arrangement

The Arrangement and the provisions of the Arrangement Agreement are the result of arm's length negotiations conducted between representatives of WaterFurnace and NIBE. A summary of the material events leading up to the negotiation of the Arrangement Agreement and the material meetings, negotiations and discussions between the Parties that preceded the execution and public announcement of the Arrangement Agreement is included in this Circular under the heading *"The Arrangement – Background to the Arrangement"*.

Independent Committee

The Independent Committee was formed in May 2014 to, among other things, supervise the process carried out by WaterFurnace in negotiating and entering into the Arrangement Agreement and to make recommendations to the Board with respect to any such proposed transaction. After careful consideration, including a thorough review of the Arrangement Agreement and receiving the oral fairness opinion of Morrison Park delivered to the Independent Committee (subsequently confirmed in writing, the full text of which is set out in Schedule "D"), as well as a thorough review of other matters, and consultation with its financial and legal advisors, the Independent Committee unanimously determined that the Arrangement is in the best interests of WaterFurnace and recommended that the Board should approve the Arrangement Agreement and that the Board recommend that Shareholders vote in favour of the Arrangement Resolution.

See *"The Arrangement – Independent Committee"* and *"The Arrangement – Opinions of Financial Advisors"*.

Recommendation of the Board

After careful consideration, including a thorough review of the Arrangement Agreement and related matters, including those discussed below under the heading *"The Arrangement – Reasons for the Recommendation"*, and on the unanimous recommendation of the Independent Committee, the Board unanimously determined that the Arrangement is in the best interests of WaterFurnace. **ACCORDINGLY, THE BOARD UNANIMOUSLY APPROVED THE ARRANGEMENT AND UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ARRANGEMENT RESOLUTION.**

See *"The Arrangement – Recommendation of the Board"*.

Reasons for the Recommendation

In the course of the Independent Committee's and Board's evaluation of the Arrangement, the Independent Committee and the Board consulted with WaterFurnace's senior management and their respective legal and financial advisors and considered a number of factors, including, among others, the following:

- The consideration payable to Shareholders pursuant to the Arrangement, consisting of the Cash Consideration of C$30.60 per Common Share, represents a 27% premium to the 30-day volume-weighted average trading price of the Common Shares on the TSX for the period ended June 20, 2014, the last trading day prior to the announcement of the Arrangement.

- The consideration payable to Shareholders pursuant to the Arrangement is payable in cash, which will provide Shareholders with certainty of value.

- The Arrangement is not subject to a financing condition.

- The results of a careful review of strategic alternatives for WaterFurnace since November 2013, which included a comprehensive process of identifying and contacting potentially interested third parties to maximize shareholder value, and numerous discussions with potential purchasers, ultimately resulting in the Arrangement Agreement.

- The opinion, dated June 22, 2014, of BofA Merrill Lynch, delivered to the Board, and the opinion, dated June 22, 2014, of Morrison Park, delivered to the Independent Committee, each as to the fairness, from a financial point of view and as of the date of such opinions, of the Cash Consideration to be received by holders of Common Shares under the Arrangement, which opinions are attached to this Circular as Schedule "C" and Schedule "D", respectively.

- The Arrangement Resolution must be approved by at least 66⅔% of the votes cast on the Arrangement Resolution by the Shareholders present in person or by proxy at the Meeting.

- Under the Plan of Arrangement, no Shareholder receives any "collateral benefit" as defined in MI 61-101.

- The Arrangement will be subject to a judicial determination of the Court that the Arrangement is fair and reasonable, both procedurally and substantively, to Shareholders.

- Registered Shareholders who do not vote in favour of the Arrangement will have the right to require a judicial appraisal of their Common Shares and obtain "fair value" pursuant to the proper exercise of the Dissent Rights.

- Only a limited number of conditions, beyond Shareholder Approval, are required for the completion of the Arrangement, which the Board believes are reasonable under the circumstances.

- The terms of the Arrangement Agreement allow the Board to maintain the ability to consider and respond to an unsolicited *bona fide* written Acquisition Proposal that is, or is reasonably likely to lead to, if consummated in accordance with its terms, a Superior Proposal.

- The Supporting Shareholders have entered into the Voting Agreements with NIBE in respect of Common Shares representing, in the aggregate, approximately 25% of the outstanding Common Shares, pursuant to which, and subject to certain exceptions, such Supporting Shareholders have agreed to vote their Subject Securities in favour of the Arrangement Resolution at the Meeting.

- The Independent Committee has given careful consideration to the business, operations, assets, financial condition, operating results and prospects for WaterFurnace as well as current industry, economic and market conditions and related risks.

See *"The Arrangement – Reasons for the Recommendation"*, *"The Arrangement – Independent Committee"* and *"The Arrangement – Opinions of Financial Advisors"*.

Description of the Arrangement

Commencing at the Effective Time, the following shall occur and shall be deemed to occur, in the following order (unless expressly stated otherwise), without any further authorization, act or formality on the part of any person:

1. each Common Share in respect of which Dissent Rights have been validly exercised before the Effective Time shall be transferred and deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to NIBE Subco in consideration for a debt claim against NIBE Subco in an amount determined and payable in accordance with the applicable provisions of the Plan of Arrangement, and the name of such holder will be removed from the register of holders of Common Shares (in respect of the Common Shares for which Dissent Rights have been validly exercised before the Effective Time), and NIBE Subco shall be recorded as the registered holder of the Common Shares so

transferred and shall be deemed to be the legal and beneficial owner of such Common Shares free and clear of any Liens; and

2. each Common Share outstanding immediately prior to the Effective Time, other than Common Shares held by NIBE Subco and its affiliates, and other than Common Shares held (or previously held) by a Dissenting Shareholder, shall be transferred and deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to NIBE Subco in exchange for a payment in cash equal to the Cash Consideration, and the name of such holder will be removed from the register of holders of Common Shares and NIBE Subco shall be recorded as the registered holder of the Common Shares so transferred and shall be deemed to be the legal and beneficial owner thereof, free and clear of any Liens, and such payment shall be made upon the presentation and surrender by or on behalf of the holder to the Depositary (acting on behalf of NIBE Subco) of the certificate formerly representing the Common Shares and a properly completed and signed Letter of Transmittal as more fully described in the Plan of Arrangement.

See the Plan of Arrangement attached as Schedule "B" for additional information.

Opinions of Financial Advisors

BofA Merrill Lynch

In connection with the Arrangement, BofA Merrill Lynch, WaterFurnace's financial advisor, rendered to the Board an opinion, dated June 22, 2014, to the effect that, as of such date and based on and subject to various assumptions, qualifications and limitations described in its written opinion, the Cash Consideration to be received by holders of Common Shares pursuant to the Arrangement was fair, from a financial point of view, to such holders. The full text of BofA Merrill Lynch's opinion, dated June 22, 2014, to the Board, which sets forth the assumptions made, matters considered and limitations and qualifications on the review undertaken, is attached as Schedule "C" to this Circular. The summary of BofA Merrill Lynch's opinion described in this Circular is qualified in its entirety by reference to the full text of such opinion.

BofA Merrill Lynch's opinion was delivered for the use and benefit of the Board (in its capacity as such) for purposes of its evaluation of the Cash Consideration from a financial point of view and did not address any other terms, aspects or implications of the Arrangement. No opinion or view was expressed as to the relative merits of the Arrangement in comparison to other strategies or transactions that might be available to WaterFurnace or in which WaterFurnace might engage or as to the underlying business decision of WaterFurnace to proceed with or effect the Arrangement. BofA Merrill Lynch's opinion is not a recommendation to any Shareholder as to how to vote or act in connection with the Arrangement or any other matter.

Morrison Park

Morrison Park was retained by the Independent Committee to render financial advisory services to the Independent Committee and provide an opinion as to the fairness, from a financial point of view, of the Cash Consideration to be received by Shareholders pursuant to the Arrangement. Morrison Park delivered the MPA Fairness Opinion to the Independent Committee, concluding that, as at the date thereof and based on and subject to the assumptions, limitations and qualifications contained therein, the Cash Consideration to be received by the Shareholders pursuant to the Arrangement was fair, from a financial point of view, to the Shareholders. The full text of the MPA Fairness Opinion, setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with the MPA Fairness Opinion, are attached as Schedule "D" to this Circular. The summary of the MPA Fairness Opinion described in this Circular is qualified in its entirety by reference to the full text of the MPA Fairness Opinion.

The MPA Fairness Opinion is not a recommendation to any Shareholder as to how to vote or act on any matter relating to the Arrangement. The MPA Fairness Opinion was one of a number of factors taken into consideration by the Board in making its unanimous determination to recommend that Shareholders vote in favour of the Arrangement Resolution.

See *"The Arrangement – Opinions of Financial Advisors"* in this Circular.

<u>The Arrangement Agreement</u>

The Arrangement will be effected in accordance with the Arrangement Agreement. A summary of the material terms of the Arrangement Agreement, including a summary of the Termination Fee that is payable by WaterFurnace to NIBE in the event that the Arrangement is not completed under certain circumstances, is set out under the heading *"The Arrangement Agreement"* in this Circular and is subject to, and qualified in its entirety by, the full text of the Arrangement Agreement, which may be viewed under WaterFurnace's issuer profile on SEDAR at www.sedar.com.

<u>Voting Agreements</u>

The Supporting Shareholders have entered into the Voting Agreements with NIBE in respect of Common Shares representing, in the aggregate, approximately 25% of the outstanding Common Shares, pursuant to which, and subject to certain exceptions, such Supporting Shareholders have agreed to vote their Subject Securities in favour of the Arrangement Resolution at the Meeting. A summary of the key terms of the Voting Agreements is included under the heading *"The Voting Agreements"*.

<u>Court Approval of the Arrangement</u>

The Arrangement requires approval by the Court under Section 192 of the CBCA. On July 16, 2014, WaterFurnace obtained the Interim Order providing for the calling, holding and conducting of the Meeting and other procedural matters and a Notice of Application to approve the Arrangement has been filed. Copies of the Interim Order and the Notice of Application are attached as Schedule "E" and Schedule "G", respectively, to this Circular.

The Court hearing in respect of the Final Order is expected to take place at 10:00 a.m. (Eastern Daylight Time), on August 21, 2014, or as soon thereafter as counsel for WaterFurnace may be heard, at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8, subject to the approval of the Arrangement Resolution at the Meeting. At the hearing, the Court will consider, among other things, the fairness of the terms and conditions of the Arrangement and the rights and interests of every person affected. WaterFurnace has been advised by its legal counsel that the Court has broad discretion under the CBCA when making orders with respect to a plan of arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and procedural point of view. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit.

Under the terms of the Interim Order, each Shareholder will have the right to appear and make submissions at the application for the Final Order. Any person desiring to appear at the hearing of the application for the Final Order may do so but must comply with certain procedural requirements described in the Interim Order and in the Notice of Application, including filing an appearance with the Court on or before 5:00 p.m. (Eastern Daylight Time) on August 19, 2014, or two Business Days prior to any adjournment or postponement of the hearing of the application for the Final Order, and all materials on which he, she or it intends to rely at the application and serving same upon WaterFurnace at the address set out below, on or before 5:00 p.m. (Eastern Daylight Time) on August 20, 2014, or two Business Days prior to any adjournment or postponement of the hearing of the application for the Final Order:

Bennett Jones LLP
3400 One First Canadian Place
P.O. Box 130
Toronto Ontario
M5X 1A4

Attention: Robert W. Staley
Facsimile: (416) 863-1716
Email: staleyr@bennettjones.com

Shareholders who wish to participate in or be represented at the Court hearing for the Final Order should consult their legal advisors as to the necessary requirements.

See *"The Arrangement – Securityholder and Court Approvals"*.

Procedure for Exchange of Securities

Letter of Transmittal

A Letter of Transmittal printed on blue paper is being mailed, together with this Circular, to each person who was a Registered Shareholder on the Record Date. Each such Registered Shareholder must forward a properly completed and signed Letter of Transmittal, with accompanying Common Share certificate(s), if applicable, in order to receive the Cash Consideration to which such Shareholder is entitled to receive under the Arrangement. It is recommended that Registered Shareholders complete, sign and return the Letter of Transmittal, with accompanying Common Share certificate(s), if applicable, to the Depositary as soon as possible.

Non-Registered Shareholders whose Common Shares are registered in the name of a broker, investment dealer, bank, trust company, trustee or other nominee should contact that nominee for assistance in depositing their Common Shares and should follow the instructions of such nominee in order to make their election and deposit their Common Shares.

See *"Procedure for Exchange of Securities – Letter of Transmittal"*.

Cancellation of Rights after Six Years

To the extent that a Former Shareholder has not complied with the provisions of the Arrangement described under the heading *"Procedure for Exchange of Securities – Exchange Procedure"* on or before the date that is six years after the Effective Date, then such Former Shareholder's interest in the Cash Consideration which such Former Shareholder was entitled to receive shall be forfeited to NIBE Subco as of such Final Proscription Date and the Former Shareholder will thereafter have no right to receive the Cash Consideration.

Dissent Rights

Registered Shareholders have Dissent Rights with respect to the Arrangement. Any Registered Shareholder who dissents from the Arrangement Resolution in accordance with Section 190 of the CBCA, as amended by the Plan of Arrangement and the Interim Order, will be entitled to be paid by NIBE Subco the fair value of the Common Shares held by the Registered Shareholder, determined as at the point in time immediately before the Arrangement Resolution is approved by Shareholders. **The Dissent Rights must be strictly complied with in order for a Registered Shareholder to receive cash representing the fair value of Common Shares held.**

To exercise the Dissent Rights, a written notice of objection to the Arrangement Resolution must be received by WaterFurnace, c/o Bennett Jones LLP, Attn: Abbas Ali Khan, 3400 One First Canadian Place, P.O. Box 130, Toronto, Ontario, Canada M5X 1A4, fax: (416) 863-1716 and email: alikhana@bennettjones.com, by 9:00 a.m. (Eastern Daylight Time) on August 14, 2014, or two Business Days prior to any adjournment or postponement of the Meeting.

See *"The Arrangement – Dissent Rights"*.

Income Tax Considerations

Shareholders should consult their own tax advisors about the applicable Canadian or U.S. federal, provincial, state and local tax consequences of the Arrangement.

See *"Certain Canadian Tax Considerations for Shareholders"* and *"Certain U.S. Federal Income Tax Considerations for U.S. Holders"*.

Canadian Securities Laws

The Common Shares are currently listed on the TSX. Following completion of the Arrangement, WaterFurnace will be a wholly-owned subsidiary of NIBE Subco and it is anticipated that the Common Shares held by NIBE Subco will be delisted from the TSX and that NIBE will apply to the applicable Canadian securities regulators to have WaterFurnace cease to be a reporting issuer.

See *"Securities Law Matters – Canadian Securities Laws"*.

Interests of Certain Persons in the Arrangement

In considering the recommendation of the Board, Shareholders should be aware that certain senior officers and directors of WaterFurnace and its Subsidiaries have interests in the Arrangement or may receive benefits that may differ from, or be in addition to, the interests of Shareholders generally. All benefits received, or to be received, by directors or senior officers of WaterFurnace and its Subsidiaries as a result of the Arrangement are, and will be, solely in connection with their services as directors or employees of WaterFurnace and/or its Subsidiaries. No benefit has been, or will be, conferred for the purpose of increasing the value of consideration payable to any such person for Common Shares, nor is it, or will it be, conditional on the person supporting the Arrangement.

See *"Interests of Directors and Officers of WaterFurnace in the Arrangement"* and *"Securities Law Matters – Canadian Securities Laws – Multilateral Instrument 61-101"*.

VOTING INFORMATION

Date, Time and Place of Meeting

The Meeting will be held on Monday, August 18, 2014 at 9:00 a.m. (Eastern Daylight Time) at WaterFurnace's headquarters, located at 9000 Conservation Way, Fort Wayne, Indiana 46809 USA.

Purpose of the Meeting

The purpose of the Meeting is for securityholders to consider and vote upon the Arrangement Resolution, the full text of which is set out in Schedule "A" to this Circular.

MANAGEMENT OF WATERFURNACE AND THE BOARD RECOMMEND THAT SHAREHOLDERS VOTE FOR THE ARRANGEMENT RESOLUTION, THE FULL TEXT OF WHICH IS SET OUT IN SCHEDULE "A" TO THIS CIRCULAR.

At the Meeting, Shareholders are entitled to vote on the Arrangement Resolution. The Board has fixed July 14, 2014 as the Record Date for determining the Shareholders who are entitled to receive notice of and vote at the Meeting. Only Shareholders whose names have been entered in the registers of WaterFurnace as at the close of business (5:00 p.m. (Eastern Daylight Time)) on the Record Date will be entitled to receive notice of and vote at the Meeting. No other Shareholders are entitled to vote at the Meeting. Each Common Share carries the right to one vote. As at July 16, 2014, 12,362,718 Common Shares were issued and outstanding.

Solicitation of Proxies

You are requested to vote online or by telephone as directed in the enclosed Form of Proxy or to complete the enclosed Form of Proxy and mail it as soon as possible in the envelope provided to the address provided therein. To ensure that your Common Shares are represented at the Meeting, proxies to be used at the Meeting must be either voted online or by telephone 48 hours before the time fixed for the Meeting, or if mailing the completed Form of Proxy, it must be received by WaterFurnace's transfer agent, Computershare Investor Services Inc., not less than 48 hours before the time fixed for the Meeting (that is, by 9:00 a.m. Eastern Daylight Time on Thursday, August 14, 2014).

It is expected that solicitation of proxies will be made by internet, telephone and mail or other personal contact to be made by directors, officers or employees of the Company. WaterFurnace has also retained CST Phoenix Advisors (the "**Proxy Solicitation Agent**") to assist in the solicitation of proxies and may also retain other persons as it deems necessary to aid in the solicitation of proxies with respect to the Meeting. Costs related to the Proxy Solicitation Agent and the printing and mailing of this Circular in connection with the Meeting, which are expected to be nominal, will be borne by WaterFurnace. WaterFurnace and the Proxy Solicitation Agent entered into an engagement agreement with customary terms and conditions, which provides that the Proxy Solicitation Agent will be paid a fee of approximately C$30,000, plus out-of-pocket expenses. Under the Arrangement Agreement, NIBE is permitted to actively solicit proxies in favour of the Arrangement Resolution in compliance with applicable Laws; such solicitation will be done by officers and/or directors of NIBE.

Appointment and Revocation of Proxies

Any person may act as proxy, whether or not he is entitled on his own behalf to be present and vote at the Meeting. **The Shareholder has the right to appoint a person or company to represent the Shareholder at the Meeting other than the persons designated by management in the Form of Proxy.** A Shareholder desiring to appoint a person other than the persons named in the enclosed Form of Proxy to attend and act for him on his behalf at the Meeting, or any adjournment or adjournments thereof, may do so by following the instructions given on the proxy and delivering the proxy, or by completing another proper form of proxy, and, in either case, depositing the form not less than 48 hours preceding the time of the Meeting at the office of WaterFurnace's Registrar and Transfer Agent: Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1.

The Common Shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for, and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly.

If you do NOT mark on the Form of Proxy how you want to vote on a particular matter, your proxyholder will have the discretion to vote your Common Shares as he or she sees fit. If your Form of Proxy does not specify how to vote on the Arrangement Resolution and you have authorized the persons named in the accompanying Form of Proxy (who are officers and/or directors of WaterFurnace) to act as your proxyholder, your Common Shares will be voted at the Meeting FOR the Arrangement Resolution.

If any amendments are proposed to the Arrangement Resolution, or if any other matters properly arise at the Meeting in relation to the Arrangement Resolution, your proxyholder will have the discretion to vote your Common Shares as he or she sees fit.

Any proxy may be revoked by instrument in writing executed by the Shareholder or by his attorney authorized in writing and if the Shareholder is a corporation, by a duly authorized officer or attorney thereof. Revocation must be delivered either at WaterFurnace's Registrar and Transfer Agent or at the office of WaterFurnace. Revocation can be made at any time up to and including the last business day preceding the date of the Meeting or any adjournment thereof at which the proxy is to be used, or delivered to the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, except as to any matter in which a vote may already have been cast pursuant to the authority conferred by such proxy.

Voting

Registered Shareholders

If you are a Registered Shareholder, you may vote in person at the Meeting or you may appoint another person to represent you as proxyholder and vote your Common Shares at the Meeting. If you wish to attend the Meeting, please bring a copy of the enclosed Form of Proxy and register with the scrutineer when you arrive at the Meeting.

If you do not wish to attend the Meeting you should complete and vote the enclosed Form of Proxy by internet, telephone or by mailing it. Any Shareholder who wishes to appoint another person to represent them at the Meeting may do so by inserting such person's name in the space provided on the Form of Proxy. The person you appoint to represent you does not need to be a Shareholder.

The Form of Proxy enclosed herewith, when voted by internet or telephone or when properly dated, signed and delivered, confers discretionary authority with respect to amendments or variations to the matters which may properly come before the Meeting or any adjournments thereof. As of the date of this Circular, WaterFurnace is not aware that any such amendments, variations, or other matters are to be presented for action at the Meeting.

Non-Registered Shareholders

If your Common Shares are registered in the name of a depository (such as CDS & Co. or CEDE & Co.) or are held by an intermediary (such as a bank, trust company, securities dealer or broker), you are a Non-Registered Shareholder. If you are a Non-Registered Shareholder, you will have received a voting instruction form (a "**Voting Instruction Form**") instead of a Form of Proxy. The purpose of a Voting Instruction Form is to permit you to direct the voting of the Common Shares you beneficially own. Typically, intermediaries will use a service company (such as Broadridge Investor Communications Corporation in Canada and its counterpart in the United States ("**Broadridge**")) to forward the meeting materials to Non-Registered Holders.

In order for your voting instructions to be carried out, please give your voting instructions by internet or telephone by following the directions on the Voting Instruction Form or sign and return by mail the Voting Instruction Form in accordance with the directions provided. If you wish to attend the Meeting and vote in person, you must give instruction by internet or telephone according to the directions on the Voting Instruction Form or complete, sign and return by mail the form prior to the cut-off, indicating, in the space provided, your name or the name of the individual you wish to represent you. Please follow the instructions on the Voting Instruction Form closely and return the Voting Instruction Form to the address listed thereon.

WaterFurnace intends to pay for intermediaries to deliver to objecting Non-Registered Shareholders the proxy-related materials, including Form 54-101F7 – *Request for Voting Instructions Made by Intermediary* of National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer*.

Broker Non-Votes

Broker non-votes occur when a person holding Common Shares through a bank or brokerage account does not provide instructions as to how their Common Shares should be voted and the broker does not exercise discretion to vote those Common Shares on a particular matter. Broker non-votes will be included in determining the presence of a quorum at the Meeting.

Shareholders who would like additional copies, without charge, of this Circular or have additional questions about the Arrangement, including the procedures for voting Common Shares, should contact their broker. In addition, CST Phoenix Advisors is available to answer any questions you might have in respect of the information contained in this Circular. Interested Shareholders may contact CST Phoenix Advisors by telephone at: 1-800-240-0617 (North American Toll Free) or 1-201-806-2222 (Collect Outside North America); or by email at: inquiries@phoenixadvisorscst.com.

Voting Securities and Principal Holders Thereof

Common Shares Outstanding

As at July 16, 2014, WaterFurnace had 12,362,718 Common Shares issued and outstanding. Each Common Share outstanding on the Record Date carries the right to one vote.

Principal Shareholders

To the knowledge of the directors and officers of WaterFurnace, except as set out in the table below, no person beneficially owns, or controls or directs, directly or indirectly, 10% or more of the Common Shares (based on information available to WaterFurnace at the date of this Circular).

Name	Number of Common Shares	Percentage of Common Shares
James R. Shields and Margaret A. Shields	1,272,313	10.3%

THE ARRANGEMENT

Background to the Arrangement

The following is a summary of the material events leading up to the negotiation and execution of the Arrangement Agreement.

In the early fall of 2013, as the management team was developing WaterFurnace's 2014 strategic plan, the Board asked Mr. Tom Huntington, the President and Chief Executive Officer of WaterFurnace, to include as part of the 2014 strategic plan a comprehensive outlook for the business for the next five years with specific emphasis placed on strategic opportunities and risks to the business, as well as a review of recent changes in the competitive landscape.

On November 12, 2013, the Board held its regularly scheduled quarterly Board meeting. At that meeting, Mr. Huntington reviewed with the Board WaterFurnace's 2014 strategic plan, including the following items, as requested by the Board: (a) a general economic and legislative overview applicable to WaterFurnace's business; (b) strategic opportunities, including acquisitions, partnerships, joint ventures, growth opportunities in the commercial segment of the industry, specific opportunities for product offerings in the Chinese markets, and new product development opportunities; and (c) strategic risks to WaterFurnace's business.

Subsequent to the Board's review of the 2014 strategic plan, on November 18, 2013, Mr. Shields was contacted by Strata Advisory AB, financial advisor to NIBE, to arrange a meeting between Gerteric Lindquist, NIBE's Managing Director and Chief Executive Officer, and Mr. Shields. Such meeting took place on January 16, 2014 at which NIBE sought additional information about WaterFurnace. During a visit to WaterFurnace's facility in November 2013, a third-party industry participant made overtures to Mr. Huntington regarding forming a broad-based strategic alliance with WaterFurnace and followed up on this matter with Mr. Huntington at an industry trade show in January 2014. During a visit to WaterFurnace's facility in early February 2014, a second third-party industry participant expressed to Mr. Huntington a high level of interest in potentially acquiring WaterFurnace. NIBE and the third parties were subsequently invited to participate in the formal and confidential third-party solicitation process conducted by WaterFurnace, as described below.

In December 2013, WaterFurnace retained Bennett Jones LLP to provide legal advice and commenced the process of retaining a financial advisor. In January 2014, WaterFurnace determined to undertake a review of potential strategic alternatives, including a possible sale of control of the business, and retained BofA Merrill Lynch as financial advisor to assist WaterFurnace with a formal and confidential third-party solicitation process with a view to a strategic transaction involving WaterFurnace.

In February 2014, WaterFurnace's senior management, with the assistance of BofA Merrill Lynch, identified potential strategic counterparties, including those parties that previously had expressed interest in a possible transaction with WaterFurnace. Thereafter, WaterFurnace prepared a confidential information memorandum (the "**Memorandum**") describing its business, strategic initiatives and financial projections for distribution to potential strategic counterparties.

Commencing on March 4, 2014, 14 potential counterparties were contacted, including NIBE. WaterFurnace's legal counsel prepared forms of confidentiality and standstill agreements to be executed prior to being granted access to WaterFurnace's non-public information. Eight of the 14 potential counterparties that were contacted executed confidentiality and standstill agreements and requested additional information. On April 7, 2014, WaterFurnace entered into a confidentiality and standstill agreement with NIBE (the "**NIBE CA**"). Following the execution of the confidentiality and standstill agreements, each of the eight potential counterparties (the "**Interested Parties**") were provided with the Memorandum and attended private meetings with Messrs. Huntington and Andriano between March and April 2014.

Subsequent to meeting with the Interested Parties, WaterFurnace's senior financial management assembled an electronic data room containing financial, operational and legal information relating to WaterFurnace (the "**Data Room**").

In late April 2014, a formal bid process letter was provided to each of the Interested Parties requesting written preliminary, non-binding proposals by no later than May 1, 2014.

On May 1, 2014, WaterFurnace received written preliminary, non-binding indications of interest from NIBE and one other Interested Party ("**Party 2**"). Both proposals proposed a cash purchase of all of the Common Shares and were subject to due diligence and other customary conditions, but were not subject to any financing condition.

The Board convened a meeting on May 6, 2014 to discuss the non-binding proposals from NIBE and Party 2, together with WaterFurnace's senior financial management and legal and financial advisors. During the first part of the meeting, management provided a summary of the first stage of the process and its meetings with Interested Parties. Bennett Jones LLP provided a presentation to the Board on the legal and regulatory requirements for completing a possible sale of WaterFurnace and the fiduciary obligations of the Board in the context of that solicitation process. BofA Merrill Lynch reviewed financial aspects of both proposals, along with a summary of the first phase of the process. The Board discussed a variety of matters relating to the proposals, including the businesses of NIBE and Party 2. The Board discussed the possibility of improving both bids and determined to invite both bidders into the next phase of the process.

Following the Board meeting, the independent directors of WaterFurnace held an in-camera session. During this session, the independent directors shared their preliminary views on potential strategies and alternatives available to WaterFurnace consistent with the best interests of WaterFurnace and WaterFurnace's stakeholders. Following the in-camera session, the Board resolved to continue the discussion with respect to the non-binding proposals at the next Board meeting scheduled for the following day.

At the Board meeting held on May 7, 2014, the Board authorized continuing with the second phase of the solicitation process with both NIBE and Party 2 in which competing binding proposals for the acquisition of WaterFurnace would be considered and reviewed.

