

BROOKFIELD REAL ESTATE SERVICES INC.

Annual Information Form

March 31, 2015

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GLOSSARY OF TERMS

“4.5% Option” has the meaning ascribed thereto under “Description of the Business – Royalty Fees”.

“4541219” is defined as 4541219 Canada Inc., a corporation incorporated under the federal laws of Canada, being the former General Partner of Via Capitale L.P.

“Agent” is defined as an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with a Broker.

“Arrangement” is defined as 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” is defined as the arrangement agreement dated as of November 8, 2010, among the Fund, the Holding Trust, the Partnership, the General Partner and the Company, pursuant to which the Fund, the Holding Trust, the Partnership, the General Partner and the Company proposed to implement the Arrangement.

“BA Rate” is defined as the rate of Canadian dollar 30-day bankers’ acceptances as it appears on the Reuters Screen “CDOR Page”.

“Board of Directors” or the **“Board”** is defined as the Board of Directors of the Company.

“Board of Trustees” is defined as the board of trustees of the Fund.

“Book-Entry-Only System” is defined as the book-entry-only system operated by CDS.

“BRESI Group” is defined as, collectively, the Company and the Guarantors and “any of the BRESI Group” is defined as any of them.

“Broker” is defined as an individual licensed with the relevant regulatory body to manage a real estate brokerage office.

“Broker-Owner” is defined as the individual or a controlling group of individuals who have entered into Franchise Agreements to provide services under the Royal LePage, Johnston and Daniel or Via Capitale brands. Where an individual or controlling group of individuals have entered into more than one Franchise Agreement, the Company reports the number of Broker-Owners it has under contract as one.

“Brookfield Asset Management” is defined as Brookfield Asset Management Inc., a corporation incorporated under the laws of Ontario.

“Brookfield Holdings” is defined as Brookfield Holdings Canada Inc., a subsidiary of Brookfield Asset Management resulting from the amalgamation on January 1, 2012 of Brascan Asset Management Holdings and Trilon Bancorp Inc. and operating under the name Brookfield Holdings Canada Inc. effective January 10, 2012.

“Business” is defined as 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 that represents the real estate industry on federal public policy matters and provides member services and education.

“CDS” is defined as CDS Clearing and Depository Services Inc.

“CIBC Business Banking” is defined as Canadian Imperial Bank of Commerce Business Banking.

“CIBC Credit Agreement” is defined as the agreement under which CIBC Business Banking provided the CIBC Facilities.

“**CIBC Facilities**” is defined as the \$68 million financing entered into with CIBC Business Banking on October 27, 2014.

“**Class A LP Units**” is defined as the Class A ordinary limited Partnership Units of the Partnership.

“**Class B LP Units**” is defined as the Class B subordinated limited Partnership Units of the Partnership, all of which are held by Brookfield Holdings or an affiliate of Brookfield Holdings.

“**Company**” is defined as Brookfield Real Estate Services Inc., a corporation incorporated under the laws of the Province of Ontario.

“**COSO**” is defined as the Committee of Sponsoring Organizations of the Treadway Commission. The committee establishes a common framework on enterprise management, internal control and fraud deterrence.

“**CRA**” is defined as the Canada Revenue Agency.

“**Declaration of Trust**” is defined as 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**” is defined as the amended and restated exchange agreement among Brookfield Holdings, the Company, the Partnership, the General Partner and the Manager, made December 31, 2012, 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 Company on the basis of one Restricted Voting Share for each Class B LP Unit or Class A LP Unit exchanged, subject to adjustment.

“**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”.

“**Forecast Determined Amount**” has the meaning ascribed thereto under “Description of the Business – Management Services Agreement”.

“**Franchise**” is defined as a residential real estate brokerage Franchise operated pursuant to a Franchise Agreement, with the Manager’s comprehensive systems consisting of proprietary technological, marketing, promotional, communications and support systems.

“**Franchise Agreements**” is defined as the Franchise Agreements pursuant to which brokerage offices offer residential brokerage services using the Trademarks.

“**Franchisees**” is defined as the Franchisees operating under the Franchise Agreements.

“**Franchise Network**” is defined as the Royal LePage Network, Via Capitale Network and Johnston & Daniel Network.

“**Franchise Systems**” is defined as the Manager’s comprehensive systems, consisting of proprietary technological, marketing, promotional, communications and support systems, as more fully described under “Description of the Business”.

“Fund” is defined as 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” is defined as 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.

“GTA” is defined as the Greater Toronto Area.

“Guarantor” is defined as each wholly owned Subsidiary of the Company unless such wholly owned Subsidiary is an inactive Subsidiary; and any other Person that, at any time in the future, guarantees any of the outstanding obligations pursuant to a guarantee agreement and grants security therefor, all in form and substance similar to those delivered by the wholly owned Subsidiaries of the Company; and “Guarantor” means any one of them. As at the date of this Annual Information Form, the Guarantors are Residential Income Fund L.P., Residential Income Fund General Partner Limited and Via Capitale L.P.

“Holding Trust” is defined as 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” is defined as 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.

“IDX” is defined as an internet data exchange.

“Incremental Franchises” is defined as 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 that results in the addition of offices and/or Agents that meet the criteria established from time to time by the directors of the Company.

“Incremental Via Capitale Franchises” is defined as 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 that results in the addition of offices and/or Agents.

“Independent Director” is defined as 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 Company, the Partnership, the Manager and each of its affiliated entities.

“Independent Trustee” is defined as a Trustee of the Fund 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 Company, the Partnership, the Manager and each of its affiliated entities.

“La Capitale Licence Agreement” is defined as 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” is defined as the Trademark rights related to the Business held by or licensed to Via Capitale L.P. pursuant to the La Capitale Licence Agreement, including, without limitation, the “La Capitale” name and logo.

“LP Units” is defined as the Class A LP Units and the Class B LP Units.

“Management Services Agreement” or **“MSA”** is defined as the third amended and restated Management Services Agreement, made effective January 1, 2014, among the Partnership, the Company, the General Partner, Via Capitale L.P. and the Manager, pursuant to which, among other things, the Manager provides management and administrative services to the Partnership, the Company, the General Partner and Via Capitale L.P., including management of the

Partnership Assets on behalf of the Partnership and Via Capitale L.P., as more particularly described under “Description of the Business – Management Services Agreement”.

“**Manager**” is defined as 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 Company, the Fund, the General Partner and the Partnership.

