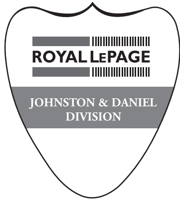
Leading Brands
Leading Performance

Q3



Brookfield Real Estate Services

Interim Report to Unitholders Q3 2009

About the Brookfield Real Estate Services Fund

The Fund is a leading provider of services to residential real estate REALTORS®[1]. The Fund generates cash flow from franchise royalties and service fees derived from a national network of real estate brokers and agents in Canada operating under the Royal LePage, La Capitale Real Estate Network and Johnston & Daniel brand names. At September 30, 2009, the Fund Network was comprised of 14,567 REALTORS®. The Fund Network has an approximate 22% share of the Canadian residential resale real estate market based on transactional dollar volume. The Fund is a TSX-listed income trust that pays monthly distributions and trades under the symbol "BRE.UN". The Fund's website address is www.brookfieldres.com

Forward-Looking Statements

This quarterly report contains forward-looking information and other "forward-looking statements". The words such as "should", "will", "continue", "plan", "believe", "expect", "anticipate", "intend", "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Fund to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forward in the forward-looking statements include a change in general economic conditions, interest rates, consumer confidence, the level of residential resale transactions, the average rate of commissions charged, competition from other traditional real estate brokers or from discount and/or internet-based real estate alternatives, the availability of acquisition opportunities and/or the closing of existing real estate offices, other developments in the residential real estate brokerage industry or the Fund that reduce the number of and/or royalty revenue from the Fund's REALTORS®, our ability to maintain brand equity through the use of trademarks, the availability of equity and debt financing, a change in tax provisions, and other risks detailed in the Fund's annual information form which is filed with securities commissions and posted on SEDAR at www.sedar.com. The Fund undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

[1] REALTOR® is a trademark identifying real estate licensees in Canada who are members of the Canadian Real Estate Association.

Brookfield Real Estate Services

Q3 2009 INTERIM REPORT TO UNITHOLDERS
LETTER TO UNITHOLDERS

Financial and Operating Highlights
For the three and nine months ended September 30, 2009 and 2008

	Three months ended September 30				Nine months ended September 30			
	2009		2008		2009		2008	
	(thousands)	(per unit)	(thousands)	(per unit)	(thousands)	(per unit)	(thousands)	(per unit)
Royalties	**$ 10,028**	**$ 0.78**	$ 9,647	$ 0.72	**$ 25,864**	**$ 2.00**	$ 27,143	$ 2.04
Net earnings	**$ 2,232**	**$ 0.23**	$ 1,811	$ 0.18	**$ 4,068**	**$ 0.42**	$ 5,070	$ 0.51
Distributable cash[1]	**$ 7,142**	**$ 0.56**	$ 6,851	$ 0.51	**$ 18,053**	**$ 1.39**	$ 19,127	$ 1.44
Distributions	**$ 4,517**	**$ 0.35**	$ 4,500	$ 0.34	**$ 13,664**	**$ 1.05**	$ 12,805	$ 0.96
Payout[2]	**63%**		66%		**76%**		67%	

We are pleased to report results for Brookfield Real Estate Services Fund (the "Fund") for the quarter ended September 30, 2009. Royalties for the quarter were $10.0 million, 3.9% higher than royalties of $9.6 million in the third quarter of 2008. Distributable cash increased 4.2% to $7.1 million, from $6.9 million in the third quarter of 2008 while distributable cash per unit increased 9.8% or $0.05 per unit to $0.56 per unit based on a lower number of outstanding units due to the success of the normal course issuer bid program, which was completed in July 2009. Net earnings increased 23.2% to $2.2 million ($0.23 per unit) from $1.8 million ($0.18 per unit) in the third quarter of 2008.

The increase in royalties reflected the strong rebound in the Canadian real estate market experienced during the third quarter, when transactional dollar volume was ahead 30% nationally and 37% in the Greater Toronto Area year-over-year. However, as the Fund recognizes variable fees when home sales close, which typically is 45 to 60 days after the sales date used for Canadian market data, the improved market activity is expected to materialize as increased variable and premium fees in the fourth quarter. The Fund's fees that are fixed in nature, based on the number of REALTORS® in the network, were essentially unchanged. The increase in distributable cash and net earnings results mainly from the higher variable royalty fees.

Early in the year, we predicted that first-time buyers, who did not bear the psychological burden of a home that may have decreased in value, would be attracted into the market by improved affordability and that the activity that they triggered would kick-start the Canadian market again. Through the second and third quarters, this phenomenon did play itself out, as the widespread availability of affordable mortgage financing and improving consumer confidence drove sharply increased demand across all housing types. Listing supply has been slower to respond to the increasing buyer interest, which has caused supply shortages in many areas of the country, causing average Canadian home prices to rise sharply in the quarter.

The Canadian Real Estate Association ("CREA") reported that the average price of a Canadian home increased by 11% year-over-year in the third quarter and that unit sales volumes increased by 18%. According to Canada Mortgage and Housing Corporation ("CMHC") the strong pace of MLS®[3] sales seen in the second and third quarters of this year reflects, in part, activity that was delayed in the previous two quarters and is not likely to be sustained. The level of sales is expected to move back closer in line with anticipated economic conditions. As a result, CMHC is forecasting home sales to increase by 1.7% and average prices to rise by 3.1% for the calendar year 2009 when compared to 2008.

Our business strategy, which emphasizes REALTOR® network growth and productivity enhancing services that are tailored to current market conditions, has helped us weather the recessionary storm and positions us to prosper in stronger markets.

Nine-Month Results

For the nine months ended September 30, 2009, royalties were $25.9 million, 4.7% lower than the same period a year ago, reflecting a reduction in variable, premium and other fees and services that are transaction-based, which more than offset the slight increase in fixed franchise fees. Distributable cash decreased 5.6% to $18.1 million ($1.39 per unit) resulting from the lower royalties, which were partially offset by a reduction in management fees. Net earnings were $4.1 million ($0.42 per unit), 19.8% lower than a year ago, reflecting the same factors noted above as well as an increase in amortization of intangible assets and tax expense, partially offset by a decrease in non-controlling interest.

[1] Defined as royalties less administrative expenses, interest expense and management fee, distributable cash does not have a standardized meaning under Canadian generally accepted accounting principles. Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash for distribution to unitholders. Investors are cautioned that distributable cash should not be construed as an alternative to using net earnings as a measure of profitability or the statement of cash flows.

[2] Payout represents distributions as a percentage of distributable cash.

[3] The term MLS® stands for Multiple Listing Service and is a registered trademark of the CREA.

Fund Growth

During the third quarter of 2009, the Fund experienced a net organic loss of 51 REALTORS®, resulting in a net organic loss of 343 REALTORS® during the nine months ended September 30, 2009. With the addition of 316 REALTORS® from the 21 franchise agreements acquired by the Fund on January 1, 2009, the Fund has a net decrease of 27 REALTORS® or 0.2% since December 31, 2008. At September 30, 2009, the Fund Network was comprised of 351 independently owned and operated franchises operating from 652 locations serviced by 14,567 REALTORS® with an approximate 22% share of the Canadian residential real estate market based on transactional dollar volume.

From November 5, 2008, through November 4, 2009, franchise contracts representing 14 locations serviced by an estimated 330 REALTORS® were added to the network. The Fund Manager, Brookfield Real Estate Services Limited, anticipates presenting these franchise contracts to the Fund's Trustees for purchase by the Fund on January 1, 2010, for an estimated purchase price of $4.1 million, with $3.3 million or 80% of the purchase price to be settled with cash on hand on January 1, 2010. The balance is to be settled during the first quarter of 2011, upon meeting certain terms and conditions of the Management Services Agreement between the Fund Manager and the Fund.

In addition, consistent with the Fund's historical approach to acquisitions, some of the La Capitale agreements still retained by the Manager for further development may be presented to the Fund's Trustees for acquisition in January of 2010.

Monthly Cash Distribution

The Brookfield Real Estate Services Fund today declared a cash distribution of $0.117 per unit for the month of November 2009, payable December 30, 2009, to unitholders of record on November 30, 2009.

Fund Structure

The Fund generates both fixed and variable fee components. Variable fees are primarily driven by the total transactional dollar volume from Agent sales commissions, while fixed franchise fees are based on the number of Agents and Sales Representatives in the network. Approximately 69% of the Fund's revenue is based on fees that are fixed in nature, which provides revenue stability and helps insulate the Fund from market fluctuations.

Outlook

The economic recession halted the flow of the real estate cycle from the fourth quarter of 2008 through the first quarter of 2009, but the industry is now essentially back on track, albeit on a delayed basis. As the buoyant activity levels encourage more sellers to list their homes, we believe that balance will return to the market and that the rate of home price increases will fall to considerably more modest appreciation levels. Further, we believe that this increase in sales activity and the firming of house prices are the product of a cyclical market correction and not the beginning of another aggressive expansionary cycle. Finally, we would advise muted enthusiasm for what will likely be very positive year-over-year results in the fourth quarter of 2009 as the 2008 comparables were so weak.

The Bank of Canada's stated commitment to a low interest rate policy into 2010 has helped give prospective homeowners the confidence to make the substantial investment that home ownership represents. Together with numerous positive indicators seen over the course of the summer, we believe that a healthy real estate market is sustainable through 2010.

Looking ahead, increasing market activity supports the Fund's strategy to grow its network both organically and through acquisition and to provide leading services that increase REALTOR® productivity.

Philip Soper
President and Chief Executive

Kevin Cash
Chief Financial Officer

November 6, 2009

Financial Review

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Introduction

This section of our interim report includes management's discussion and analysis ("MD&A") of our results and financial condition for the three months (the "Quarter") and nine months ended September 30, 2009. The MD&A is intended to provide you with an assessment of our past performance as well as our financial position, performance objectives and future prospects. The information in this section should be read in conjunction with our audited financial statements for the year ended December 31, 2008, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information relating to the Brookfield Real Estate Services Fund (the "Fund"), including our annual information form, is available on SEDAR at www.sedar.com. All dollar amounts are in Canadian dollars unless otherwise specified.

Statements contained in this MD&A, which are not historical facts, are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. There are a number of external and industry factors related to the residential resale real estate brokerage industry and the business of the Fund which may affect an investment in the Fund's units. A summary of these risks is outlined in the Fund's annual information form which is filed on SEDAR at www.sedar.com. Although these risks have not changed since the inception of the Fund, what is apparent is that there is an increased likelihood that certain of these risks will impact our future results. These risks are discussed in further detail in this MD&A to the extent they have changed since December 31, 2008.

Management's Discussion and Analysis of Results and Financial Condition

Highlights

($000's) except Agents, Sales Representatives, units and per unit amounts	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Royalties	$ 10,028	$ 9,647	$ 25,864	$ 27,143
Less:				
Administration expenses	189	188	614	593
Interest expense	810	803	2,392	2,380
Management fee	1,887	1,805	4,805	5,043
Distributable cash	$ 7,142	$ 6,851	$ 18,053	$ 19,127
Amortization of intangible assets	4,198	4,297	12,506	12,228
Other income	(99)	92	(164)	30
Income tax	(16)	(1)	77	(47)
Non-controlling interest	827	652	1,566	1,846
Net and comprehensive earnings	$ 2,232	$ 1,811	$ 4,068	$ 5,070
Basic and diluted earnings per unit	$ 0.23	$ 0.18	$ 0.42	$ 0.51
Distributions	$ 4,517	$ 4,500	$ 13,664	$ 12,805
Cash distributions declared per unit	$ 0.35	$ 0.34	$ 1.05	$ 0.96
Cash distributions declared per 3,327,667 Special Fund units	$ 0.35	$ 0.34	$ 1.05	$ 0.96
Total assets	$ 124,675	$ 137,012	$ 124,675	$ 137,012
Total long-term financial liabilities	$ 1,739	$ 51,562	$ 1,739	$ 51,562
Number of Agents[1] and Sales Representatives[2]	14,567	14,766	14,567	14,766

The table above sets out selected historical information and other data for the Brookfield Real Estate Services Fund (the "Fund") which should be read in conjunction with the attached consolidated financial statements for the Quarter and nine months ended September 30, 2009.

Overview

This MD&A covers the period from January 1, 2009 to September 30, 2009 and has been prepared as at November 5, 2009.

The Fund was established on August 7, 2003, through an initial public offering. The Fund generates cash flow from the franchise royalties and service fees of a Canadian network of real estate franchisees, Agents and Sales Representatives, operating mainly under the Royal LePage, Johnston & Daniel and La Capitale brand names (collectively the "Fund Network").

Management of the Fund is governed by an Amended and Restated Management Services Agreement ("MSA"). The services under the MSA are provided by Brookfield Real Estate Services Limited (the "Manager"), a subsidiary of Brookfield Asset Management Inc. ("BAM"). The senior management team of the Manager developed and managed the Fund Network prior to the inception of the Fund. BAM, through a wholly-owned subsidiary, holds approximately 26% interest in the Fund as of the date of this MD&A. This change in ownership has occurred due to the units purchased by the Fund under the Normal Course Issuer Bid (see Normal Course Issuer Bid and Transactions with Related Parties).

As at September 30, 2009, the Fund Network was comprised of 14,567 REALTORS® operating from 652 locations. During 2008, the Fund Network had an approximate 22% share of the Canadian residential resale real estate market (the "Market"[3]) based on transactional dollar volume.

[1] Agent is defined as an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with a broker.
[2] Sales Representative is defined as an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with an Agent.
[3] The Market is defined as the dollar value of residential resale units sold ("Transactional Dollar Volume") over a 12-month period in a particular geographic area.

Structure of the Fund

Royalty Fees

The Fund generates royalties with both fixed and variable fee components. During 2008, approximately 69% of the annual royalties were partially insulated from market fluctuations, as they were not directly driven by transaction volumes. Management believes that the combination of a royalty stream based on the number of REALTORS® in the network, increasing Agent and broker productivity, and an increasing supply of new housing inventory provides the base for a strong and stable cash flow. A summary of these fees is as follows:

Fixed franchise fees are based on the number of Agents and fee paying Sales Representatives, collectively "selling-REALTORS®" in the Fund Network. Fixed franchise fees from Royal LePage franchisees consist of a monthly fixed fee of $100 per selling-REALTOR®, a technology fee and web services and other fees while those from La Capitale franchisees consist primarily of a monthly fee of approximately $170 per selling-REALTOR®.

Variable franchise fees are primarily driven by the volume of business transacted by our Agents. Variable franchise fees from Royal LePage franchisees are driven by the transactional dollar volume transacted by the Agents and are comprised of 1% of each Agent's gross commission income, subject to a cap of $1,300 per year. In 2008, 20% of the Agents in the network reached the royalty cap. In addition, 24 of the Fund's larger Royal LePage locations situated in the Greater Toronto Area ("GTA") pay a premium franchise fee ranging from 1% to 5% of the location's gross revenue.

Approximately 88% and 87% (88% – 2008) of the Fund's royalties during the Quarter and nine months ended September 30, 2009 respectively, are derived from the combined fixed fee per REALTOR® per month, 1% variable fee and premium fees. The remaining royalty stream is generated from technology fees, the 4.5% variable fee option and web services and other fees. Other fees from La Capitale franchisees are comprised primarily of fees driven from a self-insured program called "APEC" which for all participating Agents provides home buyers a warranty on such items as appliances, plumbing, electrical and heating systems.

Monthly Distributions

The targeted annual cash distribution for 2009 is $1.40 per unit, to be paid monthly.

Management and the Board of Trustees periodically review the Fund's targeted distribution.

Recent Developments

Normal Course Issuer Bid ("NCIB")

During the Quarter the Fund completed the NCIB program with the purchase of 499,150 units representing 5% of the Fund's outstanding units since the inception of the program on October 30, 2008 (See Outstanding Units).

Debt Financing

The Fund is currently in the process of refinancing the private placement debt, term facility and its operating credit facility which are currently outstanding and either mature or expire on February 17, 2010, and expects to have reached substantial agreement on the relevant terms and conditions prior to December 31, 2009.

