BROOKFIELD REAL ESTATE SERVICES INC.

Annual Information Form

March 9, 2012

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GLOSSARY OF TERMS

"**4.5% Option**" has the meaning ascribed thereto under "Description of the Business — Royalties";

"**4541219**" means 4541219 Canada Inc., corporation incorporated under the federal laws of Canada, being the general partner of Via Capitale L.P.;

"**9188**" means 9188-5517 Quebec Inc., corporation incorporated under the laws of the Province of Quebec, being the former general partner of Via Capitale L.P.;

"**Agent**" means an individual who is licensed to buy or sell real estate, provided such individual is affiliated with a Broker;

"**Agents' Gross Revenues**" means, in respect of a Franchisee, the gross commission income (net of outside Broker payments) paid in respect of the closings of residential resale real estate transactions through Agents associated with such Franchisee;

"**Arrangement**" means the arrangement, under the provisions of section 182 of the OBCA, on the terms and conditions set forth in the Arrangement Agreement pursuant to which the holders of Fund Units exchanged their Fund Units for Restricted Voting Shares;

"**Arrangement Agreement**" means the arrangement agreement dated as of November 8, 2010, among the Fund, the Holding Trust, the Partnership, the General Partner and the Corporation pursuant to which the Fund, the Holding Trust, the Partnership, the General Partner and the Corporation proposed to implement the Arrangement;

"**BA Rate**" means the rate of Canadian dollar 30 day bankers' acceptances as it appears on the Reuters Screen "CDOR Page";

"**Basic Fixed Fee**" has the meaning ascribed thereto under "Description of the Business — Royalties";

"**Basic Franchise Fees**" means the Basic Variable Fee and the 4.5% Option;

"**Basic Variable Fee**" has the meaning ascribed thereto under "Description of the Business — Royalties";

"**Basic Variable Fee Cap**" has the meaning ascribed thereto under "Description of the Business — Royalties";

"**BNY**" means BNY Trust Company of Canada;

"**BNY Indebtedness**" means liability of the Partnership to BNY and the holders of BNY Notes;

"**BNY Notes**" means the Canadian $32.7 million of 5.809% Senior Secured Notes issued by the Partnership on February 17, 2010;

"**BNY Trust Indenture**" means the trust indenture dated February 17, 2005 and amended by supplemental indenture dated February 17, 2010 between the Partnership and BNY, pursuant to which the BNY Notes were issued;

"**Board of Directors**" means the board of trustees of the Corporation;

"**Board of Trustees**" means the board of trustees of the Fund;

"**Book-Entry Only System**" means the book-entry only system operated by CDS;

"**Broker**" means an individual licensed with the relevant regulatory body to manage a real estate brokerage office;

"**Brookfield Asset Management**" means Brookfield Asset Management Inc., a corporation incorporated under the laws of Ontario;

"**Brookfield Asset Management Holdings**" means Brookfield Asset Management Holdings Limited, a corporation incorporated under the laws of Ontario, being a subsidiary of Brookfield Asset Management;

"**Brookfield Holdings**" means Brookfield Holdings Canada Inc., corporation amalgamated under the laws of Canada, a subsidiary of Brookfield Asset Management, resulting from the amalgamation on January 1, 2012 of Brascan Asset Management Holdings and Trilon Bancorp Inc. and effective January 10, 2012 the change of name to Brookfield Holdings Canada Inc.;

"**Business**" means the business of providing residential property brokerage services and acting as a franchisor to persons in the business of providing residential property brokerage services;

"**Canadian Real Estate Association**" or "**CREA**" is the national association which represents the real estate industry on federal public policy matters, and provides member services and education;

"**CIBC**" means Canadian Imperial Bank of Commerce;

"**CIBC Indebtedness**" means liability of the Partnership to CIBC pursuant to the CIBC Term Facility;

"**CIBC Term Facility**" means the $20.3 million term credit facility between the Partnership and Canadian Imperial Bank of Commerce made on February 17, 2010;

"**CDS**" means The Canadian Depository for Securities Limited;

"**Class A LP Units**" means the Class A ordinary limited partnership units of the Partnership;

"**Class B LP Units**" means the Class B subordinated limited partnership units of the Partnership, all of which are held by Brookfield Holdings or an affiliate of Brookfield Holdings;

"**Conversion Date**" means August 6, 2008;

"**Corporation**" means Brookfield Real Estate Services Inc., a corporation incorporated under the laws of the Province of Ontario;

"**CRA**" means the Canada Revenue Agency;

"**CREA**" means the Canadian Real Estate Association;

"**Declaration of Trust**" means the amended and restated declaration of trust dated as of the 7th day of August, 2003 pursuant to which the Fund was created, as same may be amended or restated from time to time;

"**Determination Date**" has the meaning ascribed thereto under "Description of the Business — Management Services Agreement";

"**Determined Amount**" has the meaning ascribed thereto under "Description of the Business — Management Services Agreement";

"**distributable cash** " has the meaning given to it under “Description of the Partnership – Distributions”**;**

"**Exchange Agreement**" means the exchange agreement to be entered into among TBI (a predecessor to Brookfield Holdings), the Corporation, the Fund, the Holding Trust, the Partnership, the General Partner and the Manager pursuant to which Brookfield Holdings has the right to indirectly exchange Class B LP Units (and the Manager will

have the right to indirectly exchange Class A LP Units issued to the Manager pursuant to the Management Services Agreement) for shares of the Corporation on the basis of one Restricted Voting Share for each Class B LP Unit or Class A LP Unit exchanged, subject to adjustment;

"**Final Order**" means the final order of the Court approving the Arrangement pursuant to subsection 182(5) of the OBCA, as such order may be affirmed, amended, modified or supplemented by any court of competent jurisdiction;

"**Final Payment**" has the meaning ascribed thereto under "Description of the Business — Management Services Agreement";

"**Final Payment Amount**" has the meaning ascribed thereto under "Description of the Business — Management Services Agreement";

"**Fixed Fee Royalties**" has the meaning ascribed thereto under "Description of the Business — Royalties";

"**Forecast Determined Amount**" has the meaning ascribed thereto under "Description of the Business — Management Services Agreement";

"**Franchise**" means a residential real estate brokerage franchise operated pursuant to a Franchise Agreement;

"**Franchise Agreements**" means the franchise agreements pursuant to which brokerage offices offer residential brokerage services using the Trademarks;

"**Franchisees**" means the franchisees under the Franchise Agreements;

"**Franchise Network**" means the Royal LePage Network and the Via Capitale Network;

"**Franchise Systems**" means Manager's comprehensive systems consisting of proprietary technological, marketing, promotional, communication and support systems, as more fully described under Description of the Business;

"**Fund**" means Brookfield Real Estate Services Fund, a trust established under the laws of the Province of Ontario and governed by the Declaration of Trust;

"**General Partner**" means Residential Income Fund General Partner Limited, a corporation incorporated under the laws of the Province of Ontario to be the general partner of the Partnership;

"**Holding Trust**" means RL RES Holding Trust, a limited purpose trust established under the laws of the Province of Ontario and governed by the Holding Trust Declaration of Trust;

"**Holding Trust Declaration of Trust**" means the declaration of trust dated as of the 18th day of February, 2003 pursuant to which the Holding Trust was created, as same may be amended or restated from time to time;

"**Holding Trust Note Indenture**" means the indenture to be made between the Holding Trust and the Note Trustee, providing for the issuance of the Holding Trust Notes;

"**Holding Trust Notes**" means the Series 1 Trust Notes, Series 2 Trust Notes and Series 3 Trust Notes, collectively;

"**Holding Trust Trustees**" means the trustees of the Holding Trust;

"**Holding Trust Units**" means the units of the Holding Trust, each of which represents an equal undivided interest therein;

"**Incremental Franchises**" means franchises established pursuant to Franchise Agreements entered into following March 31, 2003 (other than renewals or replacements of existing Franchise Agreements) and including any

acquisition made by existing Franchisees of additional offices and/or Agents and any business combination entered into by any existing Franchisee which results in the addition of offices and/or Agents which meet the criteria established from time to time by the Directors of the Corporation;

"**Incremental Via Capitale Franchises**" means franchises established pursuant to Via Capitale Franchise Agreements (other than Via Capitale Franchise Agreements owned by Via Capitale L.P. or the Partnership as of January 1, 2008 or renewals or replacements thereof) and including any acquisition made by existing Via Capitale Franchisees of additional offices and/or Agents or any business combination entered into by any existing Via Capitale Franchisee which results in the addition of offices and/or Agents;

"**Independent Director**" means a Director who is "unrelated" (as such term is defined in the TSX Company Manual as it exists as of the date hereof) to each of the Corporation, the Fund, the Holding Trust, the Partnership, the Manager and each of their affiliated entities;

"**Interim Order**" means the interim order of the Court under subsection 182(5) of the OBCA dated November 10, 2010 in connection with the approval of the Arrangement;

"**La Capitale License Agreement**" means the licence agreement between La Capitale Assurances MFQ Inc. and La Capitale (as predecessor to Via Capitale L.P.) pursuant to which Via Capitale L.P. was granted the rights to use the La Capitale Trademarks, including the "La Capitale" name and logo, in connection with the Business;

"**La Capitale Trademarks**" mean the trade-mark rights related to the Business held by or licensed to Via Capitale L.P. pursuant to the La Capitale License Agreement including, without limitation, the "La Capitale" name and logo;

"**LP Units**" means the Class A LP Units and the Class B LP Units;

"**Management Services Agreement**" means the amended and restated management services agreement made effective the 1st day of January, 2011, among the Corporation, the Partnership, the Fund, the Holding Trust, the General Partner, Via Capitale L.P., 4541219 and the Manager pursuant to which, among other things, the Manager provides management and administrative services to the Corporation, the Partnership, the Fund, the Holding Trust, the General Partner, , Via Capitale L.P. and 4541219, including management of the Partnership Assets on behalf of the Partnership**,** as more particularly described under "Information Concerning the Corporation — Management Services Agreement";

"**Manager**" means Brookfield Real Estate Services Manager Limited, a corporation incorporated under the laws of the Province of Ontario to provide management and administrative services to the Corporation, the Fund, the Holding Trust, the General Partner and the Partnership;

"**Minister**" means the Minister of Finance (Canada);

"**MLS® or Multiple Listing Service®**" is a registered trademark of the Canadian Real Estate Association and refers to the real estate database service operated by local real estate boards under which properties may be listed, purchased or sold;

"**Note Trustee**" means CIBC Mellon Trust Company;

"**Notice of Meeting**" means the notice of meeting of Shareholders of the Corporation;

"**Operating Loan**" means an operating loan in the principal amount of $2 million provided by CIBC which is used by the Partnership for working capital purposes and to normalize distributions to holders of Class B LP Units and Class A LP Units having regard to seasonality inherent within the Business. See "Credit Facilities";

"**Partnership**" means Residential Income Fund L.P., a limited partnership established under the laws of the Province of Ontario;

"**Partnership Agreement**" means the limited partnership agreement between the General Partner and the Holding Trust Trustees, on behalf of the Holding Trust, pursuant to which the Partnership is governed as the same may be amended from time to time;

"**Partnership Assets**" means, collectively, the Trademarks, all rights under the Franchise Agreements (other than the Franchise Agreements in respect of Incremental Franchises), and all rights to receive the Royalties;

"**Partnership Special Resolution**" means a resolution passed by a majority of not less than 85% of the votes cast, either in person or by proxy, at a meeting of the holders of LP Units or approved in writing by holders of LP Units representing not less than 85% of the votes attached to LP Units entitled to vote on such resolution;

"**Premium Franchise Fees**" has the meaning ascribed thereto under "Description of the Business — Royalties";

"**Registration Rights Agreement**" means the registration rights agreement among the Fund, the Manager and TBI (a predecessor of Brookfield Holdings), dated August 7, 2003 pursuant to which the Manager and a predecessor of Brookfield Holdings has been granted registration rights by the Fund;

"**Reporting Period**" has the meaning ascribed thereto under "Description of the Business — Management Services Agreement";

"**Restricted Voting Shares**" mean the restricted voting shares in the capital of the Corporation and "**Restricted Voting Share**" means any one of them;

"**RL RES**" means Royal LePage Real Estate Services Ltd., an Ontario corporation that amalgamated with Trilon Bancorp Inc., on or about August 7, 2003, was the franchisor under all of the Franchise Agreements;

"**Royal LePage**" means, collectively, the Business as conducted by the Manager under the name Royal LePage, as a franchisor and as the manager of the Partnership, the Holding Trust, the General Partner, the Fund and the Corporation;

"**Royal LePage License Agreement**" means the licence agreement between The Royal Trust Company and Royal LePage Limited pursuant to which Royal LePage Limited was granted the exclusive rights to use the Royal LePage Trademarks, including the "Royal LePage" name and logo, in connection with its business of providing, in Canada, real estate services and those related financial services offered by Royal LePage;

"**Royal LePage Network**" means, collectively, the network of Franchisees licensed under Franchise Agreements to carry on residential property brokerage operations using one or more of the Trademarks (but excluding Franchises granted by the Manager that have not become Incremental Franchises);

"**Royal LePage Sub-License Agreement**" means the agreement between Royal LePage, a predecessor of Brookfield Holdings and the Manager pursuant to which Brookfield Holdings and the Manager have been provided a license to use the Royal LePage Trademarks in connection with the Business;

"**Royal LePage Trademarks**" mean the trade-mark rights related to the Business held by or licensed to Royal LePage pursuant to the Royal LePage License Agreement including, without limitation, the "Royal LePage" name and logo;

"**Royalties**" has the meaning ascribed thereto under "Description of the Business — Royalties", including, collectively the Fixed Fee Royalties and the Variable Fee Royalties;

"**Sales Representative**" refers to individuals experienced in residential real estate that assist Agents with the buying and selling of residential real estate. Sales representatives may be Agents themselves or unlicensed salespersons or assistants;

"**Series 1 Trust Notes**" means the Series 1 unsecured subordinated demand notes of the Holding Trust bearing interest at a rate of one percent per annum, issued to the Fund on August 7, 2003 under the Holding Trust Note Indenture;

"**Series 2 Trust Notes**" means the interest bearing Series 2 unsecured subordinated notes of the Holding Trust issuable under the Holding Trust Note Indenture;

"**Series 3 Trust Notes**" means the interest bearing Series 3 unsecured subordinated notes of the Holding Trust issuable under the Holding Trust Note Indenture;

"**Shareholders**" means the holders of Shares;

"**Shareholders' Agreement**" means the shareholders agreement between TBI (a predecessor of Brookfield Holdings), the Fund and the General Partner governing the administration and affairs of the General Partner, dated August 7, 2003 as the same may be amended from time to time;

"**Shares**" means the Restricted Voting Shares and Special Voting Shares;

"**Special Fund Units**" means the units of the Fund issued to represent voting rights in the Fund that accompany securities convertible into or exchangeable for Units, including the Class B LP Units and Class A LP Units held by Brookfield Holdings or an affiliated entity of Brookfield Holdings or the Manager or an affiliated entity of the Manager;

"**Special Resolution**" means a resolution passed by a majority of not less than 66 $^{2}/_{3}$% of the votes cast, either in person or by proxy, at a meeting of Shareholders and holders of Special Voting Shares called for the purpose of approving such resolution, or approved in writing by the holders of not less than 66 $^{2}/_{3}$% of the Shares of each class, entitled to be voted on such resolution;

"**Special Shareholders**" means holders of Special Voting Shares from time to time;

"**Special Voting Shares**" means the share of the Corporation issued to represent voting rights in the Corporation that accompany securities convertible into or exchangeable for Restricted Voting Shares, including the Subordinated LP Units and Ordinary LP Units held by Brookfield Holdings or an affiliated entity of Brookfield Holdings or the Manager or an affiliated entity of the Manager;

"**Special Unitholders**" means holders of Special Fund Units from time to time;

"**Tax Act**" means the *Income Tax Act* (Canada) and regulations thereto, as amended from time to time;

"**TBI**" means Trilon Bancorp Inc., a predecessor to Brookfield Holdings;

"**Trademarks**" mean the trade-mark rights related to the Business held by or licensed to Brookfield Holdings, the Manager or Via Capitale including, without limitation, the Royal LePage Trademarks and the La Capitale Trademarks;

"**Transfer Agent**" means CIBC Mellon Trust Company;

"**Trustees**" mean the trustees of the Fund and "**Trustee**" means any one of them;

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

"**TSX Guidelines**" means the series of proposed guidelines for effective corporate governance adopted by the TSX;

"**Unitholders**" means the holders of Units and a "**Unitholder**" means any one of them;

"**Units**" means the units of the Fund, other than Special Fund Units, each representing an equal undivided beneficial interest in the Fund;

"**Variable Fee Royalties**" has the meaning ascribed thereto under "Description of the Business - Royalties";

"**Via Capitale**" means, collectively, the Business as conducted by the Manager and the Via Capitale Manager;

"**Via Capitale L.P.**" means 9120 Real Estate Network, L.P./Reseau Immobilier 9120 S.E.C., a limited partnership established under the laws of the Province of Quebec;

"**Via Capitale Manager**" means 9120-5583 Quebec Inc., a wholly owned subsidiary of the Manager, incorporated under the laws of the Province of Quebec, doing business under the name of Réseau Immobilier La Capitale/La Capitale Real Estate Network;

"**Via Capitale Network**" means, collectively, the network of Franchisees licensed under Franchise Agreements to carry on residential property brokerage operations using one or more of the La Capitale Trademarks (but excluding Franchises owned by the Manager or the Via Capitale Manager); and

"**Web Services Fees**" has the meaning ascribed thereto under "Description of the Business - Royalties".

THE CORPORATION

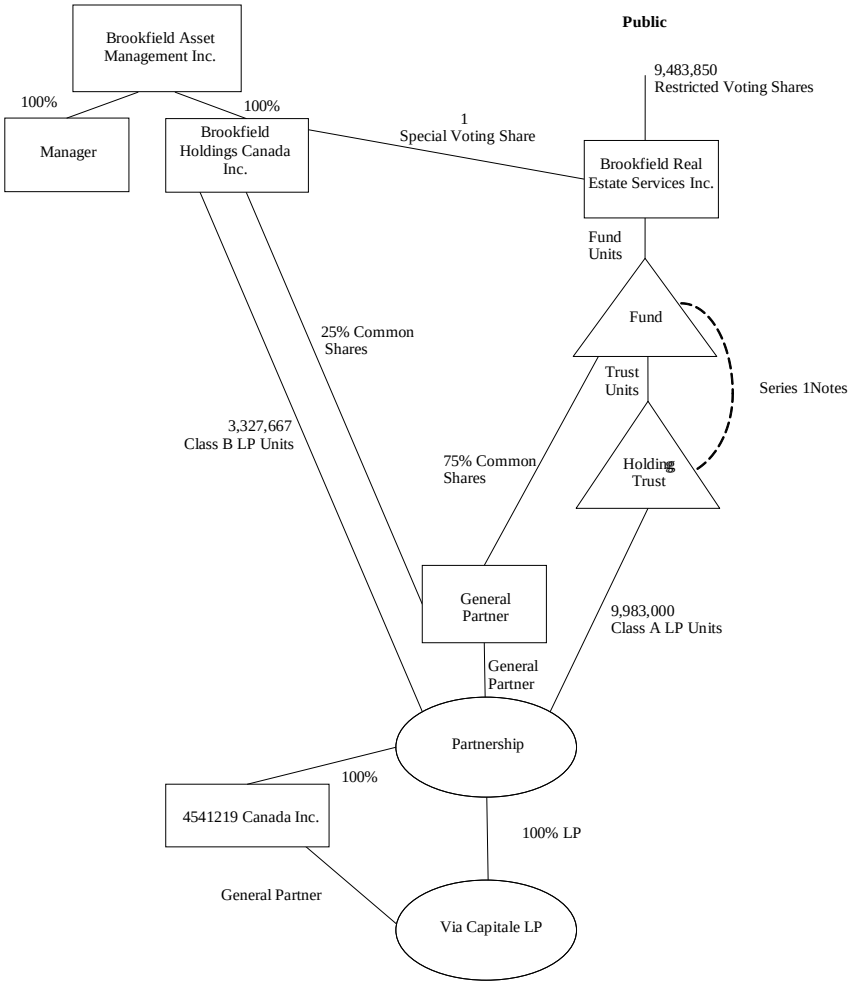
General

The Corporation is incorporated under the laws of the Province of Ontario. The business of the Corporation, which is conducted indirectly through the Partnership, is the ownership of the Partnership Assets, the taking of actions consistent with the Management Services Agreement to exploit, to the fullest extent possible, the use of the Trademarks by the Partnership and others and the collection of the Royalties. The Corporation is administered by the Directors and managed by the Manager pursuant to the Management Services Agreement. See "Description of the Business — Management Services Agreement".

The principal and head office of the Corporation is located at 39 Wynford Drive, Don Mills, Ontario, M3C 3K5.

The Fund, a limited purpose trust established under the laws of the Province of Ontario which is wholly owned by the Corporation, was created to indirectly acquire the Partnership Assets through the Partnership, provided that the Fund will not make any investments that would jeopardize the Fund's status as a "unit trust" or a "mutual fund trust" under the Tax Act or result in the Units being considered "foreign property" for the purposes of the Tax Act. The Trustees are the Directors of the Corporation

The Holding Trust is a limited purpose trust established under the laws of the Province of Ontario to acquire investments (debt and equity), including the Class A LP Units and other direct or indirect interests in the Partnership Assets. The Holding Trust is wholly-owned by the Fund, and is the indirect holder of the Corporation's operating assets and investments. The principal and head office of the Holding Trust is located at 39 Wynford Drive, Don Mills, Ontario, M3C 3K5. The Holding Trust Trustees are the Directors of the Corporation.