“**Material Subsidiaries**” is defined as any Subsidiary of the Company in respect of which the Company is providing financial assistance, whether by way of a loan, guarantee or otherwise, and any Subsidiary of the Company designated as a Material Subsidiary from time to time by the Company, provided that the Company shall be required to designate a Subsidiary as a Material Subsidiary if the gross revenues of such Subsidiary in any fiscal year of such Subsidiary equal or exceed 10% of the gross revenues of the Company for the preceding fiscal year, such designation to be made within 120 days of the end of such fiscal year of such Subsidiary; for certainty, at the date hereof, the Material Subsidiaries include, but are not limited to, Residential Income Fund L.P. and Via Capitale LP.

“**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.

“**Net Increase (or Decrease) in Agents**” is defined, in respect of any fiscal year of the Company, as the number of Agents in the Network at the end of the relevant fiscal year, excluding any Agents that were added to the Network (a) as a direct result of the assignment or transfer of an Incremental Franchise, a Via Capitale Incremental Franchise, a New Franchise or an Incremental New Franchise to the Company (or any affiliate thereof) during such fiscal year or (b) as a result of (i) any acquisition made by existing Franchisees of additional offices and/or Agents, or any business combination entered into by an existing Franchisee, that results in the addition of offices and/or Agents during such fiscal year less (ii) the number of Agents in the Network at the beginning of such fiscal year.

“**Net Organic Agent Growth Fee**” is defined as a fee payable to the Manager under the MSA for the net organic growth of the Company’s Network of Agents in each calendar year with such payment limited to the cumulative net organic agent growth since December 31, 2013.

“**Notice of Meeting**” is defined as the Notice of Annual Meeting of Shareholders of the Company.

“**OBCA**” is defined as the *Ontario Business Corporations Act*, as amended.

“**Operating Loan**” is defined as an operating loan in the principal amount of \$5 million provided by CIBC that 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**” is defined as Residential Income Fund L.P., a limited partnership established under the laws of the Province of Ontario.

“**Partnership Agreement**” is defined as the second amended and restated limited Partnership Agreement dated the 31st day of December, 2012, between the General Partner and the Company, pursuant to which the Partnership is governed, and may be amended from time to time.

“**Partnership Assets**” is defined as, 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**” is defined as 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.

“**Period**” is defined as the twelve months ending December 31, 2014.

“**Premium Franchise Fees**” are collected on certain Franchise locations to reflect the premier locations (principally the Greater Toronto Area) in which such Franchises operate. The premium fee is payable in addition to the basic

fixed fee and the basic variable fee as an uncapped amount ranging from 1% to 5% (based on location, with an average of 3%) of the Agents' Gross Revenues.

"REALTOR[®]" is the exclusive designation for a member of the Canadian Real Estate Association and is defined as an individual licensed to trade in real estate and includes Brokers, Agents and Sales Representatives.

"Registration Rights Agreement" is defined as 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 were granted registration rights by the Fund.

"Reporting Period" has the meaning ascribed thereto under "Description of the Business – Management Services Agreement".

"Restricted Voting Shares" is defined as the Restricted Voting Shares in the capital of the Company.

"Royal LePage" is defined as, collectively, the Business as conducted by the Manager under the name Royal LePage, as a franchisor and as the Manager of the Partnership, the General Partner and the Company.

"Royal LePage Licence Agreement" is defined as 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" is defined as, collectively, the network of Franchisees licensed under Franchise Agreements to carry on residential property brokerage operations using one or more Trademarks (but excluding Franchises granted by the Manager that have not become Incremental Franchises).

"Royal LePage Sub-Licence Agreement" is defined as the agreement between Royal LePage, a predecessor of Brookfield Holdings, and the Manager, pursuant to which Brookfield Holdings and the Manager were granted a licence to use the Royal LePage Trademarks in connection with the Business.

"Royal LePage Trademarks" is defined as the Trademark rights related to the Business held by or licensed to Royal LePage pursuant to the Royal LePage Licence Agreement, including, without limitation, the "Royal LePage" name and logo.

"Royalties" is defined as the royalty payments described in "Description of the Business – Royalty Fees", including, collectively, fixed fee and variable fee royalties.

"Sales Representative" is defined as an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with an Agent.

"Selling-REALTORS[®]" is defined as, collectively, Agents and fee-paying Sales Representatives.

"Shareholders" is defined as the holders of Shares.

"Shareholders' Agreement" is defined as the Shareholders' Agreement between TBI (a predecessor of Brookfield Holdings) and the General Partner governing the administration and affairs of the General Partner, dated August 7, 2003.

"Shares" is defined as the Restricted Voting Shares and Special Voting Shares.

"Special Fund Units" is defined as the Units of the Fund issued to represent voting rights in the Fund that accompanied 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 Shareholders" is defined as holders of Special Voting Shares from time to time.

“Special Voting Shares” is defined as the shares of the Company issued to represent voting rights in the Company 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.

“Tax Act” is defined as the *Income Tax Act* (Canada) and regulations thereto, as amended from time to time.

“TBI” is defined as Trilon Bancorp Inc., a predecessor to Brookfield Holdings.

“Trademarks” is defined as the Trademark 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 Via Capitale Trademarks.

“Trustees” is defined as the trustees of the Fund, and “Trustee” means any one of them.

“TSX” is defined as the Toronto Stock Exchange.

“Units” is defined as the Units of the Fund, other than special fund units, each representing an equal undivided beneficial interest in the Fund.

“Value per Agent” is defined, in respect of any fiscal year of the Company, as a dollar value per Agent to be determined by dividing (a) the product of (i) 92.5% of the Royalties for such fiscal year less the aggregate of (A) management fees payable in respect of such Royalties, and (B) any Royalties derived from Premium Franchise Fees and (ii) one minus the Actual Tax Rate for such fiscal year, by (b) the annual dividend yield on the Restricted Voting Shares for such fiscal year, then further dividing the result of such calculation by the number of Agents in the Network in Franchises in respect of which the Company or an affiliate of the Company is the franchisor as at December 31 of such fiscal year. The annual dividend yield is to be determined by dividing the total dividend amount per Restricted Voting Share declared by the Company in respect of such fiscal year (which, for greater certainty, shall include all dividends declared in respect of such fiscal year, even those that are paid outside of such fiscal year) by the current market price per Restricted Voting Share on December 31 of such fiscal year.

“Via Capitale” is defined as, collectively, the Business as conducted by the Manager and the Via Capitale Manager.

“Via Capitale L.P.” is defined as 9120 Real Estate Network, L.P./Réseau Immobilier 9120 S.E.C., a limited partnership established under the laws of the Province of Quebec.

“Via Capitale Manager” is defined as 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 Réseau Immobilier La Capitale/La Capitale Real Estate Network.