Operations Overview

The key drivers of the Fund's business and cash distributions to unitholders are:

1. the number of REALTORS® in the Fund;
2. transaction volumes;
3. the stability of the Fund's royalty stream; and
4. the Fund's growth opportunities.

A summary of our performance against these drivers is as follows:

Number of REALTORS® in the Fund

As at September 30, 2009, the Fund Network was comprised of 351 independently owned and operated franchises operating from 652 locations serviced by 14,567 REALTORS®, with an approximate 22% share of the Canadian residential resale real estate market based on 2008 transactional dollar volume.

During the Quarter, the Fund experienced a net organic loss of 51 REALTORS® resulting in a net organic loss of 343 REALTORS® during the nine months ended September 30, 2009. Included in this loss are 25 REALTORS® from franchises terminated during the period. With the addition of 316 REALTORS® from the 21 franchise agreements acquired by the Fund on January 1, 2009, the Fund has a net decrease of 27 REALTORS® for the nine months ended September 30, 2009, down 0.2% from December 31, 2008.

Management's Discussion and Analysis of Results and Financial Condition

Transaction Volumes

The performance of the Fund is dependent upon the receipt of royalty revenue which, in turn, is partially dependent upon the level of residential resale real estate transactions. The residential real estate industry is affected by all of the factors affecting the economy in general, including changes in interest rates, unemployment and inflation.

During the Quarter, the Canadian Market continued the upward trend which began in the second quarter of 2009 with unit sales and average selling price increasing substantially compared to the same period in 2008.

A summary of the key market and related activity as reported by Canada Mortgage and Housing Corporation ("CMHC"), CREA and the Toronto Real Estate Board ("TREB"), follows:

- The Canadian Market for the Quarter increased 30.3% as a result of a 10.7% increase in average selling price and a 17.8% increase in residential units sold when compared to the three months ended September 30, 2008. The Canadian Market totalled $132.0 billion for the 12 months ended September 30, 2009, a decrease of 8.8% from the same period ending in 2008, with a 0.3% decrease in average selling prices and an 8.7% decrease in residential unit sales.
- The GTA Market, from which the Fund earns its premium franchise fees, increased 37.3% in the Quarter as a result of a 27.5% increase in residential units sold and a 7.6% increase in average selling price when compared to the three months ended September 30, 2008. For the 12 months ended September 30, 2009, the GTA Market reached a transactional dollar volume of $30.5 billion, a 6.8% decrease from the same period ending in 2008. This market activity is comprised of the sale of 79.2 thousand homes at an average selling price of $384,823, a 6.5% and 0.3% decrease, respectively, from the same period in 2008.
- Canada's annual rate of housing starts, the Market's future inventory, totalled 149,571 as of September 30, 2009, a decrease of 31.8% from the same period in 2008.

Stability of the Fund's Royalty Stream

The Fund's network as at September 30, 2009 is comprised of the Royal LePage and the La Capitale networks. The Royal LePage network is characterized as follows:

- Royalties that are derived from a diverse national network of independently owned and operated franchises, the majority of which operate with fewer than 50 Agents.
- A significant portion of the Royalties are fixed in nature based on the number of Agents and their productivity, which through the combination of the $100 per Agent per month fee and the 1% variable fee generated by Agents earning in excess of the $1,300 per annum cap, contributed approximately 69% of the Fund's revenue for the year ended December 31, 2008.
- The geographic distribution of the Royal LePage network is similar to the distribution of the overall Canadian REALTOR® population.
- Royalty agreements are 10, 15 and 20 years in duration, significantly exceeding the industry norm of five years.
- During the Quarter, eight agreements representing 561 REALTORS® were renewed. For the nine months ended September 30, 2009, 30 agreements representing 1,868 REALTORS® were renewed and six agreements representing 25 REALTORS® were terminated.

The La Capitale network is characterized as follows:

- The La Capitale network is situated in the province of Quebec.
- La Capitale agreements typically have five-year terms.
- Approximately 74% of the royalties are fixed in nature.
- The fixed element of the royalties is comprised primarily of a fixed fee of approximately $170 per agent per month while the other fees are driven primarily from a self-insured program called "APEC" under which participating Agents provide a warranty on such items as appliances, plumbing, electrical and heating systems.
- During the Quarter and nine months ended September 30, 2009, four agreements representing 190 REALTORS® were renewed. There were no terminations during the period.

Overall, approximately 69% of the Fund's revenue is fixed in nature.

Fund Growth Opportunities

Our growth objective for 2009 is to offset an anticipated increase in REALTOR® attrition with focused recruiting and franchise acquisition efforts.

Growth through acquisition is achieved through the purchase of franchise agreements acquired by the Manager's dedicated network development team. While it has been and may continue to be a difficult year for real estate practitioners, we believe that a strong company such as ours may uncover new acquisition opportunities as weaker firms seek affiliation with an organization that is able to provide differentiating services to their Agents.

Growth in overall royalties is achieved by: increasing the number of REALTORS® in the Fund; increasing the productivity of Agents; expanding the range of products and services supporting the franchisees and Agents; increasing adoption of these products and services; and providing sales and marketing programs to the Fund Network. These services are supported by ongoing training programs for franchisees and REALTORS® that assist in leveraging the Fund's competitive advantages to attract and retain potential recruits. A summary of our results against our growth initiatives to the date of this MD&A are as follows:

- Organic change for the Quarter and nine months ended September 30, 2009 reflected a loss of 51 and 343 REALTORS®, respectively.
- On January 1, 2009, franchise agreements representing 21 locations serviced by an estimated 230 Agents operating under the Royal LePage brand were purchased by the Fund. The estimated purchase price of these agreements is $2.5 million.
- Consistent with the Fund's historical approach to acquisitions made by the Fund Manager, after evaluation, some of the La Capitale contracts were acquired by the Fund on January 1, 2008, and the remainder were retained by the Manager for future development. On January 1, 2009, four La Capitale locations serviced by 86 Agents were purchased by the Fund for an estimated purchase price of $0.9 million.
- From November 5, 2008 to November 4, 2009, franchise contracts representing 14 locations serviced by an estimated 330 REALTORS® were added to the network. The Fund Manager anticipates presenting these franchise contracts to the Fund's Trustees for purchase by the Fund on January 1, 2010, for an estimated purchase price of $4.1 million.
- The Manager continues to develop, introduce and support new tools, services and programs, which assist franchisees in attracting and retaining REALTORS®, increasing their productivity and driving down administration costs.

The Canadian Residential Resale Real Estate Market

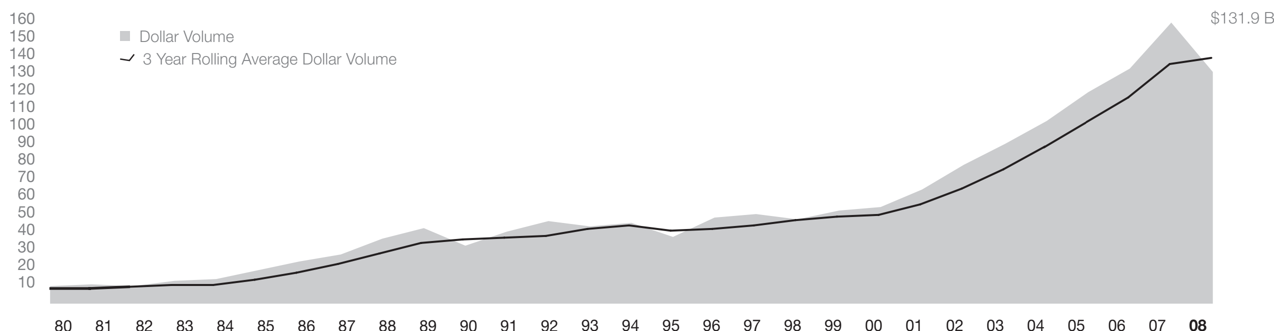
Since 1980, the Canadian Market has grown at a compound annual growth rate ("CAGR") of 9%. The Canadian Market has been very resilient with only two significant downturns occurring prior to 2008, in 1990 and 1995, both of which returned to pre-downturn levels within 24 months. The duration of these Market downturns were 13 months and 14 months, respectively, with decreases of 26% and 21%, respectively. The Market declined 19% during the 16-month period February 2008 through May 2009 and has been experiencing year-over-year increases thereafter.

During this recent downturn, the most significant decline occurred during the fourth quarter of 2008 when the Market decreased 40% compared to the fourth quarter of 2007. The Market improvement in 2009 began with the rate of decline moderating steadily from January to May, followed by four months of increasing market growth, ending the third quarter with a 32.6% increase in September 2009 as compared to September 2008.

Management's Discussion and Analysis of Results and Financial Condition

During the 1990 downturn, interest rates were relatively high and there was significant speculation in the form of building and multiple home ownership. Since that time, lenders now require builders to pre-sell a significant portion of their developments before advancing funds. Market activity since 1980 is provided in the chart below.

Market Dollar Volume – Canadian Resale Residential Real Estate
(1980 – 2008) (In $ Billions)

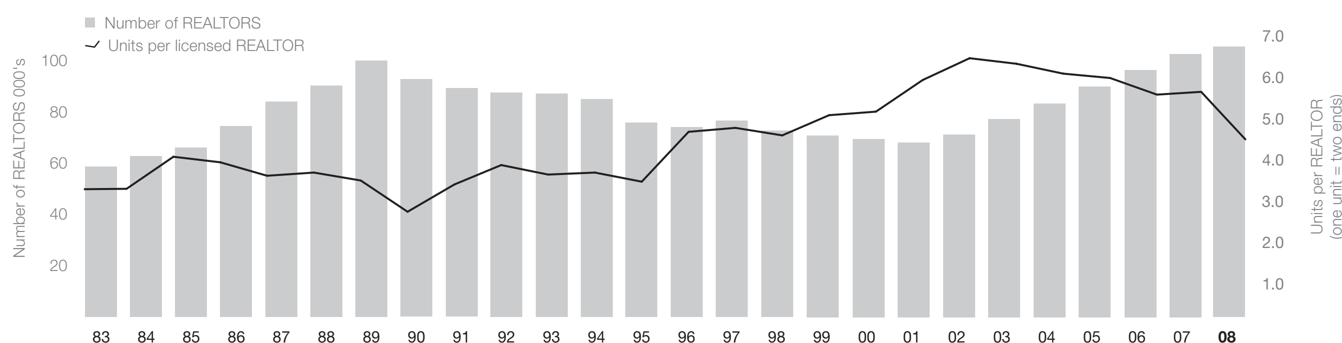


Source: CREA

The Canadian Real Estate REALTOR® Population

The number of REALTORS® in the Fund Network is a key driver of the Fund's results. For the year ended December 31, 2008, the Canadian real estate REALTOR® membership grew by 2.8% to 97,168 members with an average of 4.5 units sold per REALTOR®. The number of REALTORS® in the Fund Network grew by 10.8% over the same period. The Canadian REALTOR® population and the average number of units sold per REALTOR® are summarized in the chart below

Canadian Real Estate REALTORS®
(Year ended December 31)



The Fund Network

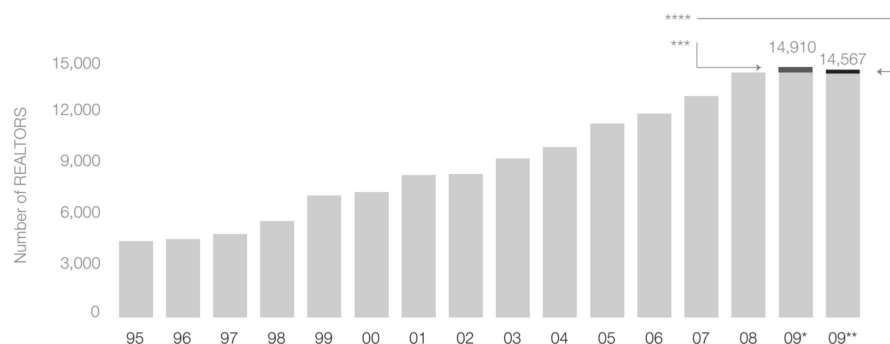
REALTOR® Growth

As at September 30, 2009, the Fund Network was comprised of 351 independently owned and operated franchises operating from 652 locations serviced by 14,567 REALTORS®.

During the Quarter, the Fund Network decreased by 51 REALTORS®. This is in addition to the net organic decline of 292 REALTORS® experienced during the first six months of 2009, for a nine month net organic decline of 343 REALTORS® or 2.4% from December 31, 2008. With the addition of 316 REALTORS® from the 21 franchise agreements acquired by the Fund on January 1, 2009, the Fund had a net decline of 27 REALTORS® for the nine months ended September 30, 2009, down 0.2% from December 31, 2008.

During 2008, the number of REALTORS® in the Fund Network grew by 10.8% or 1,422 REALTORS® to 14,594. This gain in REALTORS® was obtained through the acquisition of agreements on January 1, 2008 representing 1,272 REALTORS® and the addition of 150 through organic growth. Industry wide, by comparison, CREA reported that the number of REALTORS® in Canada grew by 2.8%.

Fund Growth



Year ended December 31, except 2009.
* As at January 1, 2009.
** As at September 30, 2009.
*** 316 REALTOR® growth of 2.2% consisting of 230 from the Royal LePage brand and 86 from the La Capitale brand.
**** Loss of 343 REALTORS®.

A summary of the Canadian and Fund's growth in REALTORS® during 2008 and 2009 follows:

	Canada*		The Fund Network	
	Number of Licensed Members	% Change	Number of Licensed Members	% Change
Opening	**94,506**	**6.3**	**13,172**	**8.4**
2008 Q1	1,728	1.8	1,418	10.8
2008 Q2	1,838	2.0	181	1.3
2008 Q3	387	0.4	(5)	0.0
2008 Q4	(1,291)	(1.4)	(172)	(1.3)
Opening	**97,168**	**2.8**	**14,594**	**10.8**
2009 Q1	(815)	(0.8)	98	0.7
2009 Q2	445	0.4	(74)	(0.5)
2009 Q3	N/A		(51)	(0.4)
Closing	**96,798**	**(0.4)**	**14,567**	**(0.2)**

* Source: CREA
N/A: Not available at time of MD&A.

Management's Discussion and Analysis of Results and Financial Condition

Network Diversity

The Fund Network is comprised of diverse operations with approximately 74% of the Fund's franchisees operating with fewer than 50 REALTORS® as at December 31, 2008. As summarized in the table below, the Fund Network of REALTORS® is geographically diverse, with REALTORS® spread throughout Canada with a more pronounced presence in the province of Quebec as a result of the acquisition of the La Capitale franchise network.

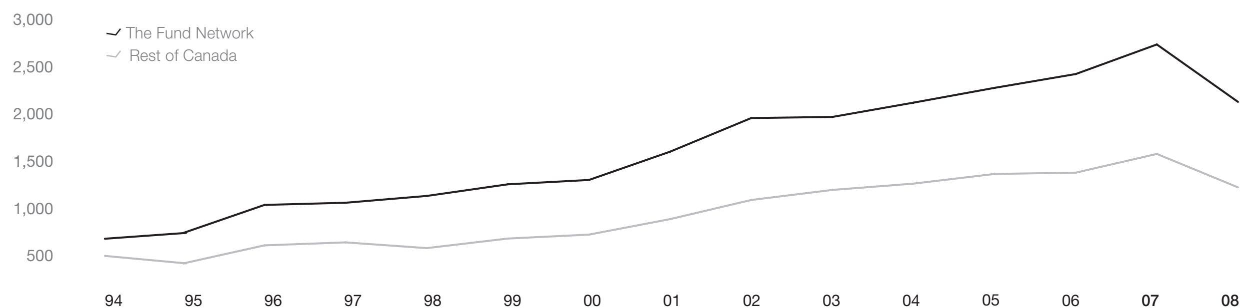
	Canadian[1] REALTOR® Population	Fund[2] Network REALTORS®
Ontario	50%	53%
Prairies	14%	10%
BC	18%	13%
Quebec	15%	21%
Maritimes	3%	3%
Total	100%	100%

[1] As at June 30, 2009, Source: CREA.
[2] As at September 30, 2009.