The Partnership is a limited partnership formed under the laws of the Province of Ontario pursuant to the Partnership Agreement. The Partnership is ultimately controlled approximately 74% by the public and 26% by Brookfield Asset Management Holdings. The general partner of the Partnership is the General Partner the shares which are owned as to 25% by Brookfield Holdings and as to 75% by the Fund. The principal and head office of the Partnership is located at 39 Wynford Drive, Don Mills, Ontario, M3C 3K5. The directors of the General Partner are the Directors of the Corporation. The structure of the Fund is as set out below:

DEVELOPMENT OF THE BUSINESS

Origins of the Business

The original predecessor to the Corporation, A.E. LePage Ltd. ("A.E. LePage"), commenced residential resale real estate operations in 1913 in Ontario. By 1976, A.E. LePage, through a series of mergers and acquisitions, had developed a presence from British Columbia to Quebec. In 1984, A.E. LePage became a subsidiary of Royal Trustco Limited, changed its name to Royal LePage, and became a publicly traded company on the Toronto and Montreal stock exchanges. In 1999, Royal LePage became a wholly owned subsidiary of Brookfield Asset Management. In August 2003, the assets of Royal LePage were acquired by the Fund, indirectly through the Partnership. On December 31, 2010, the holders of Fund Units exchanged all of their Fund Units for an equivalent

number of Restricted Voting Shares and the holder of the Special Fund Units exchanged all of its Special Fund Units for one Special Voting Share.

Events Occurring in 2009

2009 Incremental Franchise Purchases

On January 5, 2009, the Partnership completed the purchase of 18 Royal LePage Incremental Franchises from the Manager, pursuant to an asset purchase agreement between the Manager and the Partnership effective January 1, 2009 and in accordance with the terms of the Management Services Agreement. The estimated purchase price for the Incremental Franchises, calculated in and subject to adjustment in accordance with the Management Services Agreement, was $2.5 million. $2.0 million (being approximately 80% of the estimated purchase price) was paid in cash by the Partnership to the Manager. The Purchase price was revised to $2.2 million and the Final Payment of $0.2 million was paid in January, 2010, based on an audit of the actual annual royalties earned from the Incremental Franchises for the twelve month period ending October 31, 2009, in accordance with the Management Services Agreement. The acquisition of the Incremental Franchises was approved by the Independent Trustees in accordance with the Incremental Franchise Purchase Policy adopted by the Trustees. Mr. Myhal declared his interest to the Board of Trustees and abstained from voting on the motion to acquire the Incremental Franchises.

2009 Via Capitale Incremental Franchise Purchases

On January 5, 2009, the Partnership completed the purchase of three Incremental Via Capitale Franchises from the Manager, pursuant to an asset purchase agreement between the Manager and Via Capitale L.P. effective January 1, 2009 and in accordance with the terms of the Management Services Agreement. The estimated purchase price for the Incremental Via Capitale Franchises, was $0.9 million. $0.7 million (being approximately 80% of the estimated purchase price) was paid in cash by Via Capitale L.P. to the Manager on or about January 5, 2009. In or about January of each of 2010 and 2011, the Manager will calculate the average annual Royalties earned during the period commencing on November 1, 2008, and ending on the last day of the 44th week of 2009 and 2010, respectively. Based on this calculation, the Manager will reforecast the purchase price for the Incremental Via Capitale Franchises. In January 2010, based on royalties earned during the twelve months ended on or about October 31, 2009, the purchase price was reforecast as $1.0 million. $0.1 million, being 1/3 of the balance owing by the Partnership, was paid to the Manager with interest thereon in the first quarter of 2010, In January 2011, 2/3 of such balance owing since Closing will be paid to the Manager, less the amount paid in January 2010 together with interest thereon. If the reforecast indicates that Via Capitale L.P. has overpaid, then the Manager shall make a corresponding payment of such amount to Via Capitale L.P., together with interest thereon since January 1, 2009. The final payment will be calculated based on the average annual Royalties actually earned by Via Capitale L.P. from November 1, 2008 through October 31, 2011 and will be paid in January, 2012. The acquisition of the Incremental Via Capitale Franchises was approved by Independent Trustees. Mr. Myhal declared his interest to the Board of Trustees and abstained from voting on the motion to acquire the Incremental Via Capitale Franchises.

Events Occurring in 2010

2010 Royal LePage Incremental Franchise Purchases

Effective January 1, 2010 the Partnership completed the purchase of 14 Royal LePage Incremental Franchises from the Manager, pursuant to an asset purchase agreement between the Manager and the Partnership effective January 1, 2010 and in accordance with the terms of the Management Services Agreement. The estimated purchase price for the Royal LePage Incremental Franchises, calculated in and subject to adjustment in accordance with the Management Services Agreement, was $4.6 million. $3.4 million (being approximately 80% of the estimated purchase price) was paid in cash by the Partnership to the Manager on or about February 17, 2010. The Final Payment will be paid in January, 2011, subject to an adjustment for the audit of the actual annual royalties earned from the Royal LePage Incremental Franchises for the twelve month period ending October 31, 2010, in accordance with the Management Services Agreement. The acquisition of the Incremental Franchises was approved by the Independent Trustees in accordance with the Incremental Franchise Purchase Policy adopted by the Trustees.

Mr. Myhal declared his interest to the Board of Trustees and abstained from voting on the motion to acquire the Incremental Franchises.

2010 Via Capitale Incremental Franchise Purchases

The Partnership completed the purchase of three Via Capitale Incremental Franchises from the Manager, pursuant to an asset purchase agreement between the Manager and Via Capitale L.P. effective January 1, 2010 and in accordance with the terms of the Management Services Agreement. The estimated purchase price for the Incremental Franchises, calculated and subject to adjustment in accordance with the Management Services Agreement, was $1.1 million. $0.8 million (being approximately 80% of the estimated purchase price) was paid in cash by Via Capitale L.P. to the Manager. In or about January of each of 2011 and 2012, the Manager will calculate the average annual Royalties earned during the period commencing on November 1, 2009, and ending on the last day of the 44th week of 2010 and 2011, respectively. Based on this calculation, the Manager will reforecast the purchase price for the Via Capitale Incremental Franchises. In January 2011, 1/3 of such balance owing by Via Capitale L.P. will be paid to the Manager together with interest thereon. In January 2012, 2/3 of such balance owing since Closing will be paid to the Manager, less the amount paid in January 2011 together with interest thereon. If the reforecast indicates that Via Capitale L.P. has overpaid, then the Manager shall make a corresponding payment of such amount to Via Capitale L.P., together with interest thereon since January 1, 2010. The final payment will be calculated based on the average annual Royalties actually earned by Via Capitale L.P. from November 1, 2009 through October 31, 2012 and will be paid in January, 2013. The acquisition of the Incremental Franchises was approved by Independent Trustees. Mr. Myhal declared his interest to the Board of Trustees and abstained from voting on the motion to acquire the Via Capitale Incremental Franchises.

BNY Note Renewal

On February 18, 2005, the Partnership completed the first issuance of the BNY Notes. The original BNY Notes matured on February 17, 2010 whereupon a total of $32.7 million of BNY Notes were issued bearing interest at a rate of 5.809% per annum, payable quarterly in arrears. The net proceeds of the issuance of the Notes were used to repay the original BNY Notes issued on February 18, 2005. Each of the BNY Notes issued pursuant to the BNY Trust Indenture rank equally with each other. The BNY Trust Indenture also provides for the issuance of additional notes in the future. The BNY Indebtedness has been guaranteed by the Holding Trust pursuant to a limited recourse guarantee. The BNY Indebtedness is secured by a general security interest in all of the assets of the Partnership, the General Partner, the Via Capitale L.P. and 4541219, as well as security interests in certain of the material contracts of the Partnership, a pledge by the Holding Trust of all of the units of the Partnership owned by the Holding Trust and a pledge of by the Partnership of all of the units of the Via Capitale L.P. and all of the shares of 4541219 owned by the Partnership. Pursuant to the BNY Trust Indenture, the Partnership is subject to customary terms and conditions for indebtedness of this nature, including limits on incurring additional indebtedness, granting liens, selling assets and paying distributions. The Partnership is required to maintain a minimum specified ratio of adjusted EBITDA to senior interest expense, and a maximum specified ratio of senior indebtedness to adjusted EBITDA.

CIBC Term Facility Renewal

The Partnership renewed the CIBC Term Facility for $20.3 million on February 17, 2010. (See "CIBC Term Facility")

Operating Loan Renewal

The Partnership renewed the $2.0 million Royal Bank of Canada Operating Loan for a further 364 days on February 17, 2010. (See "Credit Facilities"). On or about August 6, 2010, the Partnership replaced the $2.0 million Royal Bank of Canada operating loan with a $2.0 Operating Loan provided by CIBC.

Conversion to Corporation

Background to the Arrangement

On October 31, 2006, the Minister announced a new entity-level tax on distributions of certain income from, among other entities, certain publicly traded income trusts at a rate of tax comparable to the combined federal and provincial corporate tax rate and to treat such distributions as dividends to unitholders. The Minister announced that existing trusts would have a four-year transition period and generally would not be subject to the new rules until 2011, provided such trusts experienced only "normal growth" and no "undue expansion" before then. The announcement had an immediate impact on the Canadian capital markets and, generally, resulted in a significant decline in trading prices for publicly traded income trusts.

On December 15, 2006, the Minister released further guidance concerning the proposed tax changes, including the computation of "normal growth" for the purposes of the four-year transition period. The Minister also confirmed that he would not recommend any extension of this period. Bill C-52, the Budget Implementation Act, 2007, which received Royal Assent on June 22, 2007, contained rules relating to the tax treatment of SIFTs, which are designed to, among other things, implement the tax changes.

Since the October 31, 2006 announcement, the Board of Trustees and management considered the potential impact and significance of the proposed tax changes to the Fund, and conducted a series of detailed analyses concerning the strategic direction of the Fund. In f010, the Board of Trustees established a Special Committee to begin to evaluate a number of available strategies in light of the tax changes. On August 5, 2010, the Board of Trustees met to discuss a potential conversion of the Fund to a corporate structure, as well as other alternatives for responding to the proposed tax changes, and authorized the Special Committee to retain independent legal and financial advisors to assist it in fulfilling its mandate. After due consideration, and after consultation with its financial and legal advisors, the Board of Trustees concluded that the Arrangement was in the best interests of the Fund and its Unitholders, and resolved to recommend that Unitholders vote their Voting Units in favour of the Arrangement. On November 8, 2010, the Arrangement Agreement was entered into and the Fund announced its plans to seek Unitholder approval to convert from an income trust to a corporation.

The Arrangement

Effect of the Arrangement

General

The Arrangement resulted in the reorganization of the Fund's income trust structure into a dividend paying public corporation named "Brookfield Real Estate Services Inc./Services immobiliers Brookfield Inc.", which will indirectly carry on the Business through the Fund and the Partnership. Each holder of Fund Units received one Restricted Voting Share for each Fund Unit held and the holders of Fund Units became the Restricted Voting Shareholders of the Corporation. The Restricted Voting Shares have been designated as "restricted voting shares" in accordance with applicable securities laws and the rules of the TSX. However, the rights attached to the Restricted Voting Shares are identical in all material respects to those of the Fund Units, other than in respect of the payment of dividends as discussed under the heading "The Arrangement – Effect of the Arrangement – Effect on Distributions" and under the headings "Description of Capital Structure – Restricted Voting Shares" and "Dividend Record and Policy". Brookfield Asset Management Holdings holds all of the Class B LP Units in the Partnership and the Corporation assumed certain obligations of the Fund, as discussed further under the heading "Post-Conversion Governance and Securities Ownership Arrangements", including, without limitation, the obligation to exchange Class B LP Units for Restricted Voting Shares rather than Fund Units upon the exercise by Brookfield Asset Management Holdings of its exchange rights.

Effect on Unitholders

Under the Arrangement, the outstanding Fund Units were transferred to the Corporation in consideration for Restricted Voting Shares on the basis of one Restricted Voting Share for each Fund Unit so transferred. The Special Voting Units of the Fund were redeemed by the Fund for no consideration and Brookfield Asset Management Holdings, the sole holder of all of the Special Voting Units, received, for nominal consideration, one Special Voting Share of the Corporation. The Special Voting Share will not be transferable other than to affiliates of Brookfield Holdings. The Special Voting Share entitles the holder to a number of votes at any meeting of Restricted Voting Shareholders (except that the holder of the Special Voting Share will not be entitled to vote for the election of the Independent directors) equal to the number of Restricted Voting Shares that may be obtained upon the exchange of all the Class B LP Units held by the holder and/or its affiliates, but will not otherwise entitle the holder to any rights with respect to the Corporation's property or income (other than a nominal amount on the dissolution or winding up of the Corporation). The Special Voting Share is redeemable at the option of the holder for nominal consideration.

The terms of the Special Voting Share reflects the current provisions of the Fund Declaration of Trust with respect to board representation, which currently provide that Brookfield Holdings will be entitled to appoint two-fifths of the Trustees so long as it and its affiliates hold an aggregate of at least 10% of the Fund Units (calculated on the basis that all of the Class B LP Units held by Brookfield Holdings and/or its affiliates have been exchanged for Fund Units). Brookfield Holdings is therefore entitled, until it and its affiliates cease to hold in the aggregate at least 10% of the Restricted Voting Shares then outstanding, to appoint two-fifths of the directors of the Corporation (provided that if two-fifths of the directors is not an integral multiple of one, then the number of directors that Brookfield Holdings is entitled to appoint shall be rounded up to the next highest integral multiple of one).

Effect on Distributions

The Corporation's dividend policy will be subject to the discretion of the board of directors of the Corporation and may vary depending on, among other things, its earnings, financial requirements, the satisfaction of solvency tests imposed by the OBCA for the declaration of dividends and other relevant factors.

The Board of Directors anticipates monthly dividends at an initial annualized rate of $1.10 per Restricted Voting Share. The Corporation will assess dividend payout levels from time to time in light of its financial performance and its then current and anticipated business needs at that time. The intended dividend payout level of the Corporation represents an adjustment to the Fund's most recent distribution level (at an annualized rate of $1.40 per Fund Unit) as a result of the anticipated tax on the Fund's earnings post conversion to a corporate structure.

Arrangement Agreement

The Arrangement was effected pursuant to the Arrangement Agreement together with various amendments to each of the Declaration of Trust, the Holding Trust Declaration of Trust and the Partnership limited partnership agreement to the extent necessary to facilitate the Arrangement.

Amendments to the Management Services Agreement

As a result of the Arrangement, certain consequential amendments were made to the Management Services Agreement to account for the conversion from the Fund's income trust structure to a corporate structure and to allow the Management Services Agreement to be continued in respect of the Corporation. Such amendments included, an adjustment to the formula used to calculate the amounts required to be paid by the Partnership to the Manager in connection with the Manager's assignment of additional Incremental Franchises to the Partnership.

Previously, the consideration payable to the Manager for the assignment of additional Incremental Franchises was calculated by dividing: (i) 92.5% of the Royalties from the applicable Incremental Franchises (net of management fees attributable to such Royalties) during the applicable "reporting period" (as defined in the Management Services Agreement); by (ii) the annual distribution yield paid on the Fund Units for the 52-week period immediately preceding the applicable determination date for the given reporting period. This payment formula was revised to incorporate a reduction on the net Royalties equal to the effective tax applicable to the Corporation following

completion of the Arrangement. The intent of this adjustment is that the Corporation not be adversely impacted with respect to amounts payable for the assignment of additional Incremental Franchises.

Completion of the Arrangement

The Arrangement was be carried out pursuant to section 182 of the OBCA.

(a) the Arrangement was approved by not less than two-thirds (66 2/3%) of the votes cast by the Unitholders;

(b) the Arrangement was approved by the Court pursuant to the Final Order;

Court Approvals

Interim Order

On November 10, 2010, the Court granted the Interim Order facilitating the calling of the meeting of Unitholders to approve the Arrangement and prescribing the conduct of such meeting and other matters.

Final Order

The Final Order approving the Arrangement was granted on or about December 15, 2010 with an effective date of December 31, 2010.

Events Occurring in 2011

2011 Royal LePage Incremental Franchise Purchases

Effective January 1, 2011 the Partnership completed the purchase of 21 Royal LePage Incremental Franchises from the Manager, pursuant to an asset purchase agreement between the Manager and the Partnership effective January 1, 2011 and in accordance with the terms of the Management Services Agreement. The estimated purchase price for the Royal LePage Incremental Franchises, calculated in and subject to adjustment in accordance with the Management Services Agreement, was $2.5 million. $2.0 million (being approximately 80% of the estimated purchase price) was paid in cash by the Partnership to the Manager on or about January 4, 2011. The Final Payment will be paid in January, 2012, subject to an adjustment for the audit of the actual annual royalties earned from the Royal LePage Incremental Franchises for the twelve month period ending on or about October 31, 2011, in accordance with the Management Services Agreement. The acquisition of the Incremental Franchises was approved by the Independent Trustees in accordance with the Incremental Franchise Purchase Policy adopted by the Trustees. Mr. Myhal declared his interest to the Board of Trustees and abstained from voting on the motion to acquire the Incremental Franchises.

2011 Via Capitale Incremental Franchise Purchases

Via Capitale L.P. completed the purchase of two Via Capitale Incremental Franchises from the Via Capitale Manager, pursuant to an asset purchase agreement between Via Capitale Manager and Via Capitale L.P. effective January 1, 2011 and in accordance with the terms of the Management Services Agreement. The estimated purchase price for the Incremental Franchises was $1.0 million. $0.8 million (being approximately 80% of the estimated purchase price) was paid in cash by Via Capitale L.P. to the Via Capitale Manager In or about January of each of 2012 and 2013, the Manager will calculate the average annual Royalties earned during the period commencing on November 1, 2010, and ending on the last day of the 44th week of 2011 and 2012, respectively. Based on this calculation, the Manager will reforecast the purchase price for the Via Capitale Incremental Franchises. In January 2012, 1/3 of such balance owing by Via Capitale L.P. will be paid to the Via Capitale Manager together with interest thereon. In January 2013, 2/3 of such balance owing since Closing will be paid to the Via Capitale Manager, less the amount paid in January 2011 together with interest thereon. If the reforecast indicates that Via Capitale L.P. has

overpaid, then the Via Capitale Manager shall make a corresponding payment of such amount to Via Capitale L.P., together with interest thereon since January 1, 2011. The final payment will be calculated based on the average annual Royalties actually earned by Via Capitale L.P. from November 1, 2010 through October 31, 2013 and will be paid in January, 2014. The acquisition of the Incremental Franchises was approved by Independent Trustees. Mr. Myhal declared his interest to the Board of Trustees and abstained from voting on the motion to acquire the Via Capitale Incremental Franchises.

La Capitale Rebranding

In a consultative process with Via Capitale's franchisees and brokers, Via Capitale successfully rebranded from La Capitale to Via Capitale on March 7, 2011. The new marks are owned by Via Capitale L.P. The amended name transcends languages and positions Via Capitale well for growth within the Anglophone Quebec marketplace.

Subsequent Events

2012 Royal LePage Incremental Franchise Purchases

Effective January 1, 2012 the Partnership completed the purchase of twelve Royal LePage Incremental Franchises from the Manager, pursuant to an asset purchase agreement between the Manager and the Partnership effective January 1, 2012 and in accordance with the terms of the Management Services Agreement. The estimated purchase price for the Royal LePage Incremental Franchises, calculated in and subject to adjustment in accordance with the Management Services Agreement, was $1.9 million. $1.5 million (being approximately 80% of the estimated purchase price) was paid in cash by the Partnership to the Manager on or about January 4, 2012. The Final Payment will be paid in January, 2013, subject to an adjustment for the audit of the actual annual royalties earned from the Royal LePage Incremental Franchises for the twelve month period ending on or about October 31, 2012, in accordance with the Management Services Agreement. The acquisition of the Incremental Franchises was approved by the Independent Trustees in accordance with the Incremental Franchise Purchase Policy adopted by the Trustees. Mr. Myhal declared his interest to the Board of Trustees and abstained from voting on the motion to acquire the Incremental Franchises.

2012 Via Capitale Incremental Franchise Purchases

Via Capitale L.P. completed the purchase of two Via Capitale Incremental Franchises from the Via Capitale Manager, pursuant to an asset purchase agreement between Via Capitale Manager and Via Capitale L.P. effective January 1, 2012 and in accordance with the terms of the Management Services Agreement. The estimated purchase price for the Incremental Franchises was $0.4 million. $0.3 million (being approximately 80% of the estimated purchase price) was paid in cash by Via Capitale L.P. to the Via Capitale Manager In or about January of each of 2013 and 2014, the Manager will calculate the average annual Royalties earned during the period commencing on November 1, 2011, and ending on the last day of the 44th week of 2012 and 2013, respectively. Based on this calculation, the Manager will reforecast the purchase price for the Via Capitale Incremental Franchises. In January 2013, 1/3 of such balance owing by Via Capitale L.P. will be paid to the Via Capitale Manager together with interest thereon. In January 2014, 2/3 of such balance owing since Closing will be paid to the Via Capitale Manager, less the amount paid in January 2012 together with interest thereon. If the reforecast indicates that Via Capitale L.P. has overpaid, then the Via Capitale Manager shall make a corresponding payment of such amount to Via Capitale L.P., together with interest thereon since January 1, 2012. The final payment will be calculated based on the average annual Royalties actually earned by Via Capitale L.P. from November 1, 2011 through October 31, 2014 and will be paid in January, 2015. The acquisition of the Incremental Franchises was approved by Independent Directors. Mr. Myhal declared his interest to the Board of Directors and abstained from voting on the motion to acquire the Via Capitale Incremental Franchises.