“Via Capitale Network” is defined as, collectively, the network of Franchisees licensed under Franchise Agreements to carry on residential property brokerage operations using one or more of the Via Capitale Trademarks (but excluding Franchises owned by the Manager or the Via Capitale Manager).

THE COMPANY

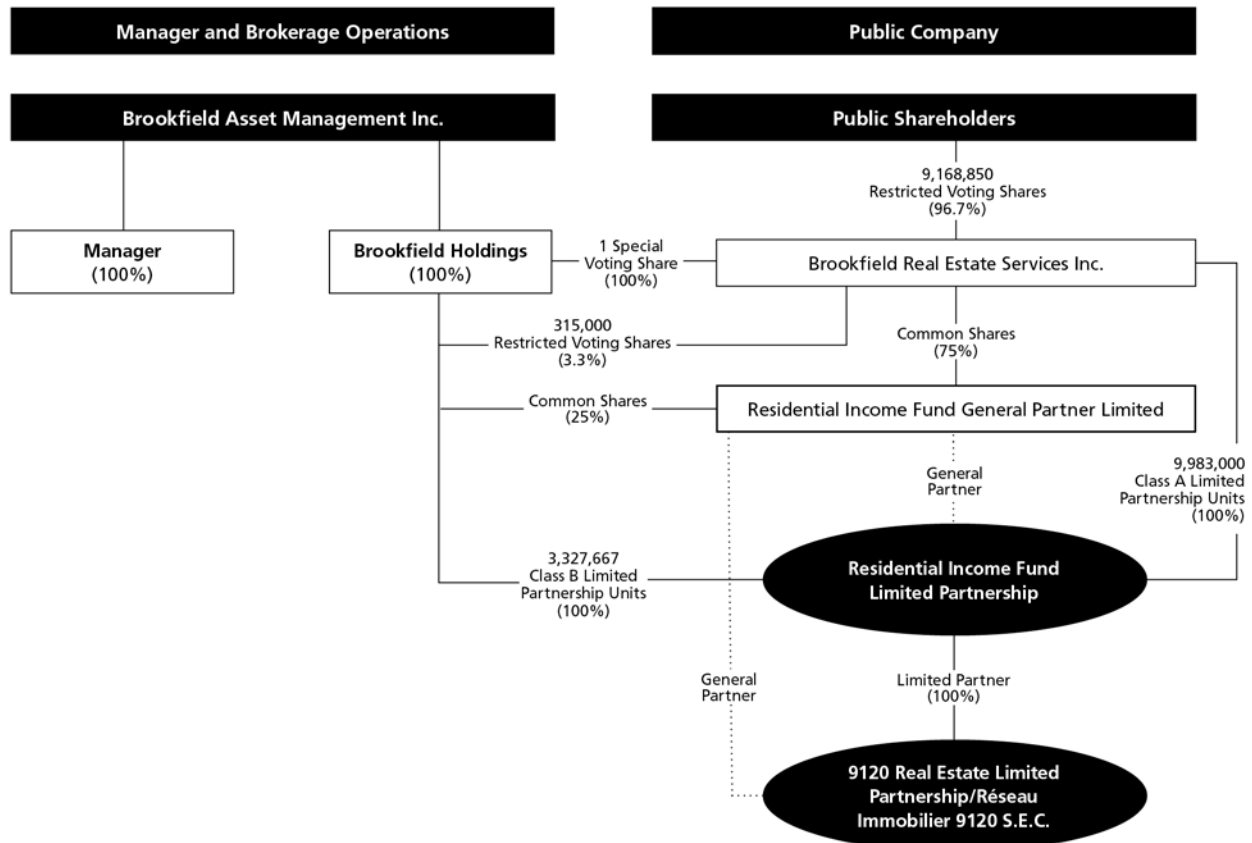
General

The Company is a leading provider of services to residential real estate Brokers and their REALTORS[®]. The Company generates cash flow from Franchise Royalties and service fees derived from a national network of real estate Brokers and Agents in Canada operating under the Royal LePage, Via Capitale and Johnston & Daniel brand names. At December 31, 2014, the Franchise Network consisted of 15,377 REALTORS[®] operating under 302 Franchise Agreements providing services from 637 locations, with an approximate one-fifth share of the Canadian residential resale real estate market based on transactional dollar volume. The Company generates both fixed and variable fee components. Variable fees are primarily driven by the total transactional dollar volume from the sales commissions of REALTORS[®], while fixed fees are based on the number of Agents and Sales Representatives in the Franchise Network. Approximately 71% of the Company's annual Royalties are based on fees that are fixed in nature; this provides revenue stability and helps insulate the Company's cash flows from market fluctuations.

The Company was incorporated on October 28, 2010, pursuant to the provisions of the OBCA. The Company is listed on the TSX and trades under the symbol "BRE". The registered and head office of the Company is located at 39 Wynford Drive, Don Mills, Ontario, M3C 3K5.

The Business of the Company is conducted indirectly through the Partnership. 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 72% by the public and 28% by Brookfield Holdings. The general partner of the Partnership is the Residential Income Fund General Partner Limited, the shares of which are owned 25% by Brookfield Holdings and 75% by the Company. The registered office and head office of the Partnership is located at 39 Wynford Drive, Don Mills, Ontario, M3C 3K5.

The structure of the Company is as set out below.



DEVELOPMENT OF THE BUSINESS

Business Strategy

We are a long-established, Canadian-based real estate services firm, originally structured as an income trust and subsequently converted to a corporate structure on December 31, 2010. We focus on providing services to real estate Brokers and their Agents, who practise predominantly in the residential brokerage segment of the Canadian real estate market, in order to assist them with the profitable, efficient and effective delivery of real estate sales services in the communities they serve. Through a portfolio of highly regarded real estate Franchise brands, each of which offers a differing value proposition, we cater to the diverse service requirements of regional real estate professionals, in virtually all significant population centres, across Canada.

Our objective is to provide our stakeholders with an investment vehicle that pays stable and growing dividends. Our revenue is driven primarily by Royalties derived from long-term Franchise Agreements. These Royalties are weighted toward fees that are fixed in nature; this has proven to be effective in moderating the variations in overall industry activity that can occur. We manage our operating costs and associated risks by delivering our services and management of the Company through the Management Services Agreement.

The senior management team of the Manager developed and managed the Royal LePage Network before the inception of the Company, and Brookfield Asset Management, through Brookfield Holdings, its wholly owned subsidiary, holds an approximate 28% interest in the Company. As a result of this arrangement, the underlying costs of the Company are not complex as they are limited to management fees paid under the Management Services Agreement, public operating costs and carrying costs associated with our debt.