REALTOR® Productivity

The average Fund Network REALTOR® generated approximately $2.12 million in transactional dollar volume in 2008, down 22% from $2.70 million in 2007. This productivity was 69% greater than the estimated average of $1.25 million for all other Canadian REALTORS®, down 21% from 2007. Management believes the higher productivity of Fund Network REALTORS® makes the Fund less prone than the industry at large to losing its REALTORS® during a period of reduced transaction dollar volume. A summary of average transaction dollar volume per REALTOR® for the year ended December 31, 1994 through 2008 is as follows:

Canadian Residential Real Estate Resale Market
(Average Transaction Dollar Volume Per REALTOR®, $ thousands)



Source: CREA and Fund Management

Operating Results

Nine months ended September 30 ($000's) except Agents, unit and per unit amounts	2009	2008
Royalties		
Fixed franchise fees	$ 13,371	$ 13,207
Variable franchise fees	6,244	7,048
Premium franchise fees	3,014	3,513
Other fee revenue and services	3,235	3,375
	25,864	27,143
Less:		
Administration expenses	614	593
Interest expense	2,392	2,380
Management fee	4,805	5,043
Earnings before undernoted	18,053	19,127
Amortization of intangible assets	12,506	12,228
Other income	(164)	30
Income tax	77	(47)
Net and comprehensive earnings before non-controlling interest	5,634	6,916
Non-controlling interest	1,566	1,846
Net and comprehensive earnings	$ 4,068	$ 5,070
Basic and diluted earnings per unit	$ 0.42	$ 0.51
Number of Agents	13,569	13,732
Number of fixed fee paying Sales Representatives	699	729

As summarized in the table above, during the nine months ended September 30, 2009, the Fund generated net and comprehensive earnings before non-controlling interest of $5.6 million, down $1.3 million from the same period in 2008. The year-over-year results included a $1.3 million (4.7%) decrease in royalties primarily attributed to a 12% decline in combined variable and premium franchise fees in relation to the market slow down. A more detailed discussion of these results is provided below.

The Fund Network as at September 30, 2009, was comprised of 13,569 Agents and 998 Sales Representatives (699 Sales Representatives operating under the $100 per month fixed fee plan and 299 Sales Representatives who are primarily brokers and managers who do not pay fees), with 13,395 of the Agents operating under the combined flat fee of $100 per month and 1% of gross earnings option (the "$100/1% option") or the approximate $170 per month flat fee, and 174 Agents operating under the 4.5% variable fee option (the "4.5% option").

Royalties for the nine months ended September 30, 2009, totalled $25.9 million, down 4.7% from the same period in 2008.

The Fund generates royalties from both fixed and variable fee components as described earlier in Structure of the Fund.

Fixed, variable and premium franchise fees together represented 87% of royalties for the nine months ended September 30, 2009, compared with the 88% during the same period in 2008.

Fixed franchise fees for the nine months ended September 30, 2009 increased 1.2% over the same period in 2008 and reflects the higher Agent count in the first quarter of 2009 compared to the same period of 2008. The fixed franchise fees for the Quarter increased 0.6% over the same period in 2008 as the increased fees obtained through franchise contracts acquired at the beginning of the year were partially offset by REALTOR® attrition.

Variable franchise fees for the nine months ended September 30, 2009 decreased by 11.4% from the same period in 2008 while the Canadian Market activity was relatively unchanged. These seemingly unfavourable results relative to the Market for the Quarter can be primarily attributed to a lag between home sales and closings.

The lag between variable fees recorded by the Fund and Market activity occurs because Market activity is reported when a home is sold, while the Fund does not record its fees associated with a home sale until it closes, which is typically 45 to 60-days later. Some of the 40.5% year-over-year decline in Market activity in the fourth quarter of 2008 adversely impacted variable fees in the first quarter of 2009, while a significant portion of the transactional dollar volume in the Quarter which increased 30.3% year-over-year is expected to materialize as variable fees in the fourth quarter of 2009.

The change in variable fees is further mitigated by Agents that have begun to reach the royalty cap of $1,300 per annum as an increase in the Market does not increase fees earned from these Agents once they have reached the cap. In 2008, 20% of the Agents in the Royal LePage network reached the royalty cap. This mitigating effect is expected to continue in the fourth quarter as more Agents reach the cap.

Premium franchise fees are derived from the 24 franchise locations servicing the GTA market that pay premium fees ranging from 1% to 5% of the location's gross revenue. Premium franchise fees for the nine months ended September 30, 2009 decreased 14.2% from the same period in 2008, while the GTA market activity for the same period experienced a 5.0% decrease. These apparently unfavourable results relative to the GTA market can be attributed to the 47.8% year-over-year market decline in the fourth quarter of 2008 which materialized as lower premium fees in 2009 while a significant portion of the transactional dollar volume in the Quarter which increased 37.3% year-over-year is expected to result in increased premium fees during the fourth quarter of 2009.

The percentage change in year-over-year premium fees is not entirely comparable to the overall GTA market change, as the change in the market activity experienced by the individual market areas serviced by the premium-fee-paying franchise locations differs from the overall GTA market activity. As mentioned earlier, the lag effect and the increased market activity during the latter part of the Quarter is expected to result in relatively higher premium fees in the fourth quarter of 2009.

Other fees and services comprised of the APEC fee, technology fees, 4.5% option, web service plus other fees and revenue accounted for approximately 13% (12% – 2008) of Fund royalties for the nine months ended September 30, 2009, decreased 4.1% from the same period in 2008. This decline was due primarily to the decrease in the 4.5% variable fee, resulting from relatively lower market activity during the first quarter and the beginning of the second quarter, the conversion of some offices to the $100/1% fee option and reduction in interest revenue resulting from the decrease in cash used for the NCIB.

Administration expenses of $0.6 million for the nine months ended September 30, 2009 were in line with management's expectations.

Interest expense is comprised primarily of interest on the Fund's $38 million private debt placement from 2005 and the $15 million credit facility. During the nine months ended September 30, 2009, the Fund's interest expense totalled $2.4 million, consistent with the same period in 2008. Total interest expense included $0.3 million in non-cash charges as a result of the amortization of the financing charges incurred. The $2 million operating line has remained undrawn since the inception of the Fund.

Management Fee Expense

Management fees of $4.8 million for the nine months ended September 30, 2009 were down 4.7% from the same period of 2008. In accordance with the MSA, management fees are calculated as 30% of net royalty fees earned (defined as Distributable Cash in the MSA) from the La Capitale franchise agreements and the 20% of the balance of royalties less administrative and interest costs.

Amortization of Intangible Assets

Intangible assets relate to the values attributed to the franchise agreements, relationships and trademarks acquired by the Fund since August 7, 2003. Trademarks are amortized on a straight-line basis over the term of the license agreement plus one renewal period for the Royal LePage trademark and over the license agreement for the La Capitale trademark. Franchise agreements are amortized over the term of the agreements. Relationships represent the value attributed to franchise renewals and are amortized over the renewal period, beginning at the commencement of that period. See Acquisitions and Deposit on Acquisitions for further discussion regarding intangible assets arising on acquisitions.

Other Income

Other income represents the change in the value of the Fund's interest rate swap, which improved 45% for the nine months ended September 30, 2009, resulting in other income of $164 thousand. The interest rate swap increases in value with rising variable rates charged on the Fund's credit facility.

Income Tax

In accordance with new tax legislation, during the nine months ended September 30, 2009, the Fund has recorded an income tax expense of $77 thousand arising from temporary tax differences expected to reverse after January 1, 2011 at the tax rate of 30.5%, applicable to the Fund in 2011 and 29% applicable thereafter (see Impact on Taxation of Income Trusts).

Non-controlling interest ("NCI") of $1.6 million represents the NCI's approximate 26% interest in the Fund's underlying operations.

Distributable Cash

Distributable cash to unitholders represents net and comprehensive earnings, adjusted for the non-controlling interest's share of net and comprehensive earnings, amortization and reasonable working capital and other reserves as defined by the Fund's Amended and Restated Declaration of Trust.

Distributable cash does not have a standardized meaning under GAAP and accordingly may not be comparable to similar measures used by other issuers. Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash available for distribution to unitholders. Investors are cautioned, however, that distributable cash should not be construed as an alternative to using net earnings as a measure of profitability or the statement of cash flows. (See the following chart for a reconciliation of distributable cash to the comparable GAAP measure in the Fund's financial statements.)

Distributable cash and its utilization since Fund inception ($000's)	**Total**	Nine months ended Sept. 30, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007	Year ended Dec. 31, 2006	Year ended Dec. 31, 2005	Year ended Dec. 31, 2004	Aug. 7, 2003 to Dec. 31, 2003
Royalties	**$182,635**	$ 25,864	$ 34,883	$ 32,491	$ 29,659	$ 27,196	$ 23,740	$ 8,802
Less (add):								
Administration expenses	**4,140**	614	817	725	645	595	513	231
Interest expense	**14,622**	2,392	3,174	2,419	2,401	2,289	1,327	620
Management fee	**33,284**	4,805	6,455	5,869	7,285	3,660	3,660	1,550
Distributable cash	**130,589**	18,053	24,437	23,478	19,328	20,652	18,240	6,401
Less:								
Distributions to public unitholders	**73,203**	10,160	13,083	11,980	11,477	10,985	10,985	4,533
Distributions to non-controlling interest	**24,526**	3,504	4,369	3,992	3,826	3,662	3,662	1,511
Total distributions	**97,729**	13,664	17,452	15,972	15,303	14,647	14,647	6,044
Distributable cash less total distributions	**32,860**	4,390	6,985	7,506	4,025	6,005	3,593	357
Less funding of acquisitions	**25,144**	4,827	5,564	6,333	7,886	414	120	–
Less purchase of units under NCIB	**4,096**	3,805	291	–	–	–	–	–
Net change in the period	**$ 3,620**	$ (4,242)	$ 1,130	$ 1,173	$ (3,861)	$ 5,591	$ 3,473	$ 357
Cumulative change		$ 3,620	$ 7,863	$ 6,733	$ 5,560	$ 9,421	$ 3,830	$ 357
Distribution percentage payout[1]	**75%**	76%	71%	68%	79%	71%	80%	94%

[1] This represents the Total distributions paid as a percentage of Distributable cash.

Distributable cash Reconciled to cash flow from operating activities ($000's)	**Total**	Nine months ended Sept. 30, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007	Year ended Dec. 31, 2006	Year ended Dec. 31, 2005	Year ended Dec. 31, 2004	Aug. 7, 2003 to Dec. 31, 2003
Cash flows from operating activities	**$129,353**	$ 18,274	$ 24,174	$ 22,871	$ 20,199	$ 20,607	$ 17,772	$ 5,456
Add (deduct):								
Changes in non-cash working capital items	**2,242**	34	546	769	(703)	183	468	945
Non-cash interest expense	**(1,006)**	(255)	(283)	(162)	(168)	(138)	–	–
Distributable cash	**$130,589**	$ 18,053	$ 24,437	$ 23,478	$ 19,328	$ 20,652	$ 18,240	$ 6,401

Management's Discussion and Analysis of Results and Financial Condition

For the nine months ended September 30, 2009, the Fund generated distributable cash of $18.1 million, down $1.1 million (5.6%) from the same period in 2008. This decrease in distributable cash was primarily due to decreased royalties from variable and premium franchise fees, partially offset by a decrease in management fees.

From inception of the Fund, to December 31, 2005, the Fund had accumulated and retained undistributed cash of $9.4 million, which in the event of the release of this cash would result in a 20% management fee payable to the Manager of $1.9 million. During 2006, the Fund released the $9.4 million cash, a portion of which was used to fund the 2005 and 2006 franchise agreements purchase obligations. In addition, the Board of Trustees removed the requirement to retain distributable cash for purposes of the management fee calculation due to the Fund's demonstrated track record of generating distributable cash in excess of its targeted annual distributions. As a result of these two events, the $1.9 million management fee described above was earned and paid during the first quarter of 2006. The management fee continues to be recorded on a "total" basis (see Summary of Quarterly Results for discussion of "total" basis). The Board of Trustees reserves the right to retain cash for working capital requirements.

From inception to September 30, 2009, the Fund has utilized distributable cash in excess of distributions to fund acquisitions and the normal course issuer bid obligations.

A summary of the main elements of the Fund's performance that assist in the assessment of the sustainability of the Fund's cash distributions is presented in the table below:

($000's)	**Three months ended Sept. 30, 2009**	Three months ended Sept. 30, 2008	**Nine months ended Sept. 30, 2009**	Nine months ended Sept. 30, 2008
Cash flows from operating activities	**$ 7,861**	$ 7,007	**$ 18,274**	$ 18,598
Net income for the period	**2,232**	1,811	**4,068**	5,070
Actual cash distributions paid	**3,349**	3,375	**10,160**	9,604
Excess of cash flows from operating activities over cash distributions paid	**4,512**	3,632	**8,114**	8,994
Shortfall of net income over cash distributions paid	**$ (1,117)**	$ (1,564)	**$ (6,092)**	$ (4,534)

The Fund's cash distributions to unitholders are fully funded by cash flow generated from operations. The Fund has consistently distributed cash in excess of net income to unitholders as a significant portion of the Fund's operating expenses are comprised of the non-cash amortization of intangible assets consisting of franchise agreements, relationships and trademarks. The distribution of this excess is not viewed by management as an economic return of capital as these intangible assets are not expected to require a further cash outlay in the future, rather, the value of these assets to the Fund lie in part with management's ability to retain and renew the underlying franchise agreements and ensure the ongoing integrity of the trademarks. The Fund has not distributed all of the cash flow generated from operations to unitholders as cash distributions, as the cash generated in excess of these amounts as summarized in the table above (see table – Distributable cash and its utilization since Fund inception), has been utilized to fund the acquisition of franchise agreements, pay distributions to the non-controlling interest and fund the purchase of units under the NCIB. It is management's expectation, at the discretion of the Board of Trustees, that for the foreseeable future cash distributions to unitholders will continue and the remaining cash flow will be utilized to fund acquisitions and pay distributions to the non-controlling interest.

Acquisitions and Deposits on Acquisitions

Under terms of the MSA, the Fund is permitted to acquire franchise agreements, approved by independent trustees of the Fund, from the Manager on January 1 of each year. The purchase price is estimated at the time of purchase and finalized at a future date in accordance with the terms of the MSA.

For Royal LePage acquisitions, the purchase price is based on the actual royalties generated under the agreements during the year ending on October 31 of the year of acquisition.

La Capitale acquisitions are subject to a three-year price determination period. In the first year, the initial estimate is adjusted in the manner described for Royal LePage acquisitions. In each of the subsequent two years, the purchase price is adjusted based on the average annual royalties generated under the agreements.

Audits are conducted annually to verify the royalty amounts used in all purchase price calculations.

The initial payment made at the time of acquisition, representing 80% of the estimated purchase price, is recorded as a deposit on acquisition. During the twelve months following the initial payment, at each quarter end, the purchase price obligation is recalculated based on the actual royalties generated from these agreements and the resultant amount is transferred from the deposit on acquisition to intangible assets. The increase in intangible assets is amortized in accordance with the Fund's intangible assets policy. When the accumulated purchase price obligation for the acquisition exceeds the initial deposit, the excess is recorded as a purchase obligation with the corresponding amount being recorded as intangible assets and amortization as previously described.

For La Capitale acquisitions, changes to the purchase price obligation calculated at the end of the two subsequent years are recorded as changes to intangible assets and amortized accordingly.