The Board also determined that, in connection with the solicitation process, it would be appropriate to form a committee of independent members of the Board. The Board appointed the Independent Committee, comprised of Jeffery C. Lozon (Chair), Thomas C. Dawson and Charles R. Diltz, with a mandate to, among other things, review and assess the proposals and make recommendations to the Board with respect to any potential sale transaction. The Independent Committee was authorized to engage its own separate financial advisor to provide a fairness opinion to ensure the Independent Committee had the benefit of an independent financial advisor.

Beginning on or about May 7, 2014, access to the Data Room was granted to both NIBE and Party 2. During the month of May and the early part of June 2014, both parties held due diligence calls with WaterFurnace's management team regarding various topics relating to WaterFurnace's business. Formal management meetings with business presentations from all functional areas of WaterFurnace were held between WaterFurnace and NIBE on June 2 and 3, 2014, and between WaterFurnace and Party 2 on June 9 and 10, 2014. A draft arrangement agreement providing for the acquisition of all of the Common Shares by way of a court-approved plan of arrangement (consistent with the proposals made by each of NIBE and Party 2) together with a form of support and voting agreement was prepared by WaterFurnace's legal advisors and reviewed by each member of the Board. The Board approved the form of arrangement agreement and form of support and voting agreement on May 27, 2014 and the documents were made available to NIBE and Party 2 on May 30, 2014. Each of NIBE and Party 2 was asked to provide, by June 13, 2014, revisions to the draft arrangement agreement and form of support and voting agreement that it would be prepared to execute. WaterFurnace requested the submission of final binding proposals by no later than June 20, 2014.

On June 4, 2014, WaterFurnace, through BofA Merrill Lynch, received an enquiry from an additional party regarding a potential interest in participating in WaterFurnace's solicitation process. On the instruction of WaterFurnace, BofA Merrill Lynch informed this party that WaterFurnace would be interested in engaging in discussions with such party upon execution of a confidentiality and standstill agreement. No further communication was received from such party.

The Independent Committee met on May 16, May 30, June 9 and June 12, 2014 in connection with the process of reviewing and selecting the independent financial advisor to the Independent Committee. Morrison Park was subsequently engaged as financial advisor to the Independent Committee effective June 12, 2014.

Revisions to the draft arrangement agreement and form of support and voting agreement were provided by NIBE and Party 2 on the afternoon of June 15, 2014. On June 17, 2014, a Board meeting was held to review and discuss with WaterFurnace's senior financial management and legal and financial advisors the issues raised by the revised draft agreements and WaterFurnace's potential response and to receive an update on the process and the due diligence conducted by both NIBE and Party 2. Following the Board meeting, the Independent Committee convened a meeting to receive an update from Morrison Park in connection with the preparation of its fairness opinion and to discuss the proposed response to each counterparty. On June 18, 2014, WaterFurnace's legal counsel provided each counterparty with revised drafts of the arrangement agreement and form of support and voting agreement.

On June 18, 2014, in accordance with the Board's directives, BofA Merrill Lynch communicated with each of NIBE and Party 2 concerning potential final proposals. On June 19, 2014, Party 2 indicated that it would not be submitting a final proposal to WaterFurnace, and NIBE's financial advisor indicated to BofA Merrill Lynch that its final proposal would not be submitted until June 21, 2014.

On June 20, 2014, NIBE's legal counsel provided additional comments to WaterFurnace's legal counsel on the draft arrangement agreement. In the afternoon of June 21, 2014, WaterFurnace received a written definitive binding proposal from NIBE dated June 20, 2014 (the "**NIBE Proposal**") providing for the acquisition of all of the outstanding Common Shares for C$30.60 per Common Share, payable in cash. The proposed consideration per Common Share under the NIBE Proposal had not changed from NIBE's initial indication of interest.

On the morning of June 22, 2014, the Board, with the assistance of WaterFurnace's senior financial management and legal and financial advisors, met to consider the NIBE Proposal. Legal counsel to WaterFurnace provided a summary of the outstanding issues in NIBE's revised draft arrangement agreement, including the addition of certain deal protection terms, the amount of the Termination Fee and NIBE's offer price. BofA Merrill Lynch then reviewed with the Board its preliminary financial analysis of the C$30.60 per Common Share proposed purchase price reflected in the NIBE Proposal. After full discussion, the Board then adjourned to permit the Independent Committee to consider the NIBE Proposal.

Immediately following the adjournment of the Board meeting, a meeting of the Independent Committee by conference call was held with the entire Board present along with the Independent Committee's financial advisor, Morrison Park, and WaterFurnace's senior management and legal and financial advisors. Morrison Park made a presentation to the Independent Committee, and provided an oral fairness opinion to the Independent Committee (subsequently confirmed in writing) that, on the basis of the assumptions, limitations and qualifications to be set forth in the written opinion to be subsequently delivered by Morrison Park, as of the date of the opinion, the consideration to be received by the Shareholders pursuant to the Arrangement, was fair, from a financial point of view. The Independent Committee then met in-camera and agreed upon its recommendation that the Board accept the NIBE Proposal and the reasons for such recommendation, subject to WaterFurnace requesting that NIBE (a) provide its best and final offer, and (b) agree to certain modifications to the proposed form of Arrangement Agreement relating to the Termination Fee and certain other deal protection provisions.

Immediately following the Independent Committee meeting, the Board reconvened the adjourned meeting from earlier that morning. After reviewing its reasons, the Independent Committee provided its unanimous recommendation to the Board that WaterFurnace request that NIBE (a) provide its best and final offer, and (b) agree to certain modifications to the proposed form of the Arrangement Agreement.

In light of the recommendation of the Independent Committee and following further discussion, the Board resolved that WaterFurnace would request that NIBE address the matters recommended by the Independent Committee and authorized BofA Merrill Lynch to inform NIBE's financial advisor on behalf WaterFurnace of the Board's request, indicating that the Board would reconvene its meeting later in the afternoon the same day. The Board meeting was then adjourned for a second time pending NIBE's response. Subsequently, in accordance with the Board's directives, BofA Merrill Lynch contacted NIBE's financial advisor to communicate WaterFurnace's request. The Board reconvened the adjourned meeting after receiving NIBE's response later that afternoon. At this meeting, BofA Merrill Lynch reported that NIBE had indicated that its C$30.60 proposed purchase price was its best and final offer and that NIBE had agreed to certain modifications to the draft Arrangement Agreement requested by WaterFurnace. In addition, Mr. Shields indicated that members of the Shields family holding, in the aggregate, approximately 25% of the Common Shares would agree to enter into support and voting agreements in connection with the proposed transaction at the proposed purchase price.

After full discussion, the Board determined that it would accept NIBE's final offer. At the Board's request, BofA Merrill Lynch then rendered to the Board an oral opinion, confirmed by delivery of a written opinion dated June 22, 2014, to the effect that as of such date and based on and subject to the assumptions, limitations and qualifications described in its written opinion, the Cash Consideration to be received by holders of Common Shares in the Arrangement was fair, from a financial point of view, to such holders.

In light of the recommendation of the Independent Committee and the other factors more fully described under *"The Arrangement – Reasons for the Recommendation"*, the Board determined that the Arrangement was in the best interests of WaterFurnace and resolved to recommend that the Shareholders vote in favour of the Arrangement Resolution. The Board also authorized WaterFurnace to (a) enter into the Arrangement Agreement with NIBE, and (b) call and hold the Meeting to consider the Arrangement Resolution.

On the morning of June 23, 2014, the Arrangement Agreement and Voting Agreements were executed and delivered. WaterFurnace and NIBE issued a joint press release prior to the opening of trading of the Common Shares on the TSX on June 23, 2014.

Independent Committee

The Independent Committee was formed in May 2014 to, among other things, oversee and supervise the process carried out by WaterFurnace in negotiating and entering into the Arrangement Agreement and to make recommendations to the Board with respect to any such proposed transaction. Morrison Park was retained to act as financial advisor to the Independent Committee and to provide the MPA Fairness Opinion.

After careful consideration, including a thorough review of the Arrangement Agreement and receiving the oral fairness opinion of Morrison Park delivered to the Independent Committee (subsequently confirmed in writing, the full text of which is set out as Schedule "D"), as well as a thorough review of other matters, including matters discussed below, and taking into account the best interests of WaterFurnace and the impact on WaterFurnace's stakeholders and consultation with its financial and legal advisors, the Independent Committee unanimously determined that the Arrangement is in the best interests of WaterFurnace. Accordingly, the Independent Committee unanimously recommended that the Board approve the Arrangement and enter into the Arrangement Agreement and that the Board recommend that Shareholders vote in favour of the Arrangement.

Recommendation of the Board

After careful consideration, including a thorough review of the Arrangement Agreement and related matters, including those discussed below, and taking into account the best interests of WaterFurnace and the impact on WaterFurnace's stakeholders and evaluation of the Arrangement with senior management and legal and financial advisors, and on the unanimous recommendation of the Independent Committee, the Board unanimously determined that the Arrangement is in the best interests of WaterFurnace. **ACCORDINGLY, THE BOARD UNANIMOUSLY APPROVED THE ARRANGEMENT AND UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ARRANGEMENT RESOLUTION.**

Reasons for the Recommendation

In the course of the Independent Committee's and Board's evaluation of the Arrangement, the Independent Committee and the Board consulted with senior management and their respective legal and financial advisors, performed financial, technical and legal due diligence and considered a number of factors, including, among others, the following:

- The consideration payable to Shareholders pursuant to the Arrangement, consisting of the Cash Consideration of C$30.60 per Common Share, represents a 27% premium to the 30-day volume-weighted average trading price of the Common Shares on the TSX for the period ended June 20, 2014, the last trading day prior to the announcement of the Arrangement.

- The consideration payable to Shareholders pursuant to the Arrangement is payable in cash, which will provide Shareholders with certainty of value.

- The Arrangement is not subject to a financing condition.

- The results of a careful review of strategic alternatives for WaterFurnace since November 2013, which included a comprehensive process of identifying and contacting potentially interested third parties to maximize shareholder value, and numerous discussions with potential purchasers, ultimately resulting in the Arrangement Agreement.

- The opinion, dated June 22, 2014, of BofA Merrill Lynch, delivered to the Board, and the opinion, dated June 22, 2014, of Morrison Park, delivered to the Independent Committee, each as to the fairness, from a financial point of view and as of the date of such opinions, of the Cash Consideration to be received by holders of

Common Shares under the Arrangement, which opinions are attached to this Circular as Schedule "C" and Schedule "D", respectively.

- The Arrangement Resolution must be approved by at least 66⅔% of the votes cast on the Arrangement Resolution by the Shareholders present in person or by proxy at the Meeting.

- Under the Plan of Arrangement, no Shareholder receives any "collateral benefit" as defined in MI 61-101.

- The Arrangement will be subject to a judicial determination of the Court that the Arrangement is fair and reasonable, both procedurally and substantively, to Shareholders.

- Registered Shareholders who do not vote in favour of the Arrangement will have the right to require a judicial appraisal of their Common Shares and obtain "fair value" pursuant to the proper exercise of the Dissent Rights.

- Only a limited number of conditions, beyond Shareholder Approval, are required for the completion of the Arrangement, which the Board believes are reasonable under the circumstances.

- The terms of the Arrangement Agreement allow the Board to maintain the ability to consider and respond to an unsolicited *bona fide* written Acquisition Proposal that is, or is reasonably likely to lead to, if consummated in accordance with its terms, a Superior Proposal.

- The Supporting Shareholders have entered into the Voting Agreements with NIBE in respect of Common Shares representing, in the aggregate, approximately 25% of the outstanding Common Shares, pursuant to which, and subject to certain exceptions, such Supporting Shareholders have agreed to vote their Subject Securities in favour of the Arrangement Resolution at the Meeting.

- The Independent Committee has given careful consideration to the business, operations, assets, financial condition, operating results and prospects for WaterFurnace as well as current industry, economic and market conditions and related risks.

The Board's reasons for recommending the Arrangement include certain assumptions relating to forward-looking information, and such information and assumptions are subject to various risks. See *"Cautionary Statement Regarding Forward-Looking Information"* and *"Risk Factors – Risk Factors Relating to the Arrangement"* in this Circular.

The foregoing summary of the information and factors considered by the Board is not intended to be exhaustive. In view of the variety of factors and the amount of information considered in connection with its evaluation of the Arrangement, the Board did not find it practical to, and did not, quantify or otherwise attempt to assign any relative weighting to each specific factor considered in reaching its conclusion and recommendation. In addition, individual members of the Board may have assigned different weightings to different factors. The full Board was present at the June 22, 2014 meeting at which the Arrangement was approved and the Board was unanimous in its recommendation. The Board's recommendation was made after considering all of the above-noted factors and in light of the Board's knowledge of the business, financial condition and prospects of WaterFurnace and the recommendation of the Independent Committee.

Opinions of Financial Advisors

BofA Merrill Lynch

In connection with its engagement as financial advisor to WaterFurnace, BofA Merrill Lynch was requested to evaluate the fairness, from a financial point of view, of the Cash Consideration to be received by holders of Common Shares under the Arrangement. At the June 22, 2014 meeting of the Board held to evaluate the Arrangement, BofA Merrill Lynch rendered to the Board an oral opinion, confirmed by delivery of a written opinion dated June 22, 2014, to the effect that, as of such date and based on and subject to various assumptions, limitations and qualifications described in such opinion, the Cash Consideration to be received by holders of Common Shares under the Arrangement was fair, from a financial point of view, to such holders.

The full text of BofA Merrill Lynch's opinion, dated June 22, 2014, to the Board is attached as Schedule "C" to this Circular. The summary of such opinion described in this Circular is qualified in its entirety by reference to the full text of such opinion.

BofA Merrill Lynch's written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by BofA Merrill Lynch in rendering its opinion. **BofA Merrill Lynch delivered its opinion to the Board for the benefit and use of the Board (in its capacity as such) in connection with and for purposes of its evaluation of the Cash Consideration from a financial point of view and did not address any other terms, aspects or implications of the Arrangement. BofA Merrill Lynch expressed no opinion or view as to the relative merits of the Arrangement in comparison to other strategies or transactions that might be available to WaterFurnace or in which WaterFurnace might engage or as to the underlying business decision of WaterFurnace to proceed with or effect the Arrangement. BofA Merrill Lynch expressed no opinion or recommendation as to how any Shareholder should vote or act in connection with the Arrangement or any other matter.**

BofA Merrill Lynch's opinion was necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to BofA Merrill Lynch as of, the date of its opinion. It should be understood that subsequent developments may affect BofA Merrill Lynch's opinion, and BofA Merrill Lynch does not have any obligation to update, revise or reaffirm its opinion.

The type and amount of consideration payable under the Arrangement was determined through negotiations between WaterFurnace and NIBE, rather than by any financial advisor, and was approved by the Board. The decision to enter into the Arrangement Agreement was solely that of the Board. As described above, BofA Merrill Lynch's opinion and analyses were only one of many factors considered by the Board in its evaluation of the Arrangement and should not be viewed as determinative of the views of the Board, the Independent Committee, management or any other party with respect to the Arrangement or the Cash Consideration payable under the Arrangement.

In connection with BofA Merrill Lynch's engagement, WaterFurnace has agreed to pay BofA Merrill Lynch a fee, a portion of which was payable upon delivery of its opinion and the principal portion of which is payable contingent upon consummation of the Arrangement. WaterFurnace also has agreed to reimburse BofA Merrill Lynch for its expenses, including fees and expenses of BofA Merrill Lynch's legal counsel, incurred in connection with BofA Merrill Lynch's engagement and to indemnify BofA Merrill Lynch and related persons against certain liabilities, including liabilities under applicable securities laws, arising out of BofA Merrill Lynch's engagement.

BofA Merrill Lynch and its affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of its businesses, BofA Merrill Lynch and its affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of WaterFurnace, NIBE and certain of their respective affiliates.

BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to WaterFurnace and certain of its affiliates and have received or in the future may receive compensation for the rendering of these services, including (i) having acted or acting as a lender under certain leasing facilities of WaterFurnace and certain of its affiliates, (ii) having provided or providing certain treasury management services and products to WaterFurnace and certain of its affiliates, and (iii) having provided or providing certain foreign exchange and other trading services for WaterFurnace and certain of its affiliates.

WaterFurnace selected BofA Merrill Lynch to act as its financial advisor in connection with the Arrangement on the basis of BofA Merrill Lynch's experience in similar transactions and its reputation in the investment community.

The Board encourages Shareholders to read BofA Merrill Lynch's opinion carefully and in its entirety. See Schedule "C" of this Circular for the full text of BofA Merrill Lynch's opinion.

Morrison Park

In connection with its engagement, Morrison Park was requested to evaluate the fairness, from a financial point of view, of the Cash Consideration to be received by Shareholders in connection with the Arrangement. At the June 22, 2014 meeting of the Independent Committee held to evaluate the Arrangement, Morrison Park rendered to the Independent Committee the MPA Fairness Opinion, provided orally and subsequently confirmed by delivery of a written opinion, to the effect that, as of the date thereof and based on and subject to various assumptions, limitations and qualifications described in the opinion, the Cash Consideration to be received by Shareholders pursuant to the Arrangement was fair, from a financial point of view, to Shareholders.

The full text of the MPA Fairness Opinion, dated June 22, 2014, is attached as Schedule "D" to this Circular. The summary of the MPA Fairness Opinion described in this Circular is qualified in its entirety by reference to the full text of the MPA Fairness Opinion.

The written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Morrison Park in rendering its opinion. **Morrison Park delivered its opinion to the Independent Committee for the benefit and use of the Independent Committee (in its capacity as such) in connection with and for purposes of its evaluation of the Cash Consideration from a financial point of view and did not address any other terms, aspects or implications of the Arrangement. Morrison Park expressed no opinion or view as to the strategic merits of the Arrangement or any alternative business strategy. Morrison Park expressed no opinion or recommendation as to how any Shareholder should vote or act in connection with the Arrangement or any other matter.**

The MPA Fairness Opinion was necessarily based on securities markets, economic, financial and general business conditions prevailing as of the date of the opinion and the condition and prospects, financial and otherwise, of WaterFurnace, its subsidiaries and other material interests as they were reflected in the information reviewed by Morrison Park. It should be understood that subsequent developments may affect Morrison Park's opinion and Morrison Park disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion of which it may become aware after the date of the opinion.

The type and amount of consideration payable under the Arrangement was determined through negotiations between WaterFurnace and NIBE, rather than by any financial advisor, and was approved by the Board upon, among other things, the recommendation of the Independent Committee. The decision to enter into the Arrangement Agreement was solely that of the Board. As described above, Morrison Park's opinion and analyses were only one of many factors considered by the Independent Committee in its evaluation of the Arrangement and in providing its recommendation to the Board and should not be viewed as determinative of the views of the Independent Committee, the Board, management or any other party with respect to the Arrangement or the consideration payable under the Arrangement.

In connection with Morrison Park's engagement, WaterFurnace has agreed to pay a fee to Morrison Park for its services. WaterFurnace has also agreed to reimburse Morrison Park for certain out-of-pocket expenses and to indemnify Morrison Park and certain related parties against certain liabilities in connection with its engagement.

The Board encourages Shareholders to read the MPA Fairness Opinion carefully and in its entirety. See Schedule "D" of this Circular for the full text of the MPA Fairness Opinion.

Description of the Arrangement

The following description of the Arrangement is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of which is attached as Schedule "B" of this Circular.

The purpose of the Arrangement is to allow NIBE to enter into a transaction with WaterFurnace providing for the acquisition by NIBE Subco of all of the shares of WaterFurnace.

If approved, the Arrangement will become effective at the Effective Time, which is expected to be at 12:01 a.m. (Eastern Daylight Time) on a date to be determined, which is expected to take place as soon as reasonably practicable following the receipt of the Final Order.

On the Effective Date, and commencing at the Effective Time, the following shall occur and shall be deemed to occur, in the following order, without any further act or formality:

1. each Common Share in respect of which Dissent Rights have been validly exercised before the Effective Time shall be transferred and deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to NIBE Subco in consideration for a debt claim against NIBE Subco in an amount determined and payable in accordance with the applicable provisions of the Plan of Arrangement, and the name of such holder will be removed from the register of holders of Common Shares (in respect of the Common Shares for which Dissent Rights have been validly exercised before the Effective Time), and NIBE Subco shall be recorded as the registered holder of the Common Shares so transferred and shall be deemed to be the legal and beneficial owner of such Common Shares free and clear of any Liens; and

2. each Common Share outstanding immediately prior to the Effective Time, other than Common Shares held by NIBE Subco and its affiliates, and other than Common Shares held (or previously held) by a Dissenting Shareholder, shall be transferred and deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to NIBE Subco in exchange for a payment in cash equal to the Cash Consideration, and the name of such holder will be removed from the register of holders of Common Shares and NIBE Subco shall be recorded as the registered holder of the Common Shares so transferred and shall be deemed to be the legal and beneficial owner thereof, free and clear of any Liens, and such payment shall be made upon the presentation and surrender by or on behalf of the holder to the Depositary (acting on behalf of NIBE Subco) of the certificate formerly representing the Common Shares and a Letter of Transmittal as more fully described in the Plan of Arrangement.

See the Plan of Arrangement attached as Schedule "B" for additional information.

Securityholder and Court Approvals

Shareholder Approval

At the Meeting, the Shareholders will be asked to consider and, if deemed advisable, approve the Arrangement Resolution set forth in Schedule "A" hereto to approve the Arrangement.

The Arrangement Resolution must be approved, with or without variation, by at least 66⅔% of the votes cast on the Arrangement Resolution by the Shareholders present in person or by proxy at the Meeting.

THE BOARD AND MANAGEMENT RECOMMEND THAT SHAREHOLDERS VOTE FOR THE ARRANGEMENT RESOLUTION. IN THE ABSENCE OF INSTRUCTIONS TO THE CONTRARY, THE PERSONS WHOSE NAMES APPEAR IN THE ATTACHED FORM OF PROXY INTEND TO VOTE FOR THE ARRANGEMENT RESOLUTION.

If the Arrangement Resolution does not receive the requisite approval, the Arrangement will not proceed. Reference is made to the section *"The Arrangement – Dissent Rights"* in this Circular for information concerning the rights of Registered Shareholders to dissent in respect of the Arrangement Resolution.

Court Approval

The Arrangement requires approval by the Court under Section 192 of the CBCA. On July 16, 2014, WaterFurnace obtained the Interim Order providing for the calling, holding and conducting of the Meeting and other procedural matters and a Notice of Application to approve the Arrangement has been filed. Copies of the Interim Order and the Notice of Application are attached as Schedule "E" and Schedule "G", respectively, to this Circular.

The Court hearing in respect of the Final Order is expected to take place at 10:00 a.m. (Eastern Daylight Time), on August 21, 2014, or as soon thereafter as counsel for WaterFurnace may be heard, at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8, subject to the approval by Shareholders of the Arrangement Resolution at the Meeting. At the hearing, the Court will consider, among other things, the fairness of the terms and conditions of the Arrangement and the rights and interests of every person affected. WaterFurnace has been advised by its legal counsel that the Court has broad discretion under the CBCA when making orders with respect to a plan of arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and procedural point of view. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit.

Under the terms of the Interim Order, each Shareholder will have the right to appear and make submissions at the application for the Final Order. Any person desiring to appear at the hearing of the application for the Final Order may do so but must comply with certain procedural requirements described in the Interim Order and in the Notice of Application, including filing an appearance with the Court on or before 5:00 p.m. (Eastern Daylight Time) on August 19, 2014, or two Business Days prior to any adjournment or postponement of the hearing of the application for the Final Order, and all materials on which he, she or it intends to rely at the application and serving same upon WaterFurnace at the address set out below, on or before 5:00 p.m. (Eastern Daylight Time) on August 20, 2014, or two Business Days prior to any adjournment or postponement of the hearing of the application for the Final Order:

Bennett Jones LLP
3400 One First Canadian Place
P.O. Box 130
Toronto, Ontario
M5X 1A4

Attention: Robert W. Staley
Facsimile: (416) 863-1716
Email: staleyr@bennettjones.com

Shareholders who wish to participate in or be represented at the Court hearing for the Final Order should consult their legal advisors as to the necessary requirements.

Dissent Rights

If you are a Registered Shareholder, you are entitled to dissent from the Arrangement Resolution in the manner provided in Section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement.

The following description of the rights of Registered Shareholders to dissent from the Arrangement Resolution is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of their Common Shares. A Registered Shareholder's failure to follow exactly the procedures set forth in the Plan of Arrangement and the Interim Order will result in the loss of such Registered Shareholder's Dissent Rights. If you are a Registered Shareholder and wish to dissent, you should obtain your own legal advice and carefully read the Plan of Arrangement, the provisions of Section 190 of the CBCA and the Interim Order which are attached to this Circular as Schedule "B", Schedule "F"

and Schedule "E", respectively. In addition to any other restrictions under Section 190 of the CBCA (as modified or supplemented by the Interim Order and any other order of the Court), holders of securities convertible for Common Shares are not entitled to exercise dissent rights.

A Registered Shareholder may exercise the Dissent Rights only in respect of all of the Common Shares that are registered in that Shareholder's name. In many cases, Common Shares beneficially owned by a Non-Registered Shareholder are registered either:

(a) in the name of an intermediary; or

(b) in the name of a clearing agency (such as CDS or similar entities) of which an intermediary is a participant.

Accordingly, a Non-Registered Shareholder will not be entitled to exercise the Dissent Rights directly unless the Common Shares are re-registered in the Non-Registered Shareholder's name.

A Non-Registered Shareholder who wishes to exercise the Dissent Rights should contact the intermediary with whom the Non-Registered Shareholder deals in respect of its Common Shares and either:

(a) instruct the intermediary to exercise the Dissent Right on the Non-Registered Shareholder's behalf (which, if the Common Shares are registered in the name of CDS or other clearing agency, would require that the Common Shares first be re-registered in the name of the intermediary); or

(b) instruct the intermediary to re-register the Common Shares in the name of the Non-Registered Shareholder, in which case, further to the registration of the Common Shares in the name of the Non-Registered Shareholder, the newly Registered Shareholder would be able to exercise the Dissent Rights directly. In this regard, the Non-Registered Shareholder will have to demonstrate that such person beneficially owned the Common Shares in respect of which the Dissent Rights are being exercised, on the Record Date established for the Meeting.

Any Dissenting Shareholder will be entitled, in the event that the Arrangement becomes effective, to be paid the fair value of the Dissenting Shares held by such Dissenting Shareholder, determined as at the close of business on the day immediately preceding the Meeting, and will not be entitled to any other payment or consideration. There can be no assurance that a Dissenting Shareholder will receive consideration for its Dissenting Shares of equal value to the consideration that such Dissenting Shareholder would have received upon completion of the Arrangement.

A Registered Shareholder who wishes to dissent must ensure that a written objection to the Arrangement Resolution (a "**Dissent Notice**") is received by WaterFurnace c/o Bennett Jones LLP, c/o Abbas Ali Khan, Bennett Jones LLP, 3400 One First Canadian Place, P.O. Box 130, Toronto, Ontario, M5X 1A4, fax: (416) 863-1716 and email: alikhana@bennettjones.com, by 9:00 a.m. (Eastern Daylight Time) on August 14, 2014, or two Business Days prior to any adjournment or postponement of the Meeting. The filing of a Dissent Notice does not deprive a Registered Shareholder of the right to vote; however, a Registered Shareholder who has submitted a Dissent Notice and who votes in favour of the Arrangement Resolution will no longer be considered a Dissenting Shareholder with respect to Common Shares voted in favour of the Arrangement Resolution. If such Dissenting Shareholder votes in favour of the Arrangement Resolution in respect of a portion of the Common Shares registered in his, her or its name and held by same on behalf of any one beneficial owner, such vote approving the Arrangement Resolution will be deemed to apply to the entirety of Common Shares held by such Dissenting Shareholder in the name of that beneficial owner, given that Section 190 of the CBCA provides there is no right of partial dissent. A vote against the Arrangement Resolution will not constitute a Dissent Notice.

It is a condition to the Arrangement that Dissent Rights with respect to more than 10% of the outstanding Common Shares shall not have been exercised.

An application may be made to the Court by NIBE Subco or by a Dissenting Shareholder to fix the fair value of the Dissenting Shareholder's Common Shares. If such an application to the Court is made by either NIBE Subco or a

Dissenting Shareholder, NIBE Subco must, unless the Court otherwise orders, send to each Dissenting Shareholder a written offer to pay such person an amount considered by NIBE Subco to be the fair value of the Common Shares held by such Dissenting Shareholders. The offer, unless the Court otherwise orders, will be sent to each Dissenting Shareholder at least 10 days before the date on which the application is returnable, if NIBE Subco is the applicant, or within 10 days after NIBE Subco is served with notice of the application, if a Dissenting Shareholder is the applicant. The offer will be made on the same terms to each Dissenting Shareholder and will be accompanied by a statement showing how the fair value was determined.