The number of REALTORS[®] and transactional dollar volumes generated in the markets we serve, the manner in which we structure our contracted revenue streams and our success in attracting Agents and Brokers to our brands through our value proposition and track record are all key drivers of the Company's performance. These drivers, in combination with other uncontrollable risk factors, including the economy at large, government and regulatory activity, all impact the Company's performance.

Through the Manager, we seek to further increase dividends by increasing our Agent count through the acquisition of Franchise Agreements and by attracting and retaining Brokers and their Agents through the provision of additional fee-for-service offerings and the provision of services, which increases our Brokers' and their Agents' productivity.

Events Occurring in 2012

2012 Royal LePage Incremental Franchise Purchases

Effective January 1, 2012, the Partnership completed the purchase of 20 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. Of this, \$1.5 million (being approximately 80% of the estimated purchase price) was payable in cash by the Partnership to the Manager on or about January 4, 2012. The Final Payment was 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 Directors in accordance with the Incremental Franchise Purchase Policy adopted by the directors. Mr. Myhal declared his interest to the Board of Directors 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 five Via Capitale Incremental Franchises from the Via Capitale Manager, pursuant to an asset purchase agreement between the 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 \$1.0 million. Of this, \$0.8 million (being approximately 80% of the estimated purchase price) was payable in cash by Via Capitale L.P. to the Via Capitale Manager on or about January 2, 2012. In or about January of each of 2013 and 2014, the Manager calculated 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 re-forecasted the purchase price for the Via Capitale Incremental Franchises. In January 2013, 1/3 of such balance owing by Via Capitale L.P. was paid to the Via Capitale Manager, together with interest thereon. In January 2014, 2/3 of such balance owing was paid to the Via Capitale Manager, less the amount paid in January 2012, together with interest thereon. 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 2015. The acquisition of the Incremental Franchises was approved by the 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.

Winding Up of the Fund and the Holding Trust

On December 31, 2012, (i) the Fund, as the sole unitholder and sole noteholder of the Holding Trust, resolved by special resolution to terminate the Holding Trust and distribute all of its assets to the Fund, and (ii) the Company, as the sole unitholder of the Fund, resolved by special resolution to terminate the Fund and distribute all of its assets to the Company. This was the final step to complete the restructuring that began in 2010 with the conversion of the Fund from an income trust structure to a corporate structure. Subsequent to the completion of such distributions, the Company holds all of the Class A LP Units in the Partnership and 75% of the common shares of the General Partner. The Fund and the Holding Trust have been wound up and are no longer part of the Company's structure. On December 31, 2012, the General Partner replaced 4541219 as the general partner of Via Capitale L.P.

Events Occurring in 2013

2013 Royal LePage Incremental Franchise Purchases

Effective January 1, 2013, the Partnership completed the purchase of 37 Royal LePage Incremental Franchises from the Manager, pursuant to an asset purchase agreement between the Manager and the Partnership effective January 1, 2013 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 \$6.0 million. Of this, \$4.8 million (being approximately 80% of the estimated purchase price) was payable in cash by the Partnership to the Manager on or about January 2, 2013. The Final Payment was paid in January 2014, 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, 2013, in accordance with the Management Services Agreement. The acquisition of the Incremental Franchises was approved by the Independent Directors in accordance with the Incremental Franchise Purchase Policy adopted by the directors. Mr. Myhal declared his interest to the Board of Directors and abstained from voting on the motion to acquire the Incremental Franchises.

2013 Via Capitale Incremental Franchise Purchases

Via Capitale L.P. completed the purchase of seven Via Capitale Incremental Franchises from the Via Capitale Manager, pursuant to an asset purchase agreement between the Via Capitale Manager and Via Capitale L.P. effective January 1, 2013. The estimated purchase price for the Incremental Franchises was \$0.7 million. Of this, \$0.6 million (being approximately 80% of the estimated purchase price) was payable in cash by Via Capitale L.P. to the Via Capitale Manager on or about January 2, 2013. In or about January of each of 2014 and 2015, the Manager will calculate the average annual Royalties earned during the period commencing on November 1, 2012 and ending on the last day of the 44th week of 2013 and 2014, respectively. Based on this calculation, the Manager will re-forecast the purchase price for the Via Capitale Incremental Franchises. In January 2014, 1/3 of such balance owing by Via Capitale L.P. was paid to the Via Capitale Manager, together with interest thereon. In 2015, 2/3 of such balance owing since Closing will be paid to the Via Capitale Manager, less the amount paid in January 2013, together with interest thereon. If the re-forecast 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, 2013. The Final Payment will be calculated based on the average annual Royalties actually earned by Via Capitale L.P. from November 1, 2012 through October 31, 2015 and will be paid in January 2016. The acquisition of the Incremental Franchises was approved by the 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.

Third Amended and Restated Management Services Agreement

On June 28, 2013, the Company entered into a revised Management Services Agreement, effective as of January 1, 2014, with an initial five-year term and a provision for the automatic renewal of successive five-year terms. Under the terms of the Management Services Agreement, (i) the management fee has been standardized to 20% across all brands; (ii) the Manager can earn a new incentive fee for organic growth, aligning the Manager's and the Company's goals with growing the underlying network of Agents; (iii) the Manager may sell other branded Canadian Franchises to the Company; and (iv) updates were made to the manner in which amounts are paid to the Manager for Incremental Franchises.

Events Occurring in 2014

Debt Refinancing

On October 27, 2014, the Company refinanced its previous \$53 million term debt facilities and \$2 million Operating Loan with a five-year \$68 million financing with a February 17, 2020 maturity date. See "Credit Facilities" for further details.

2014 Royal LePage Incremental Franchise Purchases

Effective January 1, 2014, the Partnership completed the purchase of 19 Royal LePage Incremental Franchises from the Manager, pursuant to an asset purchase agreement between the Manager and the Partnership effective January 1, 2014 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 \$6.1 million. Of this, \$4.8 million (being approximately 80% of the estimated purchase price) was paid in cash by the Partnership to the Manager in 2014. The Final Payment is to be paid in 2015, 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, 2013, in accordance with the Management Services Agreement. The acquisition of the Incremental Franchises was approved by the Independent Directors in accordance with the Incremental Franchise Purchase Policy adopted by the directors. Mr. George Myhal declared his interest to the Board of Directors and abstained from voting on the motion to acquire the Incremental Franchises.