Date acquired by the Fund, January 1 ($ millions unless stated otherwise)	2009	2008	2007	2006	2005
Purchase price					
Estimated	3.44	21.14	7.18	6.22	9.26
Actual (a) (d)	(a)	23.20	8.04	5.55	9.94
Payments					
Initial	2.75	16.91	5.74	4.98	7.05
Final (b) (c) (d)	(a)	2.67	2.30	0.57	2.89
Estimated					
Annual royalty stream	0.70	2.99	0.82	0.74	1.15
Number of REALTORS®	316	1,272	390	346	558
Number of locations	25	60	22	21	47
Number of contracts	21	60	22	16	38
Actual					
Annual royalty stream (b)	(d)	3.21	0.92	0.66	1.24
Number of REALTORS®	(d)	1,502	534	345	666
Number of locations	25	60	22	21	46
Number of contracts	21	60	22	16	37

(a) To be determined at the end of the year in accordance with the appropriate purchase agreement.
(b) Audited.
(c) Purchase price obligation as at December 31.
(d) Purchase price obligation and actual values for La Capitale are calculated over three years.

Royal LePage Franchise Agreements

On January 1, 2009, the Fund acquired 18 new Royal LePage franchise agreements serviced by 230 REALTORS®, with an estimated annual royalty stream of $0.5 million. The agreements for these 21 locations were acquired in accordance with the terms of the MSA at an estimated purchase price of $2.5 million, with $2.0 million (80% deposit) due on closing and the balance to be paid in cash or units during the first quarter of 2010, upon meeting certain terms and conditions of the MSA.

La Capitale Franchise Agreements

On January 1, 2009, the Fund acquired three franchise agreements operating under the La Capitale brand in the province of Quebec from the Fund Manager for an estimated purchase price of $0.9 million. These agreements are represented by 86 REALTORS® operating from four locations with an estimated annual royalty stream of $0.2 million. As outlined in the Fund's MSA, 80% of the estimated acquisition price ($0.7 million), which is subject to adjustment, was paid in January 2009. Under terms negotiated with the Fund's Trustees, the balance of the purchase price is to be paid in annual installments over the next three years.

Debt Financing

In 2005, the Fund increased its debt to meet its franchise agreement purchase obligations and moved from a floating interest rate position to a fixed interest rate position. Accordingly, on February 18, 2005, the Fund completed a $38 million private debt placement with a number of Canadian institutional investors for a five-year term with interest fixed at 5.882%, payable quarterly in arrears. The full amount of the debt is due upon maturity on February 17, 2010.

The Fund has a $2 million operating line provided by a single Canadian financial institution. As of the date of this MD&A, this operating line remains undrawn and in force. On March 6, 2009, the operating line was renewed to February 17, 2010.

On April 4, 2008, the Fund completed a $15 million term facility with a Canadian financial institution and with effect from April 7, 2008 entered into an interest rate swap agreement which fixed the variable portion of the term facility's interest at 3.29% for a total annual interest rate of 4.29% over the term of the facility (before legal and associated costs). On closing, the Fund drew down $14 million, and on April 2, 2009 the Fund drew down the remaining $1 million of the term facility to fund the obligations arising from the January 1, 2008 acquisitions. This term facility matures on February 17, 2010, the same date as the $38 million private debt placement.

The Fund is currently in the process of refinancing the private placement debt, term facility and its operating credit facility which are currently outstanding and either mature or expire on February 17, 2010, and expects to have reached substantial agreement on the relevant terms and conditions prior to December 31, 2009.

The interest rate swap is a financial derivative valued separately from the term facility. The Fund values the swap agreement at its market value. Changes in the value of the swap agreement are recorded as other income or loss.

Summary of Quarterly Results

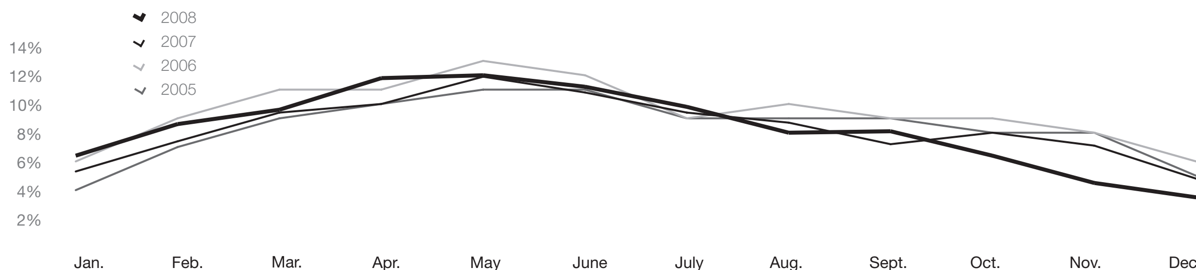
Three months ended	2009				2008			2007
($000's) except Agents, unit and per unit amounts	**Sept. 30**	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Royalties								
Fixed franchise fees	**$ 4,459**	$ 4,445	$ 4,467	$ 4,491	$ 4,431	$ 4,440	$ 4,336	$ 3,788
Variable franchise fees	**2,738**	2,312	1,194	1,243	2,499	2,628	1,921	1,315
Premium franchise fees	**1,674**	920	420	937	1,514	1,106	893	1,348
Other fee revenue and services	**1,157**	1,162	916	1,069	1,203	1,230	942	997
	10,028	8,839	6,997	7,740	9,647	9,404	8,092	7,448
Less:								
Administration expenses	**189**	208	217	224	188	215	190	192
Interest expense	**810**	798	784	794	803	766	811	606
Management fee	**1,887**	1,653	1,265	1,412	1,805	1,765	1,473	1,330
Earnings before undernoted	**7,142**	6,180	4,731	5,310	6,851	6,658	5,618	5,320
Amortization of intangible assets	**4,198**	4,167	4,141	4,658	4,297	4,035	3,896	3,746
Other loss (income)	**(99)**	(72)	7	335	92	(62)	–	–
Future income tax expense (recovery)	**(16)**	42	51	(1)	(1)	(11)	(35)	293
Net and comprehensive earnings before non-controlling interest	**3,059**	2,043	532	318	2,463	2,696	1,757	1,281
Non-controlling interest	**827**	565	174	118	652	718	476	364
Net and comprehensive earnings	**$ 2,232**	$ 1,478	$ 358	$ 200	$ 1,811	$ 1,978	$ 1,281	$ 917
Basic and diluted earnings per unit	**$ 0.23**	$ 0.15	$ 0.04	$ 0.02	$ 0.18	$ 0.20	$ 0.13	$ 0.09
Number of Agents	**13,569**	13,615	13,696	13,600	13,732	13,715	13,551	12,201
Number of fixed fee paying Sales Representatives	**699**	697	699	699	729	740	728	735

With the exception of the results for the first two quarters of 2009, revenues increased in each quarter, year-over-year due to a number of factors such as organic Agent growth, Agent productivity, and the acquisition of franchise agreements on January 1 of each year. Revenues in the Quarter increased 3.9% due mainly to Market improvements resulting in increased premium and variable fees. Revenues for the nine months ended September 30, 2009 decreased 4.7% year-over-year due to Market declines experienced during the first half of 2009, which adversely impacted variable and premium fees for that period.

The Fund's royalty revenues are also affected by the seasonality of the Canadian Market which typically has stronger second and third quarters as summarized in the chart below. The seasonality of this market is mitigated by the timing of certain factors such as: the factors noted above, the significant fixed element of the Fund's Agent count-based fees and the fixed element of variable Royal LePage franchise fees resulting from the $1,300 per annum capping feature described earlier.

Management's Discussion and Analysis of Results and Financial Condition

Canadian Residential Resale Real Estate Market
(% Transactional Dollar Volume by Month)



Source: CREA and Fund Management

A key statistic management utilizes to monitor Fund performance is the rolling 12-month distributable cash per unit, adjusted for management fees on a "total" basis. As noted on the table below, distributable cash calculated on this basis had been steadily increasing each quarter until leveling off in the fourth quarter of 2008 and subsequently declining in the first two quarters of 2009 before increasing slightly in the Quarter.

Adjusted[1] rolling twelve-month distributable cash

Twelve months ended	2009			2008				2007
($000's) except per unit amounts	**Sept. 30**	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Royalties	**$ 33,604**	$ 33,223	$ 33,788	$ 34,883	$ 34,591	$ 34,239	$ 33,673	$ 32,491
Less:								
Administration expenses	**838**	837	844	817	785	781	741	725
Interest expense	**3,186**	3,179	3,147	3,174	2,986	2,789	2,638	2,419
Adjusted Management fee[1]	**6,217**	6,135	6,247	6,455	6,373	6,268	6,113	5,869
	23,363	23,072	23,550	24,437	24,447	24,401	24,181	23,478
Adjusted Distributable cash per unit – total basis	**$ 1.80**	$ 1.76	$ 1.78	$ 1.84	$ 1.84	$ 1.83	$ 1.82	$ 1.76

Adjusted[1] rolling twelve-month distributable cash Reconciled to cash flows from operating activities

Twelve months ended	2009			2008				2007
($000's) except per unit amounts	**Sept. 30**	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Cash flows from operating activities	**$ 23,850**	$ 22,996	$ 23,928	$ 24,174	$ 23,539	$ 24,744	$ 24,335	$ 22,871
Add (deduct):								
Changes in non-cash working capital items	**(149)**	414	(56)	546	1,149	(149)	12	769
Non-cash interest expense	**(338)**	(338)	(322)	(283)	(241)	(194)	(166)	(162)
	23,363	23,072	23,550	24,437	24,447	24,401	24,181	23,478
Adjusted Distributable cash per unit – total basis	**$ 1.80**	$ 1.76	$ 1.78	$ 1.84	$ 1.84	$ 1.83	$ 1.82	$ 1.76

[1] Above adjusted for management fees calculated before Reserve requirements.
A "total" basis refers to the calculation of the management fee as per the MSA before Reserves for working capital requirements.
Prior to 2005, a Reserve was deducted for the purposes of the management fee calculation.
This Reserve requirement was removed and the accumulated management fee was paid in the first quarter of 2006.

THIRD QUARTER REVIEW

As summarized in the chart provided in the Summary of Quarterly Results, during the Quarter, the Fund generated net and comprehensive earnings before non-controlling interest ("NCENCI") of $3.1 million, up $0.6 million or 24.2% from the same period of 2008 due primarily to the $0.4 million increase in royalties. A more detailed discussion of these results is provided below.

The Fund Network

During the Quarter, the Fund experienced a net decline of 51 REALTORS®.

Royalties for the Quarter of $10.0 million were up 3.9% from the same period in 2008. Both the overall Canadian Residential Real Estate Market and the Greater Toronto Area real estate Market experienced steadily increasing year-over-year growth during the Quarter following the modest gains which began at the end of the second quarter. The increase in market activity for the Quarter translated into a more modest increase in the Fund's fees due to the timing of the earning of variable and premium fees as these fees are paid to the Fund after the sales transaction closes. There is typically a 45 to 60-day delay between a home sale and its closing, as a result, some of the market activity during the Quarter is expected to materialize as variable fees during the quarter ending December 31, 2009. Combined, fixed franchise fees, variable franchise fees and premium franchise fees represented 88% of royalties for the Quarter, consistent with the same period in 2008.

Fixed franchise fees for the Quarter were relatively unchanged compared to the same period in 2008 as increased fees obtained through franchise contracts acquired at the beginning of the year were partially offset by REALTOR® attrition.

Variable franchise fees for the Quarter increased 9.6% from the same period in 2008 while the related market activity increased by 30.3%. The increase in market activity for the Quarter outpaced the increase in the Fund's variable fees due in part to the lag in the earning of variable fees previously described. These fees are paid to the Fund after the sales transaction closes, typically 45 to 60 days after the home was sold and the sale was reported in Market statistics. In addition, since the 1% variable fee generated by Agents is capped at $1,300 per annum, the cumulative effect of Agents with sales above the capped level will cause the market change to have a less than proportionate impact on variable franchise fees.

Premium franchise fees for the Quarter were up 10.6% from the same period in 2008 while the GTA market activity increased 37.2%. The percentage increase in year-over-year premium fees is not comparable to the overall GTA market increase, as the market increase experienced in the individual market areas serviced by the premium-fee-paying franchise locations differs from the overall GTA market activity. In addition, the delay between a home sale and closing results in a timing difference between the change in market activity and the corresponding change in the Fund's premium fees. Consequently, some of the increased market activity during the Quarter is expected to materialize in higher premium fees in the quarter ending December 31, 2009.

Other fees and services comprised of the APEC fee, technology fees, 4.5% option, web service plus other fees and revenue, accounting for approximately 12% (12% – 2008) of Fund royalties for the Quarter, decreased 3.8% from the same period in 2008. This decline was due primarily to a reduction in interest revenue resulting from the decrease in cash used for the NCIB combined with a dramatic reduction in interest rates to record low levels along with a decrease in the 4.5% fee due to the conversion of some offices to the $100/1% option at the beginning of the year.

Administration expenses for the Quarter were in line with management's expectations.

Interest expense for the Quarter of $0.8 million was in line with the underlying debt agreements.

Management fee expense of $1.9 million for the Quarter was in line with the Fund's royalties. In accordance with the MSA, management fees are calculated as 30% of net royalty fees earned (defined as Distributable Cash in the MSA) from the La Capitale franchise agreements and the 20% of the balance of royalties less administrative and interest costs.

Amortization of intangible assets of $4.2 million decreased $0.1 million compared with the same period in 2008 as the additional amortization associated with the franchise agreements acquired on January 1, 2009 were more than offset by the reduction in amortization for the franchise agreements purchased at the inception of the Fund.

Other income, which represents the change in the value of the Fund's interest rate swap, improved by $99 thousand or 33% in the Quarter due to rising variable rates charged on the Fund's credit facility.

Income tax recovery of $16 thousand was recorded in the Quarter.

Non-controlling interest ("NCI") charge of $0.8 million represents the NCI's approximate 26% interest in the Fund's underlying operations.

Distributable cash for the Quarter totalled $7.1 million, up 4.2% from the same period in 2008. The distributable cash per unit increased 7.1% or $0.05 per unit to $0.56 per unit resulting from a lower number of outstanding units due to the success of our NCIB program.

Liquidity

The Fund utilized cash flow generated from operating activities for the Quarter and nine months ended September 30, 2009 of $7.9 million and $18.3 million, respectively, to meet acquisition and distribution requirements as well as the purchasing of Fund units under the NCIB. A summary of the Fund's working capital position is as follows:

Working Capital

($000's)		**As at Sept. 30, 2009**		As at June 30, 2009		As at March 31, 2009		As at December 31, 2008
Current assets								
Cash and cash equivalents	**$**	**3,902**	$	1,962	$	155	$	7,924
Accounts receivable and other		**3,607**		4,193		3,530		3,369
Deposit on acquisition		**–**		699		1,572		–
	$	**7,509**	$	6,854	$	5,257	$	11,293
Current liabilities								
Accounts payable and accrued liabilities	**$**	**1,813**	$	1,768	$	1,979	$	2,551
Purchase obligation		**1,676**		1,593		1,615		3,031
Distribution payable to unitholders		**1,108**		1,128		1,129		1,148
Financial derivative		**201**		300		372		–
		4,798		4,789		5,095		6,730
Net working capital before debt	**$**	**2,711**	$	2,065	$	162	$	4,563
Debt		**52,864**		52,776		51,697		–
Net working capital	**$**	**(50,153)**	$	(50,711)	$	(51,535)	$	4,563

Changes in the Fund's working capital are primarily driven by cash flow generated from operations, the recording of obligations arising from the purchase of franchise agreements and the settlement of these obligations.

At the end of the Quarter, the Fund's net positive working capital of $2.7 million before debt increased by $0.6 million from June 30, 2009 primarily due to positive cash flows from overall increases in Market activity.

The net positive working capital before debt at September 30, 2009, decreased $1.9 million from December 31, 2008, due to the use of cash to fund obligations arising from the purchase of franchise agreements and the purchase of units under the NCIB.

The debt matures on February 17, 2010 and accordingly has been reclassified as current liabilities. Management has initiated the process for the refinancing of this debt (see Debt Financing).

On April 2, 2009, the Fund drew down the remaining $1 million of the $15 million term facility to meet purchase obligations, arising from the purchase of La Capitale franchise agreements in 2008.