In such circumstances, a Dissenting Shareholder may make an agreement with NIBE Subco for the purchase of its Common Shares in the amount of the consideration (or otherwise) payable under the Arrangement at any time before the Court pronounces an order fixing the fair value of the Common Shares. A Dissenting Shareholder is not required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application and appraisal. On the application, the Court will make an order fixing the fair value of the Common Shares of all Dissenting Shareholders who are parties to the application, giving judgment in that amount against NIBE Subco and in favour of each of those Dissenting Shareholders, and fixing the time within which NIBE Subco must pay that amount payable to the Dissenting Shareholders. The Court may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder calculated from the date on which the Dissenting Shareholder ceases to have any rights as a Shareholder until the date of payment.

On the Arrangement becoming effective, or upon the making of an agreement between NIBE Subco and the Dissenting Shareholder as to the payment to be made to the Dissenting Shareholder, or the pronouncement of a Court order, whichever first occurs, the Dissenting Shareholder will cease to have any rights as a Shareholder other than the right to be paid the fair value of the Common Shares held by such Dissenting Shareholder in the amount agreed to between NIBE Subco and the Dissenting Shareholder or in the amount of the judgment, as the case may be. Until one of these events occurs, the Shareholder may withdraw its dissent, or if the Arrangement has not yet become effective, WaterFurnace may rescind the Arrangement Resolution and the dissent and appraisal proceedings in respect of that Dissenting Shareholder will be discontinued.

NIBE Subco shall not make a payment to a Dissenting Shareholder if there are reasonable grounds for believing that NIBE Subco is, or would after the payment be, unable to pay its liabilities as they become due, or that the realizable value of the assets of NIBE Subco would thereby be less than the aggregate of its liabilities. In such event, NIBE Subco shall notify each Dissenting Shareholder that it is lawfully unable to pay Dissenting Shareholders for their Common Shares in which case the Dissenting Shareholder may, by written notice to NIBE Subco within 30 days after receipt of such notice, withdraw its written objection, in which case such Shareholder shall, in accordance with the Interim Order, be deemed to have participated in the Arrangement as a Shareholder. If the Dissenting Shareholder does not withdraw its written objection, it retains its status as a claimant against NIBE Subco to be paid as soon as NIBE Subco is lawfully entitled to do so or, in a liquidation, to generally be ranked subordinate to creditors but prior to non-dissenting holders of Common Shares.

All Common Shares held by Registered Shareholders who exercise their Dissent Rights will, if the holders are ultimately entitled to be paid the fair value thereof, be deemed to be transferred to NIBE Subco in consideration for a claim against NIBE Subco for the fair value of such Common Shares which fair value, notwithstanding anything to the contrary contained in Part XV of the CBCA, shall be determined as of the close of business on the day before the Arrangement Resolution was adopted. If such Shareholders ultimately are not entitled, for any reason, to be paid fair value for such Common Shares, they shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Common Shares.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by Dissenting Shareholders who seek payment of the fair value of their Common Shares. Section 190 of the CBCA requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. **Accordingly, each Shareholder who is considering exercising Dissent Rights should carefully consider and comply with the provisions of that section, the full text of which is set out in Schedule "F" to this Circular, as modified by the Interim Order and the Plan of Arrangement, and consult their own legal advisors.**

THE ARRANGEMENT AGREEMENT

The following description of certain provisions of the Arrangement Agreement is a summary only, is not comprehensive and is qualified in its entirety by reference to the full text of the Arrangement Agreement which is available under WaterFurnace's issuer profile on SEDAR at www.sedar.com.

Conduct of WaterFurnace's Business Prior to the Effective Date

During the period from the date of the Arrangement Agreement to the earlier of the Effective Time and the termination of the Arrangement Agreement, WaterFurnace shall, and shall cause each of its Subsidiaries to, carry on their respective businesses in the ordinary course of the day-to-day operations of WaterFurnace consistent with past practice, comply in all material respects with the terms of all Material Contracts and use commercially reasonable efforts to comply with all applicable Laws and, to the extent consistent therewith, use commercially reasonable efforts to keep available the services of its present officers and other key employees and to preserve its assets and technology and preserve its relationships with customers, suppliers, licensors, licensees, distributors and others having material business dealings with them and maintain their material franchises, goodwill, rights and Permits, and not take certain other actions except with the prior written consent of NIBE (not to be unreasonably withheld or delayed).

Without limiting the generality of the foregoing paragraph, WaterFurnace has also covenanted with NIBE with respect to certain matters relating to the conduct of WaterFurnace's and its Subsidiaries' businesses during the period from the date of the Arrangement Agreement to the earlier of the Effective Time and the termination of the Arrangement Agreement. Such covenants contain, among other things, certain general restrictions on carrying on business other than in the ordinary course, including, subject to certain exceptions, restrictions on:

- amending WaterFurnace's or its Subsidiaries' Charter Documents or other organizational documents;
- except in accordance with past practice and the current dividend policy of WaterFurnace, declaring, setting aside or paying any dividend or other distribution or payment in respect of the Common Shares owned by any person or the securities of any Subsidiary owned by a person other than WaterFurnace;
- issuing, granting, selling or pledging or agreeing to issue, grant, sell or pledge any shares of WaterFurnace or its Subsidiaries, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of WaterFurnace or its Subsidiaries or any stock appreciation rights, phantom stock awards or other rights that are linked to the value of the Common Shares or the value of WaterFurnace or any part thereof;
- redeeming, purchasing or otherwise acquiring any of its outstanding securities or those of its Subsidiaries or any options, warrants, calls or rights to acquire any such securities;
- amending the terms of any of WaterFurnace's securities;
- adopting a plan of liquidation or resolution providing for the liquidation or dissolution of WaterFurnace or any of its Subsidiaries or undertaking any merger, consolidation or reorganization of WaterFurnace or any of its Subsidiaries;
- writing-down any of its assets or amending its accounting policies or adopting new accounting policies;
- making any material tax election or settling or compromising any material tax liability;
- splitting, combining or reclassifying any shares in its capital or other equity or voting interests, or issuing or authorizing the issuance of any other securities in respect of, in lieu of or in substitution for shares in its capital or other equity or voting interests;
- taking any action that would result in any amendment, modification or change of any term of any financial indebtedness of WaterFurnace or any of its Subsidiaries;

- selling, pledging, mortgaging, leasing, licensing, disposing of or encumbering any assets of WaterFurnace or any of its Subsidiaries having a value greater than C$250,000;

- acquiring (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or making any investment either by the purchase of securities or contributions of capital that has a value greater than C$250,000 in the aggregate;

- acquiring any material property that has a value greater than C$250,000 in the aggregate or assets of any person;

- incurring any indebtedness for borrowed money or issuing any debt securities or assuming, guaranteeing, endorsing or otherwise becoming responsible for the obligations of any other person or making any loans or advances;

- incurring any liability or obligation;

- paying, discharging or satisfying any material claims, liabilities or obligations;

- waiving, relinquishing, releasing, granting or transferring any rights of material value;

- making or committing to make capital expenditures that are, in the aggregate, in excess of C$500,000;

- modifying, amending, accelerating, terminating, cancelling, or waiving any Material Contract, or any material provision of any Contract involving its Intellectual Property, or, in either case, waiving, releasing or assigning any material rights or claims thereunder;

- entering into any lease or sublease of real property or modifying, amending or exercising any right to renew any lease or sublease of real property or acquiring any material interest in real property;

- entering into any Contracts containing any restriction on the ability of WaterFurnace or any of its Subsidiaries to assign all or any portion of its rights, interests or obligations thereunder;

- entering into any recognition agreement, Collective Agreement or similar agreement with any trade union or representative body;

- granting to any officer or director of WaterFurnace or any of its Subsidiries an increase in compensation in any form;

- settling or compromising any material action, claim or proceeding brought against WaterFurnace and/or any of its Subsidiaries or any action, claim or proceeding brought by any present, former or purported holder of its securities in connection with the Arrangement;

- entering into, extending or renewing any Contract or amendment thereof that grants any person the right or ability to access, license or use all or any portion of either its owned or licensed Intellectual Property, or any Contract providing for the services of any dealer, distributor, sales representative or similar representative;

- entering into or modifying any Contract or series of Contracts that would (i) result in any Contract having a term in excess of 12 months and that would not be terminable by WaterFurnace or any of its Subsidiaries upon notice of 180 days or less from the date of the relevant Contract or modification of Contract, or that would impose payment or other financial obligations on WaterFurnace or any of its Subsidiaries in excess of C$250,000, or (ii) otherwise have a Material Adverse Effect; or

- commencing Litigation.

In addition, WaterFurnace shall use its commercially reasonable efforts to cause the current insurance (or re-insurance) policies maintained by WaterFurnace or any of its Subsidiaries, including directors' and officers' insurance, not to be cancelled or terminated or any of the coverage thereunder to lapse.

Other Covenants

In the Arrangement Agreement, each of WaterFurnace and NIBE agree to use, and to cause its Subsidiaries to, use all commercially reasonable efforts to satisfy the conditions precedent to its respective obligations and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to complete the transactions contemplated by the Arrangement Agreement, including using its commercially reasonable efforts to: (a) obtain all regulatory approvals required to be obtained by it; (b) effect all necessary registrations, filings and submissions of information requested by Governmental Entities required to be effected by it in connection with the Arrangement; (c) oppose, lift or rescind any injunction or restraining order against it or other order or action against it seeking to stop, or otherwise adversely affecting its ability to complete, the Arrangement; and (d) cooperate with the other Party in connection with the performance by it and its Subsidiaries of their obligations under the Arrangement Agreement.

Non-Solicitation Covenants

Non-Solicitation Covenants

The Arrangement Agreement provides that WaterFurnace shall not, directly or indirectly, through any officer, director, employee, representative (including any financial or other advisor) or agent of WaterFurnace or any of its Subsidiaries (a) make, solicit, initiate, assist, encourage or otherwise facilitate (including by way of furnishing information or entering into any form of agreement) the initiation of any inquiries or proposals regarding, constituting or that may reasonably be expected to lead to, an Acquisition Proposal; provided that, for greater certainty, WaterFurnace may advise any person making an unsolicited Acquisition Proposal that such Acquisition Proposal does not constitute a Superior Proposal when the Board has so determined; (b) participate in any discussions or negotiations regarding, or provide any information with respect to, or otherwise cooperate in any way with, any effort or attempt by any other person to make or complete an Acquisition Proposal; (c) withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to NIBE, the approval or recommendation of the Board or Independent Committee of the Arrangement; (d) approve, recommend or remain neutral with respect to, or propose publicly to approve, recommend or remain neutral with respect to, any Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal until ten Business Days following the public announcement of such Acquisition Proposal shall not be considered a violation of this obligation); or (e) accept or enter into, or propose publicly to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement or undertaking in respect of an Acquisition Proposal (other than a non-disclosure and standstill agreement permitted by the Arrangement Agreement) except that the foregoing will not prevent the Board from responding to a *bona fide* written unsolicited Acquisition Proposal, in each case solely in the manner and under the circumstances set forth in the Arrangement Agreement, and in each case where the Acquisition Proposal:

(a) complies with applicable Securities Laws and did not result from a breach of any agreement between the person making such Acquisition Proposal and WaterFurnace or any of its Subsidiaries, or WaterFurnace's non-solicitation obligations pursuant to the Arrangement Agreement;

(b) is not subject to a due diligence condition;

(c) involves not less than all of the outstanding Common Shares or all or substantially all of the consolidated assets of WaterFurnace; and

(d) in respect of which the Board determines, in its good faith judgment, after consultation with its financial advisors and its outside counsel, would, if consummated in accordance with its terms, but without assuming away any risk of non-completion, result in a transaction: (i) that is reasonably capable of completion in accordance with its terms without undue delay, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal, and (ii) for which adequate financial arrangements for the funds necessary to complete such Acquisition Proposal have been demonstrated to the satisfaction of the Board, acting in good faith (after consultation with its financial advisors and legal counsel), to have been obtained and be immediately available; (iii) is not subject, either by the terms of such Acquisition Proposal or by virtue of any Law, to a requirement that the approval of the Shareholders of the person making the Acquisition Proposal be obtained in order for the Acquisition Proposal to be completed; and (iv) that is more favourable from a financial point of view to Shareholders than the Arrangement;

(any such Acquisition Proposal being referred to as a "**Superior Proposal**").

If WaterFurnace receives a request for material non-public information from a person who proposes an unsolicited *bona fide* Acquisition Proposal, and the Board determines in good faith that such proposal is, or is reasonably likely to lead to, if consummated in accordance with its terms (disregarding, for the purposes of such determination, any term of such Acquisition Proposal that provides for a due diligence investigation), a Superior Proposal, the Board may, subject to the execution by such person of a non-disclosure and standstill agreement, provide access to information with respect to WaterFurnace to the person making such Acquisition Proposal pursuant to such non-disclosure and standstill agreement, provided that WaterFurnace sends a copy of any such non-disclosure and standstill agreement to NIBE immediately upon its execution and NIBE is immediately provided with a list and copies of all information provided to such person not previously provided to NIBE and is immediately provided with access to information similar to that which was provided to such person.

Termination of Existing Discussions

The Arrangement Agreement requires that WaterFurnace will, and will cause its Subsidiaries and its representatives to, immediately terminate any existing discussions or negotiations with any parties (other than NIBE) with respect to any proposal that constitutes an Acquisition Proposal and immediately discontinue disclosure of all information, including any confidential information, or in relation to the properties, facilities, books and records of WaterFurnace or any of its Subsidiaries, to such parties, and request the return or destruction by third parties of all information provided to any third party which, at any time since March 1, 2014, has entered into a confidentiality agreement with WaterFurnace or its Subsidiaries relating to a potential Acquisition Proposal. WaterFurnace agreed, except as permitted under the Arrangement Agreement, that it shall not waive any provision of any existing confidentiality agreement relating to a potential Acquisition Proposal or any standstill agreement to which it is a party; provided, however, that the Board is not prevented from considering an Acquisition Proposal that is reasonably likely to be a Superior Proposal and accepting a Superior Proposal that might be made by any such third party in accordance with the terms of the Arrangement Agreement.

Notice to NIBE of Acquisition Proposals

WaterFurnace has agreed to immediately, and in any event within 24 hours after receipt thereof, provide oral and written notice to NIBE of any Acquisition Proposal or inquiry that could reasonably be expected to lead to an Acquisition Proposal or any request for non-public information relating to WaterFurnace or any of its Subsidiaries in connection with an Acquisition Proposal or for access to the properties, books or records of WaterFurnace or any of its Subsidiaries by any person that informs WaterFurnace or such Subsidiary that it is considering making, or has made, an Acquisition Proposal and if in writing or electronic form, a copy of such Acquisition Proposal, and if not in writing or electronic form, a description of the material terms of any such Acquisition Proposal or inquiry, and shall provide the identity of the person making any such Acquisition Proposal or inquiry and such other details of the proposal or inquiry as NIBE may reasonably request. WaterFurnace shall keep NIBE fully and promptly informed of the status, including any change to the material terms, of any such Acquisition Proposal or inquiry, and shall provide to NIBE copies of all correspondence if in writing or electronic form, and if not in writing or electronic form, a description of the material terms of such correspondence sent to WaterFurnace by or on behalf of any person making such Acquisition Proposal.

NIBE's Right to Match

WaterFurnace has agreed that that it will not accept, approve, recommend or enter into any agreement in respect of an Acquisition Proposal (other than a non-disclosure and standstill agreement permitted under the terms of the Arrangement Agreement) unless (a) an Acquisition Proposal has been made that the Board determines in good faith constitutes a Superior Proposal; (b) WaterFurnace has complied in all material respects with its non-solicitation obligations under the Arrangement Agreement; (c) WaterFurnace has provided NIBE with a notice in writing that there is an Acquisition Proposal that has been determined to be a Superior Proposal together with all documentation comprising the Superior Proposal, which written notice shall contain details regarding the value and financial terms that the Board, in consultation with its financial advisors, has determined should be ascribed to any non-cash consideration offered under such Superior Proposal (the "**Superior Proposal Documentation**"); (d) a period (the "**Response Period**") of five Business Days has elapsed from the date on which NIBE received the entirety of the Superior Proposal Documentation, and, if NIBE has proposed to amend the terms of the Arrangement in accordance with the terms of the Arrangement Agreement, the Board has determined, in good faith, after consultation with its financial advisors and outside legal counsel, that the Acquisition Proposal is a Superior Proposal compared to the terms of the Arrangement after giving effect to any offer to amend the terms of the Arrangement made by NIBE in accordance with the terms of the Arrangement Agreement; (e) WaterFurnace terminates the Arrangement Agreement; and (f) WaterFurnace has paid the Termination Fee to NIBE, if such fee is payable in the circumstances.

During the Response Period, NIBE will have the right, but not the obligation, to offer to amend the terms of the Arrangement, and WaterFurnace shall cooperate with NIBE with respect thereto, including negotiating in good faith with NIBE to make such adjustments to the terms and conditions of the Arrangement Agreement and the Arrangement as would enable NIBE to proceed with the Arrangement on such adjusted terms. The Board will review in good faith any such offer by NIBE to amend the terms of the Arrangement, including an increase in, or modification of, the consideration to be received by Shareholders, to determine whether the Acquisition Proposal to which NIBE is responding would constitute a Superior Proposal when assessed against the Arrangement as NIBE has offered to amend it. If the Board does not so determine, the Board will promptly reaffirm its recommendation of the Arrangement and enter into an amended Arrangement Agreement with NIBE reflecting NIBE's offer to amend the terms of the Arrangement. If the Board does so determine, WaterFurnace may after the end of the Response Period approve, recommend, accept or enter into an agreement, understanding or arrangement to proceed with the Superior Proposal.

Representations and Warranties

The Arrangement Agreement contains customary representations and warranties of WaterFurnace relating to certain matters including the following: organization, standing and corporate power; Subsidiaries; capital structure; authority; non-contravention; Canadian Securities Law matters; absence of certain changes and events; Litigation; Material Contracts and relationships; compliance with Laws; employee benefit plans; environmental matters; employment and labour relations; assets; taxes; properties; condition of tangible assets; inventory; Intellectual Property; insurance; brokers; schedule of fees and expenses; transactions with affiliates; United States Securities Laws; data room information; insolvency; and Competition Act.

In addition, the Arrangement Agreement contains representations and warranties of NIBE relating to certain matters including the following: organization; authority; non-contravention; insolvency; control over Common Shares; Investment Canada Act; financing; Litigation; and investment purpose.

Conditions to the Arrangement Becoming Effective

Mutual Conditions

The respective obligations of each of WaterFurnace and NIBE to effect the Arrangement is subject to the following conditions being satisfied or waived on or prior to the Effective Date:

(a) Shareholder Approval shall have been obtained.

(b) The Interim Order shall have been obtained in form and substance satisfactory to each of WaterFurnace and NIBE, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to WaterFurnace and NIBE, acting reasonably, on appeal or otherwise.

(c) The Final Order shall have been obtained in form and substance satisfactory to WaterFurnace and NIBE, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to WaterFurnace and NIBE, acting reasonably, on appeal or otherwise.

(d) The filings of WaterFurnace and NIBE pursuant to the HSR Act, if any, shall have been made and the applicable waiting period and any extensions thereof shall have expired or been terminated.

(e) No temporary restraining order, preliminary or permanent injunction or other federal, provincial or local, domestic or foreign, judgment, injunction, order, writ or decree of any Governmental Entity issued by any court of competent jurisdiction or other legal restraint or prohibition that has the effect of preventing the consummation of the Arrangement shall be in effect.

(f) No Governmental Entity shall have enacted, issued, promulgated, applied for (or advised either WaterFurnace or NIBE in writing that it has determined to make such application), made any order or enforced or entered any Law (whether temporary, preliminary or permanent) that restrains, enjoins or otherwise prohibits consummation of, or dissolves the Arrangement.

(g) The Arrangement Agreement shall not have been terminated.

Additional Conditions Precedent to the Obligations of NIBE

The obligations of NIBE are further subject to the satisfaction of the following conditions or waiver thereof by NIBE on or before the Effective Date or such other time prior as is specified below:

(a) The representations and warranties of WaterFurnace contained in the Arrangement Agreement that are qualified by materiality or Material Adverse Effect qualifications shall be true and correct (as so qualified), and the representations and warranties of WaterFurnace contained in the Arrangement Agreement that are not so qualified shall be true and correct in all material respects, in each case as of the date of the Arrangement Agreement and as of the Effective Date with the same effect as though made as of the Effective Date, except that (i) where any failure or failures of any such representations and warranties (other than those relating to capital structure) to be so true and correct in all respects would not reasonably be expected to have a Material Adverse Effect on WaterFurnace, it being a separate condition that the representations and warranties of WaterFurnace relating to capital structure must be accurate in all respects when made and, except as contemplated by the Arrangement Agreement, on and as of the Effective Time, as though made on and as of the Effective Time; and (ii) the accuracy of representations and warranties that by their terms speak as of a specified date will be determined as of such date.

(b) WaterFurnace shall have performed in all material respects all obligations required to be performed by it under the Arrangement Agreement at or prior to the Effective Date.

(c) The Supporting Shareholders shall have entered into the Voting Agreements and such Voting Agreements shall be in full force and effect.

(d) Since the date of this Agreement, there shall not have occurred a Material Adverse Effect on or with respect to WaterFurnace.

(e) All consents, waivers, and approvals required to be obtained by WaterFurnace or a Subsidiary from a counter-party to a Material Contract required in connection with, or to permit the consummation of, the Arrangement or any transaction otherwise contemplated by the Arrangement Agreement (other than consents, waivers and approvals, the failure of which to obtain would not have a Material Adverse Effect on WaterFurnace or its ability to complete the Arrangement), shall have been obtained on terms and conditions satisfactory to NIBE, acting reasonably.

(f) All required regulatory approvals shall have been obtained on terms and conditions satisfactory to NIBE, acting reasonably.

(g) There shall not have been exercised, pursuant to Article 3 of the Plan of Arrangement, Dissent Rights with respect to more than 10% of the outstanding Common Shares.

Additional Conditions Precedent to the Obligations of WaterFurnace

The obligations of WaterFurnace are further subject to the satisfaction of the following conditions or waiver thereof by WaterFurnace on or before the Effective Date or such other time prior as is specified below:

(a) The representations and warranties made by NIBE in the Arrangement Agreement that are qualified by materiality or Material Adverse Effect qualifications shall be true and correct (as so qualified) and the representations and warranties that are not so qualified shall be true and correct in all material respects, in each case as of the date of the Arrangement Agreement and as of the Effective Date as if made on and as of such date (except to the extent that such representations and warranties speak as of an earlier date or except as affected by transactions contemplated or permitted by the Arrangement Agreement or except as would not have a Material Adverse Effect on NIBE's ability to complete the transactions contemplated by the Arrangement Agreement).

(b) NIBE shall have performed in all material respects all obligations required to be performed by it under the Arrangement Agreement at or prior to the Effective Date.

(c) Prior to the Effective Date, NIBE shall have deposited or caused to be deposited with the Depositary, for the benefit of the Shareholders, and the Depositary shall have confirmed to WaterFurnace the receipt of, cash in the amount equal to the aggregate amount of the Cash Consideration payable to the Shareholders pursuant to the Plan of Arrangement.

Termination

Prior to the Effective Time, either NIBE or WaterFurnace may terminate the Arrangement Agreement if:

(a) any Law makes the making or completion of the Arrangement illegal or otherwise prohibited;

(b) the Arrangement shall not have been consummated by December 22, 2014 for any reason, provided that this termination right is not available to any Party whose action or failure to act has been a principal cause of or resulted in the failure of the Arrangement to occur on or before such date and such action or failure to act constitutes a breach of the Arrangement Agreement;

(c) the Meeting shall have been held and the Shareholder Approval shall not have been obtained thereat or at any adjournment or postponement thereof (the "**Non-Approval Termination Right**"); or

(d) subject to the notice and cure provisions under the Arrangement Agreement, if any of the mutual conditions under the Arrangement Agreement is not satisfied in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of the Arrangement Agreement by the Party seeking to terminate the Arrangement Agreement.

Prior to the Effective Time, WaterFurnace may terminate the Arrangement Agreement:

(a) subject to the notice and cure provisions under the Arrangement Agreement, if any condition precedent to the obligations of WaterFurnace is not satisfied in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of the Arrangement Agreement by WaterFurnace; or

(b) in order to enter into a binding written agreement with respect to a Superior Proposal (other than a non-disclosure and standstill agreement permitted under the Arrangement Agreement), subject to compliance with the non-solicitation and right to match provisions under the Arrangement Agreement in all material respects and provided WaterFurnace shall have paid to NIBE the Termination Fee.

Prior to the Effective Time, NIBE may terminate the Arrangement Agreement:

(a) subject to the notice and cure provisions under the Arrangement Agreement, if any condition precedent to the obligations of NIBE is not satisfied in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of the Arrangement Agreement by NIBE;

(b) if, prior to the Effective Time, (i) the Board shall have withdrawn or modified in a manner material and adverse to NIBE its recommendation of the Arrangement and the Arrangement Agreement; (ii) the Board shall have approved or recommended any Acquisition Proposal; or (iii) NIBE requests that the Board reaffirm its recommendation of the Arrangement and the Arrangement Agreement and the Board shall not have done so by the tenth Business Day following receipt of such request (the "**NIBE Termination Right**").

Prior to the Effective Time, the Arrangement Agreement may also be terminated by the written agreement of WaterFurnace and NIBE.

Termination Fee

Notwithstanding any other provision relating to the payment of fees, including the payment of brokerage fees, if the Arrangement is not consummated because:

(a) NIBE shall have terminated the Arrangement Agreement pursuant to the NIBE Termination Right;

(b) (i) a *bona fide* Acquisition Proposal shall have been made to WaterFurnace or to the Shareholders prior to the Meeting; (ii) the Arrangement Agreement is terminated pursuant to the Non-Approval Termination Right; and (iii) within 6 months of the date of the Arrangement Agreement such Acquisition Proposal is completed; or

(c) WaterFurnace shall have terminated the Arrangement Agreement in order to enter into a Superior Proposal,

then WaterFurnace shall pay to NIBE, within two Business Days of the first to occur of (a) or (b) above (or, in the case of (c) contemporaneously or prior to such termination), the amount of C$15,132,000 (the "**Termination Fee**") as liquidated damages.

THE VOTING AGREEMENTS

The following description of certain provisions of the Voting Agreements is a summary.

On June 22, 2014, prior to entering into the Arrangement Agreement, NIBE entered into the Voting Agreements with the Supporting Shareholders. The Voting Agreements set forth, among other things, the agreement of the Supporting Shareholders to cause their Subject Securities to be counted as present for the purposes of establishing a quorum at any meeting called to vote upon the Arrangement Resolution or any transactions contemplated by the

Arrangement Agreement (or at any adjournment or postponement thereof), and to vote (or cause to be voted) such Subject Securities: (a) in favour of the approval of the Arrangement Resolution and any of the transactions contemplated by the Arrangement Agreement; and (b) in favour of any other matter necessary for the consummation of the Arrangement.

Except for a meeting of Shareholders called to vote on the Arrangement Resolution, or any other resolutions approving the Arrangement or any of the transactions otherwise contemplated by the Arrangement Agreement, at any meeting of Shareholders (or any adjournment or postponement of such meeting) or in any other circumstances upon which a vote, consent or other approval of all or some of the Shareholders is sought (including by written consent in lieu of a meeting), the Supporting Shareholders will cause their Subject Securities to be counted as present for purposes of establishing a quorum and vote (or cause to be voted) such Subject Securities against:

(a) any acquisition of 20% or more of the voting securities of WaterFurnace or its Subsidiaries;

(b) any acquisition of assets (or any lease, long term supply agreement or other arrangement having an economic effect similar to a purchase or sale of assets) constituting, individually or in the aggregate, 20% or more of the fair market value of the consolidated assets of WaterFurnace and its Subsidiaries taken as a whole;

(c) an amalgamation, arrangement, merger, consolidation, recapitalization, liquidation, dissolution, reorganization or similar transaction involving WaterFurnace or involving any of its Subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the consolidated assets of WaterFurnace, other than any similar internal transaction involving only WaterFurnace and/or any of its Subsidiaries;

(d) any take-over bid, issuer bid, exchange offer; or any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the Arrangement or which would or could reasonably be expected to materially reduce the benefits to NIBE under the Arrangement, that, if consummated, would result in any person (other than WaterFurnace) beneficially owning 20% or more of the voting securities of WaterFurnace or its Subsidiaries;

(e) any amendments to WaterFurnace's articles or other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the Arrangement or which would or could reasonably be expected to materially reduce the benefits to NIBE under the Arrangement; or

(f) any action, agreement, transaction or proposal that would reasonably be expected to result in a breach of a representation, warranty, covenant or agreement or other obligation of the Supporting Shareholders under the Voting Agreements or of WaterFurnace under the Arrangement Agreement.