Via Capitale L.P. completed the purchase of three Via Capitale Incremental Franchises from the Manager, pursuant to an asset purchase agreement between the Manager and Via Capitale L.P. effective January 1, 2012 and in accordance with the terms of the Management Services Agreement. The estimated purchase price for the Incremental Franchises was $0.6 million. $0.45 million (being approximately 80% of the estimated purchase price) was paid in cash by Via Capitale L.P. to the Manager In or about January of each of 2013 and 2014, the Manager

will calculate the average annual Royalties earned during the period commencing on November 1, 2011, and ending on the last day of the 44th week of 2012 and 2013, respectively. Based on this calculation, the Manager will reforecast the purchase price for the Via Capitale Incremental Franchises. In January 2013, 1/3 of such balance owing by Via Capitale L.P. will be paid to the Manager together with interest thereon. In January 2014, 2/3 of such balance owing since Closing will be paid to the Manager, less the amount paid in January 2012 together with interest thereon. If the reforecast indicates that Via Capitale L.P. has overpaid, then the Manager shall make a corresponding payment of such amount to Via Capitale L.P., together with interest thereon since January 1, 2012. The final payment will be calculated based on the average annual Royalties actually earned by Via Capitale L.P. from November 1, 2011 through October 31, 2014 and will be paid in January, 2015. The acquisition of the Incremental Franchises was approved by Independent Directors. Mr. Myhal declared his interest to the Board of Directors and abstained from voting on the motion to acquire the Via Capitale Incremental Franchises.

DESCRIPTION OF THE BUSINESS

The business of the Partnership and its Franchisees involves brokering the sale of residential resale housing or recreational properties comprising a single building or structure with six or less separate dwelling units, condominium unit or vacant land intended for one of the foregoing uses. The Partnership provides its Franchisees and their Agents and Sales Representatives with a comprehensive business system consisting of proprietary technological, marketing, promotional, communication and other tools (the "**Franchise Systems**") designed to make each step of a real estate transaction more effective and efficient for buyers and sellers of homes, Agents and Franchisees. The Franchise Systems allow Franchisees to attract successful Agents and maximize their productivity, and help the Partnership, through the activities of the Manager, to recruit and retain successful Franchisees.

The enhanced tools of the Franchise Systems facilitate the real estate transaction for the Agent and allow him or her to provide greater value and service to his or her customer. The Franchise Systems are designed to allow Franchisees and Agents to focus on their customers, grow their business, and spend less time on administrative activities, thereby increasing overall productivity.

The Corporation's royalties are derived primarily from a diverse national network of 349 independently owned and operated franchises. In addition, the Royal LePage Network is geographically diverse as the Agents and Sales Representatives are spread throughout Canada on approximately the same basis as the overall Canadian real estate agent population.

Franchise Agreements

The legal relationship between the Partnership or the Via Capitale L.P., as the case may be, and a Franchisee is governed by a Franchise Agreement. The typical term for a Royal LePage Franchise Agreement is ten years with a right to renew for successive five-year renewal terms. Typically, Royal LePage Franchisees renew for further ten (10) year terms. The typical term for a Via Capitale Franchise Agreement is five years with a right to renew for a further five-year renewal term. Typically, Via Capitale Franchisees renew for further five (5) year terms.

Each franchise location or grouping thereof is subject to a separate Franchise Agreement. The Franchise Agreement grants a non-exclusive right to use the Franchise Systems as well as the Trademarks within a prescribed territory and specifies comprehensive standards of practice governing the use of the Trademarks, conduct of the Franchisee and its Agents and all material operating matters.

Pursuant to its terms, the Franchise Agreement may not be assigned by the Franchisee without the prior consent of the franchisor. The Partnership has a right of first refusal with respect to any offer made to purchase the business of a Royal LePage Franchisee. The Partnership has assigned to the Manager, among other things, the right to exercise this right of first refusal on behalf of the Partnership. See "Description of the Business - Management Services Agreement".

The Franchise Agreement may be terminated on the occurrence of certain prescribed circumstances, including the bankruptcy of a Franchisee or default by the Franchisee of its obligations under the Franchise Agreement. Failure to meet minimum franchise fee performance levels may result in the termination of the franchise or termination of the right to renew the franchise for a successive term.

Agents and Sales Representatives

As of December 31, the Franchise Networks comprised 15,601 Agents and Sales Representatives operating from 654 locations. For the year ended December 31, 2011, the Franchise Networks decreased by 247 Agents or 1.6%. The decrease in Agents was comprised of a decline of 494 agents partially offset by the 247 agents acquired through the acquisition of contracts at the beginning of 2011. The decrease in Agents is attributed to the increased education and costs of association for Quebec based agents, which has resulted in a decline in new agents entering the Quebec market, the loss of agents through the non-renewal of a limited number of franchise operations in the British Columbia market and a loss of agents to the discount broker market. This net decrease of 1.9% in the Company Network for 2011 is in contrast to a 2.4% increase experienced in the overall Canadian Market which has resulted in an estimated 22% market share as compared to 23% in 2011.

Royalties

Royal LePage

The Corporation generates royalties from both fixed and variable fee components. Fixed fees are based on the number of Agents in the Royal LePage Network. In the case of Royal LePage, royalties consist of a monthly flat fee of $100 per Agent, a technology fee and web services and other fees.

Variable fees are driven primarily by the total transaction dollar volume of business transacted by the Corporation’s Agents. These fees are comprised of: 1% of each Agent’s gross commission, subject to a cap; a premium Franchise fee from 24 of the Corporation’s larger Franchise locations; and for certain smaller Franchises, 4.5% of each Agent’s gross commission fee.

Royal LePage Basic Franchise Fees

Each Franchisee (other than a limited number of Franchisees that pay the 4.5% option basic franchise fee described below) pays a basic monthly fixed fee calculated as $100 per Agent (the "Basic Fixed Fee") plus a variable fee of 1% of Agents' Gross Revenue (the "Basic Variable Fee"), to a maximum of $1,300 per annum per Agent (the "**Basic Variable Fee Cap**"), for an annual maximum of $2,500 per Agent. For the twelve months ended December 31, 2011, approximately 19% of the Royal LePage Agent force exceeded the Basic Variable Fee Cap. In 2011, approximately 85% of the Corporation’s Agents and Sales Representatives operated under the combined Basic Fixed Fee plus the Basic Variable Fee plans, with an additional 5% operating under the Basic Fixed Fee only (comprised exclusively of selling Sales Representatives).

For a limited number of Franchisees, the Basic Franchise Fee is calculated as 4.5% of the Agents' Gross Revenue (the "4.5% Option"). Under the Franchise Agreements, Franchisees may generally elect annually either the combined Basic Fixed Fee plus the Basic Variable Fee or the 4.5% Option. However, certain Franchisees are required to elect the 4.5% Option until their operations exceed pre-determined levels.

Royal LePage Premium Franchise Fees

Sixteen of the seventeen Franchise locations owned and operated by the Manager and seven independently owned and operated Franchise locations pay the Basic Fixed Fee plus the Basic Variable Fee as well as an uncapped premium franchise fee ranging from 1% to 5% (based on location, with an average Premium Franchise Fee of 3%), of the Agents' Gross Revenue in order to reflect the premier locations (principally the Greater Toronto Area) in which such franchises operate (the "Premium Franchise Fees"). The term of each of the Franchise Agreements in respect of fourteen of the fifteen Franchise locations owned and operated by the Manager commenced August 7, 2003 for 20 years with successive five year renewal terms. The Premium Franchise Fees, for the locations paying

such fees, are payable during the first 15 years of their respective initial terms. Thereafter, the fees payable revert to the Basic Fixed Fee plus the Basic Variable Fee or the 4.5% Option.

Royal LePage Technology Fees

At the election of the Franchisee, the Manager provides a choice of two technology based marketing and training tool service offerings for Royal LePage Agents. A basic offering (Silver) is included at no additional charge as part of the Basic Franchise Fee. The Platinum Program is provided at a per Agent cost of $20 per month (the "Technology Fees").

Web Services Fees

The Partnership also collects fees for providing customizable web sites to Agents as well as other internet related services such as domain name registration and maintenance, online training and the provision of links to Royal LePage Agent and office web sites which are not hosted by the Manager (the "Web Services Fees"). See "Description of the Business - Technology". These Web Services Fees are charged directly to the Agents and are payable directly to the Partnership.

Via Capitale

Via Capitale Franchisees pay a monthly flat fee of $150 per Agent and other fees. In addition, participating Via Capitale Agents purchase a limited home warranty from the franchisor for their clients who purchase property through Via Capitale.

Via Capitale Basic Franchise Fees

Each Franchisee pays a basic monthly fixed fee calculated as $150 per Agent. In addition, certain Franchisees pay a monthly fixed fee of up to $500 per Franchise.

Via Capitale Marketing and Training Fund

Franchisees contribute a monthly $100 fee per Agent towards the Via Capitale marketing fund. Via Capitale is entitled to 20% of the marketing funds as an administrative fee for managing the marketing fund on behalf of the Via Capitale Network. The marketing fund is used to maintain brand awareness advertising campaigns, internet marketing tools and websites, and Agent training programs.

Via Capitale Home Warranty and Job Loss Protection

Agents associated with participating Via Capitale Franchisees are required to purchase a twelve month limited home warranty for their clients who purchase property through a Via Capitale Agent. The warranty covers all appliances included in the purchase, as well as the plumbing, electrical and heating systems. Should any of these items break down Via Capitale home buyers are eligible for a refund of up to $5,000. Approximately 80% of Via Capitale Agents participate in the home warranty program. The cost of the home warranty policy is $159.00. The home warranty program is self insured.

Via Capitale also offers buyers job-loss mortgage insurance through its Agents to all buyers who obtain their mortgage financing through an institution recommended by Via Capitale. In case of job-loss, Via Capitale will continue to make buyer’s mortgage payments (capital and interest), up to a total of $15,000, without requiring reimbursement of any kind from the homeowner. The coverage is effective for a period of one year following the closing of the home purchase. Furthermore, for eligible condo buyers, the condo monthly payments are also covered for up to one year.

La Capitale Re-Branding

In a consultative process with Via Capitale's franchisees and brokers, La Capitale successfully rebranded as Via Capitale on March 7, 2011. The new marks are owned by Via Capitale L.P. The amended name transcends languages and positions Via Capitale well for growth within the Anglophone Quebec marketplace.

System Wide Transactional Dollar Volume

For the twelve months ended December 31, 2011, the Royal LePage Network and the Via Capitale Network collectively held approximately 22% of the $166.1 billion Canadian residential resale real estate market based on transactional dollar volume.

Locations and Branch Types

The Royal LePage Network operates in each Canadian province through approximately 609 locations as of January 1, 2011. The Via Capitale Network operates only in the Province of Quebec through 45 locations as of January 1, 2011. Franchise locations are generally operated from leased premises with the Franchisee as lessee. The Partnership has control over franchised locations by way of an approval process governing renewals and approval of locations, in order to maintain location quality. In urban areas, Franchise branches are typically located in office/commercial developments, while in smaller municipalities the outlets are frequently in the more retail oriented core business district.

Technology

The following is a summary of some of the Manager's main technology:

Internet Sites

The Royal LePage Website, www.royallepage.ca has been branded as Canada's Real Estate Portal™. Both www.royallepage.ca and the Via Capitale Website, www.lacapitalevendu.com (collectively the "**Websites**"), offer a variety of residential resale real estate and related information. In addition to offering listing, company, office and Agent information, the Websites also provide resources for buying, selling and owning real estate.

The Via Capitale Website also features repossessed properties listed by Via Capitale Agents. In 2011, Canadian Mortgage and Housing Corporation ("**CMHC**") renewed its contract with Via Capitale for a period of three years. Under this contract, Via Capitale is the brokerage system responsible for marketing and selling on behalf of CMHC.

The Royal LePage Intranet Site

The Royal LePage intranet site (the "**Intranet**"), accessible by authorized Agents and staff only, is a key vehicle through which Royal LePage delivers many of its services, as well as information about additional non-Intranet based services. Information provided on the Intranet is designed to help Agents manage their business, increase their business and develop their skills. On the Intranet, Agents can access information about Royal LePage news and events, award levels, suppliers, privacy policies and helpful documentation. Agents can also use the Royal LePage webmail system and online financial reporting system. They can increase their business by accessing information on Royal LePage's local marketing programs and they can also establish personal, optimized websites through the Intranet. In addition, Agents can access sales, marketing and technology training sessions offered at locations near them or they can participate in online courses which are applicable towards continuing education requirements imposed on them by provincial regulatory requirements.

Agent Technology Programs

Each Royal LePage franchise location may elect to be supported by Royal LePage's Platinum Program, which was designed to assist Agents to prospect for new clients, market properties on behalf of existing clients and develop Agents' core skills. As at December 31, 2011, approximately 98% of the Agents were participating in the Platinum Program.

In the Platinum Program, Agents and Sales Representatives have access to the Royal LePage marketing centre, which provides them with print and online customizable marketing pieces in both English and French. Marketing pieces include property feature sheets, postcards, 11" x 17" brochures, web commercials, web slide shows, e-newsletters and e-cards. In addition, Agents and Sales Representatives can receive training in local computer labs to better use the suite of on-line tools made available to them by Royal LePage, as well as access to online courses.

Royal LePage Data Capture System

The Manager uses a proprietary system designed to capture royalty fee, Broker and Agent revenue information from Royal LePage Franchisees. The data capture system allows Royal LePage Franchisees across the country to transmit Agent numbers and revenue information electronically every month to allow for the calculation and billing of franchise royalty fees. The system captures useful statistical information, including information on the average split of commissions between Agents acting for the buyer and the seller, and net recruiting results, which can be accessed by all Franchisees for comparison purposes.

Web Services

The Manager provides a number of office and personal website related services. Presently, these services include Broker and Agent Websites, domain registration and search engine optimization. See "Description of the Business - Royalties".

Marketing and Promotion

The Manager employs a two tiered marketing approach: first, increase brand awareness and positioning of Royal LePage and Via Capitale as the best residential resale real estate brands offering the best in technology and services to its Franchisees, Agents and consumers; and second, provide marketing, advertising and recruitment tools that enable Franchisees and Agents to effectively market themselves.

Under the first tier, the Manager's initiatives aim at increasing consumer awareness and include the following:

- newspaper print advertising which reinforces a select number of consistent messages and slogans;
- remaining one of the principal voices of real estate in the Canadian media. The Manager's national and local spokespersons are quoted and interviewed regularly and are viewed as experts in their field;
- publishing a quarterly survey of house prices which has been keeping Canadians informed as to national housing prices for over 20 years, and is widely used by municipalities, researchers and independent companies as the national housing reference guide;
- advertising in industry publications which focus on Agents and Franchisees; and
- the Royal LePage Shelter Foundation which was launched in 1998 to help raise money for shelters to house abused women and their children. Since inception, the Royal LePage Shelter Foundation has successfully raised over $12 million through national and local broker and Agent initiatives

and helps an estimated 20,000 women and children each year through the support of over 200 shelters across the country.

Under the second tier, the Manager's initiatives aim at providing a comprehensive marketing, advertising and recruitment system tools which enable Franchisees and Agents to effectively market themselves and includes the following:

- broker business planning templates to help determine and manage net recruiting goals;
- Agent focussed sales training seminars across Canada;
- web based education programs offered to non Royal LePage and non Via Capitale Agents;
- career Website and links with a customer relationship management system component;
- one to one e-mail campaign to attract new and experienced Brokers and Agents;
- cold calling scripts, online messaging scripts and internal surveys;
- sales meeting templates aimed at increasing retention and sales;
- an on-going campaign to market to potential Franchisees and recruits through an e-mail list in a "one to one" marketing strategy; and
- design of advertising templates for local newspaper and radio and for sponsorship opportunities.

Internet Data Exchange

In the Canadian residential real estate industry, Royal LePage has been among the strongest proponents of the Internet Data Exchange ("IDX") movement, which will give Multiple Listing Service ("MLS") participants the tool they need to display each other's listings on their websites and allow consumers to view all listings available at once, regardless of what real estate company owns the listing.

In October 2011, the Canadian Real Estate Association ("CREA") formally agreed to support the IDX initiative and is moving ahead, developing the technology platform required to enable the transfer of data. The Corporation is hopeful that in 2012, it will be in a position to take advantage of this market opportunity, generated as a result of improved access to information. It is anticipated that this will further the Corporation's ability to attract and grow its Agent count as we make investments in the technology necessary to take advantage of this improved model.

Franchisee and Agent Communications

In addition to the frequent communications opportunities utilized through the Manager's technology platforms, the Franchisee and Agent communications strategy is focused on frequent, face to face or voice to voice contact. This contact takes many forms including a phone and internet based help desk, annual awards and recognition for top producing Agents, regional Franchisee meetings and National Broker and Agent conferences and regional Broker conference calls.

Training

The Manager provides training to its Franchisees and Agents with respect to its technology programs though its Virtual Specialist Service team ("VSS team") and its online learning tools. The VSS team is comprised of

a group of trained individuals who spend the majority of their days on the road delivering hands on training to Sales Representatives, Brokers, Agents and administration staff covering a wide range of topics.

The Manager offers Agent sales training programs, designed to provide new Agents and industry veterans with sales enhancing techniques based on best practices. Since then the Manager expanded its offering to include several proprietary and outsourced personal coaching, planning and training programs, including specialized designations (such as luxury properties and seniors) and webinars.

The online learning tools provided through the Royal LePage "University" are accessible at all times through the Intranet. Online courses are available to assist Franchisees, Agents, Sales Representatives and administrative staff to improve various aspects of their business at their own pace. A number of provincial real estate boards have approved many of these courses for continuing education credits which are made available through an external learning centre on the internet.

Competitive Position

The Manager has consistently developed its franchising strategy with extensive internal marketing research and tracking studies. This research is utilized, together with the results of the studies, to guide strategic marketing and product development decisions, guide tactical decisions regarding the "best" features and benefits needed to maximize the appeal of the Franchise Systems and to keep the Manager up-to-date with changes in its business environment.

Corporate positioning research based on the evaluations of consumers, Agents, Franchisees and competitors as measured against twenty five "evaluation criteria" centred around corporate visibility and momentum, leadership, program quality and innovativeness has been the cornerstone of the Manager’s marketing research initiatives. For example, Royal LePage’s current positioning statement, "Helping you is what we do", reflects recent tracking studies and focus group testing.

Growth Strategy

The Manager maintains dedicated network development teams which are focused solely on growing the Corporation’s presence in the Canadian market as industry consolidators. These teams are focused on attracting quality brokerages to the Via Capitale Network, the Royal LePage Network and expanding opportunities for existing Franchisees, and is a key factor in the Corporation’s success in growing its residential franchise brokerage network in Canada. Key elements of this strategy include:

- identifying key franchise prospects based on perceived profitability, reputation, business acumen and technology orientation;
- ongoing prospecting through various advertising programs, newsletters, press releases, sales and networking events, conferences and personal contact;
- creating and maintaining a database of brokerages with information including market share, number of Agents and owner/manager details;
- expanding the range of products and services comprising the Franchise Systems and increasing adoption by Brokers and Agents of these products and services;
- providing concise programs to Franchisees supported by ongoing Franchisee and Agent training programs that assist Franchisees in presenting the distinctive benefits and record of success of Agents and Brokers to potential recruits; and
- providing financing and consulting to, and otherwise supporting Franchisees in acquiring local competitors and integrating such competitive brokerage operations into the Franchisee's owned brokerage operations.

In December 2011, an affiliate of the Manager announced that it had acquired the Prudential real estate franchise network in North America. There are approximately 35 Prudential real estate brokerage franchises operating in Canada, with an estimated 1,100 Agents. The Corporation may have an opportunity to acquire some or all of the franchise agreements in the Canadian Prudential portfolio in 2012. The Corporation is exploring this opportunity with the Manager.

Quality Control

The buying and selling of a residence is typically the largest single financial transaction undertaken by an individual in his or her lifetime. Consequently, market knowledge, professionalism, principled conduct and high moral and ethical standards are critical to the success of the Franchise Systems. In order to maintain the reputation, goodwill, customer service, appearance and methods of the Franchise Systems, the Franchise Agreement requires a Franchisee to operate the franchise under the Royal LePage or Via Capitale name in accordance with such methods, standard specifications and procedures as prescribed by the Manager.

Potential Franchisees are qualified through a review of their relevant experience, reputation and financial stability. Owners of Franchises are typically required to direct their full time and attention to the establishment, development and operation of the business.

The Manager requires Franchisees to operate from suitable premises that meet standards satisfactory to the Manager and that, unless otherwise permitted, are to be utilized strictly for the operation of the Business.

Franchisees are licensed to use the Trademarks and the Franchise Systems for the operation of the franchise. In order to retain the integrity of the Trademarks and Franchise Systems, all Franchisees are required to abide by certain requirements, including the following:

- to ensure that only those types of interior and exterior signs that the Partnership has approved as meeting its specifications and standards for design and appearance are used in the operation of a Franchisee's business;
- to ensure that any supplies used in the Business, including written forms and materials, conform to specifications determined by the Partnership from time to time. In the case of signs and supplies, the Manager may recommend suitable suppliers, however, the Franchisee may use any supplier it chooses provided the supplier meets the standards established by the Partnership;
- to utilize and maintain such computer hardware, software and related technology that meet the Partnership’s specifications and standards for use and compatibility with the Franchise Systems;
- to pay additional one time or ongoing fees that may be necessitated by changes in the real estate marketplace or improvements made to the Franchise Systems by the Partnership; and
- to comply with and facilitate any system implemented by the Partnership for the transfer of funds directly from the bank account of the Franchisee to the bank account of Partnership.

In the event that a Franchisee defaults in any commitments under its Franchise Agreement, the Partnership may notify the Franchisee in writing of the default and provide a reasonable period of time to cure the default. During this period, the Manager, on behalf of the Partnership would work closely with the Franchisee to cure the default. In the event that the Franchisee fails or refuses to cure the default, the Partnership has the right to terminate the Franchise Agreement and any other related agreements.

In 2009, the Partnership and the Via Capitale L.P. terminated seven Franchise Agreements, representing eight locations and 25 Agents and Sales Representatives, and one franchisee, representing one location and two Agents did not renew their Franchise Agreements. In 2010, the Partnership and Via Capitale L.P. terminated 2 Franchise agreements representing two locations and 131 Agents and Sales Representatives. In 2011, the Partnership

and Via Capitale L.P. terminated seven Franchise agreements representing nine locations and 54 Agents and Sales Representatives.