2014 Via Capitale Incremental Franchise Purchases

Via Capitale L.P. completed the purchase of one Via Capitale Incremental Franchise from the Via Capitale Manager, pursuant to an asset purchase agreement between the Via Capitale Manager and Via Capitale L.P. effective January 1, 2014. The estimated purchase price for the Incremental Franchises was \$0.2 million. Of this, \$0.1 million (being approximately 80% of the estimated purchase price) was payable in cash by Via Capitale L.P. to the Via Capitale Manager on or about January 2, 2014. In or about January of each of 2015 and 2016, the Manager will calculate the average annual Royalties earned during the period commencing on November 1, 2013 and ending on the last day of the 44th week of 2014 and 2015, respectively. Based on this calculation, the Manager will re-forecast the purchase price for the Via Capitale Incremental Franchises. In January 2015, 1/3 of such balance owing by Via Capitale L.P. will be paid to the Via Capitale Manager, together with interest thereon. In 2016, 2/3 of such balance owing since Closing will be paid to the Via Capitale Manager, less the amount paid in January 2014, together with interest thereon. If the re-forecast 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, 2014. The Final Payment will be calculated based on the average annual Royalties actually earned by Via Capitale L.P. from November 1, 2013 through October 31, 2016 and will be paid in January 2017. The acquisition of the Incremental Franchises was approved by the Independent Directors. Mr. George Myhal declared his interest to the Board of Directors and abstained from voting on the motion to acquire the Via Capitale Incremental Franchises.

Subsequent Events

2015 Royal LePage Incremental Franchise Purchases

Effective January 1, 2015, the Partnership completed the purchase of Royal LePage Incremental Franchises representing 35 real estate operations from the Manager, pursuant to an asset purchase agreement between the Manager and the Partnership effective January 1, 2015 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 \$9.5 million. Of this,

\$7.6 million (being approximately 80% of the estimated purchase price) was payable in cash by the Partnership to the Manager on or about January 2, 2015. The Final Payment will be paid in January 2016, 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, 2015, in accordance with the Management Services Agreement. The acquisition of the Incremental Franchises was approved by the Independent Directors in accordance with the Incremental Franchise Purchase Policy adopted by the directors. Mr. Spencer Enright declared his interest to the Board of Directors and abstained from voting on the motion to acquire the Incremental Franchises.

2015 Via Capitale Incremental Franchise Purchases

Via Capitale L.P. completed the purchase of Via Capitale Incremental Franchises from the Manager representing five real estate operations, pursuant to an asset purchase agreement between the Manager and Via Capitale L.P. effective January 1, 2015. The estimated purchase price for the Via Capitale Incremental Franchises, calculated in and subject to adjustment in accordance with the Management Services Agreement, was \$0.7 million. Of this, \$0.6 million (being approximately 80% of the estimated purchase price) was payable in cash by the Partnership to the Manager on or about January 2, 2015. The Final Payment will be paid in January 2016, 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, 2015, in accordance with the Management Services Agreement. The acquisition of the Incremental Franchises was approved by the Independent Directors in accordance with the Incremental Franchise Purchase Policy adopted by the directors. Mr. Spencer Enright declared his interest to the Board of Directors and abstained from voting on the motion to acquire the 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 fewer separate dwelling units, condominium units or vacant land intended for one of the foregoing uses. The Partnership provides its Franchisees and their Agents and Sales Representatives with the Franchise Systems designed to make each step of a real estate transaction more effective and efficient for buyers and sellers of homes, for Agents and for Franchisees. The Franchise Systems allow Franchisees to attract successful Agents and maximize their productivity, and they help the Partnership, through the activities of the Manager, to recruit and retain successful Franchisees.

The enhanced tools of the Franchise Systems facilitate a 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 Company's Royalties are derived primarily from a diverse national network of 271 independently owned and operated Franchises operating under 302 Franchise Agreements. In addition, the Royal LePage Network is geographically diverse as 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 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-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-year terms.

Each Franchise location or grouping thereof is subject to a separate Franchise Agreement. Where an existing Broker-Owner is operating under an existing Franchise Agreement, any changes, such as adding a new location, are typically undertaken by way of an addendum, which forms a part of the existing 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, a 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.

The Company has historically enjoyed 95%-plus renewal success of Franchise Agreements as they come due, expressed as a percentage of the number of REALTORS[®] at year-end. Due to the ongoing success of our Franchisees, a number of opportunities, such as increasing Franchise locations, present themselves to renew Franchise Agreements before they come due.

Agents and Sales Representatives

As of December 31, 2014, the Franchise Network consisted of 15,377 REALTORS[®] comprising of 15,143 Agents and Sales Representatives and 234 Broker-Owners who do not pay fees, who operate from 637 locations. For the Year ended December 31, 2014, the Franchise Network increased by 67 REALTORS[®]. The increase in REALTORS[®] was the result of a decline of 426 REALTORS[®], offset by the 493 REALTORS[®] acquired through the acquisition of Franchise Agreements at the beginning of 2014. This net increase of 67 REALTORS[®] in the Franchise Network for 2014 is in contrast to a 2.4% increase experienced in the overall Canadian market. The increase in the number of REALTORS[®] in Canada has in part been driven by increases in discount brokerage offerings, which have attracted new entrants to the industry, resulting in a lower number of homes sold per REALTOR[®] and an industry-wide decrease in REALTORS[®] in the provinces of Quebec, Nova Scotia and New Brunswick. The Franchise Network is highly productive, with an average transactional dollar volume in 2014 of \$2.5 million per REALTOR[®], which is approximately 51% more productive than the rest of Canada.

Royalty Fees

The Company generates Royalties with both fixed and variable fee components. Approximately 89% (89% – 2013) of the Company’s Royalties during 2014 were derived from the combined fixed fee per REALTOR[®] per month, 1% variable royalty fee and Premium Franchise Fees. The remaining royalty stream is made up of other fees and services generated from home warranty fees, technology fees and other fees. Approximately 71% of the Company’s annual Royalties were partially insulated from market fluctuations as they were not directly driven by transactional dollar volumes. Management believes that the combination of a royalty stream based on the number of REALTORS[®] representing the Royal LePage and Via Capitale brands, increasing Agent and Broker productivity and an increasing supply of new housing inventory provide the base for a strong and stable cash flow. A summary of these fees is as follows:

Fixed royalty fees are based on the number of selling-REALTORS[®] in the Franchise Network. Fixed franchise fees from Royal LePage Franchisees consist of a monthly fixed fee of \$102 per selling-REALTOR[®] (\$100 prior to December 31, 2013), a technology fee and other fees, while fixed fees from Via Capitale Franchisees consist primarily of a monthly fee of approximately \$170 per selling-REALTOR[®]. In February 2015, the Company announced an increase in the Royal LePage fixed fee to \$105 per selling-REALTOR[®], with such increase to take effect on January 1, 2016 for approximately 85% of the Franchise Network and the balance on January 1, 2017.