The Supporting Shareholders also agreed with NIBE not, directly or indirectly, through any officer, director, partner, trustee, employee, representative (including any financial or other advisor), or agent or otherwise, and not permit any such person, to:

(a) make, solicit, assist, initiate, encourage or otherwise facilitate any inquiries, proposals or offers from any person (including any of its officers or employees) relating to any Acquisition Proposal, or furnish to any person any information with respect to, or otherwise cooperate any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other person to do or seek to do any of the foregoing;

(b) engage in any discussions or negotiations regarding, or provide any information with respect to, or otherwise cooperate in any way, or assist or participate in, facilitate or encourage, any effort or attempt by any other person to make or complete any Acquisition Proposal; or

(c) accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement or undertaking related to any Acquisition Proposal,

except for the Arrangement or any of the transactions otherwise contemplated by the Arrangement Agreement.

In addition, if a Supporting Shareholder (or any of its officers, directors, partners, trustees, employees, representatives or agents) receives or otherwise becomes aware of (a) any inquiry, proposal or offer that constitutes, or could lead to, an Acquisition Proposal, (b) or any request for non-public information relating to WaterFurnace or any of its Subsidiaries or for access to the properties, books or records WaterFurnace or any of its Subsidiaries, the Supporting Shareholder must promptly provide notice to NIBE (and in any event within 24 hours), first orally and then in writing, of such inquiry, proposal, offer or request and indicate the identity of the person making such inquiry, proposal, offer or contact, all material terms thereof and such other details of the proposal, inquiry or contact known to the Supporting Shareholder, and shall include copies of any such inquiry, proposal, offer or request.

Under the terms of the Voting Agreements, the Supporting Shareholders have also agreed that, except as permitted by the Voting Agreements, they will: (a) not option, sell, transfer, pledge, encumber, grant a security interest in, hypothecate or otherwise convey or encumber their Subject Securities; (b) not grant or agree to grant any proxy, power of attorney or other right to vote any of their Subject Securities, or enter into a voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of shareholders, give consents or approvals of any kind as to their Subject Securities or take any other action which might reasonably be regarded as likely to reduce the success of, or prevent, delay or interfere with the successful completion of, the Arrangement; and (c) irrevocably waive to the fullest extent permitted by law any and all rights of appraisal or dissent with respect to any resolutions relating to the approval of the Arrangement and not exercise any such right with respect to any such resolutions.

As of June 23, 2014 (the date on which the Arrangement was announced), 3,090,191 of the issued and outstanding Common Shares were subject to the Voting Agreements, representing approximately 25% of the outstanding Common Shares.

The obligations under the Voting Agreements of the Supporting Shareholders shall terminate (a) upon the mutual written agreement of the Supporting Shareholder and NIBE; or (b) automatically upon the earlier of the Effective Time and the termination of the Arrangement Agreement by either WaterFurnace or NIBE in accordance with its terms. The Voting Agreements may also be terminated by either party (as long as such party is not in material default in the performance of its obligations) if the representations and warranties of the other party shall not be true and correct in all material respects, or the other party shall not have complied with its covenants under the Voting Agreement in all material respects. Additionally, the Voting Agreements entered into by a Supporting Shareholder who is not a director or officer of WaterFurnace may be terminated by the Supporting Shareholder if the Arrangement Agreement is amended to provide for lesser consideration per Common Share under the Arrangement without the prior written consent of the Supporting Shareholder or in any respect which is materially adverse to the Supporting Shareholder without the prior written consent of the Supporting Shareholder, provided that the terms of the Arrangement may be amended, without the consent of the Supporting Shareholder, (i) to increase the consideration (or the value of the consideration) for the Common Shares under the Arrangement, or (ii) extend the Effective Date to a date no later than the Outside Date, or (iii) to the extent that NIBE has the power to do so, to waive any condition of the Arrangement or the Arrangement Agreement.

PROCEDURE FOR EXCHANGE OF SECURITIES

Letter of Transmittal

A Letter of Transmittal printed on blue paper is being mailed, together with this Circular, to each person who was a Registered Shareholder on the Record Date. Each such Registered Shareholder must forward a properly completed and signed Letter of Transmittal, with accompanying Common Share certificate(s), if applicable, in order to receive the cash which such Shareholder is entitled to receive under the Arrangement. It is recommended that Registered

Shareholders complete, sign and return the Letter of Transmittal, with accompanying Common Share certificate(s), if applicable, to the Depositary as soon as possible.

Shareholders whose Common Shares are registered in the name of a broker, investment dealer, bank, trust company, trustee or other intermediary or nominee should contact that intermediary or nominee for assistance in depositing their Common Shares and should follow the instructions of such intermediary or nominee in order to make their election and deposit their Common Shares.

See "*Procedure for Exchange of Securities – Exchange Procedure*" below.

Exchange Procedure

Registered Shareholders

In order to receive the cash which a Registered Shareholder is entitled to receive if the Arrangement Resolution is passed and the Arrangement is completed, a Registered Shareholder must complete, sign, date and return the enclosed Letter of Transmittal in accordance with the instructions set out therein and in this Circular. The Letter of Transmittal is also available from the Depositary, Computershare Investor Services Inc., by telephone at: 1-800-564-6253 (Toll Free) or by email at: corporateactions@computershare.com; or under WaterFurnace's issuer profile on SEDAR at www.sedar.com.

Prior to the Effective Date, NIBE or NIBE Subco will deposit with the Depositary the aggregate amount of the Cash Consideration payable pursuant to the Arrangement. The Depositary will act as the agent of Registered Shareholders who have deposited Common Shares pursuant to the Arrangement for the purpose of receiving the Cash Consideration and transmitting a cheque representing the Cash Consideration payable to such persons.

Upon surrender to the Depositary of the certificate(s) that immediately prior to the Effective Time represented Common Shares, and a duly completed Letter of Transmittal and such other documents as the Depositary may require, a Former Shareholder (other than a Dissenting Shareholder) will be entitled to receive in exchange therefor, and as soon as practicable after the Effective Time the Depositary will deliver to such Former Shareholder a cheque in the amount of the Cash Consideration such Former Shareholder is entitled to receive under the Arrangement.

In the event of a transfer of ownership of Common Shares which is not registered in the securities register of WaterFurnace, the Cash Consideration for such Common Shares may be delivered to the transferee if a certificate representing such Common Shares is presented to the Depository as provided above, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable share transfer taxes have been paid.

Until surrendered, each certificate that immediately prior to the Effective Time represented Common Shares will be deemed at any time after the Effective Time to, subject to certain exceptions, represent only the right to receive upon surrender the Cash Consideration to which the holder is entitled.

The Letter of Transmittal contains complete instructions on how to exchange the certificate(s) representing Common Shares and how Shareholders will receive the Cash Consideration payable to them under the Arrangement. Shareholders should return properly completed documents, including the Letter of Transmittal, to Computershare Investor Services Inc., attention: Corporate Actions. Shareholders with questions regarding the deposit of Common Shares should contact the Depositary, Computershare Investor Services Inc., by telephone at: 1-800-564-6253 (Toll Free) or by email at: corporateactions@computershare.com. Further information with respect to the Depositary is set forth in the Letter of Transmittal. In order to receive the consideration payable to them under the Arrangement as soon as possible after the closing of the Arrangement, Registered Shareholders should submit certificate(s) representing their Common Shares and the Letter of Transmittal to the Depositary.

Registered Shareholders will not actually receive their cash until the Arrangement is completed and they have returned their properly completed documents, including the Letter of Transmittal and certificate(s) representing their Common Shares, to the Depositary.

In the event any certificate which immediately before the Effective Time represented one or more outstanding Common Shares in respect of which the holder was entitled to receive the cash pursuant to the Arrangement, is lost, stolen or destroyed, upon the making of an affidavit by the holder claiming such certificate to be lost, stolen or destroyed and the provision of any other documentation as the Depositary may reasonably require, the Depositary will deliver in exchange for such lost, stolen or destroyed certificate, the Cash Consideration to which such Registered Shareholder is entitled pursuant to the Arrangement. When authorizing such delivery of the cash which such holder is entitled to receive in exchange for such lost, stolen or destroyed certificate, the holder to whom such cash is to be delivered shall, at the sole discretion of NIBE Subco, give a bond satisfactory to NIBE Subco in such sum as NIBE Subco may direct or otherwise indemnify the Depository and NIBE Subco in a manner satisfactory to each of them against any claim that may be made against the Depository or NIBE Subco with respect to the certificate alleged to have been lost, stolen or destroyed.

Where a certificate representing Common Shares has been destroyed, lost or stolen, the Registered Shareholder of that certificate should immediately contact the Depositary, Computershare Investor Services Inc., by telephone at: 1-800-564-6253 (Toll Free) or by email at: corporateactions@computershare.com.

Registered Shareholders may also contact CST Phoenix Advisors by telephone at: 1-800-240-0617 (North American Toll Free) or 1-201-806-2222 (Collect Outside North America); or by email at: inquiries@phoenixadvisorscst.com.

Non-Registered Shareholders

The exchange of Common Shares for the Cash Consideration in respect of Non-Registered Shareholders is expected to be made with the Non-Registered Shareholder's broker, securities dealer, trust, corporation or other intermediary account through the procedures in place for such purposes between CDS and such intermediaries. Non-Registered Shareholders should contact their intermediary if they have any questions regarding this process and to arrange for their intermediary to complete the necessary steps to ensure that they receive payment for their securities as soon as possible following completion of the Arrangement.

See *"The Arrangement – Description of the Arrangement"*.

Cancellation of Rights after Six Years

To the extent that a Former Shareholder has not complied with the provisions of the Arrangement described under the heading *"Procedure for Exchange of Securities – Exchange Procedure"* on or before the date that is six years after the Effective Date (the "**Final Proscription Date**"), then such Former Shareholder's interest in the Cash Consideration which such Former Shareholder was entitled to receive shall be forfeited to NIBE Subco as of such Final Proscription Date and the Former Shareholder will thereafter have no right to receive the Cash Consideration.

The foregoing information is a summary only. For further details of procedures, see the Plan of Arrangement attached as Schedule "B" to this Circular.

Withholding Rights

WaterFurnace, the Depositary, NIBE or NIBE Subco, as the case may be, shall be entitled to deduct and withhold from any amount otherwise payable pursuant to the Plan of Arrangement to any holder of Common Shares, such amounts as are required to be deducted and withheld with respect to the making of such payment under the Tax Act, the Code, or any provision of local, state, provincial or foreign tax Law, in each case, as amended, or the administrative practice of the relevant Governmental Entity administering such Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of the Arrangement Agreement and the Plan of Arrangement as having been paid to the former holder of the Common Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority within the time required and in accordance with applicable Laws.

SECURITIES LAW MATTERS

The following is a brief summary of the Canadian securities law considerations applying to the transactions contemplated herein not discussed elsewhere in this Circular.

Canadian Securities Laws

De-listing of the Common Shares

WaterFurnace is a reporting issuer in the provinces of British Columbia and Ontario. The Common Shares are currently listed on the TSX. Following completion of the Arrangement, WaterFurnace will be a wholly-owned subsidiary of NIBE Subco and it is anticipated that the Common Shares held by NIBE Subco will be delisted from the TSX and that NIBE will apply to the applicable Canadian securities regulators to have WaterFurnace cease to be a reporting issuer.

Multilateral Instrument 61-101

As a reporting issuer in Ontario, WaterFurnace is subject to MI 61-101. MI 61-101 is intended to regulate transactions which raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations, in order to ensure the protection and fair treatment of minority shareholders.

The Arrangement does not constitute an issuer bid, an insider bid or a related party transaction. In assessing whether the Arrangement could be considered to be a "business combination" for the purposes of MI 61-101, WaterFurnace reviewed all benefits or payments which related parties of WaterFurnace are entitled to receive, directly or indirectly, as a consequence of the Arrangement to determine whether any constituted a "collateral benefit". For these purposes, WaterFurnace determined that the only related parties of WaterFurnace that are entitled to receive a benefit, directly or indirectly, as a consequence of the Arrangement are certain senior officers and directors of WaterFurnace and its Subsidiaries who will be entitled to receive change of control and other payments in connection with their employment with WaterFurnace and/or its Subsidiaries, as described below.

The completion of the Arrangement will constitute a "change of control event" as defined in the WaterFurnace DCP. Pursuant to the adoption agreements effecting the WaterFurnace DCP (the "**Adoption Agreements**"), vesting of unvested entitlements occurs upon a "change of control event". Each of the participants under the WaterFurnace DCP will be entitled to have all of their unvested amounts become vested upon the completion of the Arrangement. Additionally, a "change of control event" is designated as a "qualifying distribution event" under the Adoption Agreement of Tom Huntington (a director, and the President and Chief Executive Officer of WaterFurnace), as a consequence of which Mr. Huntington will become entitled to be paid the vested balance in his WaterFurnace DCP account as a lump sum payment upon the completion of the Arrangement.

The employment agreement between Tom Huntington and WaterFurnace International, Inc. ("**WFI**"), a wholly-owned Subsidiary of WaterFurnace, similarly provides that, upon a "change of control" (as defined in such employment agreement), the unvested installments of the annual deferred compensation to which Mr. Huntington is entitled under his employment agreement shall become vested immediately and Mr. Huntington shall be entitled to a lump sum distribution (the "**DCP Distribution**") from his WaterFurnace DCP account in accordance with the terms of the WaterFurnace DCP.

As a result of the "change of control" provisions under the Adoption Agreement effecting the WaterFurnace DCP for each of the participants other than Mr. Huntington, under the Arrangement, certain senior officers of WaterFurnace and its Subsidiaries will become entitled to have the unvested entitlements in their WaterFurnace DCP accounts become vested. They will, however, not become entitled to a lump sum payment of such amounts or of any part of their WaterFurnace DCP account balances solely as a result of the Arrangement.

WaterFurnace has approved a transition of 2014 bonus programs which would result in bonuses accrued to each of the employees of WaterFurnace, including the senior officers, becoming payable in connection with the completion of the Arrangement (the "**Bonus Distributions**").

The following table outlines, for each of the directors and senior officers of WaterFurnace and its Subsidiaries, and for any former director or senior officer of WaterFurnace who was a director or senior officer of WaterFurnace at any time since the beginning of WaterFurnace's last financial year, (a) the number of Common Shares held by such director or officer and, after reasonable enquiry, by their respective associates and affiliates, (b) the amount of the Cash Consideration which such director or officer will be entitled to receive under the Arrangement as a result of holding such number of Common Shares, (c) the total amount in the WaterFurnace DCP account of such director or officer, (d) the total amount in the WaterFurnace DCP account of such director or officer which has become vested as at the date of this Circular, (e) the total amount, as at the date of this Circular, in the WaterFurnace DCP account of such director or officer which has not yet become vested and which will become vested solely as a result of the Arrangement pursuant to the "change of control" provisions under the WaterFurnace DCP and the Adoption Agreements, (f) the total amount, as at the date of this Circular, in the WaterFurnace DCP account of such director or officer which will become payable as a lump sum payment to such director or officer solely as a result of the Arrangement pursuant to the "change of control" provisions under the WaterFurnace DCP and the Adoption Agreements, (g) the estimated amount of accrued bonus that will become payable to such director or officer in connection with the Arrangement, and (h) the estimated total lump sum which will become payable to such director or officer solely as a result of the Arrangement. As at the date of this Circular, there were 12,362,718 Common Shares outstanding.

Name and Title	**Number of Common Shares**	**Value of Cash Consideration (C$)**	**WFI DCP Account Balance (Total) (US$)**	**WFI DCP Account Balance (Vested) (US$)**	**WFI DCP Account Balance (Unvested) (US$)**	**DCP Distribution Payable on Change of Control (US$)**	**Bonus Distribution Payable on Change of Control (US$)**	**Total Lump Sum Payable on Change of Control (US$)**
Thomas F. Huntington – Director, President and Chief Executive Officer	100	3,060	3,286,464	3,286,464	-	3,286,464	316,201	**3,602,665**
Timothy E. Shields, Director and Chairman	521,205	15,948,873	-	-	-	-	-	-
Thomas C. Dawson, Director	34,000	1,040,400	-	-	-	-	-	-
Charles R. Diltz, Director	26,000	795,600	712,880	712,880	-	-	-	-
Jeffery C. Lozon, Director(1)	-	-	-	-	-	-	-	-
Fred Andriano, Chief Financial Officer	-	-	383,340	290,039	93,301	-	77,895	**77,895**
David Day, former Director(2)	39,000	1,193,400	-	-	-	-	-	-
Herb Batrouny(3)	-	-	272,555	46,179	226,376	-	83,577	**83,577**
John Groulik(4)	-	-	552,531	454,800	97,731	-	81,413	**81,413**
Bob Brown(5)	-	-	286,069	192,903	93,166	-	75,866	**75,866**
Rick Hoffmann(6)	-	-	129,108	40,389	88,719	-	67,084	**67,084**
Michael Albertson(7)	200	6,120	360,086	248,062	112,024	-	81,931	**81,931**
Mark Bayliss(8)	-	-	-	-	-	-	10,432	**10,432**
Donald Tsang(9)	-	-	-	-	-	-	-	-
Total	**620,505**	**18,987,453**	**5,983,033**	**5,271,716**	**711,317**	**3,286,464**	**794,399**	**4,080,863**

Notes:

(1) Jeffery C. Lozon was appointed a director of WaterFurnace in May 2014.
(2) David Day resigned as a director of WaterFurnace in May 2014.
(3) Herb Batrouny serves as the Sr. V.P. Asia Pacific Operations and Sourcing of WFI (a Subsidiary of WaterFurnace).
(4) John Groulik serves as the Sr. V.P. of Operations of WFI (a Subsidiary of WaterFurnace).
(5) Bob Brown serves as the V.P. of Engineering and Product Development of WFI (a Subsidiary of WaterFurnace).
(6) Rick Hoffmann serves as the V.P. of Administration of WFI (a Subsidiary of WaterFurnace).
(7) Michael Albertson serves as the Sr. V.P. of Sales and Marketing of WFI (a Subsidiary of WaterFurnace).
(8) Mark Bayliss serves as a director of Hyper Engineering Pty. Ltd. and WaterFurnace International Asia Pacific Pty. Ltd. (each being a Subsidiary of WaterFurnace).
(9) Donald Tsang serves as a director of WaterFurnace International Hong Kong Ltd. (a Subsidiary of WaterFurnace).

As at the date of this Circular, it is estimated that, under the Arrangement:

- Mr. Huntington will become entitled to receive a lump sum payment of US$3,602,665, representing the sum of (a) a DCP Distribution of US$3,286,464, representing the entire balance of his WaterFurnace DCP account, and (b) a Bonus Distribution of US$316,201;

- Mr. Andriano will become entitled to receive a lump sum payment of US$77,895, representing the Bonus Distribution to which he is entitled; and

- Mr. Batrouny will become entitled to receive a lump sum payment of US$83,577, representing the Bonus Distribution to which he is entitled.

Timothy Shields, Thomas Dawson and Jeffery Lozon are directors of WaterFurnace, but are not participants in the WaterFurnace DCP. Charles Diltz is a participant under the WaterFurnace DCP, but his entire account balance has been vested and he will not become entitled to receive any lump sum payment in respect of such balance in connection with the Arrangement.

As a result, the only related parties that are entitled to receive a benefit in connection with the Arrangement are Mr. Huntington, Mr. Andriano and Mr. Batrouny.

The benefit received by Mr. Huntington will fall within an exception to the definition of "collateral benefit" for the purposes of MI 61-101, since the benefit will be received solely in connection with Mr. Huntington's services as an employee and director of WaterFurnace and of affiliated entities of WaterFurnace, will not be conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to Mr. Huntington for his Common Shares, will not be conditional on Mr. Huntington supporting the Arrangement in any manner and, at the time of the entering into of the Arrangement Agreement, Mr. Huntington and his associated entities beneficially owned or exercised control or direction over less than 1% of the outstanding Common Shares, as calculated in accordance with MI 61-101.

The benefit received by Mr. Andriano similarly will fall within an exception to the definition of "collateral benefit" for the purposes of MI 61-101, since the benefit will be received solely in connection with Mr. Andriano's services as an employee of WaterFurnace and of affiliated entities of WaterFurnace, will not be conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to Mr. Andriano for any Common Shares, will not be conditional on Mr. Andriano supporting the Arrangement in any manner and, at the time of the entering into of the Arrangement Agreement, Mr. Andriano and his associated entities beneficially owned or exercised control or direction over less than 1% of the outstanding Common Shares, as calculated in accordance with MI 61-101.

Finally, the benefit received by Mr. Batrouny will also fall within an exception to the definition of "collateral benefit" for the purposes of MI 61-101, since the benefit will be received solely in connection with Mr. Batrouny's services as an employee of affiliated entities of WaterFurnace, will not be conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to Mr. Batrouny for any Common Shares, will not be conditional on Mr. Batrouny supporting the Arrangement in any manner and, at the time of the entering into of the

Arrangement Agreement, Mr. Batrouny and his associated entities beneficially owned or exercised control or direction over less than 1% of the outstanding Common Shares, as calculated in accordance with MI 61-101.

Accordingly, such benefits are not "collateral benefits" for the purposes of MI 61-101 and, as no person that is a related party of WaterFurnace is entitled to receive, as a consequence of the Arrangement, a "collateral benefit", the Arrangement will not constitute a "business combination" for the purposes of MI 61-101.

REGULATORY MATTERS

Competition Act

Under the *Competition Act* (Canada), the acquisition of voting shares of a corporation that carries on an operating business in Canada may require pre-merger notification if certain size of parties and size of transaction thresholds are exceeded. It has been determined that no pre-merger notification is required in respect of the Arrangement. Whether or not a transaction is notifiable, the Commissioner of Competition (Canada) may challenge a transaction for up to one year after the transaction has been substantially completed if he is of the view that the transaction will lead to a substantial lessening or prevention of competition in a relevant market in Canada.

Investment Canada Act

Under Part IV of the ICA, certain transactions involving the acquisition of control of a Canadian business by a non-Canadian entity that exceed prescribed monetary thresholds are subject to review and cannot be implemented unless the Minister of Industry (Canada) ("**Minister**") is satisfied or is deemed to be satisfied that the acquisition is likely to be of net benefit to Canada. Where a transaction is subject to the review requirement ("**Reviewable Transaction**"), an application for review must be filed with the Director of Investments, and the Minister is then required to determine whether the Reviewable Transaction is likely to be of net benefit to Canada. The ICA contemplates an initial review period of 45 days after filing; however, if the Minister has not completed the review by that date, the Minister may unilaterally extend the review period by up to 30 days (or such longer period as the Minister and applicant may agree) to permit completion of the review. If the Minister determines that he is not satisfied that a Reviewable Transaction is likely to be of net benefit to Canada, the Reviewable Transaction may not be implemented.

The acquisition of control of WaterFurnace contemplated by the Arrangement does not exceed the current relevant monetary threshold and is therefore not a Reviewable Transaction. As a result, NIBE will only be required to file a notification form under Part III of the ICA within 30 days of closing.

Under Part IV.1 of the ICA, investments by non-Canadians to acquire control of a Canadian business can be made subject to review and approval on grounds that the investment could be injurious to national security. The Governor in Council may take any measures in respect of the investment that the Governor in Council considers advisable to protect national security, including: (a) directing the purchaser not to implement the investment; (b) authorizing the investment on condition that the non-Canadian (i) give any written undertakings to Her Majesty in right of Canada relating to the investment that the Governor in Council considers necessary in the circumstances, or (ii) implement the investment on the terms and conditions contained in the order; or (c) requiring the purchaser to divest itself of control of the Canadian business or of its investment in the entity. In order to trigger a national security review, within 45 days of the date on which the notification or application for review has been filed and certified as complete, either (a) the Governor in Council must order a review of the transaction or (b) the Minister must issue a notice to the purchaser indicating that a review may be necessary on grounds of national security, in which case the Governor in Council has 25 days from the date of such notice to order a review.

***Hart-Scott-Rodino Antitrust Improvements Act of 1976* (United States)**

Under the HSR Act, and the related rules and regulations that have been issued by the U.S. Federal Trade Commission (the "**FTC**"), the transactions contemplated by the Arrangement Agreement may not be consummated until the expiration or termination of a waiting period following the filing of required information and documentary material with the FTC and the Antitrust Division of the U.S. Department of Justice (the "**Antitrust Division**"). On

July 7, 2014, NIBE and WaterFurnace filed Notification and Report Forms under the HSR Act with the FTC and the Antitrust Division in connection with the Arrangement Agreement. The initial waiting period will expire at 11:59 p.m. (Eastern Time) on August 6, 2014, unless (a) the Parties receive a request for additional information or documentary material or (b) the FTC and the Antitrust Division grant early termination of the waiting period prior to that time. If, within the 30-calendar-day waiting period, either the FTC or the Antitrust Division requests additional information or documentary material, the waiting period would be extended for an additional period of 30 calendar days following the date of substantial compliance with that request. The FTC and the Antitrust Division may terminate the extended waiting period before its expiration. Only one extension of the waiting period pursuant to a request for additional information is authorized by the HSR Act. After that time, the waiting period could be extended only by court order or with the Parties' consent.

CERTAIN CANADIAN TAX CONSIDERATIONS FOR SHAREHOLDERS

Certain Canadian Federal Income Tax Considerations

The following is, as of the date of this Circular, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a beneficial owner of Common Shares who disposes Common Shares pursuant to the Arrangement. This summary is applicable to shareholders (other than partnerships) and who, at all relevant times, for purposes of the application of the Tax Act: (a) deals at arm's length with WaterFurnace and NIBE; (b) is not affiliated with WaterFurnace or NIBE; and (c) holds the Common Shares as capital property (each such person a "**Holder**"). Generally, the Common Shares will be considered a capital property to a Holder provided the Holder does not hold those shares in the course of carrying on a business of buying and selling securities and have not been acquired in one or more transactions considered to be or as part of an adventure or concern in the nature of trade.

This summary does not address all issues relevant to Holders who acquired their Common Shares on the exercise of a stock option. Such Holders should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act and the Regulations thereunder in force on the date of this Circular and the current published administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") publicly available prior to the date of this Circular and counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. Except for the Proposed Amendments, this summary does not otherwise take into account or anticipate any changes in law or administrative policies or assessing practices whether by legislative, regulatory, administrative or judicial action or decision nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may be different significantly from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. This summary is not exhaustive of all Canadian federal income tax considerations applicable to a Holder in respect of the transactions described herein. Accordingly, Holders should consult their own tax advisors having regard to their own particular circumstances.

For purposes of the Tax Act, all amounts not otherwise in Canadian dollars relating to the acquisition, holding or disposition of the Common Shares must be converted into Canadian dollars based on exchange rates as determined in accordance with the Tax Act. The amount of capital gains or capital losses realized by a Holder may be affected by fluctuations in the Canadian/U.S. dollar exchange rate.

Holders Resident in Canada

This portion of the summary is applicable to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable tax treaty, is, or is deemed to be, resident in Canada (a "**Resident Holder**").

Certain Resident Holders who might not otherwise be considered to hold their Common Shares as capital property may, in certain circumstances, be entitled to make an irrevocable election permitted by subsection 39(4) of the Tax Act, the effect of which may be to deem to be capital property any Common Shares (and all other "Canadian securities", as defined in the Tax Act) owned by such Resident Holder in the taxation year in which the election is made and in all subsequent taxation years. Resident Holders whose Common Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election.

This portion of the summary is not applicable to (i) a Resident Holder that is a "financial institution" (as defined in the Tax Act for purposes of the mark to market rules), (ii) a Resident Holder an interest in which is a "tax shelter investment" (as defined in the Tax Act), (iii) a Resident Holder that is a "specified financial institution (as defined in the Tax Act) (iv) a Resident Holder that has made the "functional currency" election under section 261 of the Tax Act, or (v) a Resident Holder that has entered into, or enters into, a "derivative forward agreement" (as defined in the Tax Act). Such Resident Holders should consult their own tax advisors.

Generally, a Resident Holder who disposes of Common Shares pursuant to the Arrangement will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the Common Shares immediately before the disposition.

Generally, a Resident Holder is required to include in computing its income for a taxation year one half of the amount of any capital gain (a "**taxable capital gain**"). Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized by the Resident Holder in the year and allowable capital losses in excess of taxable capital gains may generally be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of any dividends received (or deemed to be received) by it on such Common Share to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a Common Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable for an additional refundable tax of 6⅔% on certain investment income, including taxable capital gains realized, in respect of the Common Shares.