Upon termination of its Franchise Agreement, a Royal LePage Franchisee is required to assign all of the business phone numbers and telephone listings to the Partnership and permit the Partnership to enter the premises of the Franchisee to cure any default of the Franchisee, operate the business for the account of the Partnership or secure the Franchisee's complete and timely compliance. Further, upon termination, the Partnership may appoint a receiver or manager over the franchise business of the defaulting Franchisee and, within thirty days of termination, the franchisor has the right to purchase the business from the Franchisee at a price determined pursuant to a prescribed formula and in a prescribed manner. Pursuant to the terms of the Management Services Agreement, the Partnership has assigned all of these rights to the Manager. See "Description of the Business — Management Services Agreement".

Franchise Reporting

Each Franchisee is required, by the fifth day of each month, to report key operating, personnel and financial statistics for the preceding month, including gross revenue, number and status of Agents, Agent roster, number of real estate transactions, Basic Franchise Fees, Premium Franchise Fees and technology fees payable. This reporting is primarily obtained through the Manager’s data capture system. See "Description of the Business — Technology".

The integrity of Franchisee reporting is maintained through ongoing receipt and review of the Franchisees' annual financial statements and the period audit and on-site inspection of the Franchisees' books, records, procedures and statement of gross revenues.

The Manager has retained and pays Brookfield Asset Management to provide internal audit services to the Partnership and the Via Capitale L.P., which the Manager is required to provide pursuant to the Management Services Agreement. The internal audit services include reviews for compliance with Franchise Agreements and suggestions to Franchisees on operating issues and regulatory matters, where appropriate. See "Description of the Business — Management Services Agreement".

Government Regulation

Local and Provincial Regulations

In each province, licensed Agents are either self-regulated or regulated by the provincial government. All Agents must successfully complete various licensing courses prior to applying for a real estate license. The license is applied for through a residential resale real estate brokerage firm. The real estate brokerage firm must be operated by a Broker. No Agent may receive a license without first being registered with a Broker. The license allows the licensee to sell real estate anywhere within the province in which he or she is licensed and also allows the collection of referral fees through the brokerage they are licensed with, for business referred to real estate companies anywhere in the world.

Most licensed Agents also belong to local real estate boards, as well as to the Canadian Real Estate Association and are required by the rules thereof to adhere to prescribed standards of professionalism and a code of ethics. Local real estate boards provide a Multiple Listing Service to members, facilitate arbitration and ethical disputes among members and handle complaints from members of the public.

Provincial regulations also require that all Agents be affiliated with licensed Brokers in order to sell real estate. Brokers are licensed by provincial regulatory bodies and must periodically renew their registration. Brokers, among other things, are responsible for the ongoing supervision of Sales Representatives and Agents and the management of trust funds.

Franchise Regulation

The Partnership must comply with laws and regulations adopted in the Provinces of Ontario, Alberta and PEI that regulate the offer and sale of franchises. These laws require, among other things, that Partnership provide prospective franchisees with a disclosure document containing certain prescribed information.

Employment

As is the case with the majority of real estate agents in Canada, Agents typically practice as independent contractors. Under this system the Agents remit on their own to Canada Revenue Agency, pay their own health insurance and deduct business expenses. The typical independent contractor agreement between a Broker/owner and Agent has a one month termination clause, allowing either the Broker/owner or the Agent to terminate the contract on one month's notice.

Dividend Policy

The Corporation's dividend policy will be subject to the discretion of the board of directors of the Corporation and may vary depending on, among other things, its earnings, financial requirements, the satisfaction of solvency tests imposed by the OBCA for the declaration of dividends and other relevant factors.

The Board of Directors anticipates monthly dividends at an annualized rate of $1.10 per Restricted Voting Share. The Corporation will assess dividend payout levels from time to time in light of its financial performance and its then current and anticipated business needs at that time.

Incremental Franchises

Under the Management Services Agreement, the Partnership has provided the Manager with a license to use the Trademarks to, among other things, enable the Manager to fulfill its obligations under the Management Services Agreement and to otherwise operate and grow the Franchise Networks by entering into new Franchise Agreements either directly or through an affiliated entity. Subject to meeting the criteria set forth in the Corporation's Incremental Franchise Purchase Policy, as the same may from time to time be amended, Incremental Franchises entered into up to the end of the 44th week of each fiscal year of the Corporation will be assigned to the Partnership by the Manager, on January 1 of the immediately following fiscal year, in consideration of an amount to be determined annually on the by the formula set forth in the Management Services Agreement.

The Trustees have adopted an Incremental Franchise Purchase Policy that requires the Independent Directors of the Corporation to review and determine, from time to time, by agreement with the Manager the criteria upon which the Independent Trustees will base their decision to permit the Partnership to purchase Incremental Franchises from the Manager. All Incremental Franchises will, prior to being purchased by the Partnership, be subject to a satisfactory review based on the criteria established by the Directors from time to time prior to their assignment to the Partnership. The criteria for Incremental Franchises include, unless the Independent Directors otherwise consent:

a) the brokerage business which is the subject of the Franchise Agreement with respect to such Incremental Franchise must be located in Canada;

b) the Franchise Agreement with respect to such Incremental Franchise must be the same or substantially similar to the Franchise Agreements for existing Franchises;

c) the Franchise Agreement with respect to such Incremental Franchise must have a minimum term of ten years;

d) the Franchisee in respect of such Incremental Franchise or its principal must have experience in the real estate industry;

e) such Incremental Franchise must be operated in accordance with the established quality control requirements of the Manager; and

f) the Franchisee must hold all necessary licenses to operate a residential real estate brokerage business and all such licenses must be in good standing.

g) the brokerage business which is the subject of the Franchise Agreement with respect to such Incremental Franchise must be established and operating for a sufficient period of time to permit the Manager and the Trustees to estimate future performance with a reasonable degree of comfort based on prior performance;

h) the brokerage business which is the subject of the Franchise Agreement with respect to such Incremental Franchise must not be a renewal or a replacement of an existing franchise;

i) modifications to the standard form franchise agreement will be considered on an individual basis; and

j) revenue generated from agents of other franchises owned by the Partnership recruited by Incremental Franchise, will not be included in the calculation of the Royalties used to determine the purchase price for such Incremental Franchise.

Under the Management Services Agreement, Via Capitale L.P. has provided 9120-5583 Quebec Inc. (a wholly owned subsidiary of the Manager) with a license to use the certain trademarks to, among other things, enable the Manager to fulfill its obligations under the Management Services Agreement and to otherwise operate and grow the Via Capitale Brokerage Network by entering into new Franchise Agreements either directly or through an affiliated entity. Incremental Via Capitale Franchises entered into up to the end of the 44th week of each fiscal year of the Corporation will be offered to Via Capitale L.P. or the Partnership by the Manager, on January 1 of the immediately following fiscal year, in consideration of an amount to be jointly determined by the Manager and the Independent Trustees.

Incremental Franchise Purchases

See "Development of the Business – Events Occurring in 2009", "Development of the Business – Events Occurring in 2010", "Development of the Business – Events Occurring in 2011" and "Development of the Business – Subsequent Events".

Management Services Agreement

General

On August 7, 2003, the Partnership, the Fund, the Holding Trust, the General Partner and the Manager entered into the Original Management Services Agreement. On January 1, 2008, the Partnership, the Fund, the Holding Trust, the General Partner, Via Capitale L.P., 9188 and the Manager entered into and amended and restated management services agreement, which was amended on or about February 11, 2010 to replace 9188 with 4541219 as the new general partner of Via Capitale L.P. Effective January 1, 2011, the Corporation, the Partnership, the Fund, the Holding Trust, the General Partner, Via Capitale L.P., 4541219 and the Manager entered into the Management Services Agreement. Pursuant to the provisions of the Management Services Agreement, the Manager has agreed to provide certain management, administrative and support services to the Corporation, the Fund, the Holding Trust, the General Partner, the Partnership, Via Capitale L.P. and 4541219. The duties of the Manager include: (i) ensuring compliance with continuous disclosure obligations under all applicable securities legislation and stock exchange requirements; (ii) providing accounting and financial services; (iii) ensuring prompt collections under the Franchise Agreements and otherwise ensuring compliance by Franchisees with their respective obligations under the Franchise Agreements; (iv) pursuing the growth of the Franchise Networks through the addition of Incremental Franchises and Incremental Via Capitale Franchises; (v) negotiating and communicating with third parties with respect to contractual and other matters; (vi) providing investor relations services; (vii) providing or causing to be provided to Unitholders and Special Unitholders all information to which Unitholders and Special Unitholders are entitled under the Declaration of Trust; (viii) calling, holding and distributing materials (including notices of meetings and information circulars) in respect of all meetings of Unitholders and Special Unitholders; (ix) determining the amounts payable from time to time to Unitholders; (x) if necessary, dealing with Franchisees on questions of interpretation of the Franchise Agreements; (xi) arranging for distributions to Unitholders of distributable cash; (xii) attending to all administrative and other matters arising in connection with any redemption of Units and Holding Trust Units.

In addition to the management, administrative and support services listed above, the Manager has agreed, among other things, to:

- operate and conduct its business in at least the manner and to at least the standards that the business was conducted prior to January 1, 2008;
- maintain and expand the Franchise Systems, including ongoing improvement of technology, marketing and promotional tools;
- manage and supervise the management of the Franchisees in a manner consistent with that of a competent and qualified manager of similar franchises of branded residential resale real estate brokerages;
- collect all fees and other amounts payable to the Partnership and Via Capitale L.P. under the Franchise Agreements by Franchisees;
- monitor the compliance of Franchisees with the character and quality standards set out under the Franchise Agreements, including with respect to the Trademarks; and
- enforce the observance and performance of Franchise Agreements by owner/operators of Franchises in a manner that is consistent with good and prudent business practices.

In exercising its powers and discharging its duties under the Management Services Agreement, the Manager is required to exercise the degree of care, diligence and skill that a reasonably prudent manager having responsibilities of a similar nature would exercise in comparable circumstances. As a result of the services provided by the Manager under the Management Services Agreement, the Manager is "a person or company in a special relationship with a reporting issuer" with respect to the Corporation for the purposes of the *Securities Act* (Ontario).

Under the Management Services Agreement, the Manager is entitled to an annual fee, payable by the Partnership on a monthly basis in arrears, equal to 20% of the cash of the Partnership otherwise available for distribution. Effective January 1, 2008, the Management Services Agreement was amended to provide that, in respect of cash generated from the Via Capitale Network, the Manager is entitled to an annual fee, payable by the Partnership on a monthly basis in arrears, equal to 30% of the cash of Via Capitale L.P. otherwise available for distribution.

The Original Management Services Agreement has an initial term of 10 years. The Management Services Agreement has an initial term that expires on August 6, 2013 and is automatically renewable for successive 10 year periods unless notice of termination is given by either the Corporation, the Fund, the Holding Trust, the General Partner and the Partnership or the Manager at least twelve months prior to the expiry of the initial or any renewal terms. The Management Services Agreement may be terminated earlier on behalf of the Corporation by the Independent Directors if a substantial deterioration in the business of the Partnership occurs that is not caused by force majeure, provided that such termination is approved at a meeting of Shareholders and Special Shareholders by a resolution approved by holders representing at least 50% of the aggregate number of issued and outstanding Restricted Voting Shares and Special Voting Shares and at least 66 $^{2}/_{3}$% of the aggregate number of Restricted Voting Shares and Special Voting Shares that are voted at the meeting, in each case excluding any Restricted Voting Shares and Special Voting Shares held by the Manager or any of its affiliated entities. In the event of such termination, and provided that the Manager is not then in default, the Corporation will pay to the Manager a fee equal to the aggregate of all fees paid to the Manager under the Management Services Agreement in the previous calendar year.

The Management Services Agreement may be terminated by the Manager in the event of the insolvency or receivership of the Corporation, the Fund, the Holding Trust, the Partnership or the General Partner, or in the case of default by the Corporation, the Fund, the Holding Trust, the Partnership or the General Partner in the performance of a material obligation under the Management Services Agreement (other than as a result of the occurrence of a force majeure event) which is not remedied within 30 days after written notice thereof has been delivered.

The Management Services Agreement contains provisions to regulate any conflicts of interest which may arise and provides for indemnification by the Manager of the Corporation, the Fund, the Partnership, the Holding Trust and the General Partner and by the Corporation, the Fund, the Partnership, the Holding Trust and the General Partner of the Manager in certain circumstances. The Management Services Agreement may only be assigned by the Manager with the consent of the Corporation, the Fund, the Holding Trust, the General Partner and the Partnership.

Under the Management Services Agreement, the Partnership has the contractual right to control the character and quality of the services delivered by the Manager and the Franchisees, and to require that the Trademarks be used by the Manager and the Franchisees in a manner that enhances the reputation of the Trademarks and the value of the Franchise Agreements. Under the Management Services Agreement, the Partnership is entitled to:

- inspect the use of the Trademarks by the Manager and the Franchisees to ensure that they are protecting and enhancing the reputation associated with the Trademarks;
- obtain, on a quarterly basis, a certificate from an officer of the Manager to the effect the Manager is using the Trademarks in accordance with the Management Services Agreement;
- require the Manager to submit a report, on a quarterly basis, detailing the operations of the Franchisees and compliance with the Franchise Agreements;
- establish the standards governing the character and quality of the services delivered, and the monitoring and enforcement of standards under the Franchise Agreements.

Under the Management Services Agreement, the Manager has the right to develop and offer new products and services to Franchisees or Agents in addition to the products and services as specifically dealt with in the Management Services Agreement. Pursuant to the terms of the Management Services Agreement, provided such products and services are new, and not mere enhancements of the products and services already provided as part of the Franchise Systems, the Manager shall be entitled, after negotiation with and mutual agreement of the Independent Directors of the Corporation, to be reimbursed for its costs and receive additional fees in respect of such products and services.

The Management Services Agreement also contains provisions requiring the Partnership to assign certain rights, including the right of first refusal to acquire the franchise operations of a Franchisee in certain circumstances, to the Manager. See "Description of the Business — Franchise Agreements" and "Description of the Business — Quality Control".

Incremental Franchises

Under the Management Services Agreement, the Partnership has provided the Manager with a license to use the Trademarks to, among other things, enable the Manager to fulfill its obligations under the Management Services Agreement and to otherwise operate and grow the Franchise Networks by entering into new Franchise Agreements either directly or through an affiliated entity. All Incremental Franchises entered into, other than renewals or replacements of existing franchise agreements, up to the end of the 44th week of each fiscal year of the Corporation will be assigned to the Partnership by the Manager, subject to the limitations set forth below, on January 1 of the immediately following fiscal year (the "Payment and Adjustment Date"), in consideration of an amount (the "Determined Amount") to be determined annually on the Payment and Adjustment Date by a formula that is based upon:

- the amount of the Royalties of the Incremental Franchises for the 52 week period ending at the end of the 44th week (the "Reporting Period") in the fiscal year of the Corporation that such Incremental Franchises are transferred to the Partnership; and

- the yield paid on the Restricted Voting Shares for the 52 week period immediately preceding the beginning of such Reporting Period (the "Determination Date").

The Determined Amount for any Reporting Period is to be determined by dividing 92.5% of the Royalties on a tax affected basis (net of management fees attributable to such Royalties) in respect of the first Reporting Period for which such Incremental Franchises are included in the calculation of Royalties by the annual yield paid on the Restricted Voting Shares for the 52 week period immediately preceding the Determination Date in respect of such Reporting Period. The annual yield is to be determined by dividing the amount of per Restricted Voting Share dividends distributed in cash by the Corporation in the 52 week period ending on the day immediately preceding such Determination Date by the Current Market Price of the Restricted Voting Shares on such Determination Date. The "Current Market Price" of the Restricted Voting Shares as at any date or for any period means the weighted average price at which the Restricted Voting Shares have traded on a Stock Exchange during the period of 20 consecutive trading days ending on the fifth trading day before such date or the end of such period (for the purposes of this calculation, (i) "Stock Exchange" means a stock exchange recognized by the Ontario Securities Commission, and where the Restricted Voting Shares have traded on more than one Stock Exchange during the relevant period, "Stock Exchange" shall mean the Stock Exchange where the greatest volume of Restricted Voting Shares traded during the relevant period, and (ii) "weighted average price", for any period, shall mean the amount obtained by dividing the aggregate sale price of all of the Restricted Voting Shares traded on the relevant Stock Exchange during such period divided by the total number of Restricted Voting Shares so traded).

The Determined Amount in respect of any Incremental Franchise shall be adjusted to eliminate the effect thereon of any Royalties paid by such Incremental Franchise during the Reporting Period in respect of Agents who joined the Franchisee of the Incremental Franchise from another Franchisee after the Franchise Agreement in respect of such Incremental Franchise was entered into. Similarly, the Determined Amount in respect of any Incremental Franchise which results from the acquisition or addition by an existing Franchisee of additional offices and/or Agents shall be adjusted by removing the effect thereon of any Royalties paid by such Incremental Franchise during the Reporting Period in respect of Agents who were Agents of the Franchisee which made the acquisition prior to such acquisition.

The Determined Amount for each Reporting Period is to be paid by the Partnership in cash or, at the option of the Partnership, through the issue of Class A LP Units, which Class A LP Units will be indirectly exchangeable by the Manager or its affiliated entity for Restricted Voting Shares on a one for one basis. See "Exchange Rights".

An initial payment of the Determined Amount is to be made based upon the amount of the Royalties of the Incremental Franchises for such Reporting Period as forecast by the Manager (a "Forecast Determined Amount"), on the basis of assumptions that are considered to be reasonable by the Corporate Governance Committee of the board of directors of the General Partner. The Forecast Determined Amount will be adjusted after the end of such Reporting Period when the Determined Amount is determined on the basis of the actual Royalties for such Incremental Franchises for such Reporting Period. The Manager is to provide the Partnership with an audited report of the amount of such actual Royalties of the Incremental Franchises for the first Reporting Period in which such Incremental Franchises are included in the calculation of total Royalties.

The Determined Amount for any Reporting Period is to be paid in two instalments. The first payment, equal to 80% of the Forecast Determined Amount (the "Initial Payment"), is to be paid on the Payment and Adjustment Date immediately following the beginning of such Reporting Period. The second payment (the "Final Payment"), equal to the Determined Amount less the Initial Payment (the "Final Payment Amount"), is to be paid on the immediately following Payment and Adjustment Date.

If the Determined Amount for any Reporting Period is to be paid in Class A LP Units, the Partnership will issue to the Manager Class A LP Units (at a price based on the Current Market Price of the Restricted Voting Shares) for the Initial Payment and agree to issue Class A LP Units for the Final Payment and to pay an amount in cash representing the amount of distributions that would have been paid on such additional Class A LP Units, as if they had been outstanding for the whole of such period, to the extent that the Final Payment Amount is greater than zero. If the Determined Amount for any Reporting Period is to be paid in cash, then, to the extent that the Final

Payment Amount is greater than zero, it will bear interest at a rate equal to the rate of interest payable during such Reporting Period on debt obligations of the Government of Canada having a term of 90 days.

If the Final Payment Amount is negative, then the Manager will be required to repay an amount equal to the Final Payment Amount to the Partnership. Where the Determined Amount is paid in Class A LP Units, the Manager will transfer to the Partnership that number of Class A LP Units having a value equal to the Final Payment Amount (based on the issue price of the Class A LP Units), together with an amount equal to all distributions paid on such Class A LP Units, will be cancelled, and where the Determined Amount is paid in cash, the Manager will pay to the Partnership a cash amount equal to the Final Payment Amount, together with interest on such amount at a rate equal to the rate of interest payable during such Reporting Period on debt obligations of the Government of Canada having a term of 90 days.

Unless the Independent Directors otherwise consent, the assignment to the Partnership by the Manager of any Incremental Franchise will be subject to such Incremental Franchise meeting such criteria as may be determined from time to time by agreement between the Independent Directors and the Manager, each acting reasonably.

All Incremental Franchises will be subject to a satisfactory review by the Independent Directors, based on the criteria established by the Trustees from time to time, prior to the assignment to the Corporation.

Upon the termination of the Management Services Agreement, the rights of the Manager to enter into the Franchise Agreements as franchisor and the rights of the Manager to use the Trademarks will terminate other than (i) those rights provided for in the Franchise Agreements in respect of franchises owned and operated by the Manager, and (ii) those rights necessary to allow the Manager to continue to act as franchisor of any Incremental Franchises until they are assigned to the Partnership on January 1 of the fiscal year of the Fund commencing following the termination of the Management Services Agreement.

Under the Management Services Agreement, Via Capitale L.P. has provided the Via Capitale Manager with a license to use the certain trademarks to, among other things, enable the Manager and the Via Capitale Manager to fulfill its obligations under the Management Services Agreement and to otherwise operate and grow the Via Capitale Brokerage Network by entering into new Franchise Agreements either directly or through an affiliated entity. Incremental Via Capitale Franchises entered into up to the end of the 44th week of each fiscal year of the Corporation will be offered to Via Capitale L.P. or the Partnership by the Manager, on January 1 of the immediately following fiscal year, in consideration of an amount to be jointly determined by the Manager and the Independent Directors.

Management of the Corporation

The section entitled "Management of the Corporation" contained in the Corporation's Management Information Circular dated March 9, 2012 is incorporated herein by reference.

DESCRIPTION OF THE CORPORATION AND CAPITAL STRUCTURE

The Corporation was incorporated on October 28, 2010 pursuant to the provisions of the OBCA for the sole purpose of participating in the Arrangement. Prior to completion of the Arrangement, the Corporation has not carried on any active business since its incorporation other than executing the Arrangement Agreement. The principal and head office of the Corporation is located at 39 Wynford Drive, Don Mills, Ontario, M3C 3K5.