Capital Resources

The existing capital resources that the Fund can draw on consist of a $2 million operating line, which has been unutilized since the inception of the Fund.

Other capital resources include: funds generated from operations and $3.6 million in unutilized distributable cash held for future distributions in anticipation of the seasonality of the Canadian Market; debt servicing; distribution requirements; and financing for the acquisition of franchise agreements.

The Fund's debt is comprised of a $38 million Private Placement and $15 million term facility, both of which mature on February 17, 2010. During 2009 the Fund will continue to benefit from the stability of fixed interest costs associated with the Fund's debt. The debt matures on February 17, 2010 and management has initiated the process for the refinancing of this debt (see Debt Financing).

Off-Balance Sheet Arrangements

The Fund has no off-balance sheet arrangements.

Transactions With Related Parties

As at the date of this MD&A, the Fund's interests are ultimately controlled approximately 74% by the public and approximately 26% by BAM, which sold its interest in certain assets to the Fund. These assets included the relationships, trademarks and franchise agreements related to the business of its Royal LePage residential resale real estate brokerage franchise operations. Under the terms of the offering, the non-controlling interest was required to hold its original 25% interest for five years ending August 7, 2008 after which it may exchange its Subordinated LP units for units of the Fund. In addition, during the initial five-year period, the non-controlling interest's right to receive distributions on a quarterly basis was reduced to the extent that the public unitholders do not receive their initial targeted monthly distributions of $0.0917 per unit. With the completion of the five-year subordination, the non-controlling interest receives its distributions on a monthly basis and continues to hold its LP units.

BAM operates 17 corporately-owned residential resale real estate brokerage locations in the GTA serviced by over 1,000 Agents. Of these operations, 16 operate under three franchise agreements under the $100/1% option to August 2023 with an additional Premium franchise fee ranging from 1% to 5% of the location's gross commission income to August 2018. Management anticipates that the remaining location which was opened during the second quarter will be presented to the Fund's Board for acquisition on January 1, 2010.

The management of the Fund and its underlying structure is provided under an MSA by the Manager, which is a company controlled by the non-controlling interest. The MSA provides for an initial term expiring August 6, 2013 and is automatically renewable for successive 10-year terms subject to certain performance criteria and/or other notification requirements. The MSA details the Manager's responsibilities and provides for a monthly fee, payable in arrears, of 20% of cash otherwise distributable for Royal LePage agreements and 30% in respect of cash otherwise distributable from the La Capitale franchise agreements.

On January 1 of each year, the Fund may, upon the Board of Trustees' approval and criteria detailed in the MSA, purchase Royal LePage franchises acquired by the Manager up to November 4 of the previous year. The acquisition amount is determined in accordance with a formula detailed in the MSA. The acquisition costs may be satisfied by way of cash or units of the Fund and are paid 80% on acquisition and the remaining 20% a year later when the actual franchise fees are reviewed and the acquisition calculations are adjusted accordingly.

On January 1 of each year, the Fund may, upon the Independent Trustees' approval and criteria established by the Board of Trustees, purchase La Capitale franchises acquired by the Manager or its affiliates up to November 4 of the previous year. The acquisition costs may be satisfied by way of cash or units of the Fund. Modification of the MSA relating to the La Capitale acquisition costs and management fees are as follows:

(a) the discount factor applied to the Royalties, upon which the purchase price is based, was reduced from 92.5% to 90%, thereby reducing the purchase price;

(b) the final purchase price is to be calculated based on the average annual Royalties earned from La Capitale Franchise Agreements over three years (instead of one year);

(c) the Partnership will pay a management fee equal to 30% of net royalties (defined as Distributable Cash in the MSA), received from the La Capitale franchise agreements, instead of 20%. The increase in the management fee resulted in a direct and proportional decrease in the purchase price paid by the Partnership, as the purchase price is calculated based on Royalties earned from the La Capitale franchise agreements net of the management fee.

The related party transactions entered into by the Fund were transacted at contracted rates or at exchange amounts approximating fair market value. A summary of these amounts in thousands of dollars follows:

($000's)	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
a) Royalties				
Fixed, variable and other franchise fees	$ 675	$ 634	$ 1,779	$ 1,843
Premium franchise fees	$ 1,439	$ 1,437	$ 2,565	$ 3,156
b) Expenses				
Management fees	$ 1,887	$ 1,805	$ 4,805	$ 5,043
Insurance and other	$ 27	$ 26	$ 81	$ 76
Interest on purchase obligation	$ 5	$ –	$ 18	$ 210
c) Distributions				
Distributions paid to non-controlling interest	$ 1,168	$ 1,125	$ 3,504	$ 3,201

As at ($000's)	Sept. 30, 2009	Dec. 31, 2008
d) Accounts receivable		
Franchise fees receivable and other	$ 690	$ 394
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	$ 389	$ 389
Management fees	$ 595	$ 417
NCIB settlement payable	$ –	$ 942
f) Purchase obligation payable	$ 3,415	$ 6,211

Effective January 1, 2009, the Fund acquired 18 Royal LePage franchise agreements and three La Capitale franchise agreements for an estimated purchase price of $2.5 million and $0.9 million, respectively with 80% ($2.7 million) of the purchase price due during the first quarter (see Franchise Acquisition Agreements for further information). During the first quarter, the Fund paid the initial $2.7 million purchase obligation from cash on hand.

Critical Accounting Estimates

Substantially all of the Fund's activities are based on cash transactions with revenue and expenditures based on contracted terms. The operating activities not based on contractual terms include: the Fund's administration costs, allocation of the intangible assets between franchise agreements and relationships, and trademarks and their related amortization periods. The Fund's administration costs of approximately $0.8 million per annum relate to the Fund's public reporting, regulatory and insurance costs.

The allocation of the Fund's intangible assets between their various classifications is subject to management estimates. The Fund's intangible assets are continuously monitored to ensure that there is no impairment in the carrying value of these assets. A change in the carrying value would affect the net earnings of the Fund but would have no direct cash flow implications.

Financial Instruments

The Fund's financial instruments consist of cash, accounts receivable, financial derivative liability, accounts payable and accrued liabilities, purchase obligation, distributions payable to unitholders, a $38 million private debt placement, a $15 million term facility and a $2 million credit facility.

The Fund is exposed to credit risk with respect to accounts receivable to the extent any franchisees are unable to pay their fees. The Fund's credit risk is limited to the recorded amount of accounts receivable. Management reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis.

The Fund's $38 million private debt is fixed at 5.882% for a five-year term commencing February 18, 2005 and as such is not subject to interest rate fluctuations.

On April 4, 2008, the Fund completed a $15 million term facility with a Canadian financial institution and with effect from April 7, 2008 entered into an interest rate swap agreement which fixed the variable portion of the term facility's interest at 3.29% for a total effective annual interest rate of 4.29% over the term of the facility. The interest rate swap is a financial derivative valued separately from the term facility. The Fund values the swap agreement at its market value. Changes in the value of the swap agreement are recorded as other income or loss.

Management estimates the fair value of the Fund's financial instruments to approximate their carrying values.

Disclosure Controls and Internal Controls

The Fund has designed and maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to Multilateral Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms.

The Fund has also designed and maintains a set of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Fund's internal controls over financial reporting during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Outstanding Units

The Fund is authorized to issue an unlimited number of units of the same class with equal rights and privileges.

On October 3, 2008, the Toronto Stock Exchange approved the Fund's notice of intention to make a normal course issuer bid for up to 499,150 of its units, representing 5% of its 9,983,000 outstanding units as of September 30, 2008. The Fund was permitted to purchase units at prevailing market prices during the period from October 7, 2008, to October 6, 2009. Purchases were made at market prices in accordance with the rules and policies of the Toronto Stock Exchange. Daily purchases were effected through the facilities of the TSX and were limited to 3,800 units, other than block purchase exceptions.

During 2008, 163,720 units were purchased at an average price of $7.53 per unit. During the nine months ended September 30, 2009, a further 335,430 units at an average price of $8.54 per unit were acquired. The Fund has purchased the maximum amount permitted under the NCIB. Units purchased were cancelled at the end of each month.

As at September 30, 2009, 9,483,850 units remained outstanding. In addition to these units, the Fund has 3,327,667 Special Fund Units outstanding, which entitles the holder to vote in all votes of Fund units as if they had converted their Subordinated LP units into Fund units.

Given market prices for the Fund units, management believes that the purchase by the Fund of a portion of its outstanding units was an appropriate use of available resources and in the best interests of the Fund and its unitholders. The Fund financed the purchases with available cash on hand.

Fund Structure

The Fund is governed by a Board of Trustees and is comprised of a Trust (Fund) on Trust (Holding Trust) structure that controls a general partner and Limited Partnership. The Trust on Trust structure qualifies the Fund for Canadian RRSPs, RRIFs, RESPs, DPSPs and similar plans.

Substantially, all Fund activity is transacted through the Limited Partnership ("LP"), which in turn flows distributions to public unitholders and the non-controlling interest through the Fund structure. The Fund has a 75% interest in the LP by way of Ordinary LP units held by the Holding Trust while the subordinated unitholder has a 25% interest in the Partnership by way of Subordinated LP units. The Fund and the subordinated unitholder have a 75% and 25% respective ownership in the General Partner, which mirrors their LP interests.

As part of the Fund's purchase of the La Capitale assets on January 1, 2008, the LP acquired two companies, a Limited Partnership ("LCLP") which held the La Capitale assets and the General Partner ("LCGP"). For a more detailed explanation of the Fund Structure please see the 2008 Annual Information Circular.

Under the terms of the Offering, the subordinated unitholder had to retain its full interest for five years from the commencement of the Fund. Fund distributions of all available cash were made on a monthly basis to public unitholders and on a quarterly basis to the

subordinated unitholder. During the initial five-year period, the subordinated unitholder's distributions were subordinated to the public unitholders' distributions to the extent the public unitholders had not received the initial targeted monthly distribution of $0.0917 per unit, $1.10 per unit per annum. The initial five-year term ended August 7, 2008 after which the subordinated unitholder may exchange its units for units of the Fund and receives distributions on a monthly basis.

The LP manages the Fund's operations and underlying structure by way of the MSA, as discussed in detail earlier.

Taxation of Fund Distributions

Under the Fund's Amended and Restated Declaration of Trust, the maximum tax deductions available to the Fund shall be claimed to the extent it brings the taxable income of the Trust to nil. The deductions available to the Trust are comprised of the costs of the offering and intangible assets. The estimated deductions available to the Trust as at December 31, 2008 are comprised of the costs of the initial public offering, intangible assets of the LP, acquisitions of franchise agreements subsequent to inception, costs associated with the $38 million private debt placement, and costs associated with the $15 million credit facility, which have the following deductibility profile and amounts:

Taxation of Fund Distributions
($ millions)

Future Deduction Basis	Remaining balance December 31, 2008	Estimated addition for 2009	Estimated deduction for 2009	Estimated balance December 31, 2009
7% of balance	78.6	2.5	5.6[1]	74.9
Five-year straight-line	0.4		0.2	0.2
	79.0	2.5	5.8	75.1

[1] This estimated deduction for 2009 is calculated as 7% of the sum of the remaining balance as of December 31, 2008 and 75% of the estimated addition for 2009.

For the year ended December 31, 2008, the Fund had a return of capital per unit of approximately 0% (3% – 2007) and a taxable amount per unit of approximately 100% (97% – 2007). These calculations are summarized in the table below. Management will seek to manage the taxable amount to a maximum of 100% in 2009.

($ millions)	2003	2004	2005	2006	2007	**2008**
Fund net earnings	2.0	3.3	4.8	3.5	7.7	**5.3**
Add:						
Non-controlling interest	0.7	1.2	1.7	1.3	2.8	**2.0**
Amortization	3.8	13.7	14.2	14.6	14.8	**16.9**
Income tax	–	–	–	–	(1.8)	**–**
Other	(0.1)	–	–	–	0.1	**0.5**
Taxable earnings	6.4	18.2	20.7	19.4	23.6	**24.7**
Less:						
Tax deduction	3.4	8.0	8.2	8.1	8.1	**7.2**
Taxable income	3.0	10.2	12.5	11.3	15.5	**17.5**
Distributions	(6.0)	(14.6)	(14.6)	(15.3)	(16.0)	**(17.5)**
Return of capital	(3.0)	(4.4)	(2.1)	(4.0)	(0.5)	**–**
Return of capital	50%	30%	14%	26%	3%	**0%**
Taxable	50%	70%	86%	74%	97%	**100%**
Distributions						
Unitholders	4.5	11.0	11.0	11.5	12.0	**13.1**
Non-controlling interest	1.5	3.6	3.6	3.8	4.0	**4.4**
	6.0	14.6	14.6	15.3	16.0	**17.5**

Impact of Taxation on Income Trusts

On October 31, 2006, the Minister of Finance announced proposed tax legislation ("trust legislation") that will change the income tax rules applicable to publicly traded trusts rendering income trusts taxable in 2011. This trust legislation was substantially enacted into law on June 12, 2007. Accordingly, during the second quarter of 2007, the Fund began to recognize future income taxes or recoveries arising from those temporary tax differences expected to reverse after January 1, 2011.

Prior to June 12, 2007, income tax obligations relating to distributions from the Fund were obligations of the unitholders and, accordingly, no provisions for income taxes were recorded by the Fund.

In 2011 when the Fund expects to become a taxable entity, income taxes payable will reduce net earnings and will affect distributable cash by an equal amount.

In accordance with new tax legislation, as at September 30, 2009 the Fund has recorded a non-cash future tax liability of $1.3 million, arising from temporary tax differences expected to reverse after January 1, 2011 at the tax rate of 30.5%, applicable to the Fund in 2011 and 29% applicable thereafter. The future tax liability is comprised of a $3.2 million tax liability less a non-cash future tax asset of $1.9 million. The $3.2 million future income tax liabilities arise from the assets of La Capitale which were acquired on a tax deferred basis through a partnership with the underlying tax value attributed to the partnership units. As a result, the individual agreements and trademarks of the partnership at the time of acquisition by the Fund do not have a tax basis. The temporary difference between the carrying value of these agreements and trademarks and zero tax basis results in a future income tax liability of $3.2 million.

Management of the Fund reviews the value of the Fund's future income tax assets and liabilities on a quarterly basis and records adjustments, as necessary, to reflect the realizable amounts of the Fund's future income tax assets and liabilities.

This trust legislation, and the related impact and proposed limits on equity issued by Income Funds to fund acquisitions, may affect the Fund's ability to make future acquisitions, accordingly, management and the Trustees have been monitoring the changes in the income trust environment and are continuing to review potential impacts on the Fund's current strategy and the alternatives available to the Fund, to protect and enhance unitholder value.

Change in Accounting Policies

Accounting Changes

a) On January 1, 2009, the Fund adopted CICA Handbook Section 3064, Goodwill and Intangible Assets. Section 3064 replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Fund has evaluated this standard and determined that there is no impact to the consolidated financial statements.

b) During the second quarter, the CICA issued Emerging Issue Committee Abstract 173 ("EIC 173") Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. EIC 173 requires that a company take into account its own credit risk and the credit risk of its counterparties in determining the fair value of financial assets and liabilities. EIC 173 must be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The Fund has evaluated this standard and determined there is no impact to the consolidated financial statements.

c) On April 29, 2009, the CICA amended this section to add more guidance on the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The amendments are not expected to have a significant impact on the Fund's accounting of its financial instruments.

d) In June 2009, the CICA amended this section to adopt the amendments recently issued by the IASB to International Financial Reporting Standard 7, Financial Instruments: Disclosures ("IFRS 7"), in March 2009. These amendments are applicable to publicly accountable enterprises that have applied Section 3862. The amendments were made to enhance disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements, and about the liquidity risk of financial instruments. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009, with early adoption permitted. To provide relief for preparers, and consistent with IFRS 7, the CICA decided that an entity need not provide comparative information for the disclosures required by the amendments in the first year of application. The Fund will apply these amendments for its 2009 annual consolidated financial statements. The impact of the amendments to the fair value measurement and liquidity risk disclosure requirements of the Fund are not expected to be significant.