A capital gain realized by a Resident Holder who is an individual (other than certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. A Resident Holder who is an individual should contact his or her own tax advisor in this regard.

A Resident Holder who properly exercises Dissent Rights (a "**Resident Dissenting Holder**") will be entitled, if the Arrangement becomes effective, to be paid the fair value of the Common Shares held by such Resident Dissenting Holder.

A Resident Dissenting Holder who receives a cash payment in respect of the fair value of the Resident Dissenting Holder's Common Shares will be deemed to have disposed of the Common Shares for proceeds of disposition equal to the amount received by the Resident Dissenting Holder (excluding the amount of any interest awarded by a court). As a result, such Resident Dissenting Holder will generally realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition (excluding any interest awarded by a court) net of any reasonable costs of disposition exceed (or are less than) the adjusted cost base to the Resident Dissenting Holder of such Common Shares immediately before the disposition. See the disclosure above for a description of the tax treatment of capital gains and losses.

Interest awarded to a Resident Dissenting Holder by a court will be included in the Resident Dissenting Holder's income for the purposes of the Tax Act.

Additional income tax considerations may be relevant to Resident Dissenting Holders who fail to perfect or withdraw their claims pursuant to the Dissent Rights. Resident Dissenting Holders should consult their own tax advisors.

Holders Not Resident in Canada

This portion of the summary is applicable to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty, has not been and is not, and is not deemed to be, resident in Canada and does not use or hold and is not deemed to use or hold the Common Shares in a business carried on in Canada (a "**Non-Resident Holder**"). This portion of the summary is not applicable to Non-Resident Holders that are: (i) insurers carrying on an insurance business in Canada and elsewhere; (ii) "financial institutions" (as defined in the Tax Act); or (iii) "authorized foreign banks" (as defined in the Tax Act).

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition of Common Shares unless the Common Shares are "taxable Canadian property" to the Non-Resident Holder for purposes of the Tax Act and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty between Canada and the country in which the Non-Resident Holder is resident.

Generally, the Common Shares will not constitute taxable Canadian property to a Non-Resident Holder at the time of disposition provided that the Common Shares are listed on a designated stock exchange (which includes the TSX) at that time unless at any time during the 60-month period that ends at that time (a) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, partnerships in which the Non-Resident Holder or any person who does not deal at arm's length with the Non-Resident Holder holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons and partnerships, owned 25% or more of the issued shares of any class or series of the capital stock of WaterFurnace and (b) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act), and options in respect of or interests in, or for civil law rights in, any such properties whether or not such properties exist. Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, Common Shares could be deemed to be taxable Canadian property.

Non-Resident Holders whose Common Shares are taxable Canadian property should consult their own tax advisors for advice having regard to their particular circumstances.

A Non-Resident Holder who holds Common Shares that are not "taxable Canadian property" to such holder and who exercises Dissent Rights will not be subject to tax under the Tax Act in respect of any capital gain or loss arising on the disposition of the Common Shares. An amount paid in respect of interest to a Non-Resident Holder who exercises Dissent Rights will generally not be subject to Canadian withholding tax.

Non-Resident Holders who hold Common Shares that are "taxable Canadian property" to such holders or who exercise Dissent Rights should consult their own tax advisor.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR U.S. HOLDERS

Certain U.S. Federal Income Tax Considerations for U.S. Holders

The following is a general summary of material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) with respect to the Arrangement. This summary is for general information purposes only and is not a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the Arrangement. This summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S.

Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences to U.S. Holders of the Arrangement. Except as discussed below, this summary does not discuss reporting requirements. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal income, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences of the Arrangement based on such U.S. Holders' particular circumstances.

No legal opinion from U.S. legal counsel or ruling from the IRS has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Arrangement. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Scope of this Disclosure

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "**U.S. Treaty**"), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this Circular. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

This summary does not address the U.S. federal income tax considerations of the Arrangement to U.S. Holders that are subject to special provisions under the Code, including U.S. Holders: (a) that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) that are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) that have a "functional currency" other than the U.S. dollar; (e) that own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) that acquired Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) that hold Common Shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); and (h) that own, directly, indirectly, or by attribution, 5% or more, by voting power or value, of the outstanding Common Shares. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the United States; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Tax Act; (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold Common Shares in connection with carrying on a business in Canada; or (d) persons that have a permanent establishment in Canada for the purposes of the U.S. Treaty. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisor regarding the U.S. and non-U.S. tax consequences relating to the Arrangement.

If an entity that is classified as a partnership (or "pass-through" entity) for U.S. federal income tax purposes holds Common Shares, the U.S. federal income tax consequences to such partnership and the partners of such partnership of participating in the Arrangement generally will depend in part on the activities of the partnership and the status of such partners. This summary does not address the tax consequences to any such partner or partnership. Partners of entities that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement.

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of Common Shares participating in the Arrangement or exercising Dissent Rights pursuant to the Arrangement that is:

- an individual who is treated as a citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (a) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (b) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

U.S. Federal Income Tax Consequences of the Arrangement

The Arrangement will be a fully taxable event to a U.S. Holder and, subject to the PFIC (as defined below) rules discussed below, a U.S. Holder of Common Shares will recognize gain or loss equal to the difference, if any, between (i) the Arrangement Consideration and (ii) the adjusted tax basis of such U.S. Holder in the Common Shares surrendered.

Subject to the PFIC rules discussed below, any gain or loss recognized by the U.S. Holder will be short-term capital gain or loss, unless the holding period for the Common Shares exchanged was more than one year at the closing of the Arrangement, in which case any gain or loss recognized will be long-term capital gain or loss. Preferential tax rates for long-term capital gains are generally applicable to a U.S. Holder that is an individual, estate or trust. There are no preferential tax rates for long-term capital gains for a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

A U.S. Holder that exercises Dissent Rights in connection with the Arrangement and is paid cash in exchange for all of such U.S. Holder's Common Shares generally will recognize gain or loss in an amount equal to the difference, if any, between (a) the value of the cash received by such U.S. Holder in exchange for Common Shares (other than amounts, if any, that are or are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income) and (b) the adjusted tax basis of such U.S. Holder in such Common Shares surrendered. Subject to the PFIC rules discussed below, such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if such Common Shares have been held for more than one year. Preferential tax rates generally apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. Deductions for capital losses are subject to significant limitations under the Code.

The U.S. dollar value of any cash payment in Canadian dollars to a U.S. Holder will be translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the payment, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to their U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that will be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Tax Consequences Under the Passive Foreign Investment Company Rules

A foreign corporation generally will be considered a passive foreign investment company ("**PFIC**") if, for a given tax year, (a) 75% or more of the gross income of the corporation for such tax year is passive income or (b) 50% or more of the value of the corporation's assets either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets. With respect to sales by a corporation, "gross income" generally includes sales revenues less cost of goods sold, plus income from investments and from incidental or outside operations or sources. "Passive income" includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions.

For purposes of the PFIC income test and assets test described above, if a corporation owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the first corporation will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and assets test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by a corporation from a "related person", to the extent such items are properly allocable to the income of such related person that is not passive income.

Based on available financial information, WaterFurnace believes it has not been a PFIC for any of its prior tax years and does not expect to be a PFIC for the current tax year and the tax year in which the Arrangement occurs. However, PFIC status is fundamentally factual in nature, generally cannot be determined until the close of the taxable year in question and is determined annually. Additionally, the analysis depends, in part, on complex U.S. federal income tax rules which are subject to varying interpretations. Consequently, there can be no assurances regarding the PFIC status of WaterFurnace for any prior tax year or the current year. If WaterFurnace was a PFIC at any time during a U.S. Holder's holding period for the Common Shares, then the tax consequences of disposing of such Common Shares, as discussed above, will be significantly modified by the PFIC rules discussed below.

A U.S. Holder of Common Shares would be subject to special tax rules in respect of the Arrangement if WaterFurnace were classified as a PFIC for any taxable year during which a U.S. Holder holds or held Common Shares. In such event: (a) any gain on the exchange of Common Shares for cash would be allocated ratably over such U.S. Holder's holding period for the Common Shares; (b) the amount allocated to the current taxable year and any year prior to the first year in which WaterFurnace was classified as a PFIC would be taxed as ordinary income in the current year; (c) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for each such other year; and (d) an interest charge for a deemed deferral benefit would be imposed with respect to the resulting tax attributable to each of the other taxable years, which interest charge is not deductible by non-corporate U.S. Holders.

If WaterFurnace were a PFIC, the rules described above would not apply to the disposition of Common Shares by a U.S. Holder that had made a "mark to market" election or a qualified electing fund ("**QEF**") election with respect to its Common Shares. It is not expected that a U.S. Holder will have made or be able to make a QEF election because WaterFurnace has not provided U.S. Holders with the information necessary to make a QEF election. Any U.S. Holder that has made either such election should consult with its own tax advisor.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisor regarding the PFIC rules, the elections which may be available to it and how the PFIC rules may affect the U.S. federal income tax consequences relating to the ownership of the Common Shares and the Arrangement.

Other Considerations

Foreign Tax Credit

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement may be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a tax year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's foreign source taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source". Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty and if an election is properly made under the Code. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisor regarding the foreign tax credit rules.

Additional Tax on Passive Income

Individuals, estates and certain trusts whose income exceeds certain thresholds will be required to pay a 3.8% surtax on "net investment income" including, among other things, dividends and net gain from disposition of property (other than property held in certain trades or businesses). U.S. Holders should consult with their own tax advisors regarding the effect, if any, of this tax on their disposition of Common Shares pursuant to the Arrangement.

Information Reporting and Backup Withholding Tax

Payments made within the United States or by a U.S. payor or U.S. middleman, of proceeds arising from the sale or other taxable disposition of Common Shares in connection with the Arrangement (including, but not limited to, payments made to U.S. Holders exercising Dissent Rights under the Arrangement) generally may be subject to information reporting and backup withholding tax, at the current rate of 28%, if a U.S. Holder (i) fails to furnish its correct U.S. taxpayer identification number (generally on Form W-9), (ii) furnishes an incorrect U.S. taxpayer identification number, (iii) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (iv) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO U.S. HOLDERS OF COMMON SHARES WITH RESPECT TO THE DISPOSITION OF THOSE COMMON SHARES PURSUANT TO THE ARRANGEMENT. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN THEIR PARTICULAR CIRCUMSTANCES.

EACH U.S. HOLDER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS CIRCULAR IS NOT INTENDED OR WRITTEN BY US TO BE RELIED UPON, AND SHOULD NOT BE RELIED UPON, BY A U.S. HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH U.S. HOLDER UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS CIRCULAR; AND (C) EACH U.S. HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

NOTICE TO NON-CANADIAN SHAREHOLDERS

It is strongly recommended that all Shareholders who are not Resident Holders consult their own legal and tax advisors with respect to the income tax consequences applicable in their place of residency of the disposition of their Common Shares.

INTERESTS OF DIRECTORS AND OFFICERS OF WATERFURNACE IN THE ARRANGEMENT

In considering the recommendation of the Board, Shareholders should be aware that certain senior officers and directors of WaterFurnace and its Subsidiaries have interests in the Arrangement or may receive benefits that may differ from, or be in addition to, the interests of Shareholders generally.

Change of Control Payments

All benefits received, or to be received, by directors or senior officers of WaterFurnace and its Subsidiaries as a result of the Arrangement are, and will be, solely in connection with their services as directors or employees of WaterFurnace and/or its Subsidiaries. No benefit has been, or will be, conferred for the purpose of increasing the value of consideration payable to any such person for Common Shares, nor is it, or will it be, conditional on the person supporting the Arrangement.

WaterFurnace has in place employment agreements with certain WaterFurnace officers which include change of control and termination provisions. The WaterFurnace DCP also includes change of control provisions. Furthermore, WaterFurnace has approved a transition of 2014 bonus programs which would result in bonuses accrued to all employees of WaterFurnace (including the senior officers) becoming payable to them in connection with the completion of the Arrangement. See *"Securities Law Matters – Canadian Securities Laws – Multilateral Instrument 61-101"*.

Shareholdings

For a description of the shareholdings of the senior officers and directors of WaterFurnace and its Subsidiaries, see *"Securities Law Matters – Canadian Securities Laws – Multilateral Instrument 61-101"*.

Other Interests

WaterFurnace has agreed, prior to the Effective Time, to obtain and fully pay, for a period of six years from the Effective Date, the premium of the existing (or equivalent) policy, with coverages for directors, officers and organization liability, employment practices liability and fiduciary liability.

NIBE has agreed that all rights to indemnification or exculpation now existing in favour of present and former officers and directors of WaterFurnace and its Subsidiaries pursuant to the indemnification agreements currently in effect shall survive the completion of the Arrangement and shall continue in full force and effect for a period of not less than six years from the Effective Date.

RISK FACTORS

Risk Factors Relating to the Arrangement

The following risk factors relating to the Arrangement should be considered by Shareholders in evaluating whether to vote to approve the Arrangement Resolution. These risk factors should be considered in conjunction with the risks described in the AIF, which is available under WaterFurnace's issuer profile on SEDAR at www.sedar.com.

Level of Shareholder Approval Required.

The Arrangement requires that the Arrangement Resolution be approved by not less than 66⅔% of the votes cast by Shareholders present in person or represented by proxy at the Meeting. There can be no certainty, nor can WaterFurnace provide any assurance, that the requisite Shareholder Approval of the Arrangement Resolution will be obtained. If such approval is not obtained and the Arrangement is not completed, the market price of Common Shares may decline to the extent that the current market price reflects a market assumption that the Arrangement will be completed. If the Arrangement is not completed and the Board decides to seek another merger or arrangement, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the Cash Consideration to be paid pursuant to the Arrangement.

The Arrangement Agreement may be terminated in certain circumstances, including in the event of a change having a Material Adverse Effect on WaterFurnace.

NIBE has the right to terminate the Arrangement Agreement and the Arrangement in certain circumstances. Accordingly, there is no certainty, nor can WaterFurnace provide any assurance, that the Arrangement Agreement will not be terminated by NIBE before the completion of the Arrangement. For example, NIBE has the right, in certain circumstances, to terminate the Arrangement Agreement if changes occur that have a Material Adverse Effect on WaterFurnace.

Although a Material Adverse Effect excludes certain events that are beyond the control of WaterFurnace (such as, but not limited to, changes in the industry in which WaterFurnace primarily operates, the economy, financial or capital markets in general, to the extent they do not have a materially disproportionate effect on WaterFurnace or its Subsidiaries taken as a whole, in relation to other companies in the industry), there is no assurance that a change having a Material Adverse Effect on WaterFurnace will not occur before the Effective Date, in which case NIBE could elect to terminate the Arrangement Agreement and the Arrangement would not proceed. See *"The Arrangement Agreement – Termination"*.

There can be no certainty that all conditions precedent to the Arrangement will be satisfied. Failure to complete the Arrangement could negatively impact the market price of the Common Shares

The Arrangement is subject to certain conditions that are outside the control of WaterFurnace and NIBE, including, without limitation, the receipt of the Shareholder Approval and the Final Order and the expiration or termination of the applicable waiting period and any extensions thereof under the HSR Act. Each of WaterFurnace and NIBE has the right, in certain circumstances, to terminate the Arrangement Agreement if certain mutual conditions and other conditions for its benefit under the Arrangement Agreement are not satisfied or waived in accordance with the Arrangement Agreement. There can be no assurance that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Arrangement is not completed, the market price of the Common Shares may decline. In addition, during the term of the Arrangement Agreement, WaterFurnace is subject to limitations on the conduct of its business as described under the heading "*The Arrangement Agreement*".

If the Arrangement is not completed and the Board decides to seek another merger or business combination, there can be no assurance that it will be able to find a party willing to pay consideration for the Common Shares that is equivalent to, or more attractive than, the Cash Consideration payable pursuant to the Arrangement.

Certain costs related to the Arrangement, such as legal, accounting and certain financial advisor fees, must be paid by WaterFurnace even if the Arrangement is not completed.

The Termination Fee provided under the Arrangement Agreement if the Arrangement Agreement is terminated in certain circumstances may discourage other parties from attempting to acquire WaterFurnace.

Under the Arrangement Agreement, WaterFurnace is required to pay a Termination Fee of C$15,132,000 in the event the Arrangement Agreement is terminated in certain circumstances. The Termination Fee may discourage other parties from attempting to acquire the Common Shares, even if those parties would otherwise be willing to offer greater value than that offered under the Arrangement. See *"The Arrangement Agreement – Termination Fee"*.

Directors and officers of WaterFurnace may have interests in the Arrangement that are different from those of Shareholders generally.

Certain senior officers and directors of WaterFurnace may have interests in the Arrangement that may be different from, or in addition to, the interests of Shareholders generally including, but not limited to, those interests discussed under the heading *"Interests of Directors and Officers of WaterFurnace in the Arrangement"*. The Board established the Independent Committee to evaluate the Arrangement and advise the full Board on whether the Arrangement is in the best interests of WaterFurnace. The Independent Committee and the Board each recommended in favour of the Arrangement. Nevertheless, Shareholders should consider these interests in connection with their vote on the Arrangement Resolution, including whether these interests may have influenced WaterFurnace's senior officers and directors to recommend or support the Arrangement.

Shareholders will no longer hold an interest in WaterFurnace following the Arrangement

Following the Arrangement, Shareholders will no longer hold any of the Common Shares and the Shareholders will forego any future increase in value that might result from future growth.

The Arrangement may be a taxable transaction

The Arrangement may be taxable transaction, and as a result, Shareholders will generally be required to pay taxes on any gains that result from receipt of the consideration pursuant to the Arrangement. See *"Certain Canadian Tax Considerations for Shareholders"* and *"Certain U.S. Federal Income Tax Considerations for U.S. Holders"*.

INFORMATION CONCERNING WATERFURNACE

General

WaterFurnace was incorporated under the *Company Act* of British Columbia on March 27, 1987, under the name of "Torrez Resources Ltd." Subsequently, by Certificate of Amendment dated April 19, 1990, WaterFurnace changed the corporate name to "WFI Industries Ltd." and modified its share capital. On August 28, 1997, WaterFurnace was continued under the *Business Corporations Act* (Ontario) and transferred its registry to the province of Ontario. On June 30, 2000, WaterFurnace amalgamated with its Canadian subsidiary, WaterFurnace, Inc., with "WFI Industries Ltd." being the successor company. WaterFurnace was continued from Ontario into the Canadian federal jurisdiction under the CBCA on September 13, 2004. Subsequently, by Certificate of Amendment dated May 30, 2008, WaterFurnace changed its corporate name to "WaterFurnace Renewable Energy, Inc."

WaterFurnace is a leading manufacturer of residential, commercial, industrial and institutional geothermal and water source heat pumps. The geothermal units use the renewable solar energy stored in the ground to dramatically reduce the energy consumed by buildings for heating, cooling and hot water. In addition to having earned a reputation as a leader in geothermal heat pumps, WaterFurnace has in recent years worked to innovate new technologies, integrate key trends and grow the core business to represent a broad portfolio of renewable and sustainable solutions.

WaterFurnace's head office is located at 9000 Conservation Way, Fort Wayne, Indiana 46809-9794 U.S.A. WaterFurnace's registered office is located at 3400 One First Canadian Place, Toronto, Ontario, Canada, M5X 1A4. The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc., which is located at 100 University Avenue, 8th Floor, Toronto, ON M5J 2Y1, Canada. Grant Thornton LLP are the auditors of WaterFurnace, located at Royal Bank Plaza, 19th Floor, South Tower, 200 Bay Street, Box 55, Toronto, Ontario M5J 2P9. WaterFurnace is a reporting issuer in British Columbia and Ontario.

Description of the Share Capital

The authorized capital stock of WaterFurnace is composed of an unlimited number of Common Shares. As of July 16, 2014, there were 12,362,718 Common Shares outstanding and no options to acquire Common Shares outstanding.

Each Common Share entitles its holder as of the Record Date to a single vote at the Meeting on the Arrangement Resolution.

Price Range and Trading Volumes of the Common Shares

The Common Shares are listed on the TSX and trade in Canadian dollars under the symbol "WFI". The Common Shares also trade in U.S. dollars on the TSX under the symbol "WFI.U".

The following table sets forth the price range in Canadian dollar and trading volume for the Common Shares on the TSX, listed under the symbol "WFI", for the periods listed below:

Date	Open (C$)	High (C$)	Low (C$)	Close (C$)	Volume
July (1-15) 2014	30.30	30.55	30.30	30.45	1,379,368
June 2014	23.70	30.56	23.53	30.31	2,679,349
May 2014	22.86	24.50	22.46	23.69	180,694
April 2014	20.52	22.95	20.02	22.95	94,274
March 2014	22.91	23.81	20.01	20.43	138,356
February 2014	22.07	22.79	22.00	22.79	110,130
January 2014	23.96	25.50	21.95	22.15	174,661
December 2013	26.33	26.33	21.85	23.99	248,400
November 2013	22.89	26.45	22.80	26.18	293,515
October 2013	21.70	23.77	21.01	22.99	208,017
September 2013	21.57	22.12	21.27	21.75	179,416
August 2013	23.50	23.60	20.50	21.34	449,887
July 2013	20.31	23.96	20.31	23.34	309,654

The following table sets forth the price range in U.S. dollar and trading volume for the Common Shares on the TSX, listed under the symbol "WFI.U", for the periods listed below:

Date	Open (US$)	High (US$)	Low (US$)	Close (US$)	Volume
July (1-15) 2014	-	-	-	28.46	Nil
June 2014	21.59	28.46	21.59	28.46	4,278
May 2014	21.04	22.31	21.03	21.59	1,400
April 2014	18.77	18.77	18.77	18.77	100
March 2014	20.85	20.85	18.56	18.56	600
February 2014	20.27	20.27	20.23	20.23	200
January 2014	22.31	22.31	19.82	19.82	600
December 2013	23.59	24.21	20.81	22.35	1,900
November 2013	22.62	24.51	22.62	24.51	1,400
October 2013	20.40	22.42	20.40	22.42	1,300
September 2013	20.99	20.99	20.99	20.99	112
August 2013	22.00	22.00	20.03	20.03	900
July 2013	20.61	23.10	20.61	23.10	1,000

The closing price of the Common Shares as listed under the symbol "WFI" on the TSX on July 15, 2014 was C$30.45. The closing price of the Common Shares as listed under the symbol "WFI.U" on the TSX on July 15, 2014 was US$28.46. The closing price of the Common Shares as listed under the symbol "WFI" on the TSX on June 20, 2014, the last trading day prior to the announcement of the Arrangement, was C$25.42. The closing price of the Common Shares as listed under the symbol "WFI.U" on the TSX on June 20, 2014 was US$23.36.

Intentions with Respect to the Arrangement

Each director and officer of WaterFurnace has advised WaterFurnace that each such person intends to vote all of the Common Shares held by him, if any, in favour of the Arrangement Resolution and has entered into a Voting Agreement with NIBE. See *"The Voting Agreements"* in this Circular.

Material Changes in the Affairs of WaterFurnace

To the knowledge of the directors and officers of WaterFurnace and except as publicly disclosed or otherwise described in this Circular, there are no plans or proposals for material changes in the affairs of WaterFurnace.

Dividend Policy

The policy of WaterFurnace prior to entering into the Arrangement Agreement was to pay a quarterly cash dividend based on the level of profitability, the amount of cash reserves available and the potential for alternative uses of cash reserves to increase shareholder value. The policy was to pay a significant portion of earnings back to Shareholders, but at the same time retain a portion of the earnings for business development, expansion and investment opportunities. The last dividend, which was paid on June 2, 2014, was in the amount of US$0.25 per Common Share. Subsequent to entering into the Arrangement Agreement, and as announced in WaterFurnace's press release dated July 3, 2014, WaterFurnace resolved to suspend future dividend payments pending the completion of the Arrangement.

Indebtedness of Directors and Officers

None of WaterFurnace's or any of its Subsidiaries' directors, executive officers or employees or former directors, executive officers or employees, or any associates of the foregoing, is at the date hereof, or has been since the commencement of the financial year ended December 31, 2013, indebted to WaterFurnace or any of its Subsidiaries.

Risk Factors

The business and operations of WaterFurnace are subject to risks. In addition to considering the other information in this Circular, Shareholders should consider carefully the factors set forth in the AIF.

Available Information

WaterFurnace files reports and other information with Canadian Securities Authorities. These reports and information are available to the public free of charge under WaterFurnace's issuer profile on SEDAR at www.sedar.com.

INFORMATION CONCERNING NIBE

NIBE is a company existing under the laws of Sweden. NIBE's head office is located at Hannabadsvägen 5, SE 285 21 Markaryd, Sweden. NIBE is an international heating technology company. Operations are organised around three business areas – NIBE Element, NIBE Energy Systems and NIBE Stoves – all united under a shared vision: to create world-class solutions in sustainable energy. The group has more than 9,000 employees and carries out business operations in Europe, North America, Asia and Australia.

NIBE Energy Systems is a market leader for heat pumps in Europe and one of Europe's major manufacturers of water heaters and other products for indoor climate comfort. The mission of NIBE Energy Systems is to supply homes and other buildings with products that provide domestic hot water and ensure a comfortable indoor climate. The product range comprises both individual heating products and solutions for heating, cooling and heat recovery. NIBE Element is one of the leading international manufacturers of components and solutions for measuring, controlling and electric heating applications. NIBE Element's mission is to supply both manufacturers and users with components and systems within these areas. NIBE Stoves is the European market leader in wood-burning stoves.

The business area's mission is to supply the market with attractively designed, value-for-money solid-fuel stoves and chimney systems developed and manufactured with genuine concern for the natural environment.

INFORMATION CONCERNING NIBE SUBCO

NIBE Subco is a corporation incorporated under the laws of the Province of British Columbia (Canada). NIBE Subco's registered and records office is located at Suite 2200, HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8. All of the issued and outstanding common shares of NIBE Subco are legally and beneficially owned by NIBE.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, to the knowledge of WaterFurnace, after reasonable enquiry, no informed person of WaterFurnace, or any associate or affiliate of any informed person, has or had any material interest, direct or indirect, in any transaction since the commencement of WaterFurnace's most recently completed fiscal year or any proposed transaction which has materially affected or would materially affect WaterFurnace or any of its Subsidiaries.

MANAGEMENT CONTRACTS

No management functions of WaterFurnace or any of its Subsidiaries are performed to any substantial degree by a person other than the directors or officers of WaterFurnace.

AUDITORS

WaterFurnace's auditors are Grant Thornton LLP, Royal Bank Plaza, 19th Floor, South Tower, 200 Bay Street, Box 55, Toronto, Ontario M5J 2P9.

ADDITIONAL INFORMATION

Additional information relating to WaterFurnace is available on SEDAR at www.sedar.com. Copies of all of WaterFurnace's filings and public disclosure documents, including its financial statements and management's discussion and analysis are available from WaterFurnace upon request by contacting Fred Andriano, Chief Financial Officer, Treasurer and Secretary of WaterFurnace, by calling (260) 479-3366. Financial information is provided in WaterFurnace's comparative financial statements and management's discussion and analysis for the most recently completed financial year, which are filed on SEDAR.

OTHER MATTERS

Management of WaterFurnace is not aware of any other matter to come before the Meeting other than as set forth in the notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

DIRECTORS' APPROVAL

The contents and the sending of the Notice of Meeting and this Circular have been approved by the Board.

DATED: July 16, 2014

ON BEHALF OF THE BOARD OF DIRECTORS OF WATERFURNACE RENEWABLE ENERGY, INC.

"Fred Andriano"

Fred Andriano
Chief Financial Officer, Treasurer and Secretary

GLOSSARY OF TERMS

In this Circular and the Summary, the following capitalized words and terms shall have the following meanings:

"**Acquisition Proposal**" means, other than the transactions contemplated by the Arrangement Agreement and other than any transaction involving only WaterFurnace and any of its Subsidiaries, any offer, proposal, expression of interest or inquiry (written or oral) from any person or group of persons other than NIBE (or any affiliate of NIBE (including for greater certainty, NIBE Subco) or any person acting jointly or in concert with NIBE or any affiliate of NIBE) after the date of the Arrangement Agreement relating to (a) any sale or disposition (or any lease, long-term supply agreement or other arrangement having the same economic effect as a sale), direct or indirect, through one or more transactions, of assets representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue of WaterFurnace and its Subsidiaries or of 20% or more of the voting or equity securities of WaterFurnace or any of its Subsidiaries (or rights or interests in such voting or equity securities), (b) any take-over bid, tender offer, exchange offer or other transaction that, if consummated, would result in such person or group of persons beneficially owning 20% or more of any class of voting or equity securities (including securities convertible into or exchangeable for any class of voting or equity securities) of WaterFurnace or any of its Subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the fair market value of the consolidated assets of WaterFurnace and its Subsidiaries, (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or winding up or exclusive license involving WaterFurnace or any of its Subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the fair market value of the consolidated assets of WaterFurnace and its Subsidiaries, or (iv) any other similar transaction or series of transactions involving WaterFurnace or any of its Subsidiaries.