Restricted Voting Shares

Holders of Restricted Voting Shares are entitled to one vote per share at meetings of shareholders of the Corporation, to receive dividends if, as and when declared by the board of directors of the Corporation (subject to the rights of shares, if any, having priority over the Restricted Voting Shares) and to receive pro rata the remaining property and assets of the Corporation upon its dissolution or winding-up, subject to the rights of shares, if any, having priority over the Restricted Voting Shares. The Restricted Voting Shares are designated as "restricted voting

shares" in accordance with applicable securities laws and the rules of the TSX due to the fact that the Restricted Voting Shareholders will not vote for the directors who are appointed by the holder of the Special Voting Share. See "Description of Capital Structure – Special Voting Share". As at the date hereof there are 9,483,850 Restricted Voting Shares issued and outstanding.

Preferred Shares

The directors of the Corporation may, prior to the issuance of Preferred Shares, determine the series designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of each series including, without limiting the generality of the foregoing: (i) the rate, amount or method of calculation of any dividends; (ii) redemption and/or purchase rights; (iii) voting rights and (iv) conversion rights, all subject to the issue by the director appointed under the OBCA of a certificate of amendment in respect of the Corporation's articles to designate each series of Preferred Shares. Upon completion of the Arrangement, there are no Preferred Shares issued and outstanding. The Preferred Shares are intended to provide future financing flexibility and are not intended to be used for dilutive purposes, such as to block any takeover bid for the Corporation. The Corporation will not, without prior shareholder approval, issue Preferred Shares for any anti-takeover purpose.

Special Voting Share

Brookfield Holdings holds one Special Voting Share. The Special Voting Share is not be transferable other than to affiliates of Brookfield Holdings. The Special Voting Share entitles the holder to a number of votes at any meeting of Restricted Voting Shareholders (except that the holder of the Special Voting Share is not entitled to vote for the election of the Independent directors) equal to the number of Restricted Voting Shares that may be obtained upon the exchange of all the Class B LP Units held by the holder and/or its affiliates, but does not otherwise entitle the holder to any rights with respect to the Corporation's property or income (other than a nominal amount on the dissolution or winding up of the Corporation). The Special Voting Share is redeemable at the option of the holder for nominal consideration.

So long as Brookfield Holdings and/or its affiliates hold the Special Voting Share and so long as it and/or its affiliates hold an aggregate of 10% of the Restricted Voting Shares then outstanding (calculated on the basis that all of the Class B LP Units held by Brookfield Holdings and/or its affiliates have been exchanged for Restricted Voting Shares), Brookfield Holdings is entitled to appoint two-fifths of the directors of the Corporation (provided that if two-fifths of the directors is not an integral multiple of one, then the number of directors that Brookfield Holdings is entitled to appoint shall be rounded up to the next highest integral multiple of one).

Directors

The Corporation will have a minimum of three and a maximum of ten Directors. The current Directors are Lorraine Bell, Simon Dean, Allen Karp, Gail Kilgour and George Myhal. See "Trustees and Officers of the Corporation" contained in the Corporation's Management Information Circular dated March 9, 2012 for the principal occupations of the Directors.

At all times a majority of the Directors will be Independent Directors. Brookfield Holdings may remove any of its nominees as Directors and any other Director may be removed by a resolution passed by a majority of the Shareholders. The vacancy created by the removal or resignation of a Director, other than a nominee of Brookfield Holdings, may be filled at the same meeting, failing which it may be filled by the continuing Director or Directors.

Audit Committee

The current members of the Audit Committee are Lorraine Bell (Chair), Allen Karp, Gail Kilgour and Simon Dean. See "Directors and Officers of the Fund" contained in the Fund's Management Information Circular dated March 9, 2012 for the principal occupations and relevant education and experience of the members of the Audit Committee. The disclosure contained in the Fund's 2010 Annual Report under the heading "Audit Committee" is incorporated herein by reference. See Appendix A for the Audit Committee Terms of Reference.

Governance Committee

The current members of the Governance Committee are Allen Karp (Chair), Lorraine Bell, Gail Kilgour and Simon Dean. See "Directors and Officers of the Fund" contained in the Fund's Management Information Circular dated March 9, 2012 for the principal occupations and relevant education and experience of the members of the Governance Committee.

Information and Reports

The Corporation will furnish, in accordance with and subject to applicable securities laws, to Shareholders such consolidated financial statements of the Corporation (including quarterly and annual consolidated financial statements) and management's discussion and analysis for the periods covered by the financial statements and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Shareholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each meeting of Shareholders, the Trustees will provide Shareholders (along with notice of such meeting) all such information as is required by applicable law to be provided to such holders.

Each of the Fund, the Holding Trust, the Partnership and the General Partner have undertaken to the securities commissions or other securities regulatory authorities in each of the provinces of Canada and to the Corporation that, for so long as the Corporation is a reporting issuer (or the equivalent) under applicable securities laws, they will:

(a) provide the Corporation with the information that would be required to be included in any continuous disclosure document which would be required to be filed with the securities commission or other securities regulatory authority in each of the provinces of Canada, with respect to the Fund, the Holding Trust, the Partnership or the General Partner, as the case may be, if it were a reporting issuer (or the equivalent) in such province, and, to the extent that any such information is not included in the equivalent continuous disclosure document for the Corporation, prepare and file with the securities commissions or other securities regulatory authorities and mail to the Shareholders, if such a mailing would be required if it were a reporting issuer (or the equivalent), such a continuous disclosure document; and

(b) implement a disclosure policy requiring that certain trades in the Units are reported in accordance with the insider trading provisions of the securities legislation in each of the provinces of Canada, including trades by the Trustees, Holding Trust Trustees, directors or senior officers of the General Partner, the Manager, directors or senior officers of the Manager, or any securityholder of the Fund or the Partnership who holds more than 10% of the Units of the Fund (on a diluted basis and assuming exchange of LP Units which are exchangeable for Units).

Book-Entry Only System

Registration of interests in and transfers of the Restricted Voting Shares will be made only through the Book-Entry Only System administered by CDS. Restricted Voting Shares must be purchased, transferred and surrendered for redemption through a participant in the CDS depository service. All rights of a Shareholder must be exercised through, and all payments or other property to which a Shareholder is entitled will be made or delivered by, CDS or the CDS participant through which Shareholder holds the Restricted Voting Shares. Upon a purchase of any Restricted Voting Shares, the Shareholder will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which the Restricted Voting Shares are purchased.

The ability of a beneficial owner of Restricted Voting Shares to pledge those Restricted Voting Shares or otherwise take action with respect to the Shareholder's interest in those Units (other than through a CDS participant) may be limited due to the lack of a physical certificate.

DESCRIPTION OF THE FUND

Declaration of Trust

The Fund is a limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. It is intended that the Fund will qualify as a "mutual fund trust" for the purposes of the Tax Act. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust, which summary is not intended to be complete. Reference is made to the Declaration of Trust and the full text of its provisions for a complete description of the Units.

Activities of the Fund

The Declaration of Trust provides that the activities are restricted to:

(a) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with securities, including those of the Holding Trust, the General Partner and the Partnership and other corporations, partnerships, trusts and persons involved in the residential property brokerage business, and such other investments as the Trustees may determine;

(b) temporarily holding cash, short-term government debt or investment grade corporate debt for the purposes of paying the expenses of the Fund, paying amounts payable by the Fund in connection with the redemption or repurchase of any Units or Special Fund Units and making distributions to Unitholders;

(c) issuing Units and other securities of the Fund (including securities convertible into or exchangeable for Units or other securities of the Fund, and warrants, options or other rights to acquire Units or other securities of the Fund) for cash or non-cash consideration including for the purposes of: (i) obtaining funds to conduct the activities described in paragraph (a) above, including raising funds for further acquisitions; (ii) making non-cash distributions to Unitholders, including pursuant to distribution reinvestment plans, if any, established by the Fund; (iii) acquiring securities, including those issued by the Fund, the Holding Trust, the General Partner and the Partnership; (iv) the conversion or exchange of securities or debt obligations issued by the Fund, the Holding Trust, the General Partner or the Partnership; (v) implementing unitholder rights plans or incentive option or other compensation plans, if any, established by the Fund; (vi) carrying out any of the transactions contemplated by the Prospectus, including, without limitation, satisfaction of the exchange rights granted under the Exchange Agreement; and (vii) satisfying any indebtedness of or borrowing by the Fund, the Holding Trust, the General Partner or the Partnership;

(d) issuing debt securities (including letters of credit, bank guarantees and bankers acceptances) and borrowing funds;

(e) guaranteeing the obligations of any affiliated entity of the Fund pursuant to any good faith debt for borrowed money incurred by the affiliated entity and pledging securities issued by the affiliated entity or any other property held by the Fund as security for such guarantee;

(f) purchasing or redeeming securities, including Units and Special Fund Units, of the Fund, subject to the provisions of the Declaration of Trust and applicable law; and

(g) undertaking such other activities, or taking such actions, including investing in securities, as shall be approved by the Trustees from time to time,

provided that the Fund shall not undertake any activity, take any action, or make any investment which would result in the Fund not being considered a "mutual fund trust" for purposes of the Tax Act or the Units being considered foreign property for the purposes of the Tax Act.

Units

An unlimited number of Units are issuable pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. The issued and outstanding Units are not be subject to future calls or assessments, and entitle the holder thereof to one vote for each Unit held at all meetings of Unitholders. Except as set out under "Description of the Fund — Redemption at the Option of Unitholders" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

The Declaration of Trust also provides for the issuance of an unlimited number of Special Fund Units that will be used for providing voting rights in the Fund to Brookfield Holdings and the Manager and their affiliated entities in respect of their holdings of Class B LP Units and/or Class A LP Units and to persons who hold other securities, including, without limitation, LP Units that are, directly or indirectly, exchangeable for Units and that are entitled to voting rights with respect to the Fund. Special Fund Units will be issued in conjunction with, and will not be transferable separately from, the Class B LP Units, Class A LP Units or other securities to which they relate. Conversely, the Special Fund Units must be transferred upon a transfer of the associated Class B LP Units, Class A LP Units or other securities. Each Special Fund Unit will entitle the holder thereof to a number of votes at any meeting of Unitholders and Special Unitholders (except that Special Unitholders will not be entitled to vote for the election of the Independent Trustees) equal to the number of Units which may be obtained upon the exchange of the Class B LP Units, Class A LP Units or other securities to which the Special Fund Units relate, but will not otherwise entitle the holder to any rights with respect to the Fund's property or income.

The Special Fund Units will be subject to such other rights and limitations as may be determined by the Trustees at the time of issuance of any such Special Fund Units, provided that in no event will a Special Fund Unit entitle the holder to receive any distributions from the Fund or any of the net assets of the Fund in the event of a termination or winding-up of the Fund. The Declaration of Trust provides that any Special Fund Units acquired by the Fund or a subsidiary entity of the Fund will immediately cease to represent an entitlement to vote at meetings of Unitholders. The Special Fund Units issued along with the Class B LP Units and Class A LP Units issued to Brookfield Holdings, the Manager or any of their affiliated entities may be transferred only under the same circumstances as the associated Class B LP Units and/or Class A LP Units, will be evidenced only by the certificates representing such Class B LP Units and/or Class A LP Units and will be cancelled upon the exchange of the related Class B LP Units and/or Class A LP Units for Units of the Fund. Special Fund Units may be redeemed by the holder at any time for nominal consideration.

Issuance of Units

The Declaration of Trust provides that the Units may be issued at those times, to those persons, for that consideration and on the terms and conditions that the Trustees determine. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a pro rata basis. The Declaration of Trust also provides that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation.

Trustees

The Fund will have a minimum of three and a maximum of ten Trustees. The Trustees are to supervise the activities and manage the affairs of the Fund. The Trustees are the Directors of the Corporation.

The Trustees will be appointed at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting.

The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the activities and manage the investments and affairs of the Fund. The Declaration of Trust prohibits a non-resident of Canada (as that term is defined in the Tax Act) from acting as a Trustee. The Trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Fund as a unitholder and noteholder of Holding Trust and as a shareholder of the General Partner;
- maintaining records and providing reports to Unitholders;
- supervising the activities of the Fund;
- effecting payments of available cash from the Fund to Unitholders;
- voting in favour of the Trustees to serve as trustees of the Holding Trust; and
- voting in favour of the Trustees to serve as the directors of the General Partner.

A quorum of Trustees, being the greater of two Trustees or a majority of the Trustees then holding office, may fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees (other than as noted below) or from a failure of the Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Unitholders to elect the required number of Trustees, the Trustees will promptly call a special meeting of Unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there are not Trustees then in office, any Unitholder may call the meeting. The Trustees may, between annual meetings of Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Unitholders, but the number of additional Trustees will not exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of Unitholders.

The Declaration of Trust provides that Trustees will act honestly and in good faith with a view to the best interests of the Unitholders and in connection with that duty will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that each Trustee will be entitled to indemnification from the Fund in respect of the Trustee's power and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of the Unitholders.

Redemption at the Option of Unitholders

Units are redeemable at any time on demand by the holders thereof upon delivery to the Fund of a duly completed and properly executed notice requesting redemption in a form approved by the Trustees specifying the number of Units to be redeemed. As the Units will be issued in Book-Entry Only form, a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to the Fund at its head office and to CDS. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of: (i) 90% of the weighted average price per Unit at which the Units have traded on the principal exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) during the period of the last 10 trading days during which the Units traded on such exchange or market commencing immediately prior to the date on which the Units were tendered for redemption; and (ii) an amount equal to (a) the closing price of the Units on the date on which the Units were tendered for redemption on the principal stock exchange on which Units are listed (or, if Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) if there was a trade on the date on which the Units were tendered for redemption and the stock exchange or market provides a closing price; (b) an amount equal to the average of the highest and lowest prices of Units on the date on which the Units were tendered for redemption on the principal exchange on which the Units are listed (or, if the Units are not listed on any

exchange, on the principal market on which the Units are quoted for trading) if there was trading on the date on which the Units were tendered for redemption and the exchange or other market provides only the highest and lowest trading prices of Units traded on a particular day; or (c) the average of the last bid and ask prices of the Units on the date on which the Units were tendered for redemption on the principal exchange on which the Units are listed (or, if the Units are not listed on any exchange, on the principal market on which the Units are quoted for trading) if there was no trading on the date on which the Units were tendered for redemption.

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment by the Fund within five days after the end of the calendar month in which the Units were tendered for redemption; provided that the entitlement of the Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable in cash by the Fund in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees in respect of all Units to be redeemed in any month); (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole opinion, provides representative fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the date that the Units are tendered for redemption or for more than five trading days during the 10 trading day period prior to the date on which the Units are tendered for redemption; or (iv) the redemption of the Units will not result in the delisting of the Units on the TSX or other stock exchange on which the Units are listed.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then the Redemption Price for each Unit tendered for redemption will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie*. In such circumstances, a pro rata portion of the Holding Trust Units and Series 1 Trust Notes held by the Fund having an aggregate value equal to the Redemption Price will then be redeemed by the Holding Trust in consideration of the issuance to the Fund of Series 2 Trust Notes and Series 3 Trust Notes, respectively. The Series 2 Trust Notes and Series 3 Trust Notes will then be distributed to the redeeming Unitholder in satisfaction of the Redemption Price. No Series 2 Trust Notes or Series 3 Trust Notes in integral multiples of less than $100 will be distributed and where the principal amount of Holding Trust Notes to be received by a Unitholder includes a multiple of less than $100, that principal amount shall be rounded to the next lowest integral multiple of $100. The Fund shall be entitled to all interest paid on the Holding Trust Notes, if any, and distributions paid on the Holding Trust Units on or before the date of the distribution *in specie*. Where the Fund makes a distribution *in specie* of securities of the Holding Trust on the redemption of Units of a Unitholder, the Fund currently intends to allocate to that Unitholder any capital gain or income realized by the Fund as a result of the redemption of Holding Trust Units and Series 1 Trust Notes in exchange for Series 2 Trust Notes and Series 3 Trust Notes, respectively, or as a result of the distribution of Series 2 Trust Notes or Series 3 Trust Notes to the Unitholder on the redemption of such Units.

It is anticipated that the redemption right described above will not be the primary mechanism for holders of Units to dispose of their Units. Series 2 Trust Notes and Series 3 Trust Notes which may be distributed to Unitholders in connection with a redemption will not be listed on any stock exchange, no market is expected to develop in such securities and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Series 2 Trust Notes and Series 3 Trust Notes so distributed may not be qualified investments for Plans, depending upon the circumstances at the time.

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a "mutual fund trust" under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of more than 49% of the Units and Special Fund Units then outstanding. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units or Special Fund Units are resident. If the Trustees become aware that the beneficial owners of at least 49% of the Units and Special Fund Units then outstanding are, or may be, non-residents or that such a situation is imminent, the transfer agent or registrar shall make a public

announcement thereof and shall not accept a subscription for Units or Special Fund Units from or issue or register a transfer of Units or Special Fund Units to a person unless the person provides a declaration that he or she is not a non-resident. If, notwithstanding the foregoing, the Trustees determine that 49% or more of the Units and the Special Fund Units are held by non-residents, the Trustees may send a notice to non-resident Unitholders or Special Unitholders, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or Special Fund Units or a portion thereof within a specified period of not less than 60 days. If the persons receiving such notice have not sold the specified number of Units or Special Fund Units or provided the Trustees with satisfactory evidence that they are not non-residents within such period, the Trustees may, on behalf of such persons, sell such Units or Special Fund Units and, in the interim, shall suspend the voting and distribution rights (if any) attached to such Units or Special Fund Units. Upon such sale, the affected holders shall cease to be holders of the Units or Special Fund Units and their rights shall be limited to receiving the net proceeds of such sale.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time by Special Resolution.

The Trustees may, without the approval of the Unitholders or Special Unitholders, make certain amendments to the Declaration of Trust, including amendments:

a) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the Fund;

b) which, in the opinion of counsel to the Trustees, provide additional protection for Unitholders;

c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders; and

d) which, in the opinion of the Trustees, are necessary or desirable in the interests of Unitholders as a result of changes in Canadian taxation laws.

Exercise of Certain Voting Rights Attached to the Securities of Holding Trust and the General Partner

The Declaration of Trust provides that the Fund will not vote the securities of the Holding Trust or of the General Partner held by it nor will it permit the Holding Trust to vote the securities of the Partnership held by the Holding Trust, to authorize, among other things:

a) any sale, lease or other disposition of all or substantially all of the assets of the Holding Trust, the General Partner or the Partnership, except in conjunction with an internal reorganization or the granting of security in connection with permitted guarantees;

b) any amalgamation, arrangement or other merger of the Holding Trust, the General Partner or the Partnership with any other entity, except in conjunction with an internal reorganization;

c) any material amendment to the Holding Trust Note Indenture other than in contemplation of a further issuance of Holding Trust Notes;

d) the winding-up or dissolution of Holding Trust, the General Partner or the Partnership prior to the end of the term of the Fund, except in conjunction with an internal reorganization; or

e) any material amendment to the Holding Trust Declaration of Trust, the Partnership Agreement, the Shareholders' Agreement or the articles of the General Partner in a manner which may be prejudicial to the Fund or its Unitholders;

without the authorization of the Unitholders by Special Resolution.

The Declaration of Trust also provides that the Fund will exercise the voting rights attached to its securities of the General Partner to elect the Trustees as directors of the General Partner.

Term of the Fund

The Fund has been established for a term to continue until 21 years after the death of the last surviving issue of Her Majesty, Queen Elizabeth II alive on January 3, 2003, or such earlier date as the Unitholders and Special Unitholders, by Special Resolution, require the Trustees to commence to wind-up the affairs of the Fund.

The Declaration of Trust provides that, upon being required to commence to wind-up the affairs of the Fund, the Trustees will give notice to the Unitholders and Special Unitholders, which notice will designate the time or times at which Unitholders and Special Unitholders may surrender their Units for cancellation and the date at which the register of Units will be closed. After the date the register is closed, the Trustees will proceed to wind-up the affairs of Fund as soon as may be reasonably practicable and for that purpose will, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Unitholders and Special Unitholders, sell and convert into money the Holding Trust Units and the Holding Trust Notes and all other assets comprising the Fund in one transaction or a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees will distribute the remaining part of the proceeds of the sale of the Holding Trust Units and the Holding Trust Notes and other assets together with any cash forming part of the assets of the Fund among the Unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any of the Holding Trust Units and Holding Trust Notes or other assets which comprise part of the Fund by the date set for termination, the Trustees may distribute the remaining Holding Trust Units and Holding Trust Notes or other assets in specie directly to the Unitholders in accordance with their pro rata interests, subject to obtaining all required regulatory approvals.

Conflicts

The Declaration of Trust sets forth that, if a Trustee or an officer of the Fund is (i) a party to a material contract or transaction or proposed material contract or transaction with the Fund, or (ii) a director, officer or employee of, or otherwise has material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund, then such individual must disclose in writing to the Trustees or request to have entered in the minutes of meetings of the Trustees the nature and extent of his interest.

In addition, the following matters must be approved by a majority of the Independent Trustees:

(a) any material change to the terms and conditions of the Management Services Agreement or any Franchise Agreement, or any increase in fees or other amounts payable by the Fund thereunder, including the amounts payable to Brookfield Holdings or the Manager thereunder;

(b) any changes in the compensation of the Trustees, the trustees of the Holding Trust or the directors of the General Partner;

(c) the enforcement of or exercise of any discretion under any agreement entered into by the Fund, the Holding Trust, the General Partner or the Partnership with any one or more of (i) a non-independent Trustee, (ii) Brookfield Holdings or any affiliated entity thereof or (iii) any party who acts on a non-arm's length basis with any of the foregoing;

(d) the filling of a vacancy among the independent Trustees;

(e) the entering into of any agreement or arrangement in which Brookfield Holdings or any affiliated entity thereof, a non-independent Trustee or a director or officer of Brookfield Holdings or any

affiliated entity thereof has a material interest or with a party who acts on a non-arm's length basis with any of the foregoing; and

(f) any decision affecting the Fund, the Holding Trust, the General Partner or the Partnership that is related to any claim by or against the Fund, Brookfield Holdings or any affiliated entity thereof.