Accounting Changes – Future

a) International Financial Reporting Standards ("IFRS")

The Accounting Standards Board of Canada (AcSB) plans to converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards (IFRS) over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Fund has implemented a changeover plan to convert to these new standards according to the timetable set with these new rules. An implementation team has been created, and third-party advisors have been engaged to provide training to staff. The implementation team has significantly advanced its assessment of the differences between IFRS and Canadian GAAP standards. The Fund is assessing the impact of the conversion on business activities including the effect on information technology and data systems, internal controls over financial reporting and disclosure controls. The Fund will continually review and adjust the changeover plan to ensure the implementation process properly addresses the key elements of the plan.

While the assessment is ongoing, management believes that the most significant impacts on the Fund's financial statements, beyond presentation changes, are on the accounting for the acquisition of franchise contracts, valuation of Intangibles and impairment of Intangibles.

Acquisition of Franchise Contracts

Currently under GAAP the Fund records the initial franchise contract obligations as deposits on acquisition with subsequent adjustments to the deposit obligation or purchase obligation as royalties are earned from the contracts. Under IFRS the Fund would record the estimated purchase price as an asset and the related purchase obligation.

Valuation of Intangibles

Under IFRS, Intangible assets under certain conditions are to be revalued at the end of each reporting period with any changes in value going through the Fund's statement of earnings. A prerequisite for the application of this accounting treatment is there must be an active market for these assets and the assets must be held for trading. The Fund's Intangibles are comprised of contracts, relationships and trademarks. The Fund does not trade these assets nor is there an active market for these assets and as such the Fund will not be required to revalue its Intangibles under these IFRS requirements.

Impairment of Intangibles

Under current GAAP the impairment of Intangible assets are reviewed at the end of each reporting period by comparing the expected future undiscounted cash flows to be generated from the Fund's Intangible assets against the carrying value of the assets. Under IFRS the Fund is required to assess its Intangibles for impairment in value using a discounted cash flow ("DCF") whereby the DCF expected to be derived from the Fund's Intangible assets are compared to their carrying value in the financial statements at the end of each reporting period. Where the value of the DCF is less than the carrying value, the carrying value of the Intangible is to be recorded at the DCF value with the difference or impairment being written off as a current period charge to the statement of earnings. IFRS does not permit a write up of Intangibles should the DCF exceed the carrying value regardless of whether or not the Intangible was subject to an earlier impairment charge.

The primary drivers of the DCF as they relate to franchise contracts and relationships are the expected future cash flows from these assets over the remaining initial term of the contracts and the first renewal term, respectively, and the discount rate utilized. Management has determined that the yield on the Fund's units would be an appropriate rate to utilize for this purpose as this is the inherent rate of return for the Fund and was used in part to determine the purchase price for the Fund's franchise contract acquisitions.

The DCF approach to the valuation of Intangibles does not recognize the future value of the contracts and relationships derived from the period occurring after the remaining initial and first renewal term of the underlying contracts. Should the Fund's yield increase significantly due to a considerable reduction in the unit price, as was the case until recently, it is conceivable that an impairment charge in respect of the Fund's Intangibles could arise as result of the application of this accounting requirement.

b) Business Combinations

In January 2009, the CICA issued new accounting standards concerning Business Combinations ("Section 1582"), Non-controlling Interests ("Section 1602") and Consolidated Financial Statements ("Section 1601"), which is based on the IASB's International Financial Reporting Standard 3, "Business Combinations". The new standards replace the existing guidance on business combinations and consolidated financial statements. The objective of the new standards is to harmonize Canadian accounting for business combinations

with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards shall not be adjusted upon application of these new standards. The Non-controlling Interests standard should be applied retrospectively except for certain items.

Risk Factors

Risks related to the residential resale real estate brokerage industry and the business of the Partnership and the Fund are outlined in the Fund's Annual Information Form which is available at www.sedar.com and on the Funds website www.brookfieldres.com under Investor Relations/Financial Reports.

Outlook

Canada's housing market appears to be on the road to recovery. After the economic crisis created a drought of home sales and declining prices from the fourth quarter of 2008 through the first quarter of 2009, the market began to recover in the spring due to pent up demand and improved affordability. The Canadian market has been growing at a steadily increasing rate since it turned the corner in June 2009, ending with a 30.3% increase in Market transaction volume for the Quarter as compared to the same period in 2008. The GTA's housing market, from which the Fund receives its premium fees, has experienced a similar recovery showing steadily increasing market growth since May, culminating in a 37.3% year-over-year improvement in the Quarter.

The market's strong showing in the third quarter should not be construed as the beginning of an aggressive expansion cycle similar to the experience of recent years. CMHC is forecasting home sales to increase by 1.7% and average prices to rise by 3.1% for the calendar year 2009 when compared to 2008. Home sales are expected to increase 0.9% in 2010 with an average price increase of 3.7%. The Bank of Canada, on October 20, 2009 reiterated its conditional commitment to maintain the current target overnight interest rate until the end of the second quarter of 2010 while forecasting a decline of 2.4% in the Canadian economy in 2009 followed by growths of 3.0% and 3.3% in 2010 and 2011, respectively.

As anticipated, following the real estate market downturn experienced in Canada in the last quarter of 2008, CREA sustained a 0.4% decline in its membership in the first half of 2009. The 0.8% attrition in the first quarter was partially offset by an increase of 0.5% in the second quarter. The Fund was shielded from the first quarter downturn as the Agents gained through the franchise agreements purchased on January 1, 2009 more than offset the organic attrition during the period. The Fund experienced net attrition of 0.5% and 0.3% in the second and third quarters, respectively. Management believes that marginal producers opted for brands with lower costs and correspondingly lower or no service offerings. The Fund's net Agent attrition in the third quarter occurred entirely in July with very slight growth in August and September, signaling a stabilizing of the Agent population and the potential for growth through organic recruitment in the fourth quarter.

The Fund's Agents are predominantly moderate to high producers compared to the national average and as such understand the value proposition of the services provided by the Fund's brands. During 2008, the Fund's Agents were 69% more productive than the rest of the industry, therefore management believes that only a very small portion of the Fund's Agents would be attracted by the lure of lower fees associated with brands offering little or no services.

The Fund's revenues did not suffer the full force of the market decline during the previous three quarters and is expected to grow at a rate somewhat lower than the rate of expansion of the Canadian market in the quarters ahead, due to the fixed nature of the Fund's royalty fee structure. For the year ended December 31, 2008 the Fund's revenues were approximately 69% fixed and 31% variable. This allows the Fund to enjoy relatively stable revenues during times of fluctuations in the real estate market.

The Fund Manager added 330 REALTORS® to the network through acquisitions and expansions during the period ended November 4, 2009, a 43% increase compared with 230 REALTORS® added in the previous year. This was partially due to the attractiveness of the value proposition associated with the Fund's brands during the market downturn.

Management believes that the Canadian real estate market is at the early stage of a recovery and anticipates continued year-over-year improvement during the balance of 2009. We maintain confidence in the long-term growth potential of the real estate industry and the Fund. We will continue to expand our presence in the Canadian market as industry consolidators with the potential for expansion into the U.S. at the appropriate time.

Management's Discussion and Analysis of Results and Financial Condition

Forward-Looking Statements

This MD&A and other content of this Financial Review report contains forward-looking information and other "forward-looking statements". The words such as "should", "will", "continue", "plan", "believe", "expect", "anticipate", "intend", "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Fund to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forward in the forward-looking statements include a change in general economic conditions; interest rates; consumer confidence; the level of residential resale transaction; the average rate of commissions charged; competition from other traditional real estate brokers or from discount and/or internet-based real estate alternatives; the availability of acquisition opportunities and/or the closing of existing real estate offices; other developments in the residential real estate brokerage industry or the Fund that reduce the number of and/or royalty revenue from the Fund's REALTORS®; our ability to maintain brand equity through the use of trademarks; the availability of equity and debt financing; a change in tax provisions; and other risks detailed in the Fund's annual information form which is filed with securities commissions and posted on SEDAR at www.sedar.com. The Fund undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Supplemental Information – Net Earnings and Distributable Cash by Period

Three months ended ($000's except per unit amounts, unaudited)	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	**Sept 30, 2009**
Royalties	$ 7,448	$ 8,092	$ 9,404	$ 9,647	$ 7,740	$ 6,997	$ 8,839	**$ 10,028**
Less:								
Administration expenses	192	190	215	188	224	217	208	**189**
Management fee	1,330	1,473	1,765	1,805	1,412	1,265	1,653	**1,887**
Interest expense	606	811	766	803	794	784	798	**810**
Other (income) loss	–	–	(62)	92	335	7	(72)	**(99)**
Amortization of intangible assets	3,746	3,896	4,035	4,297	4,658	4,141	4,167	**4,198**
Earnings before undernoted	1,574	1,722	2,685	2,462	317	583	2,085	**3,043**
Future income tax recovery (expense)	(293)	35	11	1	1	(51)	(42)	**16**
Non-controlling interest	(364)	(476)	(718)	(652)	(118)	(174)	(565)	**(827)**
Net and comprehensive earnings for the period	917	1,281	1,978	1,811	200	358	1,478	**2,232**
Add:								
Amortization of intangible assets	3,746	3,896	4,035	4,297	4,658	4,141	4,167	**4,198**
Non-cash other (income) loss	–	–	(62)	92	335	7	(72)	**(99)**
Future income tax (recovery) expense	293	(35)	(11)	(1)	(1)	51	42	**(16)**
Non-controlling interest	364	476	718	652	118	174	565	**827**
Distributable cash	5,320	5,618	6,658	6,851	5,310	4,731	6,180	**7,142**
Less change in:								
Unutilized cash	(1,244)	(1,463)	(2,508)	(2,351)	(663)	(140)	(1,624)	**(2,625)**
Cash required for distributions	$ 4,076	$ 4,155	$ 4,150	$ 4,500	$ 4,647	$ 4,591	$ 4,556	**$ 4,517**
Distributable cash available to:								
Public unitholders	$ 3,037	$ 3,115	$ 3,114	$ 3,375	$ 3,479	$ 3,423	$ 3,388	**$ 3,349**
Non-controlling interest	1,039	1,040	1,036	1,125	1,168	1,168	1,168	**1,168**
	$ 4,076	$ 4,155	$ 4,150	$ 4,500	$ 4,647	$ 4,591	$ 4,556	**$ 4,517**
Distributions to public unitholders	$ 3,037	$ 3,115	$ 3,114	$ 3,375	$ 3,479	$ 3,423	$ 3,388	**$ 3,349**
Per unit (9,983,000 units less retired):								
Basic and diluted earnings	$ 0.09	$ 0.13	$ 0.20	$ 0.18	$ 0.02	$ 0.04	$ 0.15	**$ 0.23**
Basic and diluted distributable cash before working capital and other reserves	$ 0.40	$ 0.42	$ 0.50	$ 0.51	$ 0.40	$ 0.36	$ 0.48	**$ 0.55**
Basic and diluted distributions	$ 0.30	$ 0.31	$ 0.31	$ 0.34	$ 0.35	$ 0.35	$ 0.35	**$ 0.35**

Tax Allocation of Distributions

For the year ended December 31 (Unaudited)	2003[1]	2004	2005	2006	2007	**2008**
	(actual)	(actual)	(actual)	(actual)	(actual)	**(actual)**
Other taxable income	50%	70%	86%	74%	97%	**100%**
Return of capital	50%	30%	14%	26%	3%	**0%**
Total distributions of the period	100%	100%	100%	100%	100%	**100%**

[1] Inception (August 7) to December 31, 2003.

Supplemental Information – Selected Financial and Operating Information

Three months ended ($000's, unaudited)	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	**Sept. 30, 2009**
Revenue								
Fixed franchise fees	$ 3,788	$ 4,336	$ 4,440	$ 4,431	$ 4,491	$ 4,467	$ 4,445	**$ 4,459**
Variable franchise fees	1,315	1,921	2,628	2,499	1,243	1,194	2,312	**2,738**
Premium franchise fees	1,348	893	1,106	1,514	937	420	920	**1,674**
Other fee revenue and services	997	942	1,230	1,203	1,069	916	1,162	**1,157**
	$ 7,448	$ 8,092	$ 9,404	$ 9,647	$ 7,740	$ 6,997	$ 8,839	**$ 10,028**
% Revenue by region								
British Columbia	13	14	13	11	11	13	12	**12**
Prairies	9	10	10	9	10	10	9	**9**
Ontario	63	55	54	59	53	53	54	**56**
Quebec	11	18	20	18	22	21	22	**20**
Maritimes	4	3	3	3	4	3	3	**3**
	100	100	100	100	100	100	100	**100**

Three months ended **Changes during the period**	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	**Sept. 30, 2009**
Number of REALTORS®	87	1,418	181	(5)	(172)	98	(74)	**(51)**
Number of Agents	84	1,350	164	17	(132)	96	(81)	**(46)**
Number of fixed fee paying Sales Representatives	19	(7)	12	(11)	(30)	–	(2)	**2**
Number of locations	(3)	55	(2)	–	(1)	17	(5)	**(3)**
Number of franchise agreements	(4)	54	(1)	–	–	15	(3)	**1**
At end of period								
Number of REALTORS®	13,172	14,590	14,771	14,766	14,594	14,692	14,618	**14,567**
Number of Agents	12,201	13,551	13,715	13,732	13,600	13,696	13,615	**13,569**
Number of fixed fee paying Sales Representatives	735	728	740	729	699	699	697	**699**
Number of locations	591	646	644	644	643	660	655	**652**
Number of franchise agreements	285	339	338	338	338	353	350	**351**

Supplemental Information – Fund Unit Performance

Three months ended	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	**Sept. 30, 2009**
Trading price range of units (TSX: "RSF.UN")								
High	$ 13.89	$ 13.88	$ 12.00	$ 10.87	$ 10.47	$ 9.62	$ 8.40	**$ 12.17**
Low	$ 11.50	$ 11.01	$ 10.00	$ 8.04	$ 6.15	$ 7.00	$ 7.50	**$ 8.20**
Close	$ 13.88	$ 11.75	$ 10.00	$ 9.84	$ 7.74	$ 7.77	$ 8.34	**$ 11.55**
Average daily volume	8,266	4,385	5,110	10,901	11,121	5,230	20,924	**19,167**
Number of units outstanding at period end	9,983,000	9,983,000	9,983,000	9,983,000	9,819,280	9,650,880	9,650,880	**9,483,850**
Net enterprise value at period end (thousands)								
Market capitalization[1]	$184,752	$156,400	$133,107	$130,977	$101,757	$100,843	$108,241	**$147,973**
Long-term debt	37,617	37,660	51,511	51,532	51,615	51,697	52,776	**52,864**
Less:								
Cash on hand	7,516	2,365	5,307	7,746	7,924	155	1,962	**3,902**
	$214,853	$191,695	$179,311	$174,763	$145,448	$152,385	$159,055	**$196,935**

[1] Comprised of the number of units outstanding at period end and 3,327,667 subordinated units, multiplied by the closing unit price.

Distribution History

	Distributions Declared per Unit						
Month	2003	2004	2005	2006	2007	2008	**2009**
January		$ 0.0917	$ 0.0917	$ 0.0958	$ 0.1000	$ 0.1040	**$ 0.1170**
February		0.0917	0.0917	0.0958	0.1000	0.1040	**0.1170**
March		0.0917	0.0917	0.0958	0.1000	0.1040	**0.1170**
April		0.0917	0.0917	0.0958	0.1000	0.1040	**0.1170**
May		0.0917	0.0917	0.0958	0.1000	0.1040	**0.1170**
June		0.0917	0.0917	0.0958	0.1000	0.1040	**0.1170**
July		0.0917	0.0917	0.0958	0.1000	0.1040	**0.1170**
August		0.0917	0.0917	0.0958	0.1000	0.1170	**0.1170**
September	$ 0.1789*	0.0917	0.0917	0.0958	0.1000	0.1170	**0.1170**
October	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	
November	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	
December	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	
	$ 0.45	$ 1.10	$ 1.10	$ 1.15	$ 1.20	$ 1.31	**$ 1.05**

* Based on a 55-day period.