"**Adoption Agreements**" has the meaning ascribed to such term in this Circular under the heading *"Securities Law Matters – Canadian Securities Laws – Multilateral Instrument 61-101"*.

"**affiliate**" has the meaning ascribed to such term in the Securities Act, unless stated otherwise.

"**AIF**" means the annual information form of WaterFurnace dated March 25, 2014 for the fiscal year ended December 31, 2013, which is available under WaterFurnace's issuer profile on SEDAR at www.sedar.com.

"**allowable capital loss**" has the meaning ascribed to such term in this Circular under the heading *"Certain Canadian Tax Considerations for Shareholders – Holders Resident in Canada"*.

"**Antitrust Division**" has the meaning ascribed to such term in this Circular under the heading *"Regulatory Matters – Hart-Scott-Rodino Antitrust Improvements Act of 1976 (United States)"*.

"**Arrangement**" means an arrangement under the provisions of Section 192 of the CBCA on the terms and conditions set forth in the Plan of Arrangement, subject to any amendment or supplement thereto made in accordance therewith, herewith or made at the direction of the Court in the Final Order.

"**Arrangement Agreement**" means the arrangement agreement dated June 22, 2014 between WaterFurnace and NIBE, including all exhibits attached thereto, as amended by the consent and amending agreement dated July 14, 2014 between NIBE, NIBE Subco and WaterFurnace, and as the same may be further amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, the full text of which may be viewed under WaterFurnace's issuer profile on SEDAR at www.sedar.com.

"**Arrangement Resolution**" means the special resolution of the Shareholders voting at the Meeting, in person or by proxy, approving the Arrangement, the Plan of Arrangement and the Arrangement Agreement, substantially in the form set out in Schedule "A".

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under Section 192(6) of the CBCA to be filed with the Director after the Final Order has been granted, giving effect to the Arrangement.

"**associate**" has the meaning ascribed to such term in the Securities Act, unless stated otherwise.

"**Board**" means the board of directors of WaterFurnace.

"**BofA Merrill Lynch**" means Merrill Lynch Canada Inc., financial advisor to WaterFurnace.

"**Bonus Distribution**" has the meaning ascribed to such term in this Circular under the heading *"Securities Law Matters – Canadian Securities Laws – Multilateral Instrument 61-101"*.

"**Broadridge**" has the meaning ascribed to such term in this Circular under the heading *"Voting Information – Voting – Non-Registered Shareholders"*.

"**Business Day**" means any day, other than a Saturday, a Sunday and a statutory or civic holiday in Toronto, Ontario, Canada or Fort Wayne, Indiana, United States.

"**Canadian Securities Authorities**" means the TSX and the appropriate securities commissions or other similar securities regulatory authorities of the provinces and territories of Canada as applicable.

"**Cash Consideration**" means C$30.60 per Common Share.

"**CBCA**" means the *Canada Business Corporations Act,* R.C.S. 1985, c. C-44 and the regulations made thereunder, as promulgated or amended from time to time.

"**CDS**" means CDS Clearing and Depositary Services Inc. or its nominee, which at the date hereof is CDS & Co.

"**Charter Documents**" means the articles and by-laws and similar constating documents of a corporation.

"**Circular**" means this management information circular for the Meeting, including all schedules hereto, and all amendments and supplements hereto.

"**Code**" has the meaning ascribed to such term in this Circular under the heading *"Certain U.S. Federal Income Tax Considerations for U.S. Holders – Scope of this Disclosure"*.

"**Collective Agreements**" means collective agreements with bargaining agents, trade unions, councils of trade unions, employee bargaining agencies, affiliated bargaining agents or employee associations by which WaterFurnace or any of its Subsidiaries is bound.

"**Common Shares**" means the issued and outstanding common shares of WaterFurnace.

"**Contract**" means any agreement, commitment, engagement, contract, license, lease, obligation, undertaking or joint venture (oral or written), each including all amendments thereto.

"**Court**" means the Superior Court of Justice Ontario (Commercial List).

"**CRA**" has the meaning ascribed to such term in this Circular under the heading *"Certain Canadian Tax Considerations for Shareholders – Certain Canadian Federal Income Tax Considerations"*.

"**CST Phoenix Advisors**" means the proxy solicitation agent retained by WaterFurnace in connection with the Meeting.

"**Data Room**" has the meaning ascribed to such term in this Circular under the heading *"The Arrangement – Background to the Arrangement"*.

"**DCP Distribution**" has the meaning ascribed to such term in this Circular under the heading *"Securities Law Matters – Canadian Securities Laws – Multilateral Instrument 61-101"*.

"**Depositary**" means Computershare Investor Services Inc.

"**Director**" means the Director appointed pursuant to Section 260 of the CBCA.

"**Dissent Notice**" has the meaning ascribed to such term in this Circular under the heading *"The Arrangement – Dissent Rights"*.

"**Dissent Procedures**" means the procedures to be taken by a Shareholder in exercising Dissent Rights.

"**Dissent Rights**" means the right to dissent to the Arrangement provided under Section 190 of the CBCA, as set out in Schedule "F" to this Circular, as modified by the Plan of Arrangement, the Interim Order and the Final Order.

"**Dissenting Shareholders**" means Registered Shareholders who have duly and validly exercised their Dissent Rights in strict compliance with the Dissent Procedures and whose Dissent Rights have not terminated.

"**Dissenting Shares**" means the Common Shares held by Dissenting Shareholders.

"**Effective Date**" means the date upon which the Arrangement becomes effective as established by the date of issue shown on the certificate giving effect to the Arrangement issued by the Director pursuant to Section 192(7) of the CBCA.

"**Effective Time**" means 12:01 a.m. (Toronto time) on the Effective Date.

"**Final Order**" means the order of the Court approving the Arrangement as such order may be amended by the Court (with the consent of the Parties, each acting reasonably) at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or amended (with the consent of the Parties, each acting reasonably) on appeal.

"**Final Proscription Date**" has the meaning ascribed to such term in this Circular under the heading *"Procedure for Exchange of Securities – Cancellation of Rights after Six Years"*.

"**Form of Proxy**" means the form of proxy (on yellow paper) delivered to Shareholders.

"**Former Shareholders**" means the holders of Common Shares immediately prior to the Effective Time.

"**forward-looking statements**" has the meaning ascribed to such term in this Circular under the heading "*Cautionary Statement Regarding Forward Looking Information"*.

"**FTC**" has the meaning ascribed to such term in this Circular under the heading *"Regulatory Matters – Hart-Scott-Rodino Antitrust Improvements Act of 1976 (United States)"*.

"**Governmental Entity**" means any (a) international, multinational, national, federal, provincial, territorial, state, regional, municipal, local or other governmental or public department, central bank, court, commission, commissioner (including the Commissioner of Competition appointed pursuant to the *Competition Act* (Canada)), tribunal (including the Competition Tribunal established under the *Competition Tribunal Act* (Canada)), board, bureau, ministry, agency or instrumentality, domestic or foreign, (b) any subdivision or authority of any of the above, (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above, or (d) any stock exchange, automated quotation system, self regulatory authority or securities regulatory authority, including, without limitation, the TSX.

"**Holder**" has the meaning ascribed to such term in this Circular under the heading *"Certain Canadian Tax Considerations for Shareholders – Certain Canadian Federal Income Tax Considerations"*.

"**HSR Act**" the *Hart-Scott-Rodino Antitrust Improvements Act of 1976*, as amended.

"**ICA**" means the *Investment Canada Act* (Canada), as amended, and the regulations issued thereunder.

"**Independent Committee**" means the independent committee of the Board comprised of three independent members of the Board.

"**Interested Parties**" has the meaning ascribed to such term in this Circular under the heading *"The Arrangement – Background to the Arrangement"*.

"**Interim Order**" means the varied and amended interim order of the Court rendered July 16, 2014, providing for, among other things, the calling and holding of the Meeting, attached as Schedule "E" to this Circular, as may be amended, supplemented or varied by the Court with the consent of the Parties, each acting reasonably.

"**Intellectual Property**" means Software, trademarks, service marks, brand names, certification marks, trade dress, assumed names, domain names, trade names and other indications of origin, the goodwill associated with the foregoing and registrations in any jurisdiction of, and applications in any jurisdiction to register, the foregoing, including any extension, modification or renewal of any such registration or application; inventions, discoveries and ideas, whether patentable or not in any jurisdiction; patents, applications for patents (including divisions, provisionals, continuations, continuations in-part and renewal applications), and any renewals, extensions or reissues thereof, in any jurisdiction; non-public information, trade secrets, know-how, formulae, processes, procedures, research records, records of invention, test information, market surveys, Software and confidential information, whether patentable or not in any jurisdiction and rights in any jurisdiction to limit the use or disclosure thereof by any person; writings photographs, videos, audio works, drawings, registered or unregistered designs and other works, whether copyrightable or not in any jurisdiction, and any renewals or extensions thereof; any similar intellectual property or proprietary rights; and any claims or causes of action (pending, threatened or which could be filed) arising out of any infringement or misappropriation of any of the foregoing.

"**IRS**" means the U.S. Internal Revenue Service.

"**JV**" means WaterFurnace Shenglong HVACR Climate Solutions Co., Ltd., the Sino-Foreign equity joint venture established pursuant to that certain joint venture contract dated as of July 28, 2012 by and between Ningbo Shenglong Group Co., Ltd. and WaterFurnace International Hong Kong Limited.

"**Law**" or "**Laws**" means all international trade agreements, codes and conventions, laws (statutory, common or otherwise), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgements, injunctions, determinations, awards, decrees or other requirements and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity (including the TSX), and the term "applicable" with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or its business, undertaking, property or securities and emanate from a person having jurisdiction over the Party or its business, undertaking, property or securities.

"**Letter of Transmittal**" means a letter of transmittal on blue paper, a form of which accompanies this Circular, to be completed by Shareholders in connection with the Arrangement.

"**Liens**" means any pledges, claims, liens, charges, options, hypothecs, mortgages, security interests, restrictions, adverse rights or any other encumbrances of any kind or nature whatsoever.

"**Litigation**" means suit, claim, action, arbitration, investigation or judicial, administrative and regulatory proceeding.

"**Material Adverse Effect**" means any fact, change, development, event, occurrence, action, circumstances, omission or effect that, individually or in the aggregate, (a) results in or could reasonably be expected to result in a material adverse effect on the current or future business, assets, properties, financial condition, or results of operations of WaterFurnace and its Subsidiaries, taken as a whole, or (b) would prevent or materially impede or delay the completion of the Arrangement, other than any fact, change, development, event, occurrence, action, circumstances, omission or effect relating to or arising in connection with (i) changes, developments, or events affecting the industry in general in which WaterFurnace primarily operates, to the extent that they do not have a materially disproportionate effect on WaterFurnace and its Subsidiaries, taken as a whole, in relation to other companies in the industry in which WaterFurnace primarily operates, (ii) the economy in general, or financial or capital markets in general, in the United States or Canada or elsewhere in the world, to the extent that they do not have a materially disproportionate effect on WaterFurnace and its Subsidiaries, taken as a whole, in relation to other companies in the industry in which WaterFurnace primarily operates, (iii) changes (after the date of this Arrangement Agreement) in Law or in generally accepted accounting principles or in accounting standards, (iv) the announcement or pendency of the Arrangement Agreement or the anticipated consummation of the Arrangement, (v) acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the date of the Arrangement Agreement, to the extent that they do not have a materially disproportionate effect on WaterFurnace and its Subsidiaries, taken as a whole, in relation to other companies in the industry in which WaterFurnace primarily operates, (vi) earthquakes, hurricanes, tornadoes or other natural disasters, to the extent that they do not have a materially disproportionate effect on WaterFurnace and its Subsidiaries, taken as a whole, in relation to other companies in the industry in which WaterFurnace primarily operates, (vii) any change, effect, event or development arising from or out of any action taken by or omission of WaterFurnace in accordance with the Arrangement Agreement or with the prior written consent of NIBE, to the extent that they do not have a materially disproportionate effect on WaterFurnace and its Subsidiaries, taken as a whole, in relation to other companies in the industry in which WaterFurnace primarily operates, (viii) any change, effect, event or development arising from or out of any existing fact, state of facts, event or occurrence with respect to which NIBE has knowledge as a result of the materials made available to it, (ix) any decline in the market price, or change in trading volume, of Common Shares or any failure to meet publicly announced revenue or earnings projections or internal projections (it being understood that, without limiting the applicability of the provisions contained in clauses (i) through (viii) above, the cause or causes of any such decline, change or failure may be deemed to constitute, in and of itself and themselves, a Material Adverse Effect and may be taken into consideration when determining whether a Material Adverse Effect has occurred).

"**Material Contract**" means any Contract: (a) that, if terminated or modified, or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect; (b) any partnership agreement, limited liability company agreement, joint venture agreement or similar agreement or arrangement relating to the formation, creation or operation of any partnership, limited liability company, joint venture or other arrangement; (c) relating directly or indirectly to the guarantee of any liabilities or obligations or to indebtedness (currently outstanding or which may become outstanding) for borrowed money; (d) restricting the incurrence of indebtedness by WaterFurnace or any of its Subsidiaries including by requiring the granting of an equal and rateable Lien), the incurrence of any Liens on any properties or assets of WaterFurnace or its Subsidiaries or restricting the payment of dividends by WaterFurnace or by any of its Subsidiaries; (e) under which WaterFurnace or any of its Subsidiaries is obligated to make or expects to receive payments on an annual basis in excess of C$100,000 or C$100,000 over the remaining term of such contract; (f) that creates an exclusive dealing arrangement or right of first offer or refusal; (g) providing for employment, severance or change in control payments; (h) providing for the purchase, sale, or exchange of, or option to purchase, sell or exchange, any property or asset in excess of C$250,000 or outside of the ordinary course of business; (i) that requires the consent of any other Party to the Contract to a change in control of WaterFurnace or any of its Subsidiaries; (j) that is otherwise material to WaterFurnace and its Subsidiaries taken as a whole.

"**Meeting**" means the special meeting of the Shareholders, including any adjournment or postponement thereof, to be held in accordance with the Interim Order to consider the Arrangement Resolution.

"**Memorandum**" has the meaning ascribed to such term in this Circular under the heading *"The Arrangement – Background to the Arrangement"*.

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

"**Minister**" has the meaning ascribed to such term in this Circular under the heading *"Regulatory Matters – Investment Canada Act"*.

"**Morrison Park**" means MPA Morrison Park Advisors Inc., financial advisor to the Independent Committee.

"**MPA Fairness Opinion**" means the fairness opinion of Morrison Park dated June 22, 2014, the full text of which is set out as Schedule "D" to this Circular.

"**NIBE**" means NIBE Industrier AB (publ), a corporation existing under the laws of Sweden.

"**NIBE CA**" has the meaning ascribed to such term in this Circular under the heading *"The Arrangement – Background to the Arrangement"*.

"**NIBE Proposal**" has the meaning ascribed to such term in this Circular under the heading *"The Arrangement – Background to the Arrangement"*.

"**NIBE Subco**" means NIBE Energy Systems Canada Corp., being a corporation incorporated under the laws of the Province of British Columbia (Canada) and a wholly-owned subsidiary of NIBE.

"**NIBE Termination Right**" has the meaning ascribed to such term in this Circular under the heading *"The Arrangement Agreement – Termination"*.

"**Non-Approval Termination Right**" has the meaning ascribed to such term in this Circular under the heading *"The Arrangement Agreement – Termination"*.

"**Non-Registered Shareholder**" means a non-registered holder of Common Shares.

"**Non-Resident Holder**" has the meaning ascribed to such term in this Circular under the heading *"Certain Canadian Tax Considerations for Shareholders – Holders Not Resident in Canada"*.

"**Notice of Application**" means the Notice of Application substantially in the form set out in Schedule "G" to this Circular.

"**Notice of Meeting**" has the meaning ascribed to such term in this Circular under the heading *"Management Information Circular"*.

"**Outside Date**" means December 22, 2014 or such later date as may be agreed to in writing by the Parties.

"**Parties**" means WaterFurnace and NIBE and "**Party**" means either of them.

"**Party 2**" has the meaning ascribed to such term in this Circular under the heading *"The Arrangement – Background to the Arrangement"*.

"**Permit**" means any certificate, permit, license, franchise, approval, concession, qualification, registration, certification or other authorization of and from any Governmental Entity.

"**person**" includes an individual, limited or general partnership, limited liability company, limited liability partnership, joint venture, association, body corporate, unincorporated organization, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status.

"**PFIC**" has the meaning ascribed to such term in this Circular under the heading *"Certain U.S. Federal Income Tax Considerations for U.S. Holders – Tax Consequences Under the Passive Foreign Investment Company Rules"*.

"**Plan of Arrangement**" means, in relation to the Arrangement, the plan of arrangement substantially in the form and having the content of Schedule "B", any amendments, revisions, updates or supplements thereto made in accordance with the provisions hereof or thereof or made at the direction of the Court in the Final Order (with the consent of the Parties, each acting reasonably).

"**Proposed Amendments**" has the meaning ascribed to such term in this Circular under the heading *"Certain Canadian Tax Considerations for Shareholders – Certain Canadian Federal Income Tax Considerations"*.

"**Proxy Solicitation Agent**" has the meaning ascribed to such term in this Circular under the heading *"Voting Information – Solicitation of Proxies"*.

"**QEF**" has the meaning ascribed to such term in this Circular under the heading *"Certain U.S. Federal Income Tax Considerations for U.S. Holders – Tax Consequences Under the Passive Foreign Investment Company Rules"*.

"**Record Date**" means July 14, 2014.

"**Registered Shareholder**" means a registered holder of Common Shares as recorded in the shareholder register of WaterFurnace maintained by Computershare Investor Services Inc.

"**Resident Dissenting Holder**" has the meaning ascribed to such term in this Circular under the heading *"Certain Canadian Tax Considerations for Shareholders – Holders Resident in Canada"*.

"**Resident Holder**" has the meaning ascribed to such term in this Circular under the heading *"Certain Canadian Tax Considerations for Shareholders – Holders Resident in Canada"*.

"**Response Period**" has the meaning ascribed to such term in this Circular under the heading *"The Arrangement Agreement – Non-Solicitation Covenants – NIBE's Right to Match"*.

"**Reviewable Transaction**" has the meaning ascribed to such term in this Circular under the heading *"Regulatory Matters – Investment Canada Act"*.

"**SEC**" has the meaning ascribed to such term in this Circular under the heading *"Note to U.S. Securityholders"*.

"**Securities Act**" means the *Securities Act* (Ontario) and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time.

"**Securities Laws**" means the Securities Act and all other applicable Canadian provincial securities laws, rules and regulations thereunder.

"**Shareholder Approval**" means approval of the Arrangement Resolution by not less than 66⅔% of the votes cast by Shareholders who are present in person or represented by proxy at the Meeting, in accordance with applicable Laws and the Interim Order.

"**Shareholders**" means the holders of Common Shares and "**Shareholder**" means any one of them.

"**Software**" means all types of computer software programs, including operating systems, application programs, software tools, firmware and software imbedded in equipment.

"**Subject Securities**" means, with respect to a Supporting Shareholder, all Common Shares owned legally or beneficially, directly or indirectly, by such Supporting Shareholder or an affiliate or associate of such Supporting Shareholder, or over which such Supporting Shareholder exercises control or direction, either directly or indirectly, as at the date of the Voting Agreement between NIBE and such Supporting Shareholder, together with all additional Common Shares directly or indirectly acquired subsequent to the date of such Voting Agreement by the Supporting Shareholder or any affiliate or associate of the Supporting Shareholder, and includes any other voting securities of WaterFurnace that may result from a reclassification, conversion, consolidation, subdivision or exchange of, or distribution or dividend on, such Subject Securities or capital reorganization of WaterFurnace.

a "**Subsidiary**" of any person shall mean any other person (a) more than 50% of whose outstanding shares or securities representing the right to vote for the election of directors or other managing authority of such other person are, now or hereafter, owned or controlled, directly or indirectly, by such first person, but such other person shall be deemed to be a Subsidiary only so long as such ownership or control exists, or (b) which does not have outstanding shares or securities with such right to vote, as may be the case in a partnership, joint venture or unincorporated association, but more than 50% of whose ownership interest representing the right to make the decisions for such other person is, now or hereafter, owned or controlled, directly or indirectly, by such first person, but such other person shall be deemed to be a Subsidiary only so long as such ownership or control exists, and in the case of WaterFurnace, shall include, for the purposes of the representations and warranties of WaterFurnace under the Arrangement Agreement only, the JV.

"**Superior Proposal**" has the meaning ascribed to such term in this Circular under the heading *"The Arrangement Agreement – Non-Solicitation Covenants – Non Solicitation Covenants"*.

"**Superior Proposal Documentation**" has the meaning ascribed to such term in this Circular under the heading *"The Arrangement Agreement – Non-Solicitation Covenants – NIBE's Right to Match"*.

"**Supporting Shareholder**" means the Shareholders who are party to the Voting Agreements.

"**tax**" and "**taxes**" means all federal, provincial, state and local, domestic and foreign income, franchise, property, sales, goods and services, harmonized sales, excise, employment, employer health, payroll, health, social security, value-added, ad valorem, transfer, withholding and other taxes, including taxes based on or measured by gross receipts, profits, capital, sales, use or occupation, tariffs, levies, customs duties and import and export taxes, countervail and anti-dumping, license or registration fees, Canada, Quebec and other government pension plan premiums or contributions, impositions, assessments or governmental charges of any nature whatsoever, including any interest, penalties, fines or additions with respect thereto and including any transfer pricing penalties imposed by a taxation authority.

"**taxable capital gain**" has the meaning ascribed to such term in this Circular under the heading *"Certain Canadian Tax Considerations for Shareholders – Holders Resident in Canada"*.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as may be amended from time to time.

"**Termination Fee**" has the meaning ascribed to such term in this Circular under the heading *"The Arrangement Agreement – Termination Fee"*.

"**TSX**" means the Toronto Stock Exchange.

"**U.S. Exchange Act**" has the meaning ascribed to such term in this Circular under the heading *"Note to U.S. Securityholders"*.

"**U.S. Treaty**" has the meaning ascribed to such term in this Circular under the heading *"Certain U.S. Federal Income Tax Considerations for U.S. Holders – Scope of this Disclosure"*.

"**Voting Agreements**" means the support and voting agreements (including all amendments thereto) between NIBE and the Supporting Shareholders setting forth the terms and conditions upon which they have agreed, among other things, to vote their Subject Securities in favour of the Arrangement Resolution.

"**Voting Instruction Form**" has the meaning ascribed to such term in this Circular under the heading *"Voting Information – Voting – Non-Registered Shareholders"*.

"**WaterFurnace**" means WaterFurnace Renewable Energy, Inc., a company existing under the CBCA, and all successors thereto.

"**WaterFurnace DCP**" means the executive nonqualified "excess" deferred compensation plan of WaterFurnace.

"**WFI**" has the meaning ascribed to such term in this Circular under the heading *"Securities Law Matters – Canadian Securities Laws – Multilateral Instrument 61-101"*.

CONSENT OF MERRILL LYNCH CANADA INC.

To: The Directors of WaterFurnace Renewable Energy, Inc.

We hereby consent to the inclusion of our opinion letter, dated June 22, 2014, to the Board of Directors of WaterFurnace Renewable Energy, Inc. ("**WaterFurnace**") as Schedule "C" to, and reference thereto under the heading *"The Arrangement – Opinions of Financial Advisors – BofA Merrill Lynch"* in, the management information circular of WaterFurnace dated July 16, 2014 relating to the proposed arrangement involving WaterFurnace, NIBE Industrier AB (publ) ("**NIBE**") and a subsidiary of NIBE (the "**Arrangement**").

Our opinion was addressed to, and is solely for the use and benefit of, the Board of Directors of WaterFurnace (in its capacity as such) in connection with its evaluation of the Arrangement and may not be used or relied upon by any other persons or for any other purpose without our prior written consent.

"Merrill Lynch Canada Inc."
Toronto, Ontario
July 16, 2014

CONSENT OF MPA MORRISON PARK ADVISORS INC.

To: The Directors of WaterFurnace Renewable Energy, Inc.

We have read the management information circular of WaterFurnace Renewable Energy, Inc. ("**WaterFurnace**") dated July 16, 2014 (the "**Circular**") relating to the special meeting of shareholders of WaterFurnace to approve an arrangement under the *Canada Business Corporations Act* involving WaterFurnace, pursuant to which a subsidiary of NIBE Industrier AB (publ) will acquire all of the issued and outstanding shares of WaterFurnace. We consent to the inclusion in the Circular of our fairness opinion dated June 22, 2014, a summary of our fairness opinion and references to our firm name and our fairness opinion in the Circular.

"MPA Morrison Park Advisors Inc."
Toronto, Ontario
July 16, 2014

SCHEDULE "A"

ARRANGEMENT RESOLUTION

"BE IT RESOLVED BY SPECIAL RESOLUTION THAT:

1. The arrangement (the "**Arrangement**") under section 192 of the *Canada Business Corporations Act* involving WaterFurnace Renewable Energy, Inc. (the "**Corporation**"), NIBE Energy Systems Canada Corp. ("**NIBE Subco**") and NIBE Industrier AB (publ) ("**NIBE**"), all as more particularly described and set forth in the management information circular (the "**Circular**") of the Corporation accompanying the notice of this meeting (as the Arrangement may be modified or amended or supplemented in accordance with its terms) is hereby authorized, approved and adopted.

2. The plan of arrangement of the Corporation, as it may be or has been amended, modified or supplemented in accordance with its terms (the "**Plan of Arrangement**"), the full text of which is set out as Schedule "B" to the Circular is hereby authorized, approved and adopted.

3. The arrangement agreement between the Corporation and NIBE dated as of June 22, 2014, as amended by a consent and amending agreement between the Corporation, NIBE and NIBE Subco dated July 14, 2014 (collectively, the "**Arrangement Agreement**") and all of the transactions contemplated therein, the actions of the directors of the Corporation in approving the Arrangement and the actions of the officers of the Corporation in executing and delivering the Arrangement Agreement and any amendments, modifications or supplements thereto are hereby ratified and approved.

4. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the shareholders of the Corporation or that the Arrangement has been approved by the Ontario Superior Court of Justice (Commercial List), the directors of the Corporation are hereby authorized and empowered without further notice to, or approval of, the shareholders of the Corporation:

   (a) to amend, modify or supplement the Arrangement Agreement or the Plan of Arrangement, to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, or

   (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.

5. Any one or more directors or officers of the Corporation is hereby authorized, for and on behalf and in the name of the Corporation, to execute and deliver, whether under the corporate seal of the Corporation or otherwise, all such agreements, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable, useful for the purpose of giving effect to these resolutions, the Arrangement Agreement and the completion of the Plan of Arrangement in accordance with the terms of the Arrangement Agreement, including:

   (a) all actions required to be taken by or on behalf of the Corporation, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and

   (b) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by the Corporation;

   such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing."