Variable royalty fees are primarily driven by the volume of business transacted by our Agents. Variable franchise fees from Royal LePage Franchisees are driven by the transactional dollar volume transacted by the Agents and are derived as 1% of each Agent’s gross commission income, subject to a cap of \$1,300 per year. In 2014, approximately 3,000 Agents and teams of Agents exceeded the \$1,300 cap and accounted for approximately 65% to 70% of the gross commission income earned by our Royal LePage Franchisees. A limited number of smaller Franchisees pay 4.5% of each Agent’s gross commission fee (the “4.5% Option”). In February 2015, the Company announced an increase in the cap to \$1,325 per year, with such increase to take effect on January 1, 2016 for approximately 85% of the Network and the balance on January 1, 2017.

In addition to these fees, 23 of the Company's larger Royal LePage locations situated in the GTA pay a fee ranging from 1% to 5% of the location's gross revenue (the "Premium Franchise Fee"). Of these locations, 17 are operated by the Manager and are contractually obligated to pay the Premium Franchise Fee to August 2018.

Network Royalty Profile

The Royal LePage Network

The fees generated from the Royal LePage Network accounted for 92% of the Company's fees in 2014 and are primarily made up of a fixed monthly fee per Agent of \$102 plus a \$20 technology fee per participating Franchisee, representing 99% of Agents in 2014 (97% – 2013); a variable fee equal to 1% of the fees generated by the Agent, capped at \$1,300 per Agent; learning services fees; and a Premium Franchise Fee, as described earlier. Under this structure, exclusive of ancillary fees, an Agent earning in excess of the \$1,300 per annum fee cap will contribute \$2,740 per annum to the Company. Due to the variable fee-capping feature, approximately 70% of the Royal LePage Network fees were fixed in nature in 2014 (70% – 2013). As noted above, the fixed monthly fee will increase to \$105 per month and the cap to \$1,325 for 85% of the Royal LePage Network on January 1, 2016 and the balance of the Royal LePage Network on January 1, 2017. These fees, combined with the \$20 technology fee per participating Franchisee, will contribute up to \$2,825 per Agent per annum to the Company.

The Via Capitale Network

The fees generated from the Via Capitale Network, which services the Quebec market, accounted for 8% of the Company's fees in 2014 (8% – 2013). These fees are primarily made up of a fixed monthly fee per Agent of \$170 (\$2,040 per annum) and fees generated from home warranty fees. In 2014, approximately 78% (78% – 2013) of Via Capitale's Royalties were fixed in nature.

System-Wide Transactional Dollar Volume

For the twelve months ended December 31, 2014, the Royal LePage Network and the Via Capitale Network, collectively, accounted for approximately one-fifth of the \$196.3 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 576 locations as of December 31, 2014. The Via Capitale Network operates only in the province of Quebec through 61 locations as of December 31, 2014. 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, Franchises 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:

Websites

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.viacapitalevenu.com, offer a variety of residential resale real estate-related information. In addition to offering listing, company, office and Agent information, they provide resources for buying, selling and owning real estate.

In 2013, both of these websites underwent significant upgrades to make them faster and more intuitive, while providing expanded functionality. To accommodate the proliferation of mobile devices, from smartphones to tablets, the websites have been designed to automatically respond to screen size and select the optimal display.

The Via Capitale website also features repossessed properties listed by Via Capitale Agents. In 2013, Canadian Mortgage and Housing Company ("CMHC") renewed its contract with Via Capitale for one year, with an option to renew for an additional one year. The option was exercised, which extended the contract to November 2015. Under this contract, Via Capitale is the brokerage system responsible for the marketing and selling of repossessed properties 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 to continuing education requirements imposed on them by provincial regulatory requirements.

During 2014, the Intranet underwent significant upgrades to make it faster and more intuitive, while providing expanded functionality for mobile devices, smartphones and tablets. At the end of February 2015, the new Intranet was successfully launched for use by our Agents and Broker-Owners.

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, 2014, approximately 99% of 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 online tools made available to them by Royal LePage as well as access 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.

In 2014, the Manager made a decision to seek alternatives to the existing data-capture system to better serve our Broker-Owners and the information requirements of the Company. Accordingly, during 2014 the Manager undertook a detailed analysis of the Company’s information requirements as they relate to the data currently captured by the data-capture system, the information requirements of the Company’s Network of Broker-Owners and the Market in general. A formal request for proposal was issued, with final vendor selection expected to occur early in 2015 and implementation to commence thereafter.

Shared Listings and DDF

In recent years, the availability of data has created better-informed consumers who have more options. The proliferation of data and the change in consumer expectations are driving industry change.

The Company has been among the strongest proponents for shared listings as it sees this as vital to being competitive online. CREA took the lead in developing a technology platform to enable shared listings, and in July 2012 it introduced the Data Distribution Facility (“DDF”), giving 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 April 2013, the Company’s Royal LePage brand was the first real estate company to adopt CREA’s DDF for its corporate website. Since the launch, the listing inventory has increased by two-and-a-half times, and with all the additional unique visitors coming to the site, the number of leads for Agents has roughly tripled.

Franchisee and Agent Communications

In addition to the frequent communications opportunities provided by 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 online help desk, annual awards and recognition for top producing Agents, regional Franchisee meetings, 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 through its Virtual Specialist Service ("VSS") team and its online learning tools. The VSS team consists 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. The Manager also now offers 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, online learning centre.

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 that 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 and distributed over \$20 million through national and local Broker and Agent initiatives and helps an estimated 30,000 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 that enables Franchisees and Agents to effectively market themselves and includes the following:

- Broker business planning templates to help determine and manage net recruiting goals;
- Agent-focused sales training seminars across Canada;
- online education programs offered to non-Royal LePage and non-Via Capitale Agents;
- a career website and links to a Customer Relationship Management System component;
- a 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 ongoing campaign to market to potential Franchisees and recruits through an e-mail list in a “one-to-one” marketing strategy; and
- designing advertising templates for local newspaper and radio and for sponsorship opportunities.