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Condensed Balance Sheet

As at ($000's, unaudited)	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	**Sept. 30, 2009**
Cash and cash equivalents	$ 7,516	$ 2,365	$ 5,307	$ 7,746	$ 7,924	$ 155	$ 1,962	**$ 3,902**
Accounts receivable	2,752	3,272	3,801	3,322	3,224	3,428	4,148	**3,584**
Prepaid expenses	84	101	62	23	145	102	45	**23**
Deposit on acquisition	–	1,908	5,545	–	–	1,572	699	**–**
Financial derivatives	–	–	62	–	–	–	–	**–**
Future income tax asset	1,819	799	333	–	–	–	–	**–**
Intangible assets	117,279	121,857	122,317	125,921	126,647	123,717	120,423	**117,166**
	$ 129,450	$ 130,302	$ 137,427	$ 137,012	$ 137,940	$128,974	$127,277	**$124,675**
Accounts payable and accrued liabilities	$ 2,232	$ 2,336	$ 2,422	$ 1,842	$ 2,551	$ 1,979	$ 1,768	**$ 1,813**
Purchase obligations – short term	2,295	5,358	–	1,386	3,031	1,615	1,593	**1,676**
Distributions payable to unitholders	998	1,038	1,038	1,168	1,148	1,129	1,128	**1,108**
Long-term debt (current portion)	37,617	37,660	51,511	51,532	51,615	51,697	52,776	**52,864**
Purchase obligations – long term	–	–	–	–	3,180	1,580	1,580	**1,739**
Financial derivatives	–	–	–	30	365	372	300	**201**
Future income tax liability	–	–	–	635	1,193	1,244	1,286	**1,270**
Non-controlling interest	22,106	21,542	21,224	20,751	19,701	18,707	18,104	**17,763**
Unitholders' equity	64,202	62,368	61,232	59,668	55,156	50,651	48,742	**46,241**
	$ 129,450	$ 130,302	$ 137,427	$ 137,012	$ 137,940	$128,974	$127,277	**$124,675**

Supplemental Information – Condensed Cash Flow by Period

Three months ended ($000's, unaudited)	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	**Sept. 30, 2009**
Cash provided by (used for):								
Operating activities								
Net earnings for the period	$ 917	$ 1,281	$ 1,978	$ 1,811	$ 200	$ 358	$ 1,478	**$ 2,232**
Add (deduct):								
Non-controlling interest	364	476	718	652	118	174	565	**827**
Future income tax (recovery) expense	293	(35)	(11)	(1)	(1)	51	42	**(16)**
Non-cash interest expense	41	43	69	88	83	82	85	**88**
Non-cash other (income) loss	–	–	(62)	92	335	7	(72)	**(99)**
Amortization of intangible assets	3,746	3,896	4,035	4,297	4,658	4,141	4,167	**4,198**
Changes in non-cash working capital	(420)	(393)	(403)	68	183	209	(874)	**631**
	4,941	5,268	6,324	7,007	5,576	5,022	5,391	**7,861**
Investing activities								
Deposit on acquisition	–	(3,949)	(12,965)	–	(70)	(1,572)	–	**–**
Payment of purchase price obligation	–	(2,295)	–	–	–	(3,051)	–	**–**
Purchase of intangible assets	–	(20)	(49)	(1)	70	(1,176)	(22)	**–**
	–	(6,264)	(13,014)	(1)	–	(5,799)	(22)	**–**
Financing activities								
Repurchase of fund units	–	–	–	–	(291)	(2,401)	–	**(1,404)**
Proceeds from term facility	–	–	13,782	(67)	–	–	994	**–**
Distributions paid to unitholders	(3,037)	(3,115)	(3,114)	(3,375)	(3,329)	(3,423)	(3,388)	**(3,349)**
Distributions paid to non-controlling interest	(1,040)	(1,040)	(1,036)	(1,125)	(1,777)	(1,168)	(1,168)	**(1,168)**
	(4,077)	(4,155)	9,632	(4,567)	(5,397)	(6,992)	(3,562)	**(5,921)**
Increase (decrease) in cash and cash equivalents during the period	864	(5,151)	2,942	2,439	178	(7,769)	1,807	**1,940**
Cash and cash equivalents, beginning of period	6,652	7,516	2,365	5,307	7,746	7,924	155	**1,962**
Cash and cash equivalents, end of period	$ 7,516	$ 2,365	$ 5,307	$ 7,746	$ 7,924	$ 155	$ 1,962	**$ 3,902**

Supplemental Information – Canadian Real Estate Market

Three months ended	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	**Sept. 30, 2009**
Canada								
Transaction dollar volume[1]	$ 31,875	$ 32,697	$ 46,137	$ 33,991	$ 18,977	$ 21,802	$ 46,911	**$ 44,281**
Average selling price	$314,591	$310,797	$316,974	$296,140	$281,220	$283,520	$319,433	**$327,745**
Number of units sold	101,323	105,202	145,556	114,780	67,481	76,896	146,858	**135,182**
Number of REALTORS® at period end	94,538	96,266	98,072	98,459	97,168	96,353	96,798	**N/A**
Housing starts	55,174	43,610	62,087	58,292	47,067	23,772	35,798	**43,934**
Greater Toronto Area								
Transaction dollar volume[1]	$ 7,838	$ 6,641	$ 10,645	$ 7,572	$ 4,093	$ 4,589	$ 11,119	**$ 10,393**
Average selling price	$394,382	$379,006	$397,591	$368,516	$359,883	$357,817	$395,485	**$396,702**
Number of units sold	19,874	17,521	26,773	20,548	11,372	12,824	28,115	**26,198**
Housing starts	8,599	8,945	11,684	11,736	9,847	5,904	5,639	**6,712**

Twelve months ended	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	**Sept. 30, 2009**
Canada								
Transaction dollar volume[1]	$160,093	$157,503	$151,255	$144,700	$131,802	$120,907	$121,681	**$131,971**
Average selling price	$306,539	$310,425	$312,838	$309,943	$304,379	$298,749	$299,265	**$309,071**
Number of units sold	522,260	507,378	483,493	466,861	433,019	404,713	406,015	**426,417**
Housing starts	228,343	231,237	228,709	219,163	211,056	191,218	164,929	**149,571**
Seasonally adjusted housing starts	187,500	254,700	217,800	217,600	177,300	154,700	140,700	**150,100**
Greater Toronto Area								
Transaction dollar volume[1]	$ 35,905	$ 35,108	$ 33,912	$ 32,695	$ 28,950	$ 26,898	$ 27,373	**$ 30,471**
Average selling price	$377,066	$380,447	$385,337	$385,942	$379,853	$376,109	$375,698	**$384,823**
Number of units sold	95,223	92,281	88,005	84,716	76,214	71,517	72,859	**79,182**
Housing starts	33,293	36,653	38,951	40,964	42,212	39,171	33,126	**28,102**

Source: CMHC, CREA and TREB

[1] ($millions)

N/A: Not available at time of MD&A.

Brookfield Real Estate Services Fund

Interim Consolidated Balance Sheets

As at (in thousands of dollars)	September 30, 2009	December 31, 2008
	(unaudited)	
Assets		
Current assets		
Cash	$ 3,902	$ 7,924
Accounts receivable	3,584	3,224
Prepaid expenses	23	145
	7,509	11,293
Intangible assets (note 6)	117,166	126,647
	$ 124,675	$ 137,940
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,813	$ 2,551
Purchase obligation – current portion (note 5)	1,676	3,031
Distribution payable to unitholders	1,108	1,148
Long-term debt – current portion (note 8)	52,864	–
Financial derivative (note 8)	201	–
	57,662	6,730
Long-term debt (note 8)	–	51,615
Purchase obligation (note 5)	1,739	3,180
Financial derivative (note 8)	–	365
Future income tax liability (note 4)	1,270	1,193
Non-controlling interest	17,763	19,701
	78,434	82,784
Unitholders' equity	46,241	55,156
	$ 124,675	$ 137,940

See accompanying notes to the interim consolidated financial statements.

On behalf of the board

Simon Dean
TRUSTEE

Lorraine Bell
TRUSTEE

Interim Consolidated Statements of Earnings and Comprehensive Earnings

(unaudited) (in thousands of dollars, except unit and per unit amounts)	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Royalties				
Fixed franchise fees	$ 4,459	$ 4,431	$ 13,371	$ 13,207
Variable franchise fees	2,738	2,499	6,244	7,048
Premium franchise fees	1,674	1,514	3,014	3,513
Other fee revenue and services	1,157	1,203	3,235	3,375
	10,028	9,647	25,864	27,143
Expenses				
Administration	189	188	614	593
Management fee	1,887	1,805	4,805	5,043
Interest expense	810	803	2,392	2,380
Other loss (income) (note 8)	(99)	92	(164)	30
Amortization of intangible assets (note 6)	4,198	4,297	12,506	12,228
	6,985	7,185	20,153	20,274
Earnings before income taxes and non-controlling interest	3,043	2,462	5,711	6,869
Income tax recovery (expense) (note 4)	16	1	(77)	47
Earnings before non-controlling interest	3,059	2,463	5,634	6,916
Non-controlling interest	(827)	(652)	(1,566)	(1,846)
Net earnings and comprehensive earnings	$ 2,232	$ 1,811	$ 4,068	$ 5,070
Basic and diluted earnings per unit (9,520,717 and 9,631,788 weighted average units for three and nine months ended September 30, 2009) (2008 – 9,983,000 units) (note 10)	$ 0.23	$ 0.18	$ 0.42	$ 0.51

See accompanying notes to the interim consolidated financial statements.

Interim Consolidated Statements of Unitholders' Equity

(unaudited) (in thousands of dollars)	Unitholders' Contribution	Contributed Surplus	Net Earnings	Distributions	Deficit	Total
Balance, January 1, 2008	$ 92,938	$ –	$ 21,224	$ (49,960)	$ (28,736)	$ 64,202
Changes during the period:						
Net earnings	–	–	5,070	–	5,070	5,070
Unit distributions	–	–	–	(9,604)	(9,604)	(9,604)
Balance, September 30, 2008	$ 92,938	$ –	$ 26,294	$ (59,564)	$ (33,270)	$ 59,668
Balance, January 1, 2009	$ 91,301	$ 404	$ 26,494	$ (63,043)	$ (36,549)	$ 55,156
Changes during the period:						
Issuer repurchases (note 9)	(3,354)	491	–	–	–	(2,863)
Net earnings	–	–	4,068	–	4,068	4,068
Unit distributions	–	–	–	(10,120)	(10,120)	(10,120)
Balance, September 30, 2009	**$ 87,947**	**$ 895**	**$ 30,562**	**$ (73,163)**	**$ (42,601)**	**$ 46,241**

See accompanying notes to the interim consolidated financial statements.

The Fund has no accumulated other comprehensive income at September 30, 2009 (September 30, 2008 – $Nil).

Interim Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars, except unit and per unit amounts)	**Three months ended Sept. 30, 2009**	Three months ended Sept. 30, 2008	**Nine months ended Sept. 30, 2009**	Nine months ended Sept. 30, 2008
Cash provided by (used for):				
Operating activities				
Net earnings for the period	**$ 2,232**	$ 1,811	**$ 4,068**	$ 5,070
Items not affecting cash				
Non-controlling interest	**827**	652	**1,566**	1,846
Future income tax	**(16)**	(1)	**77**	(47)
Non-cash interest expense	**88**	88	**255**	200
Change in value of derivative	**(99)**	92	**(164)**	30
Amortization of intangible assets	**4,198**	4,297	**12,506**	12,228
	7,230	6,939	**18,308**	19,327
Changes in non-cash working capital	**631**	68	**(34)**	(729)
	7,861	7,007	**18,274**	18,598
Investing activities				
Deposit on acquisitions (note 5)	**–**	–	**(2,748)**	(16,914)
Purchase of intangible assets (note 5)	**–**	(1)	**(22)**	(69)
Purchase price obligation payment (note 5)	**–**	–	**(3,051)**	(2,295)
	–	(1)	**(5,821)**	(19,278)
Financing activities				
Repurchase of Fund units (note 9)	**(1,404)**	–	**(3,805)**	–
Proceeds from Term Facility	**–**	(67)	**994**	13,715
Distributions paid to unitholders	**(3,349)**	(3,375)	**(10,160)**	(9,604)
Distributions paid to non-controlling interest	**(1,168)**	(1,125)	**(3,504)**	(3,201)
	(5,921)	(4,567)	**(16,475)**	910
Increase (decrease) in cash during the period	**1,940**	2,439	**(4,022)**	230
Cash, beginning of period	**1,962**	5,307	**7,924**	7,516
Cash, end of period	**$ 3,902**	$ 7,746	**$ 3,902**	$ 7,746
Supplementary cash flow information				
Interest paid	**$ 713**	$ 663	**$ 2,064**	$ 2,258

See accompanying notes to the interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

September 30, 2009 and 2008 (unaudited) (in thousands of dollars)

1. Organization

Brookfield Real Estate Services Fund (the “Fund”) is a limited purpose trust established under the laws of the Province of Ontario and pursuant to an Amended and Restated Declaration of Trust. On August 7, 2003, the Fund raised $99,830 (before issue costs) by issuing units on the Toronto Stock Exchange. These proceeds together with the proceeds of a term loan were utilized to acquire franchise agreements, relationships and trademark rights.

These consolidated financial statements include the accounts of Brookfield Real Estate Services Fund, its wholly-owned subsidiary RL RES Holding Trust (“RLHT”), and its 75% owned subsidiaries, Residential Income Fund General Partner Limited (“RIFGP”), Residential Income Fund L.P. (the “Partnership”), 9120 Real Estate Network, L.P. (“LCLP”), a wholly owned subsidiary of the Partnership, and 9188-5517 Quebec Inc., the “General Partner of LCLP”. RIFGP is the managing general partner of the Partnership. Trilon Bancorp Inc. (the “non-controlling interest”) owns the remaining 25% interest in the Partnership and RIFGP. The Fund receives certain management, administrative and support services from Brookfield Real Estate Services Ltd. (“BRESL”), a party related to the non-controlling interest via common control.

Seasonality

The Fund’s business follows a seasonal pattern, with revenue traditionally being lower in the first and fourth quarters. Due to this seasonality, the interim earnings statements are not necessarily indicative of annual earnings.

2. Summary of Accounting Policies

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The accounting principles used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements except as noted below. They do not include all the information and disclosure required by GAAP for annual audited financial statements, and should be read in conjunction with the December 31, 2008 annual consolidated financial statements.

On January 1, 2009, the Fund adopted CICA Handbook Section 3064 – Goodwill and Intangible Assets. Section 3064 replaces Section 3062 – Goodwill and Other Intangible Assets and Section 3450 – Research and Development Costs. Section 3064 established standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Fund has evaluated this standard and determined that there is no impact to the consolidated financial statements.

During the second quarter, the CICA issued Emerging Issue Committee Abstract 173 (“EIC 173”) *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. EIC 173 requires that a company take into account its own credit risk and the credit risk of its counterparties in determining the fair value of financial assets and liabilities. EIC 173 must be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The Fund has evaluated this standard and determined there is no impact to the consolidated financial statements.

3. Future Accounting and Reporting Changes

Section 3855, Financial Instruments – Recognition and Measurement

On April 29, 2009, the CICA amended this section to add more guidance on the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The amendments are not expected to have a significant impact on the Fund’s accounting of its financial instruments.

Section 3862, Financial Instruments – Disclosures

In June 2009, the CICA amended this section to adopt the amendments recently issued by the IASB to International Financial Reporting Standard 7, Financial Instruments: Disclosures (“IFRS 7”), in March 2009. These amendments are applicable to publicly accountable enterprises that have applied Section 3862. The amendments were made to enhance disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements, and about the liquidity risk of financial instruments. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009, with early adoption permitted. To provide relief for preparers, and consistent with IFRS 7, the CICA decided that an entity need not provide comparative information for the disclosures required by the amendments in the first year of application. The Fund will apply these amendments for its 2009 annual consolidated financial statements. The impact of the amendments to the fair value measurement and liquidity risk disclosure requirements of the Fund is not expected to be significant.