SCHEDULE "B"

PLAN OF ARRANGEMENT UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"**Acquiror**" means NIBE Energy Systems Canada Corp., a corporation incorporated under the laws of the Province of British Columbia (Canada);

"**Arrangement**" means an arrangement under the provisions of Section 192 of the CBCA on the terms and conditions set forth in this Plan of Arrangement, subject to any amendment or modification thereto made in accordance with the terms of the Arrangement Agreement and this Plan of Arrangement, or made at the direction of the Court in the Final Order (with the consent of the Corporation and the Acquiror, each acting reasonably);

"**Arrangement Agreement**" means the arrangement agreement dated as of June 22, 2014 between the Corporation and the Parent, as same may be amended, supplemented or restated in accordance with its terms providing for, among other things, the Arrangement;

"**Arrangement Resolution**" means the special resolution of the Shareholders, approving the Arrangement, such resolution to be in substantially the form of Exhibit A attached to the Arrangement Agreement;

"**Articles of Arrangement**" means the articles of arrangement of the Corporation in respect of the Arrangement, to be filed with the Director after the Final Order is made;

"**Business Day**" means any day, other than a Saturday, a Sunday and a statutory or civic holiday in Toronto, Ontario, Canada or Fort Wayne, Indiana, United States;

"**Cash Proceeds per Share**" shall mean $30.60 cash, subject to adjustment in accordance with Section 2.6;

"**CBCA**" means the *Canada Business Corporations Act* and the regulations made thereunder, as promulgated or amended from time to time;

"**Certificate**" means the certificate or other confirmation of filing giving effect to the Arrangement to be issued by the Director pursuant to section 192(7) of the CBCA after the Articles of Arrangement have been filed;

"**Charter Documents**" means articles and by-laws and similar constating documents of the Corporation;

"**Corporation**" or "**WRE**" means WaterFurnace Renewable Energy, Inc., a corporation existing under the CBCA;

"**Court**" means the Ontario Superior Court of Justice (Commercial List);

"**Depository**" means any trust company, bank or financial institution agreed to in writing between WRE and the Acquiror for the purpose of, among other things, exchanging certificates representing WRE Shares for cash pursuant to the Arrangement;

"**Director**" means the Director appointed pursuant to Section 260 of the CBCA;

"**Dissent Rights**" shall have the meaning ascribed thereto in Section 3.1(a);

"**Dissenting Shareholder**" means a Shareholder who has properly and validly dissented in respect of the Arrangement Resolution in strict compliance with the Dissent Rights, who has not withdrawn or been deemed to have withdrawn such dissent and who is ultimately determined to be entitled to be paid the fair value of its Shares, but only in respect of the Shares in respect of which Dissent Rights are validly exercised by such Shareholder;

"**Effective Date**" means the date upon which the Arrangement becomes effective as established by the date of issue shown on the Certificate;

"**Effective Time**" means the first moment in time in Toronto on the Effective Date;

"**Final Order**" means the order of the Court approving the Arrangement as such order may be amended by the Court (with the consent of the Corporation and the Acquiror, each acting reasonably) at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or amended (provided that any such amendment shall be acceptable to the Acquiror and the Corporation, each acting reasonably) on appeal;

"**Governmental Entity**" means any (a) multinational, federal, provincial, territorial, state, municipal, local or other governmental or public department, central bank, court, commission, commissioner (including the Commissioner of Competition appointed pursuant to the *Competition Act* (Canada)), tribunal (including the Competition Tribunal established under the *Competition Tribunal Act* (Canada)), board, bureau, agency or instrumentality, domestic or foreign, (b) any subdivision or authority of any of the foregoing, (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above, or (d) stock exchange, automated quotation system, self regulatory authority or securities regulatory authority, including, without limitation, the TSX;

"**Interim Order**" means the interim order of the Court, as the same may be amended by the Court (with the consent of the Corporation and the Acquiror, each acting reasonably), made in connection with the Arrangement following the application therefor contemplated by the Arrangement Agreement;

"**Law**" means any federal, state, provincial or local, domestic or foreign, statute, law, code, ordinance, rule or regulation of any Governmental Entity;

"**Letter of Transmittal**" means a letter of transmittal to be forwarded or made available by the Corporation to Shareholders, in a form acceptable to the Acquiror, acting reasonably, for use by such Shareholders in connection with the Arrangement as contemplated herein;

"**Liens**" means any pledges, claims, liens, charges, options, hypothecs, mortgages, security interests, restrictions, adverse rights or any other encumbrances of any kind or nature whatsoever;

"**Notice of Dissent**" means a written notice provided by a Shareholder to the Corporation setting forth such Shareholder's objection to the Arrangement Resolution and exercise of Dissent Rights;

"**Parent**" means NIBE Industrier AB (publ), a corporation existing under the laws of Sweden;

"**Person**" includes an individual, limited or general partnership, limited liability company, limited liability partnership, joint venture, association, body corporate, unincorporated organization, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

"**Plan of Arrangement**" means this plan of arrangement, and references to "**Article**" or "**Section**" mean the specified Article or Section of this Plan of Arrangement;

"**Proxy Circular**" means the management information circular of the Corporation dated July 16, 2014 sent to Shareholders in connection with the Special Meeting, including the schedules and appendices thereto and all amendments, revisions, supplements and updates from time to time made thereto;

"**Purchase Price**" shall have the meaning ascribed thereto in Section 2.4;

"**Shareholders**" means, at any time and unless the context otherwise requires, the registered holders of Shares at such time;

"**Shares**" means the issued and outstanding common shares in the capital of the Corporation and shall include any shares into which the Shares may be reclassified, subdivided, consolidated or converted and any rights or benefits arising therefrom including any extraordinary distribution of securities which may be declared in respect of the Shares (except in accordance with this Plan of Arrangement);

"**Special Meeting**" means the special meeting of the Shareholders (including any adjournments or postponements thereof) to be held to consider, among other things, the Arrangement Resolution;

"**Stock Option Plan**" means the stock option plan of WRE; and

"**TSX**" means Toronto Stock Exchange.

1.2 Number and Gender

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular number include the plural and vice versa, and words importing any gender include all genders.

1.3 Interpretation Not Affected by Headings, etc.

The division of this Plan of Arrangement into Articles, Sections and other parts and the insertion of headings are for convenience only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.4 Time

All times expressed herein or in any Letter of Transmittal are local time (Toronto, Ontario) unless otherwise stipulated herein or therein.

1.5 Currency

All references to currency in this Plan of Arrangement are to Canadian dollars, being lawful money of Canada, unless otherwise specified.

1.6 Statutory References

Unless otherwise expressly provided herein, any reference in this Plan of Arrangement to a statute includes all regulations made thereunder, all amendments to such statute or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulations.

ARTICLE 2
THE ARRANGEMENT

2.1 Effectiveness

Subject to the terms of the Arrangement Agreement, this Plan of Arrangement will become effective at the Effective Time (except as otherwise provided herein) and will be binding from and after the Effective Time on:

(a) the Corporation; (b) the Acquiror; (c) the Parent; (d) all Shareholders (including all Dissenting Shareholders) and all beneficial owners of Shares; (e) the registrar and transfer agent in respect of the Shares; and (f) the Depository.

2.2 The Arrangement

On the Effective Date and commencing at the Effective Time, the following shall occur and be deemed to occur in the following order without further act or formality:

(a) each Share in respect of which Dissent Rights have been validly exercised before the Effective Time shall be transferred and deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to the Acquiror in consideration for a debt claim against the Acquiror in an amount determined and payable in accordance with Article 3, and the name of such holder will be removed from the register of holders of Shares (in respect of the Shares for which Dissent Rights have been validly exercised before the Effective Time), and the Acquiror shall be recorded as the registered holder of Shares so transferred and shall be deemed to be the legal and beneficial owner of such Shares free and clear of any Liens; and

(b) each Share outstanding immediately prior to the Effective Time, other than Shares held by the Acquiror and its affiliates, and other than Shares held (or previously held) by a Dissenting Shareholder, shall be transferred and deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to the Acquiror in exchange for a payment in cash equal to the Cash Proceeds per Share, and the name of such holder will be removed from the register of holders of Shares and the Acquiror shall be recorded as the registered holder of Shares so transferred and shall be deemed to be the legal and beneficial owner thereof, free and clear of any Liens, and such payment shall be made upon the presentation and surrender by or on behalf of the holder to the Depository (acting on behalf of the Acquiror) of the certificate formerly representing Shares and a Letter of Transmittal as more fully described in Section 2.3.

2.3 Letter of Transmittal

At the time of mailing the Proxy Circular or as soon as practicable after the Effective Date, the Corporation shall forward to each Shareholder at the address of such holder as it appears on the register maintained by or on behalf of the Corporation in respect of the holders of Shares, the Letter of Transmittal and instructions for obtaining delivery of that portion of the Purchase Price payable to such holder following the Effective Date pursuant to this Plan of Arrangement.

2.4 Delivery of Purchase Price

Prior to the Effective Date, (i) the Acquiror shall deposit, or arrange to be deposited, the money required for the payment of the aggregate Cash Proceeds per Share (the "**Purchase Price**") for the Shares acquired pursuant to Section 2.2(b) for the benefit of and in trust for the holders of Shares entitled to receive Cash Proceeds per Share for each Share held by them in a special account with the Depository to be paid to or to the order of the respective former holders of such Shares without interest. All such money shall be cash, denominated in Canadian dollars in same day funds payable at Toronto, Ontario. Such money shall not be used for any purpose except as provided in this Plan of Arrangement. Such payment to or to the order of the aforesaid former holders shall be made on presentation and surrender at the principal office of the Depository in the City of Toronto of the certificate(s) representing the Shares which were acquired by the Acquiror pursuant to Section 2.2(b), and a duly completed Letter of Transmittal and such other documents and instruments, if any, as the Acquiror and/or the Depository may reasonably require. Upon surrender to the Depository for transfer to the Acquiror of a certificate which immediately prior to the Effective Time represented Shares in respect of which the holder is entitled to receive cash under the Arrangement, and a duly completed Letter of Transmittal, and such other documents and instruments as would have been required to effect the transfer of the Shares formerly represented by such certificate under the CBCA and the by-laws of the Corporation and such additional documents and instruments as the Acquiror and the Depository may reasonably require, such former holder shall be entitled to receive in exchange therefor, and as soon as practicable after the Effective Time the Depository shall deliver to such holder, by cheque (or, if required by applicable laws, a wire transfer) for the amount of cash such holder is entitled to receive under the Arrangement (together, if applicable, with any unpaid dividends or distributions declared on the Shares, if any, prior to the Effective Time). In the event of a transfer of ownership of Shares that was not registered in the securities register of the Corporation, the amount of cash payable for such Shares under the Arrangement may be delivered to the transferee if the certificate representing such Shares is presented to the Depository as provided above, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable share transfer taxes have been paid. Thereafter, the Acquiror, the Corporation and the Parent shall be fully and completely discharged from their obligation to pay the Purchase Price to the former holders of such Shares referred to in Section 2.2(b), and the rights of such holders shall be limited to receiving, without interest, from the Depository their proportionate part of the money so deposited on presentation and surrender of the documentation specified above. Any interest on such deposit shall belong to the Acquiror.

2.5 Expiration of Rights

Any amounts deposited with the Depository for the payment of the Purchase Price which remain unclaimed on the date which is six years from the Effective Date shall be forfeited to the Acquiror and paid over to or as directed by the Acquiror and the former holders of Shares shall thereafter have no right to receive their respective entitlement to the Purchase Price.

2.6 Dividends and Distributions

If the Corporation declares, sets aside or pays any dividend on, or makes any other actual, constructive or deemed distribution in respect of any of the Shares, or otherwise makes any payments to the holders of the Shares in their capacity as such, during the period commencing on the date of the Arrangement Agreement and ending on the Effective Date, the Acquiror may reduce the amount of the Cash Proceeds per Share by any amount it determines in its sole discretion, provided that such discount shall not exceed the amount of such dividend, distribution or payment received per Share. No dividend or other distribution declared or made after the Effective Time with respect to the Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Time, represented outstanding Shares.

2.7 Transfers Free and Clear

Any transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens.

ARTICLE 3
RIGHTS OF DISSENT

3.1 Dissent Rights

(a) Each Shareholder may exercise rights of dissent with respect to its Shares pursuant to and in the manner set forth in section 190 of the CBCA as modified by the Interim Order and this Section 3.1 (the "**Dissent Rights**"); provided that a Notice of Dissent is received by the Corporation by no later than 9:00 a.m. (Toronto time) on the Business Day that is two Business Days prior to the date of the Special Meeting, or, if the Meeting is adjourned or postponed, 9:00 a.m. (Toronto time) on the Business Day that is two Business Days preceding the date of such adjourned or postponed Special Meeting.

(b) Shareholders who duly and validly exercise their Dissent Rights shall be deemed to have transferred their Shares, without any further act or formality on their part, free and clear of all Liens, to the Acquiror as provided in Section 2.2(a), and such Shareholders who: (i) are ultimately determined to be entitled to be paid fair value for their Shares shall be entitled to a payment of cash equal to such fair value, and will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement in respect of such Shares had such Shareholders not exercised their Dissent Rights; or (ii) are ultimately determined not to be entitled, for any reason, to be paid fair value for their Shares shall have participated and shall be deemed to have participated in the Arrangement, as at the Effective Time, on the same basis as a non-Dissenting Shareholder and shall receive cash consideration in respect of their Shares on the basis set forth in Article 2.

(c) In addition to any other restrictions under Section 190 of the CBCA, none of the following shall be entitled to exercise Dissent Rights: Shareholders who vote in favour of the Arrangement Resolution.

(d) In no case shall the Corporation, the Acquiror, the Parent, the Depository, the registrar and transfer agent in respect of the Shares or any other Person be required to recognize a Dissenting Shareholder as a holder of Shares after the Effective Time and the name of each Dissenting Shareholder shall be deleted from the registers of holders of Shares as at the Effective Time as provided in Article 2.

ARTICLE 4
CERTIFICATES

4.1 Certificates

From and after the Effective Time, until surrendered as contemplated by Section 2.4, each certificate formerly representing Shares that, under the Arrangement, were transferred or deemed to be transferred to the Acquiror in return for cash pursuant to Section 2.2, shall represent and be deemed, at all times after the Effective Time, to represent only the right to receive upon such surrender the amount per Share specified in Section 2.2(a) or Section 2.2(b), as applicable, of this Plan of Arrangement.

4.2 Lost Certificates

In the event that any certificate which immediately prior to the Effective Time represented one or more outstanding Shares that was sold and transferred to the Acquiror pursuant to Section 2.2 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depository will pay such Person the cash that such Person would have been entitled to had such share certificate not been lost, stolen or destroyed. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom cash is to be paid shall, at the sole discretion of the Acquiror, give a bond satisfactory to the Acquiror in such sum as the Acquiror may direct or otherwise indemnify the Depository and the Acquiror in a manner satisfactory to each of them against any claim that may be made against the Depository or the Acquiror with respect to the certificate alleged to have been lost, stolen or destroyed.

ARTICLE 5
GENERAL

5.1 Paramountcy

From and after the Effective Time (i) this Plan of Arrangement shall take precedence and priority over any and all Shares issued prior to the Effective Time, (ii) the rights and obligations of the registered holders of Shares, and the Corporation, the Acquiror, the Parent, the Depository and any trustee or transfer agent therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement, and (iii) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Shares shall be deemed to have been settled, compromised, released and determined without liability except as set forth herein.

5.2 Amendment

(a) Subject to Sections 5.2(b), (d), (e) and (f), the Corporation, the Acquiror and the Parent reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that any such amendment, modification and/or supplement must be contained in a written document which is (i) agreed to in writing by the Corporation, the Acquiror and the Parent, (ii) filed with the Court and, if made following the Special Meeting, approved by the Court subject to such conditions as the Court may impose, and (iii) if so required by the Court, communicated to Shareholders if and in the manner as required by the Court.

(b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Corporation, the Acquiror or the Parent at any time prior to or at the Special Meeting (provided that the Corporation, the Acquiror and the Parent shall have consented thereto in writing), with or without any prior notice or communication, and if so proposed and accepted by the Persons voting at the Special Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification and/or supplement to this Plan of Arrangement that is approved by the Court following the Special Meeting shall be effective only if: (i) it is agreed to by each of the Corporation, the Acquiror and the Parent; (ii) it is filed with the Court (other than amendments contemplated in Section 5.2(b) or (e), which shall not require such filing), and (iii) if required by the Court, it is consented to by holders of the Shares voting in the manner directed by the Court.

(d) Any amendment, modification and/or supplement to this Plan of Arrangement may be made by the Acquiror or the Parent unilaterally after the Effective Date without the approval of the Shareholders or the Corporation provided that it concerns a matter which, in the reasonable opinion of the Acquiror or the Parent, is of an administrative or ministerial nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of the former Shareholders contemplated by this Plan of Arrangement prior to giving effect to such amendment, modification and/or supplement.

(e) Notwithstanding anything in this Plan of Arrangement or the Arrangement Agreement, the Acquiror or the Parent shall be entitled, at any time prior to or following the Special Meeting, to modify this Plan of Arrangement to increase the consideration the Acquiror is prepared to make available to Shareholders pursuant to the Arrangement, whether or not the Board of the Corporation has changed its recommendation, provided that the Acquiror or the Parent shall use its commercially reasonable efforts to provide not less than one Business Day's prior written notice of such proposal to the Corporation.

(f) Notwithstanding anything in this Plan of Arrangement or the Arrangement Agreement, no amendment, revision, update or supplement shall be made to this Plan of Arrangement that (i) would require the Corporation to obtain any regulatory approval or the approval of Shareholders in respect of such amendment, revision, update or supplement other than at the Special Meeting, (ii) would prejudice the Corporation's securityholders or would result in the withdrawal or material modification of the Financial Advisor Opinion, (iii) would impede or materially delay the consummation of the transactions contemplated by this Plan of Arrangement, or (iv) would require the Corporation to take any action in contravention of applicable Law, the Charter Documents or any material provision of any material agreement to which it is a party.

(g) This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the provisions of the Arrangement Agreement.

5.3 Further Assurances

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and be deemed to have occurred in the order set out herein, without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to implement this Plan of Arrangement and to further document or evidence any of the transactions or events set out herein.

5.4 Withholding Rights

Notwithstanding anything in the Arrangement Agreement or this Plan of Arrangement to the contrary, the Corporation, the Depository, the Acquiror or the Parent, as the case may be, shall be entitled to deduct and withhold from any amount otherwise payable pursuant to this Plan of Arrangement to any holder of Shares such amounts as are required to be deducted and withheld with respect to the making of such payment under the *Income Tax Act* (Canada), the United States *Internal Revenue Code of 1986*, or any provision of local, state, provincial or foreign tax Law, in each case, as amended, or the administrative practice of the relevant Governmental Entity administering such Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of the Arrangement Agreement and this Plan of Arrangement as having been paid to the former holder of the Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority within the time required and in accordance with applicable Laws.

SCHEDULE "C"

OPINION OF MERRILL LYNCH CANADA INC.

June 22, 2014

The Board of Directors
WaterFurnace Renewable Energy, Inc.
9000 Conservation Way
Fort Wayne, Indiana 46809

Members of the Board of Directors:

We understand that WaterFurnace Renewable Energy, Inc. ("WFI") proposes to enter into an Arrangement Agreement (the "Agreement") with NIBE Industrier AB (publ) ("NIBE") pursuant to which, among other things, NIBE will acquire all outstanding common shares in the capital of WFI ("WFI Common Shares") through a plan of arrangement for C$30.60 per share in cash (the "Consideration" and, such acquisition, the "Arrangement"). The terms and conditions of the Arrangement are more fully set forth in the Agreement and Plan of Arrangement attached as Exhibit B thereto (the "Plan of Arrangement").

You have requested our opinion as to the fairness, from a financial point of view, to the holders of WFI Common Shares of the Consideration to be received by such holders in the Arrangement.

In connection with this opinion, we have, among other things:

(i) reviewed certain publicly available business and financial information relating to WFI;

(ii) reviewed certain internal financial and operating information with respect to the business, operations and prospects of WFI furnished to or discussed with us by the management of WFI, including certain financial forecasts relating to WFI prepared by the management of WFI under alternative business assumptions regarding the expiration of certain federal tax credits relating to certain of WFI's products and the resulting potential impact on WFI's projected financial results (such forecasts, collectively, the "WFI Forecasts");

(iii) discussed the past and current business, operations, financial condition and prospects of WFI with members of senior management of WFI;

(iv) reviewed the trading history for WFI Common Shares and a comparison of such trading history with the trading histories of other companies we deemed relevant;

(v) compared certain financial and stock market information of WFI with similar information of other companies we deemed relevant;

(vi) compared certain financial terms of the Arrangement to financial terms, to the extent publicly available, of other transactions we deemed relevant;

(vii) considered the results of our efforts on behalf of WFI to solicit, at the direction of WFI, indications of interest and definitive proposals from third parties with respect to a possible acquisition of WFI;

(viii) reviewed an execution version, provided to us on June 22, 2014, of the Agreement and related Plan of Arrangement; and

(ix) performed such other analyses and studies and considered such other information and factors as we deemed appropriate.

In arriving at our opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with us and have relied upon the assurances of the management of WFI that it is not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the WFI Forecasts, we have been advised by WFI, and we have assumed, that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of WFI as to the future financial performance of WFI under the alternative business assumptions reflected therein. As you are aware, we have utilized certain publicly available exchange rates for purposes of our analyses and we have assumed, with your consent, that such exchange rates are reasonable to utilize for such purposes. We express no view or opinion as to any currency or exchange rate fluctuations and also have assumed, with your consent, that any such fluctuations will not in any respect be meaningful to our analyses or opinion. At the direction of WFI, we have relied upon the assessments of the managements of WFI as to the potential impact on WFI of (i) certain market and other trends and prospects for, and governmental or other regulatory or legislative matters relating to or affecting, the energy renewable industry and (ii) WFI's joint venture and other commercial relationships, agreements and arrangements. We have assumed, at the direction of WFI, that there will be no developments with respect to any such matters that would have an adverse effect on WFI or the Arrangement or that otherwise would be meaningful in any respect to our analyses or opinion.

We have not made or been provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of WFI or any other entity, nor have we made any physical inspection of the properties or assets of WFI or any other entity. We have not evaluated the solvency or fair value of WFI or any other entity under any state, provincial, federal or other laws relating to bankruptcy, insolvency or similar matters. We have assumed, at the direction of WFI, that the Arrangement will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the Arrangement, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, will be imposed that would have an adverse effect on WFI or the Arrangement. We also have assumed, at the direction of WFI, that the final executed Agreement and related Plan of Arrangement will not differ in any material respect from the execution version of the Agreement and related Plan of Arrangement reviewed by us.

We express no view or opinion as to any terms or other aspects or implications of the Arrangement (other than the Consideration to the extent expressly specified herein), including, without limitation, the form or structure of the Arrangement or any terms, aspects or implications of any support and voting agreement or other arrangements, agreements or understandings entered into in connection with or related to the Arrangement or otherwise. Our opinion is limited to the fairness, from a financial point of view, of the

Consideration to be received by holders of WFI Common Shares without regard to individual circumstances of specific holders with respect to control, voting, liquidity or other rights or aspects which may distinguish such holders or WFI Common Shares held by such holders and no opinion or view is expressed with respect to any consideration received in connection with the Arrangement by the holders of any class of securities, creditors or other constituencies of any party. In addition, no opinion or view is expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any officers, directors or employees of any party to the Arrangement, or class of such persons, relative to the Consideration or otherwise. Furthermore, no opinion or view is expressed as to the relative merits of the Arrangement in comparison to other strategies or transactions that might be available to WFI or in which WFI might engage or as to the underlying business decision of WFI to proceed with or effect the Arrangement. We also are not expressing any view or opinion with respect to, and we have relied, at the direction of WFI, upon the assessments of representatives of WFI regarding, legal, regulatory, accounting, tax and similar matters relating to WFI and the Arrangement as to which we understand that WFI obtained such advice as it deemed necessary from qualified professionals. In addition, we express no opinion or recommendation as to how any stockholder should vote or act in connection with the Arrangement or any other matter.

We have acted as financial advisor to WFI in connection with the Arrangement and will receive a fee for our services, a portion of which is payable upon delivery of this opinion and the principal portion of which is contingent upon consummation of the Arrangement. In addition, WFI has agreed to reimburse our expenses and indemnify us against certain liabilities arising out of our engagement.

We and our affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of our businesses, we and our affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of WFI, NIBE and certain of their respective affiliates.

We and our affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to WFI and certain of its affiliates and have received or in the future may receive compensation for the rendering of these services, including (i) having acted or acting as a lender under certain leasing facilities of WFI and certain of its affiliates, (ii) having provided or providing certain treasury management services and products to WFI and certain of its affiliates and (iii) having provided or providing certain foreign exchange and other trading services for WFI and certain of its affiliates.

It is understood that this letter is for the benefit and use of the Board of Directors of WFI (in its capacity as such) in connection with and for purposes of its evaluation of the Arrangement.

Our opinion is necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to us as of, the date hereof. As you are aware, the credit, financial and stock markets have experienced volatility and we express no opinion or view as to any potential effects of such volatility on WFI or the Arrangement. It should be understood that subsequent developments may affect this opinion, and we do not have any obligation to update, revise or reaffirm this opinion. The issuance of this opinion was approved by our Americas Fairness Opinion Review Committee.

Based upon and subject to the foregoing, including the various assumptions and limitations set forth herein, we are of the opinion on the date hereof that the Consideration to be received in the Arrangement by holders of WFI Common Shares is fair, from a financial point of view, to such holders.

Very truly yours,

"Merrill Lynch Canada Inc."

MERRILL LYNCH CANADA INC.

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SCHEDULE "D"

FAIRNESS OPINION OF MPA MORRISON PARK ADVISORS INC.

June 22nd, 2014

Special Committee of the Board of Directors
WaterFurnace Renewable Energy, Inc.
9000 Conservation Way
Fort Wayne, Indiana
46809-9794
United States of America

To The Special Committee:

MPA Morrison Park Advisors Inc. ("MPA") understands that WaterFurnace Renewable Energy, Inc. ("WaterFurnace", or the "Company") and NIBE Industrier AB (publ) ("NIBE") propose to enter into a transaction to be effected by way of a plan of arrangement (the "Arrangement") under section 192 of the *Canada Business Corporations Act* (the "Proposed Transaction"), on the terms and conditions to be set out in an arrangement agreement (the "Arrangement Agreement"), pursuant to which NIBE will purchase all of the issued and outstanding common shares (the "Common Shares") of the Company (the "Proposed Transaction") in an all-cash transaction valued at $30.60 (Canadian dollars) per Common Share (the "Consideration"). MPA further understands that the Proposed Transaction is the result of a confidential sales process undertaken by the Company (the "Confidential Sales Process").

MPA also understands that, contemporaneously with entering into the Arrangement Agreement, NIBE will enter into a support and voting agreement (a "Lock-Up Agreement") with each of the directors and officers of the Company and certain other shareholders of the Company (the "Locked-Up Shareholders") pursuant to which the Locked-Up Shareholders will, among other things, agree to vote in favour of the Arrangement at the special meeting of shareholders of the Company to approve the Arrangement, on the terms and conditions to be set forth in the Lock-Up Agreements.

The board of directors of the Company (the "Board") has formed a special committee of independent directors (the "Special Committee") to consider the Proposed Transaction and report its recommendations to the Board. The Special Committee has engaged MPA as financial advisor and has requested MPA to provide an opinion as to the fairness, from a financial point of view, of the Consideration to be provided pursuant to the Proposed Transaction to the holders of the Common Shares (the "Opinion").

The foregoing description of the Proposed Transaction and related matters is qualified in its entirety by the management information circular to be issued in connection therewith.

Engagement of MPA

Pursuant to an engagement letter dated June 12th 2014, MPA was engaged by the Special Committee to provide the Opinion, and will receive fees for its services. MPA has been indemnified by the Company in respect of certain matters relating to its engagement and will be reimbursed for its reasonable out of pocket expenses. No portion of MPA's fees in respect of the provision of the Opinion are contingent upon the successful completion of the Proposed Transaction.

Credentials of MPA

MPA is an independent, partner-owned, Canadian investment banking advisory firm which specializes in providing financial advisory services to corporations and governments. MPA and its professionals have extensive experience in preparing valuations and fairness opinions and in transactions similar to the Proposed Transaction.

The Opinion expressed herein represents the opinion of MPA as of the date hereof and the form and content herein have been approved by a group of MPA's directors and officers, each of whom is experienced in mergers and acquisitions, divestitures, valuations and fairness opinions.

Independence of MPA

MPA confirms that (i) neither MPA nor any of its affiliated entities is an associated entity or affiliated entity or insider of the Company or NIBE or their respective associates or affiliates; (ii) prior to the date hereof, it has not been engaged as financial advisor to the Company or NIBE; and (iii) during the term of its engagement, MPA will not be engaged by NIBE as financial advisor in respect of the Proposed Transaction.

As an independent investment banking advisory firm, MPA does not act as a trader or underwriter of securities or as a lender. In the future, in the ordinary course of business, MPA may provide investment banking services to the Company or NIBE or their respective associates or affiliates. Except as expressed herein, there are no undertakings, agreements or commitments between MPA and the Company or NIBE or any of their respective associates or affiliates with respect to any future business dealings.