Competitive Position

The Manager has consistently developed its franchising strategy with extensive internal marketing research and tracking studies. This research is used, 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 25 “evaluation criteria” centred around corporate visibility and momentum, leadership, program quality and innovation, 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 that are focused solely on growing the Company’s presence in the Canadian market as industry consolidators. These teams are focused on attracting quality brokerages to the Via Capitale Network and the Royal LePage Network and expanding opportunities for existing Franchisees, and they are a key factor in the Company’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 provided by the Franchise Systems and increasing the 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 Franchisees’ 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. In October 2012, the parent company of the Manager sold its US-based Prudential and Real Living real estate Franchise businesses to Home Services of America, a Berkshire Hathaway company, but it continues to retain a minority position in the new venture. Management believes that the Company will continue to benefit through referrals from the new venture.

The sale did not impact Canadian Franchisees operating under the Prudential name, which were acquired by Brookfield Residential Property Services in 2011. These Franchisees represent a substantial opportunity for conversion to the Royal LePage brand, resulting in increased Royalties to the Company. Since the acquisition, Prudential Franchises representing approximately 960 Agents have converted to Royal LePage Franchises, and approximately 350 Agents currently operate under Prudential franchise agreements.

The sale resulted in a realignment of the shared service operations, which previously serviced Brookfield Asset Management’s relocation, Canadian residential real estate and appraisal services portfolios. A dedicated CEO and

CFO were appointed, as was a supporting finance team focused on growing the Canadian residential real estate portfolio, which encompasses the Company, the Manager and the Prudential Canada Network. Management believes that the Company will continue to benefit through referrals from Brookfield Global Relocation Services, the second-largest relocation company in the world.

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 used 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 use 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 the Partnership.

In the event that a Franchisee defaults on 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 2012, the Partnership and Via Capitale L.P. terminated two Franchise Agreements representing three Agents and Sales Representatives. In 2013, the Partnership and Via Capitale L.P. terminated six Franchise Agreements representing 74 Agents and Sales Representatives, and Via Capitale L.P. terminated two Franchise Agreements representing three Agents and Sales Representatives. In 2014, the Partnership and Via Capitale L.P. terminated six Franchise Agreements representing 15 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. Furthermore, upon termination, the Partnership may appoint a receiver or manager over the Franchise business of the defaulting Franchisee and, within 30 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 and 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 reviews of key statistics, such as the Manager’s review of the paying Agent count, and the periodic 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 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 licence. The licence 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 licence without first being registered with a Broker. The licence allows the licensee to sell real estate anywhere within the province in which he or she is licensed and to collect referral fees, through the brokerage with which he or she is licensed, 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, Manitoba, Prince Edward Island and New Brunswick, which regulate the offer and sale of franchises. These laws require, among other things, that the 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 in the Franchise Network typically practise as independent contractors. Under this system, the Agents remit their own taxes to the 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

In 2015, the Board of Directors anticipates paying monthly dividends at an annualized rate of \$1.20 per Restricted Voting Share. Management and the Board of Directors periodically review the Company's targeted dividends and distributions.

Management Services Agreement

General

On August 7, 2003, the Partnership, the Fund, the Holding Trust, the General Partner and the Manager entered into a Management Services Agreement ("Original Management Services Agreement"). The Original Management Services Agreement was amended and restated on January 1, 2008, January 1, 2011, December 31, 2012 and January 1, 2014. Pursuant to the provisions of the Management Services Agreement, the Manager has agreed to provide certain management, administrative and support services to the Company, the General Partner, the Partnership, Via Capitale L.P. and any additional entity executing an addendum agreement thereto. The duties of the Manager include the following: (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 Network 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 Shareholders and holders of Special Voting Shares all information to which Shareholders and holders of Special Voting Shares are entitled; (viii) calling, holding and distributing materials (including notices of meetings and information circulars) in respect of all meetings of Shareholders and holders of Special Voting Shares; (ix) determining the amounts payable from time to time to Shareholders; and (x) if necessary, dealing with Franchisees on questions of interpretation of the Franchise Agreements.

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 Company 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 and, 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 20% of the cash of Via Capitale L.P. otherwise available for distribution.

The Management Services Agreement has a term of five years, expiring on December 31, 2018, and is automatically renewable for successive five-year terms unless notice of termination is given by the Company, the General Partner and the Partnership or the Manager at least six months prior to the expiry of the initial or renewal term. The Management Services Agreement may be terminated earlier on behalf of the Company, the Partnership, the General Partner or Via Capitale L.P. 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 the Special Voting Share and at least 66²/₃% of the aggregate number of shares voted at the meeting, in each case excluding any Restricted Voting Shares and the Special Voting Share 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 Company 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 Company, the Partnership, the General Partner or Via Capitale L.P. or, in the case of default by the Company, the Partnership, the General Partner or Via Capitale L.P. 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) that is not remedied within 30 days after written notice thereof has been delivered. The Management Services Agreement may be terminated by the Company, the Partnership, the General Partner or Via Capitale L.P. in the event of the insolvency or receivership of the Manager or, in the case of default by the Manager 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) that 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 that may arise and provides for indemnification by the Manager of the Company, the Partnership, the General Partner and Via Capitale L.P. and by the Company, the Partnership, the General Partner and Via Capitale L.P. of the Manager in certain circumstances. The Management Services Agreement may be assigned by any party thereto with the prior written consent of all other parties.

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 that 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 assuring compliance with the Franchise Agreements; and
- 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 Company, 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 licence 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 Network by entering into new Franchise Agreements either directly or through an affiliated entity.

The directors have adopted an Incremental Franchise Purchase Policy that requires the Independent Directors of the Company to review and determine, from time to time, by agreement with the Manager, the criteria upon which the Independent Directors 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 that 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 licences to operate a residential real estate brokerage business, and all such licences must be in good standing.

Under the Management Services Agreement, Via Capitale L.P. has provided 9120-5583 Quebec Inc. (a wholly owned subsidiary of the Manager) with a licence 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 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 Company 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 determined based on the formula in the Management Services Agreement.

Subject to meeting the criteria set forth in the Company's Incremental Franchise Purchase Policy, as the same may from time to time be amended, 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 Company will be assigned to the Partnership by the Manager, 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 tax-affected 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 Company that such Incremental Franchises are transferred to the Partnership; and
- the dividend 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 (a) the product of (i) 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 and (ii) one minus the Actual Tax Rate by (b) the annual dividend 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 dividend yield is to be determined by dividing the total dividend amount per Restricted Voting Share declared by the Company 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 that 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 that 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 B LP Units.

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 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 and the Actual Tax Rate for the Reporting Period during which such Incremental Franchises are assigned to the Partnership.

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 within 90 days of the immediately following Payment and Adjustment Date.