Unit Certificates

As Fund Units are not intended to be issued or held by any person other than the Corporation, registration of interests in, and transfer of, the Fund Units will not be made through the Book-Entry Only System. Rather, holders of Fund Units are entitled to receive certificates therefor.

DESCRIPTION OF THE HOLDING TRUST

The Holding Trust Declaration of Trust contains provisions substantially similar to those of the Declaration of Trust. The following is a summary of certain provisions of the Holding Trust Declaration of Trust insofar as they differ from those of the Declaration of Trust (See "Description of the Fund"), which does not purport to be complete. Reference is made to the Holding Trust Declaration of Trust and the full text of its provisions.

General

The Holding Trust is a limited purpose trust established under the laws of the Province of Ontario pursuant to the Holding Trust Declaration of Trust. The activities of the Holding Trust are restricted essentially to having investments in the Partnership and such other investments as the Holding Trust Trustees may determine, including all activities ancillary or incidental thereto.

Trustees/Governance

The Holding Trust Declaration of Trust provides that the Holding Trust will have a minimum of three and a maximum of ten trustees. The Holding Trust Trustees are to supervise the activities and manage the investments and affairs of the Holding Trust. The Holding Trust Trustees are the same as the Directors of the Corporation.

The Holding Trust Declaration of Trust provides that, subject to its terms and conditions, the Holding Trust Trustees may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner and shall supervise the activities and manage the investments and affairs of the Holding Trust. The Holding Trust Declaration of Trust prohibits a non-resident of Canada (as that term is defined in the Tax Act) from acting as a trustee. The Holding Trust Trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Holding Trust as a limited partner of the Partnership;
- maintaining records and providing reports to its unitholders;
- supervising the activities of the Holding Trust; and
- effecting payments of available cash from the Holding Trust to its unitholders.

Trustees do not receive any compensation for acting as trustees of Holding Trust.

Distributions

The Holding Trust Declaration of Trust provides that the Holding Trust will make monthly cash distributions to holders of record of Holding Trust Units on the last business day of each month. Such distributions are paid within 30 days following each month-end and are intended to be received by the Fund prior to its related distributions to Unitholders. The Holding Trust Trustees adopted a policy to distribute all of the Holding Trust's available cash, subject to applicable law, to holders of Holding Trust Units by way of monthly cash distributions, after:

- satisfaction of its debt service obligations (principal and interest), including on the Holding Trust Notes;
- satisfaction of its other expense obligations; and
- any cash redemptions or repurchases of Holding Trust Units and Holding Trust Notes.

If the Holding Trust Trustees determine that the Holding Trust does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Series 1 Trust Notes having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Holding Trust Trustees to be available for the payment of such distribution. The value of each Series 1 Trust Note so issued will be the principal amount thereof.

Unit Certificates

As Holding Trust Units are not intended to be issued or held by any person other than the Fund, registration of interests in, and transfer of, the Holding Trust Units will not be made through the Book-Entry Only System. Rather, holders of Holding Trust Units are entitled to receive certificates therefor.

Redemption Right

The Holding Trust Units are redeemable at any time on demand by the holders thereof upon delivery to the Holding Trust of a duly completed and properly executed notice requiring the Holding Trust to redeem the Holding Trust Units in a form approved by the Holding Trust Trustees, together with certificates representing the Holding Trust Units to be redeemed and written instructions as to the number of Holding Trust Units to be redeemed. Upon tender of Holding Trust Units by a holder thereof for redemption, the holder of the Holding Trust Units tendered for redemption will no longer have any rights with respect to such Holding Trust Units other than the right to receive the redemption price for such Holding Trust Units. The redemption price for each Holding Trust Unit tendered for redemption will be equal to:

$$\frac{(A \times B) - C}{D}$$

where:

A = the cash redemption price per Unit calculated as of the close of business on the date the Holding Trust Units were so tendered for redemption by a holder of Holding Trust Units;

B = the aggregate number of Units outstanding as of the close of business on the date the Holding Trust Units were so tendered for redemption by a holder of Holding Trust Units;

C = the aggregate unpaid principal amount and accrued interest thereon of any indebtedness held by or owed to the Fund, and the fair market value of any other assets or investments held by the Fund (other than the Holding Trust Units) as of the close of business on the date the Holding Trust Units were so tendered for redemption by a holder of Holding Trust Units; and

D = the aggregate number of Holding Trust Units held by the Fund outstanding as of the close of business on the date the Holding Trust Units were so tendered for redemption by a holder of Holding Trust Units.

The Holding Trust is also be entitled to call for redemption at any time all or part of the outstanding Holding Trust Units registered in the name of holders thereof other than the Fund at the same redemption price as described above for each Holding Trust Unit called for redemption, calculated with reference to the date the Holding Trust Trustees approve the redemption of Holding Trust Units.

The aggregate redemption price payable by the Fund in respect of any Holding Trust Unit tendered for redemption by the holder thereof during any month will be satisfied, at the option of the Trustees of the Holding Trust in their sole discretion, (i) in immediately available funds by cheque, (ii) by the issuance to or to the order of the holder whose Holding Trust Units are to be redeemed of such aggregate amount of Series 2 Trust Notes as is equal to the aggregate redemption price payable to such holder of Holding Trust Units rounded down to the nearest $100, with the balance of any such aggregate redemption price not paid in Series 2 Trust Notes to be paid in immediately available funds by cheque, or (iii) by any combination of immediately available funds by cheque and Series 2 Trust Notes as the Trustees of the Holding Trust shall determine in their sole discretion, in each such case, payable or issuable on the last day of the calendar month following the calendar month in which the Holding Trust Units were so tendered for redemption. A holder of Holding Trust Units whose Holding Trust Units were tendered for redemption may elect, at any time prior to the payment of the redemption price, to receive Series 2 Trust Notes pursuant to clause (ii) above in the place of all or part of the immediately available funds otherwise payable by cheque, the principal amount of such Series 2 Trust Notes payable to be equal to the immediately available funds otherwise payable by cheque, rounded down to the nearest $100.

Holding Trust Notes

The following is a summary of the material attributes and characteristics of the Holding Trust Notes and is qualified in its entirety by reference to the provisions of the Holding Trust Note Indenture, which contains a complete statement of such attributes and characteristics.

Holding Trust Notes are issuable in Canadian currency, in denominations of $100 and integral multiples of $100. No fractional Holding Trust Notes will be distributed and where the principal amount of Holding Trust Notes to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number.

Series 2 Trust Notes will be reserved by the Holding Trust to be issued exclusively to holders of Holding Trust Units as full or partial payment of the redemption price for Holding Trust Units, as the Holding Trust Trustees may decide or, in certain circumstances, be obliged to issue. Series 3 Trust Notes will be reserved by the Holding Trust to be issued exclusively as full or partial payment of the redemption price for Series 1 Trust Notes in the event of an *in specie* payment of the redemption price for Units redeemed by Unitholders of the Fund.

Interest and Maturity

The Series 1 Trust Notes mature on the 10th anniversary of the date of issuance and bear interest at a rate of one percent per annum, payable in arrears on the 15th day of each calendar month that such Series 1 Trust Note is outstanding. Each Series 2 Trust Note will mature on a date which is no later than the first anniversary of the date of issuance thereof and bear interest at a market rate to be determined by the trustees of the Holding Trust Trustees at the time of issuance thereof, payable in arrears on the 15th day of each calendar month that such Series 2 Trust Note is outstanding. Each Series 3 Trust Note will mature on the same date as the Series 1 Trust Notes and bear interest at a market rate to be determined by the trustees of the Holding Trust at the time of issuance thereof, payable in arrears on the 15th day of each calendar month that such Series 3 Trust Note is outstanding.

Payment Upon Maturity

On maturity, the Holding Trust will repay the Holding Trust Notes by paying to the trustee under the Holding Trust Note Indenture, in cash, an amount equal to the principal amount of the outstanding Holding Trust Notes which have then matured, together with accrued and unpaid interest thereon.

Subordination

Payment of the principal amount and interest on the Holding Trust Notes is subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness, which is defined as all indebtedness, liabilities and obligations of the Holding Trust which are not, by the terms of the instrument creating or evidencing the same, expressed to rank in right of payment in subordination to or pari passu with the indebtedness evidenced by the Holding Trust Note Indenture. The Holding Trust Note Indenture provides that upon any distribution of the assets of the Holding Trust in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to the Holding Trust, the holders of all such senior indebtedness are entitled to receive payment in full before the holders of the Holding Trust Notes are entitled to receive any payment.

The Holding Trust Notes are unsecured debt obligations of the Holding Trust.

Redemption

The Holding Trust Notes are redeemable (at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, payable in cash or, in the case of a redemption of Series 1 Trust Notes on an in specie payment of the redemption price for Units redeemed by Unitholders in Series 3 Trust Notes) at the option of Holding Trust prior to maturity.

Default

The Holding Trust Note Indenture provides that any of the following shall constitute an event of default:

(i) default in payment of the principal of the Holding Trust Notes when the same become due and payable and the continuation of such default for a period of 10 business days;

(ii) default in payment of any interest due on any Holding Trust Notes and continuation of such default for a period of 10 business days;

(iii) default in the observance or performance of any other covenant or agreement under the provisions of the Holding Trust Notes or the Holding Trust Note Indenture and continuance of such default for a period of 30 days after written notice has been given by the trustee specifying such default and requiring Holding Trust to rectify same; and

(iv) certain events of dissolution, liquidation, reorganization or other similar proceedings relative to the Holding Trust.

The provisions governing an event of default under the Holding Trust Note Indenture and remedies available thereunder do not provide protection to the holders of Holding Trust Notes which would be comparable to the provisions generally found in debt securities issued to the public.

DESCRIPTION OF THE PARTNERSHIP

General

The Partnership is a limited partnership established under the laws of the Province of Ontario to own the Partnership Assets, conduct the business of a franchisor of residential property brokerages franchises, take actions consistent with the Management Services Agreement to exploit, to the fullest extent possible, the use of the Trademarks by the Manager and others, to collect Royalties and carry out all activities ancillary and incidental thereto. The following is a summary of the material attributes and characteristics of the LP Units and certain provisions of the Partnership Agreement, which summary is not intended to be complete. Reference is made to the Partnership Agreement and the full text of its provisions for a complete description of the LP Units.

General Partner

The general partner of the Partnership is the General Partner. The directors of the General Partner are required to be the Trustees.

Partnership Units

The Partnership is entitled to issue various classes of partnership interests pursuant to the approval of the General Partner. The Partnership has 9,983,000 Class A LP Units and 3,327,667 Class B LP Units issued and outstanding. All of the Class A LP Units outstanding are held by the Holding Trust. Class A LP Units may also be issued, as described under "Description of the Business — Management Services Agreement", to the Manager in satisfaction of payment of the Determined Amount in respect of Incremental Franchises assigned to the Partnership by the Manager or Brookfield Holdings. All of the Class B LP Units outstanding are held by Brookfield Holdings.

The Partnership issued 3,327,667 Class B LP Units to TBI (a predecessor of Brookfield Holdings) in partial consideration for the Partnership's acquisition of the Partnership Assets from TBI. Class B LP Units, which are issuable in series, may also be issued in respect of other acquisitions made by the Partnership from time to time. The Class B LP Units, except as otherwise noted, have economic and voting rights equivalent in all material respects to the Class A LP Units. The Class B LP Units have the following attributes: (i) the Class B LP Units are exchangeable, indirectly, on a one-for-one basis (subject to customary anti-dilution provisions and as provided under "Description of the Fund — Take-over Bids") for Units at the option of the holder, at any time after the Conversion Date, unless the exchange would jeopardize the Fund's status as a "unit trust" or a "mutual fund trust" under the Tax Act; (ii) each Class B LP Unit entitles the holder thereof to receive distributions from the Partnership, where practicable, pro rata with distributions made by the Fund on a Unit.

After the Conversion Date, distributions to holders of Class B LP Units and Unitholders will be made monthly on a pro rata basis (after funding of cash redemptions and repurchases of Units, if any and expenses of the Holding Trust and the Fund).

The Partnership, the Holding Trust, the Fund, Brookfield Holdings and the Manager have entered into certain agreements to give effect to the terms of the Class B LP Units and the Class A LP Units issued to the Manager pursuant to the Management Services Agreement, including the Exchange Agreement specifying the procedures for the indirect exchange of the Class B LP Units and the Class A LP Units issued to Brookfield Holdings or the Manager for Restricted Voting Shares referred under "Retained Interest" and "Description of the Business — Management Services Agreement".

Distributions

The Partnership will distribute to the General Partner and to limited partners (listed on the record) holding LP Units of the Partnership on the last day of each month their pro rata portions of distributable cash as set out below. Distributions are made on the Class A LP Units within 30 days of the end of each month and are intended to be received by the Holding Trust prior to its related distributions to the Fund, and on the Class B LP Units will be paid monthly. The Partnership may, in addition, make a distribution at any other time.

Distributable cash represents, in general, all of the Partnership's cash, after:

- satisfaction of its debt service obligations (principal and interest), including on the BNY Indebtedness, the CIBC Indebtedness and the Operating Loan;
- satisfaction of its other obligations (including, without limitation, amounts payable to the Manager under the Management Services Agreement); and
- retaining reasonable reserves for administrative and other expense obligations and reasonable reserves for working capital expenditures as may be considered appropriate by the board of directors of the General Partner.

Allocation of Net Income and Losses

The income or loss of the Partnership for each fiscal year will be allocated to the General Partner and to the limited partners as to 0.001% and 99.999%, respectively. The income for tax purposes of the Partnership for a particular fiscal year will be allocated to each limited partner by multiplying the total income allocated to the limited partners by a fraction, the numerator of which is the total sum of the cash distributions received by that limited partner with respect to that fiscal year (taking into account, without limitation, any non-payment of distributions to holders of Class B LP Units during the year pursuant to the subordination described above under "Description of the Partnership — Partnership Units") and the denominator of which is the total amount of the cash distributions made by the Partnership to all limited partners with respect to that fiscal year. The amount of income allocated to a limited partner may exceed or be less than the amount of cash distributed by the Partnership to that limited partner.

Income and loss of the Partnership for accounting purposes is allocated to each partner in the same proportion as income or loss that is allocated for tax purposes.

If, with respect to a given fiscal year, no cash distribution is made by the Partnership to its partners, or the Partnership has a loss for tax purposes, one twelfth of the income or loss, as the case may be, for tax purposes of the Partnership for that fiscal year will be allocated to the General Partner and the limited partners at the end of each month ending in that fiscal year, as to 0.001% and 99.999%, respectively, and to each limited partner in the proportion that the number of LP Units held at each of those dates by that limited partner is of the total number of LP Units issued and outstanding at each of those dates (for such purposes treating all classes of limited partners as one).

Reimbursement of General Partner

The Partnership reimburses the General Partner for all direct costs and expenses incurred in the performance of its duties under the Partnership Agreement on behalf of the Partnership.

Limited Liability

The Partnership operates in a manner as to ensure to the greatest extent possible the limited liability of the limited partners. Limited partners may lose their limited liability in certain circumstances. If limited liability is lost by reason of the negligence of the General Partner in performing its duties and obligations under the Partnership Agreement, the General Partner will indemnify the limited partners (each in respect of its own actions and inactions only) against all claims arising from assertions that their respective liabilities are not limited as intended by the Partnership Agreement. However, since the General Partner has no significant assets or financial resources, this indemnity may have nominal value.

Transfer of Partnership Units

LP Units are fully transferable. However, an LP Unit is not transferable in part and no transfer of an LP Unit will be accepted by the General Partner unless a transfer form, duly completed and signed by the registered holder of the LP Unit and the transferee, has been remitted to the registrar and transfer agent of the Partnership. A

transferee of the LP Unit will become a limited partner and will be subject to the obligations and entitled to the rights of a limited partner under the Partnership Agreement on the date on which the transfer is recorded. Class B LP Units will only be transferable as described under "Retained Interest".

DESCRIPTION OF THE GENERAL PARTNER

General

The General Partner is a corporation established under the laws of the Province of Ontario to act as the General Partner of the Partnership. The Fund and Brookfield Holdings own 75% and 25%, respectively, of the outstanding shares of the General Partner. Pursuant to the Shareholders' Agreement, in the event that the Management Services Agreement is terminated, Brookfield Holdings will sell all of its shares in General Partner to the Fund or such other person as the Fund directs.

Functions and Powers of the General Partner

The General Partner has the authority to manage the business and affairs of the Partnership, to make all decisions regarding the business of the Partnership and to bind the Partnership in respect of any such decision. The General Partner is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Partnership and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances.

The authority and power to be vested in the General Partner to manage the business and affairs of the Partnership include all authority necessary or incidental to carry out the objects, purposes and business of the Partnership, including the ability to engage agents to assist the General Partner to carry out its management obligations and administrative functions in respect of the Partnership and its business. Pursuant to the Management Services Agreement, the Manager will be actively engaged in the business of the Partnership, be responsible for, and have authority in, assisting the General Partner in the management of the business and affairs of the Partnership and performs such additional specific duties in connection with the business of the Partnership as provided in the Management Services Agreement. See "Description of the Business — Management Services Agreement". The Manager provides ongoing and regular consultation and management services to the Partnership as to the operation and management of the business of the Partnership, in addition to the assistance provided to the General Partner.

The Partnership Agreement provides that all material transactions and agreements involving the Partnership must be approved by the General Partner's board of directors and, where those agreements involve Brookfield Holdings or any affiliated entity or associate thereof, they must be approved by a majority of the Independent Trustees who are directors.

Restrictions on Authority of the General Partner

The authority of the General Partner is limited in certain respects under the Partnership Agreement and the Shareholders' Agreement. The General Partner is prohibited, without the prior approval of the other partners given by Partnership Special Resolution, from dissolving the Partnership, winding up its affairs or selling, exchanging or otherwise disposing of all or substantially all of the assets of the Partnership (otherwise than in conjunction with an internal reorganization).

Withdrawal or Removal of the General Partner

The General Partner may not be removed as general partner of the Partnership unless:

- the shareholders or directors of the General Partner pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding-up of the General Partner, or the General Partner commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided that certain other conditions are satisfied, including a requirement that a successor general partner agrees to act as general partner under the Partnership Agreement; or

- a Partnership Special Resolution approving such removal has been passed and a successor general partner agrees to act as general partner under the Limited Partnership Agreement.

If the General Partner withdraws or is removed as the general partner of the Partnership for any reason, a successor general partner of the Partnership may be appointed only if (i) such successor has been approved by a Partnership Special Resolution, and (ii) the successor general partner has the same relative ownership and board composition as the General Partner.

Restrictions Respecting Amendment

The Partnership Agreement may not be amended in any way which would or might adversely affect the rights or obligations of any class of partners (including, for greater certainty, amendments which do not deal specifically by their terms with a class of units, but nevertheless affect the rights and/or obligations of holders of that class) including, without limitation, amendments that affect the voting rights, distribution entitlements, or liabilities of that class without the consent of such class of partners given by ordinary resolution at a duly constituted meeting or a written resolution of partners holding a majority of the Partnership interests of such class entitled to vote at a duly constituted meeting.

Shareholders' Agreement

TBI (a predecessor to Brookfield Holdings), the Fund and the General Partner have entered into the Shareholders' Agreement in respect of the General Partner, dated August 7, 2003.

Directors

The Shareholders' Agreement provides that the members of the board of directors of the General Partner shall at all times be the Trustees.

The directors of the General Partner are not entitled to compensation for acting as such, but participate in the Fund’s insurance and indemnification arrangements and are reimbursed for out-of-pocket expenses for attending meetings.

Amendment

The Shareholders' Agreement provides that it can only be amended, modified or waived with the approval of the General Partner, the Fund, Brookfield Holdings and the holders of LP Units by Partnership Special Resolution. Any amendment that would adversely affect the rights and obligations of a particular securityholder in a manner different from all other similarly situated securityholders, or would create or increase liability of a securityholder, requires the approval of each particularly affected securityholder in order to be effective against that person.

The board of directors of the General Partner has established the following committees:

Audit Committee.

The Audit Committee consists of four directors, each of whom is an Independent Trustee who is a director, and is responsible for monitoring the Partnership's financial reporting, accounting systems and internal controls, and liaising with external auditors.

Governance Committee.

The Governance Committee consists of four directors, all of whom are Independent Trustees who are directors, and are responsible for:

(a) considering, and providing a recommendation on, any conflict of interest involving Brookfield Holdings or any of its affiliated entities and the Partnership (including any matter involving the Shareholders' Agreement, the Management Services Agreement, the Partnership Assets, the LP Units, the La Capitale License Agreement and the Royal LePage Sub-License Agreement) before such conflict of interest is approved by the board of directors of the General Partner;

(b) annually reviewing:

- the performance of the Manager as manager under the Management Services Agreement, including its business plans and prospects for the ensuing year;
- the performance of the management of the Manager; and
- adjustments to be made pursuant to the Management Services Agreement;

(c) developing the Partnership's approach to governance issues;

(d) advising the board in filling vacancies on the board; and

(e) periodically reviewing the composition and effectiveness of the board and the contribution of individual directors.

CREDIT FACILITIES

BNY Notes, CIBC Term Facility and Operating Loan

On February 18, 2005, the Partnership completed the issuance of $38.0 million of BNY Notes. The original BNY Notes matured on February 17, 2010. On February 17, 2010 the Partnership issued $32.7 of BNY Notes, bearing interest at a rate of 5.809% per annum, payable quarterly in arrears, and maturing on February 16, 2015. The net proceeds of the issuance of the BNY Notes issued on February 17, 2010 were used to refinance the maturing BNY Notes.. Each of the BNY Notes issued pursuant to the BNY Trust Indenture rank equally with each other. The BNY Trust Indenture also provides for the issuance of additional notes in the future. The BNY Indebtedness has been guaranteed by the Holding Trust pursuant to a limited recourse guarantee. The BNY Indebtedness is secured by a general security interest in all of the assets of the Partnership and the General Partner, as well as security interests in certain of the material contracts of the Partnership and a pledge by the Holding Trust of all of the units of the Partnership owned by the Holding Trust. Pursuant to the BNY Trust Indenture, the Partnership is subject to customary terms and conditions for indebtedness of this nature, including limits on incurring additional indebtedness, granting liens, selling assets and paying distributions. The Partnership is required to maintain a minimum specified ratio of adjusted EBITDA to senior interest expense, and a maximum specified ratio of senior indebtedness to adjusted EBITDA.