Scope of Review

In connection with the Opinion, MPA reviewed, considered and relied upon (without attempting to verify independently the completeness, accuracy or fair presentation thereof) or carried out, amongst other things, the following:

- A draft, in substantially final form, of the Arrangement Agreement;
- A draft, in substantially final form, of the Disclosure Letter;
- A draft, in substantially final form, of the Lock-Up Agreement(s);
- Preliminary and Definitive Letters of Proposal from NIBE;
- Audited consolidated financial statements of the Company for each of the five years ended and as at December 31, 2009, 2010, 2011, 2012 and 2013;
- Management Discussion and Analysis for the Company for each of the five years ended and as at December 31, 2009, 2010, 2011, 2012 and 2013;
- Annual Information Forms for the Company for each of the five years ended and as at December 31, 2009, 2010, 2011, 2012 and 2013;
- Management Information Circular for the Company for each of the five years ended and as at December 31, 2009, 2010, 2011, 2012 and 2013;
- Unaudited interim consolidated financial statements for the Company for the periods ended and as at March 31, 2014, September 30, 2013 and June 30, 2013;
- Various other historical financial information and analyses with respect to the Company;
- Estimates of profit and loss ("P&L") for the Company's operations for the next five years as prepared by Company management;
- Information regarding the Confidential Sales Process;
- Financial, operating, legal and other documents and information contained in the Company's electronic data room made available during the Confidential Sales Process, including to NIBE;
- Discussions with senior management of the Company with respect to the information referred to herein, including historical, current and forecast financial information for the Company;
- Other information prepared by the Company which MPA considered relevant for the purposes of completing the Opinion;
- Representations contained in an officers' certificate addressed to MPA, signed by the Chief Executive Officer and the Secretary, Treasurer and Chief Financial Officer of the Company as to, amongst other things, the completeness and accuracy of the information upon which the Opinion is based (the "Certificate");
- Discussions with the members of the Special Committee and legal counsel to the Special Committee;
- Discussions with the Company and its advisors;
- Public information with respect to precedent transactions and comparable companies that MPA considered relevant with respect to the Proposed Transaction;
- Information provided by the Company to NIBE in support of NIBE's due diligence process; and
- Such other corporate, industry and financial market information, investigations and analyses as MPA considered relevant in the circumstances.

MPA had full access to and the cooperation of the senior officers of the Company and was not, to the best of its knowledge, denied access to any information requested by MPA.

Prior Valuations

The Company has represented to MPA that there have not been any prior valuations of the Company or its material assets or its securities in the past 24-month period.

Assumptions and Limitations

In accordance with the terms of its engagement, MPA has relied upon, and has assumed the completeness, accuracy and fair presentation of, all financial and other information, data, advice, opinions and representations (including those representations contained in the Certificate) obtained by it from public sources or provided by the Company or any of its subsidiaries or their respective directors, officers, employees, consultants, advisors and representatives (collectively, the "Information"). The Opinion is conditional upon the completeness, accuracy and fair presentation of the Information. Subject to the exercise of its professional judgment, MPA has not attempted to verify independently the completeness, accuracy or fair presentation of the Information.

MPA has assumed that the forecasts, projections, estimates and budgets of the Company provided to us and used in our analyses have been reasonably prepared on bases reflecting the best currently available estimates and judgments of senior management as to matters covered thereby.

The Chief Executive Officer and the Secretary, Treasurer and Chief Financial Officer of the Company have represented to MPA in the Certificate, amongst other things, that, as of the date hereof, (i) the Company has no information or knowledge of any facts not public or otherwise specifically provided to MPA relating to the Company or any of its subsidiaries or affiliates which would reasonably be expected to affect materially the Opinion, (ii) the written data provided to MPA by or on behalf of the Company in respect of the Company and its subsidiaries or affiliates in connection with the Proposed Transaction is true and accurate in all material respects and no additional material, data or information would be required to make the data provided to MPA by the Company not misleading in light of the circumstances in which it was prepared and (iii) any portions of the data provided to MPA which constitute forecasts, projections or estimates were prepared using the assumptions identified therein, which, in the reasonable opinion of the Company, are (or were at the time of preparation) reasonable in the circumstances.

The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of the date hereof and the condition and prospects, financial and otherwise, of the Company, its subsidiaries and other material interests as they were reflected in the Information reviewed by MPA. In its analyses and in preparing the Opinion, MPA made numerous judgments with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Proposed Transaction. All financial figures herein are expressed in Canadian dollars except where otherwise noted.

The Proposed Transaction is subject to a number of conditions outside the control of the Company or NIBE and MPA has assumed that all conditions precedent to the completion of the Proposed Transaction can be satisfied in due course and in a reasonable amount of time and all consents, permissions, exemptions, or orders of regulatory authorities will be obtained, without adverse conditions or qualifications. In rendering the Opinion, MPA expresses no views as to the likelihood that the conditions with respect to the Proposed Transaction will be satisfied or waived or that the Proposed Transaction will be implemented within the timeframe indicated in the Proposed Transaction documentation.

The Opinion does not constitute a recommendation as to whether any shareholders of the Company should vote in favour of the Arrangement.

The Opinion is provided as of the date hereof, and MPA disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion of which it may become aware after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or mater affecting the Opinion after the date hereof, MPA reserves the right to change, modify or withdraw the Opinion.

The Opinion has been prepared and provided solely for the use of the Special Committee and the Board, and may not be used or relied upon by any other person without the prior approval of MPA.

Although MPA conducted such financial analyses as it believed was appropriate in the circumstances in order to arrive at its Opinion, the Opinion should not be construed as a formal valuation of the Company or any of its assets.

MPA is not a legal, tax or accounting expert and MPA expresses no opinion concerning any of these matters regarding the Proposed Transaction. MPA did not, in considering the fairness of the Consideration to be received pursuant to the Proposed Transaction, asses any income tax consequences that any particular shareholder may face in connection with the Proposed Transaction.

The Opinion should also not be construed as an opinion by MPA of the strategic merits of entering into the Proposed Transaction or any alternative business strategy.

MPA has based the Opinion upon a variety of factors. Accordingly, MPA believes that its analyses must be considered as a whole. Selecting portions of its analyses or the factors considered by MPA, without considering all factors and analyses together, could create a misleading view of the process underlying the Opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Fairness Considerations

In arriving at its Opinion as to the fairness, from a financial point of view, of the Consideration to be provided pursuant to the Proposed Transaction to the holders of the Common Shares, MPA did not attribute any particular weight to any consideration, but rather made qualitative judgments based upon its experience in rendering such opinions and on prevailing circumstances, including current market conditions, as to the significance and relevance of each methodology and overall financial analyses.

The assessment of fairness, from a financial point of view, must be determined in the context of the particular transaction. In arriving at its Opinion, MPA considered the value of the Consideration in the context of the following analyses and approaches:

Stand Alone Analysis

MPA reviewed a variety of scenarios for the future financial performance of the Company on a stand-alone basis, based on the Company's plans for potential future development and performance, amongst other things. MPA performed discounted cash flow analyses of the implied future cash flows of these various scenarios.

Third Party Sale Context

MPA performed a variety of analyses in assessing a range of potential values for the Company in the context of a change of control transaction. These analyses included, amongst other things: a review of the Confidential Sales Process, an assessment of potential synergies available to potential strategic buyers, including NIBE; an analysis of precedent transactions and comparable companies which MPA considered relevant; and an examination of recent takeover premiums paid in the North American mergers and acquisitions ("M&A") marketplace.

The Consideration to be provided to the holders of the Common Shares pursuant to the Proposed Transaction is consistent with the ranges developed in each of the above approaches.

Opinion Conclusion

Based upon and subject to the foregoing, MPA is of the opinion that the Consideration to be provided pursuant to the Proposed Transaction is fair, from a financial point of view, to the holders of the Common Shares.

Yours very truly,

MPA Morrison Park Advisors Inc.

MPA Morrison Park Advisors Inc.

SCHEDULE "E"

INTERIM ORDER

(See attached)

Court File No. CV-14-10624-00CL

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

THE HONOURABLE	)	WEDNESDAY, THE 16TH
	)	
JUSTICE WILTON-SIEGEL	)	DAY OF JULY, 2014

IN THE MATTER OF AN APPLICATION under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended

AND AN APPLICATION under Rule 14.05(2) and Rule 14.05(3) of the *Rules of Civil Procedure*

AND IN THE MATTER OF a proposed arrangement involving WaterFurnace Renewable Energy, Inc.

INTERIM ORDER

THIS MOTION made by the Applicant, WaterFurnace Renewable Energy, Inc. ("**WaterFurnace**") for an interim order for advice and directions pursuant to section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, (the "**CBCA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Notice of Application issued on July 10, 2014 and the affidavit of Thomas C. Dawson sworn July 14, 2014 (the "**Dawson Affidavit**"), including the draft Notice of Meeting and Management Information Circular of WaterFurnace (the "**Information Circular**"), which is attached as Exhibit "A" to the Dawson Affidavit and on hearing the submissions of counsel for the Applicant and counsel for NIBE Industrier AB (publ) ("**NIBE**") and NIBE Energy Systems Canada Corp. ("**NIBE Subco**") (and on being advised that the Director appointed under the CBCA (the "**Director**") does not consider it necessary to appear,

Definitions

1. **THIS COURT ORDERS** that all definitions used in this Interim Order shall have the meanings ascribed thereto in the Information Circular or otherwise as specifically defined herein.

The Meeting

2. **THIS COURT ORDERS** that WaterFurnace is permitted to call, hold and conduct a special meeting (the "**Meeting**") of the holders of voting Common Shares (the "**Shareholders**") in the capital of WaterFurnace to be held at the corporate headquarters of WaterFurnace located at 9000 Conservation Way, Fort Wayne, Indiana 46809 USA on August 18, 2014 at 9:00 a.m. (Eastern Daylight Time) in order for the Shareholders to consider, and if determined advisable, pass special and ordinary resolutions authorizing, adopting and approving, with or without variation, the Arrangement and the Plan of Arrangement (collectively, the "**Arrangement Resolution**").

3. **THIS COURT ORDERS** that the Meeting shall be called, held and conducted in accordance with the CBCA, the Notice of Special Meeting of Shareholders, which accompanies the Information Circular (the "**Notice of Meeting**") and the articles and by-laws of WaterFurnace, subject to what may be provided hereafter and subject to further order of this court.

4. **THIS COURT ORDERS** that the record date (the "**Record Date**") for determination of the Shareholders entitled to notice of, and to vote at, the Meeting shall be July 14, 2014.

5. **THIS COURT ORDERS** that the only persons entitled to attend or speak at the Meeting shall be:

a) the Shareholders or their respective proxyholders;

b) the officers, directors, auditors and advisors of WaterFurnace;

c) representatives and advisors of NIBE;

d) the Director; and

e) other persons who may receive the permission of the Chairman of the Meeting.

6. **THIS COURT ORDERS** that WaterFurnace may transact such other business at the Meeting as is contemplated in the Information Circular, or as may otherwise be properly brought before the Meeting.

Quorum

7. **THIS COURT ORDERS** that the Chairman of the Meeting shall be determined by WaterFurnace and that quorum at the Meeting shall consist of holders of forty percent (40%) of the Common Shares entitled to vote at the Meeting being present in person or represented by proxy, irrespective of the number of persons actually present at the Meeting.

Amendments to the Arrangement and Plan of Arrangement

8. **THIS COURT ORDERS** that WaterFurnace is authorized to make, subject to the terms of the Arrangement Agreement, the Plan of Arrangement, and paragraph 9 below, such amendments, modifications or supplements to the Arrangement and the Plan of Arrangement as it may determine without any additional notice to the Shareholders, or others entitled to receive

notice under paragraph 12 hereof and the Arrangement and Plan of Arrangement, as so amended, modified or supplemented shall be the Arrangement and Plan of Arrangement to be submitted to the Shareholders at the Meeting and shall be the subject of the Arrangement Resolution. Amendments, modifications or supplements may be made following the Meeting, but shall be subject to review and, if appropriate, further direction by this Honourable Court at the hearing for the final approval of the Arrangement.

9. **THIS COURT ORDERS** that, if any amendments, modifications or supplements to the Arrangement or Plan of Arrangement as referred to in paragraph 8, above, would, if disclosed, reasonably be expected to affect a Shareholder's decision to vote for or against the Arrangement Resolution, notice of such amendment, modification or supplement shall be distributed, subject to further order of this Honourable Court, by press release, newspaper advertisement, prepaid ordinary mail, or by the method most reasonably practicable in the circumstances, as WaterFurnace may determine.

Amendments to the Information Circular

10. **THIS COURT ORDERS** that WaterFurnace is authorized to make such amendments, revisions and/or supplements to the Information Circular as it may determine and the Information Circular, as so amended, revised and/or supplemental, shall be the Information Circular to be distributed in accordance with paragraph 12 below.

Adjournments and Postponements

11. **THIS COURT ORDERS** that WaterFurnace, if it deems advisable and subject to the terms of the Arrangement Agreement, is specifically authorized, with the consent of NIBE, to adjourn or postpone the Meeting on one or more occasions, without the necessity of first

convening the Meeting or first obtaining any vote of the Shareholders respecting the adjournment or postponement, and notice of any such adjournment or postponement shall be given by such method as WaterFurnace may determine is appropriate in the circumstances. This provision shall not limit the authority of the Chairman of the Meeting in respect of adjournments and postponements.

Notice of Meeting

12. **THIS COURT ORDERS** that, in order to effect notice of the Meeting, WaterFurnace shall send the Information Circular (including the Notice of Application and this Interim Order), the Notice of Meeting, the form of proxy and letter of transmittal, along with such amendments or additional documents as WaterFurnace may determine are necessary or desirable and are not inconsistent with the terms of this Interim Order (collectively, the "**Meeting Materials**"), to the following:

a) the registered Shareholders at the close of business on the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by one or more of the following methods:

   i) by pre-paid ordinary or first class mail at the addresses of the Shareholders as they appear on the books and records of WaterFurnace, or its registrar and transfer agent, at the close of business on the Record Date and if no address is shown therein, then the last address of the person known to the Corporate Secretary of WaterFurnace;

   ii) by delivery, in person or by recognized courier service or inter-office mail, to the address specified in i) above; or

iii) by facsimile or electronic transmission to any Shareholder, who is identified to the satisfaction of WaterFurnace, who requests such transmission in writing and, if required by WaterFurnace, who is prepared to pay the charges for such transmission;

b) non-registered Shareholders by providing sufficient copies of the Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and

c) the respective directors and auditors of WaterFurnace, and to the Director appointed under the CBCA, by delivery in person, by recognized courier service, by pre-paid ordinary or first class mail or, with the consent of the person, by facsimile or electronic transmission, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting;

and that compliance with this paragraph shall constitute sufficient notice of the Meeting.

13. **THIS COURT ORDERS** that accidental failure or omission by WaterFurnace to give notice of the meeting or to distribute the Meeting Materials to any person entitled by this Interim Order to receive notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of WaterFurnace, or the non-receipt of such notice shall, subject to further order of this Honourable Court, not constitute a breach of this Interim Order nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such

failure or omission is brought to the attention of WaterFurnace, it shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

14. **THIS COURT ORDERS** that WaterFurnace is hereby authorized to make such amendments, revisions or supplements to the Meeting Materials and Court Materials as WaterFurnace may determine in accordance with the terms of the Arrangement Agreement ("**Additional Information**"), and that notice of such Additional Information may, subject to paragraph 9 above, be distributed by press release, newspaper advertisement, pre-paid ordinary mail, or by the method most reasonably practicable in the circumstances, as WaterFurnace may determine.

15. **THIS COURT ORDERS** that distribution of the Meeting Materials pursuant to paragraph 12 of this Interim Order shall constitute notice of the Meeting and good and sufficient service of the within Application upon the persons described in paragraph 12 and that those persons are bound by any orders made on the within Application. Further, no other form of service of the Meeting Materials or the Court Materials or any portion thereof need be made, or notice given or other material served in respect of these proceedings and/or the Meeting to such persons or to any other persons, except to the extent required by paragraph 9 above.

Solicitation and Revocation of Proxies

16. **THIS COURT ORDERS** that WaterFurnace is authorized to use a letter of transmittal and proxies substantially in the form of the drafts accompanying the Information Circular, with such amendments and Additional Information as WaterFurnace may determine are necessary or desirable, subject to the terms of the Arrangement Agreement. WaterFurnace is authorized, at its expense, to solicit proxies, directly or through its officers, directors or employees, and

through such agents or representatives as it may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine. WaterFurnace may waive generally, in its discretion, the time limits set out in the Information Circular for the deposit or revocation of proxies by Shareholders, if WaterFurnace deems it advisable to do so.

17. **THIS COURT ORDERS** that Shareholders shall be entitled to revoke their proxies in accordance with section 148(4) of the CBCA (except as the procedures of that section are varied by this paragraph) provided that any instruments in writing delivered pursuant to s.148(4)(a)(i) of the CBCA: (a) may be deposited at the registered office of WaterFurnace or with the transfer agent of WaterFurnace as set out in the Information Circular; and (b) any such instruments must be received by WaterFurnace or its transfer agent not later than 5:00 p.m. on the business day immediately preceding the Meeting (or any adjournment or postponement thereof).

Voting

18. **THIS COURT ORDERS** that the only persons entitled to vote in person or by proxy on the Arrangement Resolution, or such other business as may be properly brought before the Meeting, shall be those Shareholders who hold Common Shares as of the close of business on the Record Date. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

19. **THIS COURT ORDERS** that votes shall be taken at the Meeting on the basis of one vote per Common Share and that, in order for the Plan of Arrangement to be implemented, subject to further Order of this Honourable Court, the Arrangement Resolution must be passed,

with or without variation, at the Meeting by an affirmative vote of not less than two-thirds ($66^{2}/_{3}$%) of the votes cast on the Arrangement Resolution by the Shareholders present in person or by proxy at the Meeting. Such votes shall be sufficient to authorize WaterFurnace to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Information Circular without the necessity of any further approval by the Shareholders, subject only to final approval of the Arrangement by this Honourable Court.

20. **THIS COURT ORDERS** that in respect of matters properly brought before the Meeting pertaining to items of business affecting WaterFurnace (other than in respect of the Arrangement Resolution), each Shareholder is entitled to one vote for each voting Common Share held.

Dissent Rights

21. **THIS COURT ORDERS** that each registered Shareholder shall be entitled to exercise Dissent Rights in connection with the Arrangement Resolution in accordance with section 190 of the CBCA (except as the procedures of that section are varied by this Interim Order and the Plan of Arrangement) provided that, notwithstanding subsection 190(5) of the CBCA, any Shareholder who wishes to dissent must, as a condition precedent thereto, provide written objection to the Arrangement Resolution to WaterFurnace in the form required by section 190 of the CBCA and the Arrangement Agreement, which written objection must be received by WaterFurnace not later than 9:00 a.m. (Eastern Daylight Time) on August 14, 2014 (or two Business Days prior to any adjournment or postponement of the Meeting), and must otherwise

strictly comply with the requirements of the CBCA. For purposes of these proceedings, the "court" referred to in section 190 of the CBCA means this Honourable Court.

22. **THIS COURT ORDERS** that, notwithstanding section 190(3) of the CBCA, NIBE Subco, not WaterFurnace, shall be required to offer to pay fair value, as of the day prior to approval of the Arrangement Resolution, for voting common shares held by Shareholders who duly exercise Dissent Rights, and to pay the amount to which such Shareholders may be entitled pursuant to the terms of the Arrangement Agreement. In accordance with the Plan of Arrangement and the Information Circular, all references to the "corporation" in subsections 190(3) and 190(11) to 190(26), inclusive, of the CBCA (except for the second reference to the "corporation" in subsection 190(12) and the two references to the "corporation" in subsection 190(17)) shall be deemed to refer to "NIBE Subco" in place of the "corporation", and NIBE Subco shall have all of the rights, duties and obligations of the "corporation" under subsections 190(11) to 190(26), inclusive, of the CBCA.

23. **THIS COURT ORDERS** that any Shareholder who duly exercises such Dissent Rights set out in paragraph 22 above and who:

i) is ultimately determined by this Honourable Court to be entitled to be paid fair value for his, her or its voting Common Shares, shall be deemed to have transferred those voting Common Shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims, encumbrances, charges, adverse interests or security interests to NIBE Subco, for cancellation in consideration for a payment of cash from NIBE Subco, as the case may be, equal to such fair value; or

ii) is for any reason ultimately determined by this Honourable Court not to be entitled to be paid fair value for his, her or its voting Common Shares pursuant to the exercise of the Dissent Right, shall be deemed to have participated in the Arrangement on the same basis and at the same time as any non-dissenting Shareholder;

but in no case shall WaterFurnace, NIBE Subco, NIBE or any other person be required to recognize such Shareholders as holders of voting Common Shares at or after the date upon which the Arrangement becomes effective and the names of such Shareholders shall be deleted from WaterFurnace's register of holders of voting Common Shares at that time.

Hearing of Application for Approval of the Arrangement

24. **THIS COURT ORDERS** that, upon approval by the Shareholders of the Plan of Arrangement in the manner set forth in this Interim Order, the Applicant may apply to this Honourable Court for final approval of the Arrangement.

25. **THIS COURT ORDERS** that distribution of the Notice of Application and the Interim Order in the Information Circular, when sent in accordance with paragraph 12 shall constitute good and sufficient service of the Notice of Application and this Interim Order and no other form of service need be effected and no other material need be served unless a Notice of Appearance is served in accordance with paragraph 25 below.

26. **THIS COURT ORDERS** that any Notice of Appearance served in response to the Notice of Application shall be served on the lawyers for WaterFurnace, with a copy to counsel for NIBE, as soon as reasonably practicable, and, in any event, no less than two (2) days before the hearing of this Application at the following addresses:

BENNETT JONES LLP
Suite 3400, 1 First Canadian Place
Toronto, Ontario, M5X 1A4

Attention: Robert W. Staley / Michael J. Paris

Lawyers for WaterFurnace Renewable Energy, Inc.

CASSELS BROCK & BLACKWELL LLP
2100 Scotia Plaza, 40 King Street West
Toronto, ON M5H 3C2

Attention: Robert Cohen

Lawyers for NIBE Industrier AB (publ)

27. **THIS COURT ORDERS** that, subject to further order of this Honourable Court, the only persons entitled to appear and be heard at the hearing of the within application shall be:

i) the Applicant;

ii) NIBE;

iii) the Director; and

iv) any person who has filed a Notice of Appearance herein in accordance with the Notice of Application, this Interim Order and the *Rules of Civil Procedure*.

28. **THIS COURT ORDERS** that any materials to be filed by the Applicant in support of the within Application for final approval of the Arrangement may be filed up to one day prior to the hearing of the Application without further order of this Honourable Court.

29. **THIS COURT ORDERS** that in the event the within Application for final approval does not proceed on the date set forth in the Notice of Application, and is adjourned, only those

persons who served and filed a Notice of Appearance in accordance with paragraph 25 above shall be entitled to be given notice of the adjourned date.

Precedence

30. **THIS COURT ORDERS** that, to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the Common Shares, or the articles or by-laws of WaterFurnace, this Interim Order shall govern.

Extra-Territorial Assistance

31. **THIS COURT** seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States or other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

Variance

32. **THIS COURT ORDERS** that WaterFurnace shall be entitled to seek leave to vary this Interim Order upon such terms and upon the giving of such notice as this Honourable Court may direct.

ENTERED AT / INSCRIT À TORONTO
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LE / DANS LE REGISTRE NO.:

JUL 16 2014

NB

Wilton-Siegel J.

IN THE MATTER OF AN APPLICATION under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, involving WaterFurnace Renewable Energy, Inc.

Court File No. CV-14-10624-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

INTERIM ORDER

BENNETT JONES LLP
One First Canadian Place
Suite 3400, P.O. Box 130
Toronto ON M5X 1A4

Robert W. Staley (LSUC # 27115J)
Tel: (416) 777-4857

Michael J. Paris (LSUC #57226K)
Tel: (416) 863-6251
Fax: (416) 863-1716

Lawyers for the Applicant, WaterFurnace Renewable Energy, Inc.

SCHEDULE "F"

CANADA BUSINESS CORPORATIONS ACT – SECTION 190

Right to dissent

190. (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;

(c) amalgamate otherwise than under section 184;

(d) be continued under section 188;

(e) sell, lease or exchange all or substantially all its property under subsection 189(3); or

(f) carry out a going-private transaction or a squeeze-out transaction.

Further right

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

If one class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

Payment for shares

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

No partial dissent

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

Objection

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

Notice of resolution

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but

such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

Demand for payment

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder dissents; and

(c) a demand for payment of the fair value of such shares.

Share certificate

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

Forfeiture

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

Endorsing certificate

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

Suspension of rights

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

(a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),

(b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or

(c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

Offer to pay

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

(a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

Same terms

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

Payment

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

Corporation may apply to court

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

Shareholder application to court

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

Venue

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

No security for costs

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

Parties

(19) On an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

Powers of court

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

Appraisers

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

Final order

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

Interest

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

Notice that subsection (26) applies

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

Effect where subsection (26) applies

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

(a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

Limitation

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

R.S., 1985, c. C-44, s. 190;
1994, c. 24, s. 23;
2001, c. 14, ss. 94, 134(F), 135(E);
2011, c. 21, s. 60(F).

SCHEDULE "G"

NOTICE OF APPLICATION

(See attached)

Court File No.
CV-14-10624-00CL

ONTARIO

SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF AN APPLICATION under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended

AND AN APPLICATION under Rule 14.05(2) and Rule 14.05(3) of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194

AND IN THE MATTER OF a proposed arrangement involving WaterFurnace Renewable Energy, Inc.

WATERFURNACE RENEWABLE ENERGY, INC.

Applicant

NOTICE OF APPLICATION

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The application made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing before a Judge presiding over the Commercial List on August, 21, 2014 or such later date as the Court may direct at 10:00 a.m., or as soon after that time as the application may be heard, at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than 2:00 p.m. on the day before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: July 10, 2014

Issued by ______________________
Local Registrar
A. Anissimova
Registrar

Address of court office: 330 University Avenue, 7th Floor
Toronto, Ontario M5G 1R7

TO: **THE DIRECTOR**
Canada Business Corporations Act
Industry Canada
Jean Edmonds Tower South
365 Laurier Avenue West, 9th Floor
Ottawa, ON K1A 0C8

AND TO: **ALL HOLDERS OF COMMON SHARES OF WATERFURNACE RENEWABLE ENERGY, INC.**

AND TO: **ALL DIRECTORS OF WATERFURNACE RENEWABLE ENERGY, INC.**

AND TO: **GRANT THORNTON LLP**
19th Floor, Royal Bank Plaza - South Tower
200 Bay St
Toronto, ON M5J 2P9

The Auditors for WaterFurnace Renewable Energy, Inc.

AND TO: **CASSELS BROCK & BLACKWELL LLP**
2100 Scotia Plaza, 40 King Street West
Toronto, ON M5H 3C2

Robert Cohen
rcohen@casselsbrock.com
Tel: (416) 869-5425

Lawyers for NIBE Industrier AB (publ)

APPLICATION

1. **THE APPLICANT MAKES AN APPLICATION FOR:**

(a) an interim order (the "**Interim Order**") for advice and directions pursuant to section 192(4) of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "***CBCA***"), with respect to an arrangement (the "**Arrangement**") involving WaterFurnace Renewable Energy, Inc. ("**WaterFurnace**") whereby a subsidiary of NIBE Industrier AB (publ) will acquire all of the issued and outstanding common shares of WaterFurnace (the "**Common Shares**");

(b) a final order approving the Arrangement pursuant to section 192 of the *CBCA*;

(c) such further Orders or directions as are required for the administration of the Arrangement; and

(d) such further and other relief as this Honourable Court may deem just.

2. **THE GROUNDS FOR THE APPLICATION ARE:**

(a) the Applicant is a company continued under the *CBCA*, listed on the Toronto Stock Exchange and is not insolvent;

(b) it is not practicable for the Applicant to effect a fundamental change in the nature of the Arrangement under any other provision of the *CBCA*;

(c) the Arrangement is in all the circumstances fair and reasonable to the holders of Common Shares;

(d) the relief sought in the Interim Order is within the scope of section 192 of the *CBCA* and will enable the court to consider the Arrangement on the return of this Application;

(e) all holders of Common Shares, some of whom reside outside of Ontario, are necessary or proper parties to this application;

(f) section 192 of the *CBCA*;

(g) rules 2.03, 3.02, 14.05(2), 14.05(3), and 38 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194; and

(h) such further and other grounds as counsel may advise and this Honourable Court may permit.

3. **THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE APPLICATION:**

(a) an Affidavit, to be sworn, with exhibits thereto, outlining the basis for the Interim Order for advice and directions;

(b) the further Affidavit(s), with exhibits thereto, including an Affidavit outlining the basis for the final order approving the Arrangement, and reporting as to compliance with the Interim Order and the results of any meeting conducted pursuant to the Interim Order; and

(c) such further and other material as counsel may advise and this Honourable Court may permit.

July 10, 2014

BENNETT JONES LLP
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Lawyers for the Applicant, WaterFurnace Renewable Energy, Inc.

IN THE MATTER OF AN APPLICATION under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, involving WaterFurnace Renewable Energy, Inc.

CV-14-10624-00CL
Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

NOTICE OF APPLICATION

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Lawyers for the Applicant, WaterFurnace Renewable Energy, Inc.

Any questions and requests for assistance may be directed to the Proxy Solicitation Agent:

CST PHOENIX ADVISORS
LINK GROUP network

North American Toll Free Phone:

1-800-240-0617

Banks, Brokers and collect calls: 201-806-2222
Toll Free Facsimile: 1-888-509-5907
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