4. Future Income Taxes

On October 31, 2006, the Minister of Finance announced proposed tax legislation ("trust legislation") that will change the income tax rules applicable to publicly traded trusts rendering income trusts taxable in 2011. This trust legislation was substantively enacted into law on June 12, 2007, at which time the Fund gave accounting recognition to these new tax rules.

Prior to June 12, 2007, income tax obligations relating to distributions from the Fund were obligations of the unitholders and, accordingly, no provisions for income taxes were recorded by the Fund.

Due to the enactment of trust legislation, while the Fund is expected to not be liable for current taxes until January 1, 2011, beginning June 12, 2007, the Fund recognized future income taxes arising from temporary tax differences expected to reverse after January 1, 2011 at the tax rates of 30.5% applicable to the Fund in 2011 and 29% applicable after January 1, 2012.

The Fund had a future income tax asset of $1,867 at December 31, 2008. During the nine months ended September 30, 2009, the Fund recorded an additional non-cash future tax asset of $76. The resulting total future income tax asset was $1,943 at September 30, 2009.

The assets of LCLP acquired by the Partnership as described in Note 5 were obtained on a tax-deferred basis with the related tax value attributed to the partnership units of LCLP held by the Partnership. Accordingly, the individual franchise agreements and trademarks of the partnership at the time of acquisition by the Fund did not have a tax basis. The temporary difference between the carrying value of these agreements and zero tax basis resulted in a future income tax liability. Under GAAP, the Fund is required to adjust the carrying value of the acquired assets by an amount equal to the income tax liability.

The Fund had future income tax liabilities of $3,060 at December 31, 2008. During the nine months ended September 30, 2009, the Fund recorded an additional income tax liability of $153, in response to a 1% increase in the corporate taxation rate enacted on March 12, 2009. The total income tax liability at September 30, 2009 was $3,213. When the future income tax liabilities are net against the future income tax assets described above, the results are a net future income tax liability of $1,270 and $1,193 at September 30, 2009 and December 31, 2008, respectively.

In 2011, when the Fund becomes a taxable entity, income taxes payable may reduce net earnings and may affect distributable cash by an equal amount.

5. Asset Acquisitions

On January 1, 2009, the Partnership acquired 18 new Royal LePage franchise agreements from BRESL. The estimated purchase price of $2,532 is based on an estimated annual royalty stream of $481 and has been calculated in accordance with a formula set out in the Amended and Restated Management Services Agreement (the "MSA"). A deposit of $2,025, equal to 80% of the estimated purchase price, was paid from cash on hand on January 2, 2009 and the remainder is to be paid a year later, when the final purchase price is determined in accordance with the terms set out in the MSA. The Partnership used cash reserves to acquire these agreements.

On January 1, 2009, LCLP acquired three new La Capitale franchise agreements from BRESL. The estimated purchase price of $903 is based on an estimated annual royalty stream of $201 and has been calculated in accordance with a formula set out in the MSA. A deposit of $723, equal to 80% of the estimated purchase price, was paid from cash on hand on January 6, 2009. The estimated price is to be revised at the end of each of the next three years based on the average annual royalty stream earned over the three-year period from November 1, 2008 to October 31, 2011. The Partnership used cash reserves to acquire these agreements.

During the first year, each quarter the purchase price obligation is recalculated based on the actual royalties received. Correspondingly, the deposit on acquisition is reduced by the calculated amount and transferred to intangible assets. The intangible assets are then amortized in accordance with the Fund's policy on a prospective basis. The recalculated purchase price obligation in excess of the deposit on acquisition is recorded as a purchase obligation and the corresponding amount added to the intangible assets and amortized as described above. For La Capitale acquisitions, at the end of each of the subsequent two years, the purchase obligation is recalculated based on the average annual royalties received.

During the three and nine months ended September 30, 2009, $936 and $2,985 respectively were transferred from deposit on acquisition to intangible assets.

On January 1, 2008, the Partnership acquired 16 new Royal LePage franchise agreements from BRESL at a purchase price of $3,984 and $303 of related legal and other acquisition costs, in accordance with the terms set out in the MSA.

On January 1, 2008, the Partnership acquired 100% of the partnership units of LCLP, which holds franchise agreements operating under the La Capitale brand in Quebec and associated trademarks, and 100% of the shares of the General Partner of LCLP for an estimated purchase price of $18,907, including $151 of related legal and other acquisition costs, from Trilon Bancorp Inc., the parent company of BRESL. The estimated purchase price is calculated in accordance with the terms of the Fund's MSA and the Unit and Share Purchase Agreement negotiated by the Fund's Trustees and is based on an estimated annual royalty stream of $2,718. The estimated price is to be revised at the end of each of the next two years based on the average annual royalty stream earned over the three-year period from November 1, 2007 to October 31, 2010.

The purchase obligations consist of the following:

	September 30, 2009			December 31, 2008
	Royal LePage	LCLP	Total	Total
Obligation at beginning of period	$ 1,319	$ 4,892	$ 6,211	$ 2,295
Payment of prior year's obligations	(1,319)	(1,732)	(3,051)	(2,295)
	–	3,160	3,160	–
80% deposit paid on current period's additions	$ (2,025)	$ (723)	$ (2,748)	$ (16,914)
Earned asset value during the period	2,023	962	2,985	22,740
Legal and other acquisition costs	25	15	40	454
Payment of acquisition costs	(22)	–	(22)	(69)
Net purchase obligation	$ 1	$ 3,414	$ 3,415	$ 6,211
Purchase obligation, short term	$ 1	$ 1,675	$ 1,676	$ 3,031
Purchase obligation, long-term	–	1,739	1,739	3,180
Net purchase obligation	$ 1	$ 3,414	$ 3,415	$ 6,211

6. Intangible Assets

A summary of intangible assets is provided in the chart below.

	September 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	$ 149,170	$ 87,720	$ 61,450
Relationships and trademarks	58,330	2,614	55,716
	$ 207,500	$ 90,334	$ 117,166

	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	$ 147,176	$ 76,279	$ 70,897
Relationships and trademarks	57,299	1,549	55,750
	$ 204,475	$ 77,828	$ 126,647

The additions to intangible assets during the nine months ended September 30, 2009 and 2008 are summarized as follows:

	Royal LePage	LCLP	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Franchise agreements	$ 1,559	$ 435	$ 1,994	$ 11,054
Relationships and trademarks	489	542	1,031	9,816
	$ 2,048	$ 977	$ 3,025	$ 20,870

7. Operating Credit Facility

On February 16, 2005, the Partnership obtained a credit facility (the "revolver") of up to $2,000 from a Canadian financial institution. This revolver may be used to provide working capital to the Partnership from time to time. The revolver is subject to annual renewal with outstanding principal under the revolver subject to interest at the lender's prime rate plus 1% to 1.5% or the Bankers' Acceptance rate plus 2% to 2.5%, based on the ratio of total debt to Adjusted EBITDA of the Partnership as defined in the credit agreement. As at September 30, 2009, the operating credit facility had not been drawn upon.

The operating credit facility expires February 17, 2010.

8. Long-Term Debt

A summary of the Fund's long-term debt is comprised of the following debt facilities, both of which mature on February 17, 2010:

As at	**September 30, 2009**	December 31, 2008
Private debt placement	**$ 37,928**	$ 37,791
Term Facility	**14,936**	13,824
	$ 52,864	$ 51,615

a) Private Placement

On February 18, 2005, the Partnership completed the issuance of a $38,000 private debt placement, net of $822 in issue costs (the "private placement") provided by Canadian institutional investors. The private placement is for a five-year term with interest fixed at 5.882%, and interest only payable quarterly in arrears.

The private placement had a fair value of $38,001 at September 30, 2009 (2008 – $37,732).

During the three and nine months ended September 30, 2009, $46 and $137, respectively of amortization of the issue costs was recorded as interest expense (2008 – $43 and $129).

b) Term Facility

On April 4, 2008, in connection with the LCLP acquisition, the Partnership completed a $15,000 Term Facility with a single Canadian financial institution from which the Fund drew down $14,000 on closing. Interest on the Term Facility is available in the form of a floating prime rate payable quarterly, or a Bankers' Acceptance rate plus 1% with terms of up to six months. The Fund paid $285 in issue costs for the Term Facility.

On April 7, 2008, the Partnership entered into an interest rate swap agreement, which fixed the variable portion of the term facility's interest at 3.29%, which when added to the 1% stamp fee, results in an annual interest rate of 4.29%, excluding legal and associated costs, over the term of the facility. The Term Facility and interest rate swap mature on February 17, 2010.

On April 2, 2009 the Fund drew down the remaining $1,000 of the Term Facility at the floating prime rate.

During the three and nine months ended September 30, 2009, $42 and $118, respectively of amortization of issue costs was recorded as interest expense (2008 – $45 and $71).

The interest rate swap is a financial derivative valued separately from the Term Facility. The Fund values the swap agreement at its market value, which as at September 30, 2009 was in an unrealized loss position of $201. Changes in the value of the swap agreement are recorded as other income or loss. During the three and nine months ended September 30, 2009, $99 and $164, respectively was recorded as other income (2008 – ($92) and ($30)).

The Term Facility had a fair value of $15,000 on September 30, 2009.

Notes to the Interim Consolidated Financial Statements

9. Fund Units

On October 3, 2008, the Toronto Stock Exchange ("TSX") approved the Fund's notice of intention to make a normal course issuer bid ("NCIB") for up to 499,150 of its units, representing 5% of its 9,983,000 outstanding units as of September 30, 2008. The Fund may purchase units at prevailing market prices during the period from October 7, 2008, to October 6, 2009. Purchases are made at market prices in accordance with the rules and policies of the TSX. Daily purchases are effected through the facilities of the TSX and limited to 3,800 units, other than block purchase exceptions.

The Fund believes that the purchase by the Fund of a portion of its outstanding units may from time to time be an appropriate use of available resources and in the best interests of the Fund and its unitholders.

The Fund finances these purchases with a special distribution from the Partnership. Units purchased are cancelled at the end of each month.

During the three months ended September 30, 2009, the Fund purchased and cancelled 167,030 units at a total cost of $1,404. During the nine months ended September 30, 2009, the Fund purchased and cancelled 335,430 units at a total cost of $2,863. The repurchased units had an issued value of $3,354, resulting in a contributed surplus of $491. On January 8, 2009, the Fund paid the $942 NCIB settlement payable at December 31, 2008. A summary of the unitholders' contribution activity for the nine months ended September 30, 2009 with the comparative 2008 information is presented in the table below.

Fund Units	**Nine months ended September 30, 2009**		Nine months ended September 30, 2008	
	Units	**Amount**	Units	Amount
Beginning of period	**9,819,280**	**$ 91,301**	9,983,000	$ 92,938
NCIB purchases	**(335,430)**	**(3,354)**	–	–
End of period	**9,483,850**	**$ 87,947**	9,983,000	$ 92,938

10. Earnings per Unit

The Special Fund Units were not included in the diluted per unit calculations as the effect would have been anti-dilutive.

11. Related Party Transactions

Unless disclosed elsewhere, the Fund had the following transactions with parties related to the non-controlling interest during the three and nine months ended September 30, 2009 and 2008. These transactions have been recorded at the exchange amount agreed to between the parties.

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	**Nine months ended Sept. 30, 2009**	Nine months ended Sept. 30, 2008
a) Royalties				
Fixed, variable and other franchise fees	**$ 675**	$ 634	**$ 1,779**	$ 1,843
Premium franchise fees	**$ 1,439**	$ 1,437	**$ 2,565**	$ 3,156
b) Expenses				
Management fees	**$ 1,887**	$ 1,805	**$ 4,805**	$ 5,043
Insurance and other	**$ 27**	$ 26	**$ 81**	$ 76
Interest on purchase obligation	**$ 5**	$ –	**$ 18**	$ 210
c) Distributions				
Distributions paid to non-controlling interest	**$ 1,168**	$ 1,125	**$ 3,504**	$ 3,201

The following amounts due to/from related parties are included in the account balance as described:

As at	**September 30, 2009**	December 31, 2008
d) Accounts receivable		
Franchise fees receivable and other	**$ 690**	$ 394
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	**$ 389**	$ 389
Management fees	**$ 595**	$ 417
NCIB settlement payable	**$ –**	$ 942
f) Purchase obligation payable	**$ 3,415**	$ 6,211

12. Financial Instruments

In the normal course of business the Fund is exposed to a number of financial risks that can affect its operating performance. These risks are outlined below:

a) Credit Risk

Credit risk arises from the possibility that the franchisees may experience financial difficulty and be unable to pay outstanding franchise fees. The Fund's credit risk is limited to the recorded amount of accounts receivable. Management reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis.

b) Liquidity Risk

The Fund is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs including paying ongoing future distributions to unitholders. There is a risk that the lenders will not refinance maturing debts on terms and conditions acceptable to the Fund or on any terms at all. Management reduces liquidity risk by maintaining more conservative debt covenant ratios compared with those required by the covenants associated with the long-term debt. Also, the Fund has $2,000 unutilized credit under the Operating Credit Facility described in Note 7.

Estimated maturities of the Fund's financial liabilities are as follows:

	2009	2010	2011	Total
Accounts payable and accrued liabilities	$ 1,813	$ –	$ –	**$ 1,813**
Purchase obligations	18	1,658	1,739	**3,415**
Distributions payable to unitholders	1,110	–	–	**1,110**
Private debt placement	–	38,000	–	**38,000**
Term Facility	–	15,000	–	**15,000**
Total	**$ 2,941**	**$ 54,658**	**$ 1,739**	**$ 59,338**

c) Interest Rate Risk

The Fund has chosen to mitigate the interest rate associated with the Term Facility by entering into an interest rate swap agreement to effectively fix the interest rate associated with the Term Facility.

d) Fair Value

The fair values of the Fund's financial instruments, which consist of cash, accounts receivable, deposits on acquisitions, accounts payable and accrued liabilities, purchase obligation and distributions payable to unitholders, are estimated by management to approximate their carrying values due to their short-term nature. Similarly, the Fund's floating rate debt has a fair value that approximates its face values. The Fund determines the fair value of the fixed rate debt through the use of a discounted cash flow analysis using relevant risk-free bond rates plus an applicable risk premium. The fair values of the Fund's long-term debt and derivative liability are disclosed in Note 8.

13. Management of Capital

The Fund's capital is comprised of its cash reserves, long-term debt, unitholders' equity and non-controlling interest.

The Fund's objectives when managing capital are to maintain a capital structure that provides financing options to the Fund while remaining compliant with the covenants associated with the long-term debt; maintain financial flexibility to preserve its ability to meet financial obligations, including debt servicing and distributions to unitholders; and deploy capital to provide an appropriate investment return to its unitholders.

The Fund's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions.

The covenants of the long-term debt prescribe that the Fund must maintain a ratio of Adjusted Earnings Before Income Taxes, Depreciation and Amortization ("Adjusted EBITDA") to Senior Interest Expense at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Adjusted EBITDA at a maximum 2.25 to 1. The Fund is compliant with all financial covenants.

There were no changes in the Fund's approach to capital management during the period.

Unitholder Information

Officers

Philip Soper,
President and Chief Executive

Kevin Cash,
Chief Financial Officer

Board of Trustees

George Myhal,
Chairman
Lorraine Bell
Simon Dean
Allen Karp
Gail Kilgour

We regularly provide unitholders with information about the Fund through our annual report, quarterly reports, and new releases. Information is available online at **www.brookfieldres.com**. On the website you will find information about the Fund, the industry, news releases, statutory fillings, units and distribution information.

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Corporate Counsel

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TSX symbol: BRE.UN

Fund units are eligible investments for DPSPs, RRSPs, RRIFs and RESPs

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