On August 6, 2010 the Corporation established the $2.0 operating loan a $2.0 Operating Loan with CIBC, replacing a similar facility previously maintained with Royal Bank of Canada. The Partnership pays fees for the Operating Loan of 0.5% to 0.625% based on the ratio of the total debt to the adjusted EBITDA of the Partnership. Interest is payable at the prime rate of the administrative agent of the Lenders plus 1.5% or the BA Rate plus 3.0%. The Operating Loan provides the Partnership with working capital required from time to time and will be used by the Partnership to normalize distributions in the manner described under "Description of the Business — Distribution Policy". The Operating Loan and BNY Notes are subject to events of default usual for loans of this nature.

The CIBC Indebtedness has been guaranteed by the Holding Trust pursuant to a limited recourse guarantee. The CIBC Indebtedness is secured by a general security interest in all the assets of the Partnership and the General Partner, as well as security interests in certain of the material contracts of the Partnership and a pledge by the Holding Trust of all of the units of the Partnership owned by the Holding Trust. Pursuant to the CIBC Term Facility credit agreement, the Partnership is subject to customary terms and conditions for indebtedness of this nature,

including limits on incurring additional indebtedness, granting liens, selling assets and paying distributions. The Partnership is required to maintain a minimum specified ratio of adjusted earnings before interest, taxes, depreciation and amortization ("**EBITDA**") to senior interest expense, and a maximum specified ratio of senior indebtedness to adjusted EBITDA. The security held by CIBC will rank equally with the security in favour of BNY, as trustee, on behalf of the holders of BNY Notes and security in favour of the CIBC in connection with the Operating Loan.

Security

The BNY Indebtedness, the CIBC Indebtedness and the indebtedness and liability of the Partnership under the Operating Loan have been guaranteed by the Holding Trust, the Via Capitale L.P., 4541219 and the General Partner (with recourse limited, in the case of the Holding Trust, to LP Units) and has been secured by a first ranking security interest in all of the assets of the Partnership, the Via Capitale L.P., 4541219 and the General Partner, including the Partnership Assets and the rights and interest of the Partnership and the Via Capitale L.P. in the Management Services Agreement referred to under "Description of the Business — Management Services Agreement". The indebtedness secured by such security interests (including the BNY Indebtedness, the CIBC Indebtedness and the Operating Loan and any interest rate hedging facility) rank senior to all other indebtedness of the Partnership.

Restrictive Covenants

So long as any BNY Notes remain outstanding the Partnership will not, and will not permit any material subsidiary to (i) directly or indirectly incur, issue, create, assume, guarantee or otherwise be or become directly or indirectly liable for any senior indebtedness unless, after giving effect to such incurrence, issuance, creation, assumption or guarantee, no Default or Event of Default shall occur or be continuing at such time or as a result thereof; (ii) create, issue, incur, assume, have outstanding or permit to exist any liens on any of its property, other than liens permitted under the BNY Trust Indenture; (iii) directly or indirectly, make any asset sales to any Person of any of its property if at such time, or after giving effect to such asset sale, a Default or Event of Default has occurred and is continuing or would, or would reasonably be expected to occur as a result of such asset sale; (iv) directly or indirectly, make any asset sales to any Person of any of its property in excess of $500,000 in any one fiscal year; provided that the Partnership and the material subsidiaries shall be permitted to dispose of Franchise Agreements, including an exchange of Franchise Agreements, where the net proceeds thereof to the Partnership and the material subsidiaries (after taking into account the costs of the acquisition of any Franchise Agreements by the Partnership and the material subsidiaries) in any one Fiscal Year exceeds $500,000, but does not exceed $2,000,000, provided that (A) notice thereof has been given to the BNY Trustee and the noteholders within 30 days after the closing of each such transaction, setting forth the details of the sale or acquisition (or exchange), (B) the calculation of the respective acquisition prices of the Franchise Agreements in the case of an exchange is consistent as between the Franchise Agreements being sold and those being acquired, and (C) the net proceeds thereof in excess of $500,000, in aggregate, in any one Fiscal Year (the "**Excess Net Proceeds**") must be reinvested by the Partnership in the Partnership's or a material subsidiary's business. If less than all of the Excess Net Proceeds are reinvested in the Partnership's or its material subsidiaries' business (such non-reinvested portion being the "**Non-Reinvested Amount**"), within 30 days after the end of the Fiscal Year, the Partnership will use the Non-Reinvested Amount to rateably repay outstanding senior indebtedness of the Partnership or a material subsidiary and, if the Partnership elects to redeem Notes, such redemption shall be made in accordance with the terms hereof, on a *pro rata* basis, equal to the Non-Reinvested Amount, at a purchase price per BNY Note equal to the greater of the Canada Yield Price and par, together in each case with accrued and unpaid interest to the date of payment. At the request of the Partnership, the Trustee shall promptly upon the sale thereof release and discharge the security as to any assets the sale of which is permitted or not prohibited; (v) enter into a sale and leaseback transaction unless after giving effect to such sale and leaseback transaction, no Default or Event of Default has occurred and is continuing or would, or would reasonably be expected to occur as a result of such sale and leaseback transaction and such sale and leaseback transaction complies with the limitation on asset sales; (vi) enter into or undertake any merger, reconstruction, reorganization, recapitalization, combination, statutory arrangement, consolidation, amalgamation, liquidation, dissolution or winding-up or other similar transaction or arrangement or any asset sale whereby all or substantially all of the undertaking, property and assets of the Partnership or of a material subsidiary (as an entirety or substantially as an entirety in one transaction or a series of related transactions) would become the property of

another Person (any of the foregoing being herein referred to as a "**Transaction**" and any such Person being herein referred to as a "**Successor**"), unless: (A) prior to or contemporaneously with the completion of the Transaction, the Successor will be bound by, and will have expressly assumed, all of the covenants and obligations of the Partnership and each material subsidiary, as applicable, under each of the transaction documents to which the Partnership or such material subsidiary is a party, and each of those transaction documents will be a legal, valid and binding obligation of the Successor, enforceable against the Successor in accordance with its terms; (B) the Successor is a solvent corporation, partnership, trust or other form of entity, validly existing under the federal Laws of Canada or the Laws of a province or territory of Canada; (C) the liens created by the Security will continue to be liens against the property of the Successor in substantially the same manner and to the same extent and priority as existed immediately prior to such transaction; (D) the transaction is on such terms, and carried out in such manner, as to preserve and not to impair, and to have no material adverse effect on, any of the rights and powers of the BNY Trustee and the BNY noteholders or otherwise under the transaction documents; (E) no Default or Event of Default will have occurred and be continuing immediately prior to that transaction and no Default or Event of Default would, or would reasonably be expected to occur as a result of that transaction; and (F) prior to or contemporaneously with the completion of the transaction, the Successor will have executed and delivered, or caused to have been executed and delivered, to the Trustee and the Noteholders a legal opinion of Counsel; (vii) make or give effect to any distribution if a Default or an Event of Default has occurred and is continuing, or if such distribution would, or would reasonably be expected to result in a Default or an Event of Default. In addition, the Partnership will not, and will not permit any material subsidiary to, make or give effect to any distribution unless after giving effect to such distribution, the aggregate amount of all distributions since August 6, 2003 does not exceed an amount equal to the aggregate of all distributable cash since August 6, 2003; (viii) materially modify, alter, amend, extend, renew or replace their respective constating documents or by-laws unless any such action would not have or would not reasonably be expected to have a Material Adverse Effect; (ix) engage in transactions with any Affiliates on terms that, on an overall basis, are materially less favourable to the Partnership, on a consolidated basis, than with an unrelated third party, excluding any transactions in accordance with the terms of the Management Services Agreement (as in effect on the date hereof) and except for any contract or transaction which involves the sale, lease or other disposition of property to transferees which are the Partnership and/or wholly-owned subsidiaries; (x) any amendment, termination, surrender or variation of any Material Contract or grant any waiver of the provisions of any Material Contract if such amendment, termination, surrender, variation or waiver would result in, separately or in the aggregate, a Material Adverse Effect.

RETAINED INTEREST

The Class B LP Units owned by Brookfield Holdings represent a 25% interest in the Partnership and, if all such Class B LP Units were indirectly exchanged for Restricted Voting Shares, they would represent a 26.0**%** interest in the Corporation.

EXCHANGE RIGHTS

TBI (a predecessor to Brookfield Holdings), the Fund, the Holding Trust, the General Partner, the Partnership and the Manager entered into the Exchange Agreement dated August 7, 2003. The Exchange Agreement was amended on December 31, 2010 to give effect to the conversion of Fund Units into Restricted Voting Shares in the capital of the Corporation. The Exchange Agreement provides Brookfield Holdings and the Manager (or a party to whom Class B LP Units or Class A LP Units of the Partnership held by Brookfield Holdings or the Manager are transferred) the right, to require the Holding Trust, the Fund and the Corporation to directly or indirectly exchange Class B LP Units and/or Class A LP Units for Restricted Voting Shares of the Corporation on the basis of one Restricted Voting Share of the Corporation for each Class B LP Unit and/or Class A LP Unit exchanged, provided that the exchange will not jeopardize the Fund's status as a "unit trust", or "mutual fund trust" under the Tax Act or result in the Units being considered "foreign property" for the purposes of the Tax Act.

The exchange procedure will be initiated by Brookfield Holdings or the Manager delivering to the General Partner as escrow agent under the Exchange Agreement a unit certificate in respect of the Class B LP Units and/or Class A LP Units to be exchanged, duly endorsed in blank for transfer.

The Class B LP Units and the Class A LP Units issued to Brookfield Holdings or the Manager or an affiliate thereof are subject to certain anti-dilution protections providing for adjustment of the exchange ratio applicable to the exchange of LP Units pursuant to the Exchange Agreement upon the occurrence of certain events, including subdivision or consolidation of the outstanding Restricted Voting Shares, any reclassification of the Restricted Voting Shares outstanding, any capital reorganization of the Fund or any consolidation, amalgamation, merger or other form of business combination of the Corporation with or into any other entity.

The Exchange Agreement may be assigned in whole or in part by Brookfield Holdings or the Manager only in connection with a sale by Brookfield Holdings or the Manager, as the case may be, of LP Units.

Brookfield Holdings and the Manager have been granted demand and "piggy-back" registration rights by the Corporation. These rights enable Brookfield Holdings or the Manager to require the Corporation to file a prospectus and otherwise assist with a public offering of Restricted Voting Shares held by Brookfield Holdings or the Manager or an affiliate thereof, as the case may be, subject to certain limitations. The Fund's expenses will be borne by Brookfield Holdings and/or the Manager (or on a proportionate basis if both Brookfield Holdings and/or the Manager and the Corporation are selling Restricted Voting Shares) pursuant to the terms and conditions of the Registration Rights Agreement. In the event of a "piggy-back" offering, the Corporation's financing requirements are to take priority.

DISTRIBUTIONS

Distributions per Unit for last three fiscal years

The following table sets forth the aggregate distributions declared in respect of the Units for each of 2011, 2010 and 2009

Period	Distributions Per Unit
2011	**$1.10**
2010**	**$1.60**
2009*	**$1.44**

** includes a $0.20 special distribution paid in 2011. The special distribution is being declared because the Fund expected that taxable income generated in 2010 would exceed the aggregate monthly cash distributions declared by the Fund and, as required by the Fund’s Declaration of Trust, the Fund is obligated to distribute all taxable income within a calendar year.

* includes a $0.04 special distribution paid in 2010. The special distribution is being declared because the Fund expected that taxable income generated in 2009 would exceed the aggregate monthly cash distributions declared by the Fund and, as required by the Fund’s Declaration of Trust, the Fund is obligated to distribute all taxable income within a calendar year.

MARKET FOR SECURITIES

The Restricted Voting Shares are currently listed for trading on the TSX under symbol BRE. None of the units of the Fund, units of the Partnership, units of Via Capitale L.P., shares of the General Partner, shares of 4541219, units of RL RES Holding Trust or the Holding Trust Notes are listed for trading on a recognized exchange nor is there a market for such securities. The following table sets forth the price ranges and volume traded for Fund Units on the TSX for each month during 2011:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
High	$ 16.49	$ 15.38	$ 15.45	$ 15.67	$ 15.27	$ 14.85	$ 14.50	$ 14.15	$ 13.25	$ 13.65	$ 13.87	$ 13.45
Low	$ 14.40	$ 14.69	$ 14.70	$ 14.75	$ 14.55	$ 12.85	$ 13.75	$ 12.30	$ 12.00	$ 11.40	$ 12.26	$ 11.90
Close	$ 14.97	$ 14.75	$ 15.38	$ 15.09	$ 14.85	$ 13.82	$ 14.16	$ 13.50	$ 12.25	$ 13.44	$ 13.06	$ 12.59
Avg Daily Volume	20,614	9,020	6,991	6,809	6,187	13,227	9,166	7,991	6,830	14,430	4,216	12,625

DIRECTORS AND OFFICERS OF THE CORPORATION

The section entitled "Directors and Officers of the Corporation" contained in the Corporation's Management Information Circular dated March 9, 2012 is incorporated herein by reference.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The section entitled "Interest of Informed Persons in Material Transactions" contained in the Corporation's Management Information Circular dated March 9, 2012 is incorporated herein by reference.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Corporation is CIBC Mellon Trust Company, 320 Bay Street, P.O. Box 1, Toronto, Ontario, M5H 4A6.

MATERIAL CONTRACTS

The following is a list of material contracts to which the Corporation is a party, or which, by their operation, is material to the Corporation, particulars of which are disclosed above:

Arrangement Agreement

BNY Trust Indenture and related security documentation

CIBC Term Facility and related security documentation

Declaration of Trust

Exchange Agreement

Holding Trust Declaration of Trust

Holding Trust Note Indenture

La Capitale License Agreement

Royal LePage License Agreement

Management Services Agreement

Partnership Agreement

Shareholders' Agreement among TBI, the Fund and the General Partner, in respect of the General Partner, dated August 7, 2003

RISK FACTORS

Risks Related to the Residential Resale Real Estate Brokerage Industry and the Business of the Partnership and the Fund

Residential Real Estate Resale Industry

The performance of the Corporation is dependent upon receipt of the Royalties. Royalties in turn are ultimately dependent on the level of residential resale transactions. The real estate industry is affected by all of the factors affecting the economy in general, including changes in interest rates, unemployment and inflation. In addition, the Corporation could be affected by the aging network of real estate agents and brokers across the country. The average age of a top-performing Agent, according to the National Association of Realtors in the United States, is approaching 50, and the average age of a Broker-owner is over 50. Agents are predominantly independent contractors and can terminate their independent contractor agreements with the respective franchise at any time. In addition, pressure on the rate of commissions charged to the consumer could adversely affect the Corporation. The popularity of internet use by real estate consumers has led to a questioning of the value of traditional real estate services.

Competition

Royal LePage and Via Capitale compete with other national brands in Canada as well as a diminishing number of local independent companies. The competing franchisors have excellent brand recognition nationally, as well as the perception within the industry of having comparable technology and agent and broker tools, and extensive marketing plans and resources. Different fee structures offered by competing franchisors allow for extensive annual marketing and media campaigns and greater brand recognition among consumers. The competing franchisors that originated in the U.S. have the advantage of spillover from U.S. television advertising.

The recent focus of the Competition Bureau has attracted new entrants, offering different value propositions from the Corporation’s brands. In particular, there has been an expansion in the discount brokerage segment of the market. At present, discount brokerage continues to compete within the low-fee, narrow service segment of the Canadian real estate market. It has not had a substantive impact on the Company’s financial performance to date. It is expected that the impact of discount brokerage models will be largely contained to this market segment, as opposed to the full service brokerage segment in which Company businesses operate. Longer-term, it is anticipated that consumers will continue to look to professionals to guide them through the home buying and selling process.

Demographics, Interest Rates, Economy, Consumer Confidence

A substantial portion of the attrition in Agents experienced in the Franchise Network during 2011 occurred in our Quebec franchise operations as the introduction of new Real Estate Regulations significantly increased the educational requirements and association costs. Consequently, fewer new Agents entered the industry. The

introduction of these regulations directly impacted our Quebec-based franchisees as the typical turnover and replacement of non-producing Agents with new Agents experienced by our franchises did not occur. In addition to the attrition in the Quebec market the Company also experienced a modest decrease in the BC market due primarily to the non-renewal of a limited number of franchise agreements.

Market transactional dollar volume for the twelve months ended December 31, 2011 closed up 10% from December 31, 2010, driven by a 7% increase in selling price and a modest increase in home sale activity of 3%. For the three months ended December 31, 2011, transactional dollar volume was up 11% over the same period in 2010, driven by an 4% and a 7% increase in selling price and home sale activity, respectively. The steady increase in selling price is largely driven by the consistent shortage of listings, resulting in competition among home buyers for the Year and Quarter; and low interest rates which continues to draw home buyers to the Market.

A secondary market is the aging empty nest baby boomer opting for a lifestyle change to urban condominium living. Immigration is also playing an important role in the real estate market. Increased interest rates, unemployment and inflation over an extended period of time may have a negative effect on consumer confidence and make house purchases less affordable for first time buyers and less appealing for move up buyers.

Commission Rate

The rate of commission charged to home sellers has dropped over the past several years due to a number of factors. With most Agents in Canada being independent contractors, the decision as to what rate to charge rests solely with the Agent rather than the Broker-owner. As a result, the rate of commission charged has dropped from a rate of approximately 6% in the early 1980s to an estimated rate of just under 5% based on internal information. Additionally, the number of discount and fee for service companies has grown over the past few years and discount brokerage operations have been active in Canadian residential resale real estate for many years. The ability of agents to compete by advertising commission rates may put further downward pressure on client commission rates. The performance of the Corporation could be adversely affected if commission rates continue to fall.

Additional Franchises and Franchise Operations

The growth of Royalties is dependent upon the ability of the Manager to maintain and grow the Franchise Networks, and to execute its current growth strategy for both increasing the number of Franchisees and assigning them to the Partnership and recruiting new and existing Agents to Franchise Network offices. If the Manager is unable to attract qualified Franchisees, distributable cash could be adversely affected. The slowing of growth could lead potential and existing Franchisees to begin to look elsewhere for better brand opportunities. The growth of the franchise network through adding new Franchisees is somewhat dependent upon available qualified Brokers in desirable locations and new Brokers wishing to start up a real estate brokerage or purchase an existing one.

The Closure of Franchises May Affect the Amount of Royalties

The amount of Royalties payable by the Franchisees is dependent both upon the number of Franchisees and the number of Agents registered with each Franchisee. The closure or failure or downsizing of a Franchise office will negatively affect the amount of the Royalties. Closure of an office could be the result of an aging Broker-owner being unable to sell or transfer his existing business to a new owner. The failure of an office could be the result of a downturn in the economy or the closure or bankruptcy of a large industry in the city or town where the Broker-owner operates. Any one of the above mentioned factors could result in the exit of top producing Agents to competitors.

Dependence on Key Personnel

The success of the Partnership is largely dependent on the personal efforts of senior management of the Manager. The real estate industry is a people and service-oriented business. The loss of key senior management personnel, in either the franchise sales or services area could have a material adverse effect on the revenue generated by the Partnership.

Intellectual Property

The ability of the Partnership to maintain and increase revenue will depend on its ability to maintain its brand equity through the use of the Trademarks. All registered trademarks in Canada can be challenged pursuant to provisions of the *Trademarks Act* (Canada) and the successful challenge of any of the Trademarks could have an adverse effect on Royalties and Agent retention. None of the Trademarks have been successfully challenged in the past and the Manager has no reason to believe that there will be any such challenges in the future, or, if challenged, that such challenges would be successful.

The Partnership does not own the Royal LePage Trademarks which are trademarks of the Canadian chartered bank affiliate of The Royal Trust Company. The Royal Trust Company has the exclusive right to use those trademarks and to authorize others through sub-license to use the Royal LePage Trademarks. Royal LePage Limited has obtained the exclusive rights to use the Royal LePage Trademarks, including the "Royal LePage" name and logo, in connection with its business of providing, in Canada, real estate services and those related financial services offered by Royal LePage Limited which relate to the purchase and sale of real estate, pursuant to the Licence Agreement. The rights to use the Royal LePage Trademarks in connection with the Business have been sub-licensed by Royal LePage Limited to Brookfield Holdings on a royalty-free basis and the rights of Brookfield Holdings under the sub-license were assigned to the Partnership on August 7, 2003. There can be no assurance that the Royal Trust Company will renew the license to use the Royal LePage Trademarks when the master license agreement governing such use expires in December, 2027. Any loss of the right of the Partnership to use the Royal LePage Trademarks could have a material adverse effect on the revenue generated by the Partnership.

The Partnership does not own the La Capitale Trademarks which are trademarks of La Capitale Assurances MFQ Inc.. Via Capitale has obtained the rights to use the La Capitale Trademarks, including the "La Capitale" name and logo, in connection with its business of providing real estate brokerage services in Canada. The rights to use the La Capitale Trademarks will expire on October 27, 2012. In a consultative process with Via Capitale's franchisees and brokers, the Corporation addressed this issue with the successful launch of La Capitale as Via Capitale on March 7, 2011. No assurances can be given that the Via Capitale trademarks will be as successful in the market as the La Capitale Trademarks.

Internet usage and Virtual Office Websites

The increasing popularity of the use of the internet by real estate consumers has led to a questioning of the value of traditional real estate services.

In addition, the potential use of Virtual Office Websites (VOW's) could reduce Broker-owner and Agent productivity as VOW's allow Agents and brokers to advertise listings that they do not own and as such could lead to establishing homebuyer relationships they may not have otherwise been able to gain. Further, providers of VOW technology solutions also provide agent websites, which could reduce related Corporation web service fees.

Competition Tribunal

The Canadian Competition Bureau filed an application with the Competition Tribunal on February 8, 2010 alleging, in essence that the Canadian Real Estate Association ("CREA") used its control of the relevant trademarks to prevent competition from developing in the supply of less than full service brokerages services to homeowners.

On October 24, 2010, the Canadian Competition Bureau (the "Bureau") and the Canadian Real Estate Association ("CREA") reached a negotiated settlement (the "Agreement") in response to allegations that CREA had imposed rules related to the MLS® that limited consumer choice and prevented innovation in the Market for residential real estate brokerage services to home owners in Canada.

On May 27, 2011, the Competition Bureau announced that it had filed an application with the Competition Tribunal seeking to prohibit potentially anti-competitive practices by the Toronto Real Estate Board ("TREB"). On August 19, 2011, TREB responded to the Competition Bureau's concerns by following through on its commitment to developing a virtual office website policy. Notwithstanding the official response received from TREB, the

Competition Bureau continues to pursue its investigation of perceived anti-competitive TREB practices pursuant to its application with the Competition Tribunal, filed in May 2011.

On November 2, 2011, the Competition Tribunal accepted CREA's application for leave to intervene and is willing to hear the proceedings the Competition Bureau has brought against TREB for anti-competitive practices. The Corporation does not believe that the Competition Bureau's dispute with TREB will have a material adverse impact on its business. Agents and their clients want to be able to advertise their listed properties in the most effective manner, whether this be on the Realtor.ca website (operated by MLS) or some other alternative.

Government – Mortgage Lending Rules

In 2010, the Market was impacted by two announcements by the Government concerning the tightening of mortgage and lending rules, which were designed to help protect consumers from becoming over-leveraged and reducing the exposure of loan losses to the financial system. These rule changes are as follows:

- The Government will no longer insure mortgages with amortization periods greater than 30 years.
- The maximum amount a homeowner is permitted to withdraw when refinancing a mortgage will be lowered to 85% from 95% of the value of the home.
- The Government will no longer provide insurance against personal lines of credit.
- Borrowers are required to qualify for a five-year fixed-rate mortgage, irrespective of the type of mortgage they choose, including a lower variable rate. Prior to the announcement, lenders could use the three-year fixed rate when qualifying a mortgage.
- To qualify for mortgage insurance, the required down payment on a non-owner-occupied property purchased for investment purposes increased to 20% from 5%.

The intent of these rules is that the Government and the Canada Mortgage and Housing Corporation ("CMHC") will continue to insure against high-ratio mortgages provided that a mortgage is used to finance the purchase of a principal residence and provided that a mortgage is steadily paid down until the risk of default is substantially mitigated. These rules commenced in the second quarter of 2010. .

Regulatory – Quebec Real Estate Regulations

Under Quebec's new *Real Estate Brokerages Act*, which came into effect on May 1, 2010, all brokers in the province of Quebec (formerly called agents) were required to pay significantly increased licence fees commencing in September 2010. In addition, the Act introduced a more rigorous educational requirement for prospective REALTORS® in the province, which resulted in the doubling of the time and financial investment required to become a REALTOR ®. One may have expected these changes to result in increased organic growth for the industry and the Corporation in the early part of 2010 as prospective REALTORS® sought to complete their educational requirements before September 2010, with a subsequent reduction in REALTORS® as the higher fees and more rigorous educational requirements came into effect. In 2010, this may have indeed been the case as the number of agents in Quebec increased by 6.2% to the end of September and then increased by 1.0% to the end of the year, for a net increase of 7.2%. During this period, the Corporation experienced an increase of 1.8%, followed by a decline of 0.3%, for a net change of 1.5% in the number of Agents; this was lower than the growth experienced by the overall Quebec market, due in part to an increased number of REALTORS® in Quebec who opted to operate independently of a brokerage, as permitted under the new legislation. The decrease in Agents in the Corporation's Franchise Network in 2011 is primarily attributed to the increased education and costs of association for Quebec based agents, which has resulted in a decline in new agents entering the Quebec market.

Potential Litigation and Other Complaints

The Partnership could from time to time be the subject of complaints or litigation from members of the public complaining about poor service, misrepresentation, or other legal issues. The Partnership could also be the subject of complaints or litigation from its Franchisees or Agents complaining about franchise contract issues or other operational issues. Adverse publicity resulting from such allegations may materially affect revenue to brokers and franchisee fees, whether the allegations are true or not, and whether the Partnership or a Franchisee is ultimately held liable.

Dependence of the Corporation on the Partnership

The Corporation is a limited purpose entity that is entirely dependent on the operations and assets of the Partnership through the indirect ownership of LP Units. The cash dividends to the Shareholders are dependent upon the ability of the Partnership to make distributions on the LP Units.

Dependence of the Partnership on Franchise Operations and the Management Services Agreement

The only sources of revenue of the Partnership are the Royalties payable to it by Franchisees and Agents. Pursuant to the Management Services Agreement, the Manager collects Royalties on behalf of the Partnership and is principally responsible for building and supporting the network of Franchises which will determine the amount of Royalties. The Partnership is, therefore, indirectly subject to the risks encountered by the Manager in the operation of its business, including financial risks and risks relating to the real estate brokerage industry summarized above to the extent that the Manager is impaired in its ability to fulfill its obligations under the Management Services Agreement or otherwise to support the network of Franchisees. In addition, pursuant to the terms of the Management Services Agreement, the Manager may be terminated in certain circumstances. See "Description of the Business — Management Services Agreement". In that case, retaining a replacement for the Manager may require the Partnership to pay additional fees, may be on terms less advantageous than those contained in the Management Services Agreement and may negatively affect distributions payable by the Partnership.

The Management Services Agreement may be terminated on behalf of the Corporation by the independent Directors of the Corporation if a substantial deterioration in the business of the Partnership occurs that is not caused by force majeure, provided that such termination is approved at a meeting of Shareholders by a resolution approved by holders representing at least 50% of the aggregate number of issued and outstanding Restricted Voting Shares and Special Voting Shares and at least 66 $^{2}/_{3}$% of the aggregate number of Restricted Voting Shares. The phrase "substantial deterioration of the business of the Partnership" is not defined. As a result, it may be subject to differing interpretations, which may give rise to litigation in the event of the termination by the Corporation of the Management Services Agreement in reliance on this provision. The Management Services Agreement has an initial term that expires on August 6, 2013 and is automatically renewable for successive 10 year periods unless notice of termination is given by either the Corporation, the Fund, the Holding Trust, the General Partner and the Partnership or the Manager at least twelve months prior to the expiry of the initial or any renewal terms.

Dependence of the Partnership on the Performance of Franchisees

The success of the Partnership is largely dependent on the operations of its Franchisees. Franchisees are susceptible to a number of risks in the operation of their businesses, including risks associated with changes in legislation and regulations governing Franchisees, increases in the costs of operating franchise locations, increases in the proportion of commission income paid to Agents and certain tax matters, including the possibility that CRA could challenge the characterization of Agents as independent contractors and take the position that they are employees. Adverse changes in or determinations in respect of any such matters could adversely affect the operations of certain Franchisees and have a negative impact on the ability of such Franchisees to fulfil their obligations to pay Royalties to the Partnership.

Leverage, Restrictive Covenants

The Partnership has third-party debt service obligations under the BNY Notes, the CIBC Term Facility and the Operating Loan. See "Credit Facilities". The degree to which the Partnership is leveraged could have important consequences to the holders of the Units, including: (i) the Partnership's ability to obtain additional financing for working capital in the future may be limited; (ii) a portion of the Partnership's cash flow from operations will be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for distribution to the Corporation; and (iii) certain of the Partnership's borrowings are at variable rates of interest, which will expose the Partnership to the risk of increased interest rates. The Partnership's ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness will depend on its future cash flow, which is subject to the operations of the Partnership, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The BNY Trust Indenture and the CIBC Term Facility contain numerous restrictive covenants that limit the discretion of the Partnership's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Partnership to incur additional indebtedness, to create liens or other encumbrances, to make distributions to its partners or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the BNY Trust Indenture and the CIBC Term Facility contain a number of financial covenants that require the Partnership to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the BNY Trust Indenture or the CIBC Term Facility could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness and acceleration. If the BNY Indebtedness or CIBC Indebtedness were to be accelerated, there can be no assurance that the Partnership's assets would be sufficient to repay in full that indebtedness.

Dividends Are Not Guaranteed and Will Fluctuate with the Partnership's Performance

There can be no assurance regarding the amounts of income to be generated by the Partnership and distributed to the Corporation. The actual amount of dividends in respect of the Restricted Voting Shares depends upon numerous factors, including payment of the Royalties by Franchisees.

Nature of Restricted Voting Shares

The Restricted Voting Shares do not represent a direct investment in the Partnership and should not be viewed by Shareholders as Partnership interests. As holders of Restricted Voting Shares, Shareholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Corporation’s only assets are Fund Units, Holding Trust Units and Holding Trust Notes.

The Corporation May Issue Additional Restricted Voting Shares Diluting Existing Shareholders' Interests

The Corporation may issue an unlimited number of Restricted Voting Shares for such consideration and on such terms and conditions as shall be established by the Directors without the approval of any Shareholders. Additional Restricted Voting Shares will be issued by the Corporation upon the exchange of the LP Units held by Brookfield Holdings or the Manager.

Investment Eligibility and Foreign Property

There can be no assurance that the Restricted Voting Shares will continue to be qualified investments for Plans or that the Restricted Voting Shares will not be foreign property under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis contained in the Fund’s 2010 Annual Report, is incorporated herein by reference.

ADDITIONAL INFORMATION

Additional information, including remuneration and indebtedness of the Directors of the Corporation, the Fund , the Holding Trust and the directors of the General Partner, principal holders of the Corporation’s, the Fund’s, the Holding Trusts and the Partnership’s securities, interest of insiders in material transactions, is contained in the Corporation’s information circular for most recent annual meeting of Shareholders scheduled for May 3, 2011, at which the Independent Directors are to be elected, and additional financial information is provided in the Corporation’s comparative financial statements for the year commencing January 1, 2010 and ended December 31, 2010, which information is incorporated herein by reference.

APPENDIX A

BROOKFIELD REAL ESTATE SERVICES INC.

GOVERNANCE POLICY

BROOKFIELD REAL ESTATE SERVICES INC.

BOARD OF DIRECTORS

CHARTER

1. ROLE OF BOARD

The role of the Brookfield Real Estate Services Inc. (the "Corporation") board of directors is to oversee, directly and through its committees, the business and affairs of the Corporation, which are conducted by the officers and employees of the Corporation's manager, Brookfield Real Estate Services Manager Limited (the "Manager"). In doing so, the board acts at all times with a view to the best interests of the Corporation and its shareholders.

The board is elected by the shareholders to oversee management to ensure that the best interest of the shareholders are advanced by enhancing shareholder value in a manner that recognizes the concerns of other stakeholders in the Corporation including its agents, brokers, franchisees, suppliers, customers and the communities in which they operate.

2. AUTHORITY AND RESPONSIBILITIES

The board of directors meets regularly to review reports by the Manager on the performance of the Corporation and the Residential Income Fund L.P. (the "Partnership") which owns the assets from which the Corporation currently derives its sole source of revenue. In addition to the general supervision of the Manager, the board performs the following functions:

(a) **strategic planning** – overseeing the strategic planning process for the Corporation together with the Manager and reviewing, approving and monitoring the strategic plan for the Corporation and the Partnership including fundamental financial and business strategies and objectives;

(b) **risk management –** assessing the major risks facing the Corporation and reviewing, approving and monitoring the manner of managing those risks;

(c) **Manager** – monitoring the performance of the Manager on behalf of the Corporation and the Partnership, with reference to the Management Services Agreement among the Corporation, the Manager, the Partnership, its general partner, and others;

(d) **Incremental Franchises** - reviewing and evaluating the purchase of Incremental Franchises by the Partnership, as contemplated in the Corporation's prospectus, including determining or amending appropriate criteria to be used as a basis for selecting Incremental Franchises; and

(e) **maintaining integrity** - reviewing and monitoring the controls and procedures within the Corporation to maintain its integrity including its disclosure controls and procedures, its internal controls and procedures for financial reporting and compliance with its code of ethics.

3. COMPOSITION AND PROCEDURES

(a) **Size of board and selection process** – The directors of the Corporation are elected each year by the shareholders at the annual meeting of shareholders. Any shareholder may propose a nominee for election to the board at the annual meeting. The board also recommends the number of directors on the board to shareholders for approval. Between annual meetings, the board may appoint directors to fill vacancies until the next annual meeting.

(b) **Qualifications** – Directors should have the highest personal and professional ethics and values and be committed to advancing the best interests of the shareholders of the Corporation. They should possess skills and competencies in areas that are relevant to the Corporation's and Partnership's activities. A majority of the directors will be "unrelated" directors within the meaning of The Toronto Stock Exchange guidelines.

(c) **Meetings** – The Board of Directors has at least four scheduled meetings each year. The Manager will be responsible for presenting an agenda to the Board for consideration. Prior to each board meeting, the Manager will present agenda items for the meeting with the Directors for consideration. Materials for each meeting will be distributed to the Directors in advance of the meetings.

(d) **Committees** – The board has established the following standing committees to assist the board in discharging its responsibilities – Audit and Governance. Special committees may be established from time to time

to assist the board in connection with specific matters. The chair of each committee reports to the board following meetings of the committee. The terms of reference of each standing committee will be reviewed annually by the board.

(e) **Access to independent advisors** – The board and any committee may at any time retain outside financial, legal or other advisors at the expense of the Corporation.

APPENDIX A - FORM 52-110F1

1. Audit Committee Charter

BROOKFIELD REAL ESTATE SERVICES INC.

Audit Committee Charter

A committee of the board of directors of the Corporation to be known as the Audit Committee (the "Committee") shall have the following terms of reference set out below.

The following terms of reference are intended to comply with the corporate governance guidelines of The Toronto Stock Exchange (the "TSX Guidelines").

1. MEMBERSHIP AND CHAIRPERSON

(a) Following each annual meeting of shareholders, the board of directors of the Corporation (the "board") shall appoint from its number three or more directors (the "members") to serve on the Committee until the close of the next annual meeting of shareholders of the Corporation or until the member ceases to be a director, resigns or is replaced, whichever first occurs.

(b) All of the members of the Committee shall be unrelated directors, within the meaning of the TSX Guidelines. No member of the Committee shall be an officer or employee of the Corporation or Brookfield Real Estate Services Manager Limited (the "Manager"), who manages the Corporation pursuant to a Management Services Agreement. A majority of the members of the Committee shall be directors who are resident Canadians.

(c) No director who receives any compensation from the Corporation, its affiliates or the Manager, other than director's fees, shall be eligible for membership on the Audit Committee. Disallowed compensation for a Committee member includes fees paid directly or indirectly for services as a consultant or a legal or financial advisor, regardless of the amount. Disallowed compensation also includes compensation paid to such director's firm for such consulting or advisory services, even if the director is not the actual service provider.

(d) Each member of the Committee shall, in the judgment of the board, be financially literate. In addition, at least one member of the Committee shall, in the judgment of the board, have accounting or related financial management expertise.

(e) The board shall appoint one of the directors as the chairperson of the Committee. If the chairperson is absent from a meeting, the members shall select a chairperson from those in attendance to act as chairperson of the meeting.

2. RESPONSIBILITIES

(a) The Committee shall generally assume responsibility for developing the approach of the Corporation to the following matters; publicly disclosed financial information; financial accounting and reporting; internal control; risk management and insurance; and external and internal audit; and shall review and make recommendations to the board on all such matters.

(b) The Committee shall review and, where appropriate, recommend for approval by or report to the board on the following:

(i) interim financial statements;

(ii) audited annual financial statements, in conjunction with the report of the external auditor;

(iii) public disclosure documents containing audited or unaudited financial information, including management's discussion and analysis of financial condition and results of operations;

(iv) the effectiveness of management's policies and practices concerning financial reporting and any proposed changes in major accounting policies; and

(v) any report, which accompanies published financial statements (to the extent such a report discusses financial condition or operating results) for consistency of disclosure with the financial statements themselves.

(c) The Audit Committee shall have the following responsibilities in relations with the external and internal auditors of the Corporation:

(i) to have the sole responsibility to retain or terminate the external auditor, subject to ratification by the shareholders, and to approve the fees and expenses of such auditor;

(ii) to receive, at least annually, a report from the external auditor on their independence and to review any relationship between the auditor and the Corporation and the Manager or any other relationship that may adversely affect the independence of the auditor and, based on such review, to assess the independence of the auditor;

(iii) to determine, through discussion with the external and internal auditors, that no restrictions were placed by the Manager on the scope of their examination or on its implementation;

(iv) to approve the Corporation's policy on non-audit related work by its external auditor, and pre-approve or reject any proposed non-audit related work to be conducted by the external auditor for the Corporation;

(v) to meet with the external and internal auditors in private session, at least annually, to review any matters arising from the annual external audit and internal audits conducted throughout the year; and

(vi) to review and approve the annual Internal Audit Plan and Budget.

(d) In addition, the Committee shall:

(i) review such litigation, claims, tax assessments, transactions or other contingencies as the external auditor or any officer of the Corporation may bring to its attention and which may have a material impact on financial results or which may otherwise adversely affect the financial well-being of the Corporation; and

(ii) consider other matters of a financial nature as directed by the board.

3. Meetings

(a) Meetings of the Committee may be called by the chairperson of the Committee, the Chairman of the board of the Corporation or the Manager. Meetings will normally be held each quarter and shall be called not less than once annually.

(b) The powers of the Committee shall be exercisable by a meeting at which a quorum is present. A quorum shall be not less than a majority of the members of the Committee from time to time. Subject to the foregoing and unless otherwise determined by the board, the Committee shall have the power to fix its quorum and to regulate its procedure.

(c) Notice of each meeting shall be given to each member, and to the Chairman and the Manager. Notice of meeting may be given verbally or by letter, email, telephone facsimile transmission or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting. The notice need not state the purpose or purposes for which the meeting is being held.

(d) Matters decided by the Committee shall be decided by majority vote.

(e) The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee.

(f) The Committee shall report to the board on its proceedings, review undertaken and any associated recommendations.

4. External Auditor Service Fees (By Category)

(a) Audit Fees

In 2011, the Fund, the Holding Trust, the Partnership and the Via Capitale L.P. paid $239,400 to Deloitte & Touche LLP in audit fees, compared with $190,800 paid for audit fees to Deloitte & Touche LLP in 2010.

(b) Audit-Related Fees

In 2011, the Fund, the Holding Trust, the Partnership and the Via Capitale L.P. paid $nil to Deloitte & Touche LLP in audit related fees, compared with $84,400 paid for audit related fees to Deloitte & Touche LLP in 2010.

(c) Tax Fees

In 2011, the Fund, the Holding Trust, the Partnership and the Via Capitale L.P. paid $nil to Deloitte & Touche LLP in fees for tax work, compared with $20,670 for tax work to Deloitte & Touche LLP in 2010.

(d) All Other Fees

In 2011 and 2010, the Fund, the Holding Trust, the Partnership and the Via Capitale L.P. did not pay Deloitte & Touche LLP fees for work other than audit or tax work.

BROOKFIELD REAL ESTATE SERVICES INC.

GOVERNANCE COMMITTEE

CHARTER

A committee of the board of directors of the Corporation to be known as the Governance Committee (the "Committee") shall have the following terms of reference set out below.

The following terms of reference are intended to comply with the corporate governance guidelines of The Toronto Stock Exchange (the "TSX Guidelines").

1. MEMBERSHIP AND CHAIRPERSON

(a) Following each annual meeting of shareholders, the board of directors of the Corporation (the "board") shall appoint from its number three or more directors (the "members") to serve on the Committee until the close of the next annual meeting of shareholders of the Corporation or until the member ceases to be a director, resigns or is replaced, whichever first occurs.

(b) A majority of the members of the Committee shall be unrelated directors, within the meaning of the TSX Guidelines.

(c) The board shall appoint one of the directors as the chairperson of the Committee. If the chairperson is absent from a meeting, the members shall select a chairperson from those in attendance to act as chairperson of the meeting.

2. RESPONSIBILITIES

(a) The Committee shall generally assume responsibility for developing the approach of the Corporation to the following matters; board nominations, size and composition of the Board, board member effectiveness, board member orientation, directors' compensation.

(b) Evaluation - The Governance Committee will perform an annual evaluation of the effectiveness of the board as a whole, the committees of the board and the contributions of individual directors.

(c) Compensation – The Governance Committee will recommend to the board the compensation and benefits for non-management directors. In reviewing the adequacy and form of compensation and benefits, the committee seeks to ensure that the compensation and benefits reflect the responsibilities and risks involved in being a director of the Corporation and align the interests of the directors with the best interests of the shareholders.

(d) The Committee shall consider other matters as directed by the board.

3. Meetings

(a) Meetings of the Committee may be called by the chairperson of the Committee, the Chairman of the board of the Corporation or the Manager. Meetings will be called not less than once annually.

(b) The powers of the Committee shall be exercisable by a meeting at which a quorum is present. A quorum shall be not less than a majority of the members of the Committee from time to time. Subject to the foregoing, and unless otherwise determined by the board, the Committee shall have the power to fix its quorum and to regulate its procedure.

(c) Notice of each meeting shall be given to each member, and to the Chairman and the Manager. Notice of meeting may be given verbally or by letter, email, telephone facsimile transmission or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting. The notice need not state the purpose or purposes for which the meeting is being held.

(d) Matters decided by the Committee shall be decided by majority vote.

(e) The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee.

(f) The Committee shall report to the board on its proceedings, review undertaken and any associated recommendations.