If the Determined Amount for any Reporting Period is to be paid in Class B LP Units, the Partnership will issue to the Manager Class B LP Units (at a price equal to the Current Market Price per Restricted Voting Share on the Payment and Adjustment Date) equal to the amount of the Initial Payment divided by the Current Market Price per Restricted Voting Share on the Payment and Adjustment Date. 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 B LP Units, the Manager will transfer to the Partnership that number of Class B LP Units having a value equal to the Final Payment Amount (based on the issue price of the Class B LP Units), together with an amount equal to all distributions paid on such Class B LP Units, 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 directors from time to time, prior to the assignment to the Company.

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 Company commencing following the termination of the Management Services Agreement.

Under the Management Services Agreement, Via Capitale L.P. has provided the Manager with a licence 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 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 Company 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.

Organic Growth

Under the new MSA, the Manager is eligible to receive a fee for the net organic growth in the number of Agents in the Company Network of Agents since December 31, 2013 (the "Net Organic Agent Growth Fee"). Since the Company experienced a net organic loss of Agents in 2014, a Net Organic Agent Growth Fee has not been earned. Further, the net organic loss of Agents experienced in 2014 must be replaced before a Net Organic Agent Growth Fee can be earned in the future.

The mechanics of the calculation of the Net Organic Agent Growth Fee is similar to the Incremental Franchise Fee, with the base royalty fee being replaced by the average royalty fee per agent, or Value per Agent, exclusive of premium fees; the date of the calculation is at December 31; and the Value per Agent is multiplied by the net change in cumulative organic Agents in the calendar year, where such change in Agents is positive, and, when added to the underlying cumulative net organic growth in Agents for previous Net Organic Agent Growth Fee payments, does not exceed the net organic growth in Agents since December 31, 2013.

The detailed calculation of Net Organic Agent Growth Fee is defined as the Value per Agent multiplied by the net increase (or decrease) in Agents. See the Glossary of Terms for the associated definitions.

Management of the Company

The section entitled "Management of the Company" contained in the Company's Management Information Circular dated March 31, 2015 is incorporated herein by reference.

DESCRIPTION OF THE COMPANY AND CAPITAL STRUCTURE

The Company 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 Company had not carried on any active Business since its incorporation other than executing the Arrangement Agreement. The registered and head office of the Company 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 Company; to receive dividends if, as and when declared by the Board of Directors of the Company (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 Company 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 do not vote for the directors who are appointed by the holder of the Special Voting Share. See “Description of the Company and 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 Company 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 Company’s articles to designate each series of Preferred Shares. 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 Company. The Company 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 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 it does not otherwise entitle the holder to any rights with respect to the Company’s property or income (other than a nominal amount on the dissolution or winding up of the Company). 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 Company (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).

Principal Holders of Voting Securities

To the knowledge of the directors and officers of the Company, the only persons or corporations that beneficially own, directly or indirectly, control or direct securities of the Company carrying 10% or more of the votes attached to any class of outstanding voting securities of the Company are:

Name	Number of Shares	Percentage of Class
Brookfield Holdings*	1 Special Voting Share	100.0%
1832 Asset Management, L.P.	1,223,300 Restricted Voting Shares	12.9%
Fiera Capital Inc.	995,800 Restricted Voting Shares	10.5

*This entity also holds 3,327,667 Subordinated LP Units and 315,000 Restricted Voting Shares.

Directors

The Company will have a minimum of three and a maximum of ten directors. The current directors are Lorraine Bell, Simon Dean, Gail Kilgour, Spencer Enright and the Honourable Trevor J. Eyton OC. See “Directors and Officers of the Company” 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 Audit Committee consists of Lorraine Bell (Chair), Gail Kilgour and Simon Dean, all of whom are independent. All members of the Audit Committee are financially literate, and the Chair of the Audit Committee is a Chartered Accountant. See “Directors and Officers of the Company” for the principal occupations and relevant education and experience of the members of the Audit Committee. See Appendix A for the Audit Committee Charter.

Governance Committee

The current members of the Governance Committee are Gail Kilgour (Chair), Lorraine Bell and Simon Dean. See “Directors and Officers of the Company” for the principal occupations and relevant education and experience of the members of the Governance Committee. See Appendix A for the Governance Committee Charter.

Information and Reports

The Company will furnish, in accordance with and subject to applicable securities laws, to Shareholders such consolidated financial statements of the Company (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 directors will provide Shareholders (along with a Notice of Meeting) with all such information as is required by applicable law to be provided to such holders.

Each of the Partnership, the General Partner and Via Capitale L.P. has undertaken to the securities commission or other securities regulatory authority in each of the provinces of Canada and to the Company that, for so long as the Company is a reporting issuer (or the equivalent) under applicable securities laws, they will:

- a) provide the Company with the information that would be required to be included in any continuous disclosure document that 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 Partnership, the General Partner or Via Capitale L.P., 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 Company, prepare and file with the securities commission or other securities regulatory authority 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 Restricted Voting Shares are reported in accordance with the insider trading provisions of the securities legislation in each of the provinces of Canada, including trades by the directors or senior officers of the General Partner, directors or senior officers of the Manager or any security holder of the Company or the Partnership who holds more than 10% of the Restricted Voting Shares of the Company (on a diluted basis and assuming exchange of LP Units that are exchangeable for Restricted Voting Shares).

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 the 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 that 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 Restricted Voting Shares (other than through a CDS participant) may be limited due to the lack of a physical certificate.

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 brokerage services; 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; 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.

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 Company. 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) for Restricted Voting Shares at the option of the holder, at any time; (ii) each Class B LP Unit entitles the holder thereof to receive distributions from the Partnership, where practicable, pro rata, with dividends paid by the Company on its Shares.

Distributions to holders of Class B LP Units are made monthly on a pro rata basis (after funding of cash redemptions and repurchases of Shares, if any, and expenses of the Company).

The Partnership, 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 to 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 Company, and distributions 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 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 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 such 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 be transferable only 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 Company 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 the General Partner to the Company or such other person as the Company 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 perform such additional specific duties in connection with the Business of the Partnership as set out 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 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 that would or might adversely affect the rights or obligations of any class of partners (including, for greater certainty, amendments that 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, the Fund and the General Partner entered into the Shareholders' Agreement, in respect of the General Partner, dated August 7, 2003.

Directors

The Shareholders' Agreement provides that the board of directors of the General Partner is the same size and has the same composition as the Company's Board of Directors.

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

Amendment

The Shareholders' Agreement provides that it can be amended, modified or waived only with the approval of the General Partner, 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 security holder in a manner different from all other similarly situated security holders, or would create or increase the liability of a security holder, requires the approval of each particularly affected security holder 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 three directors, all of whom are Independent Directors, 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 three directors, all of whom are Independent Directors, and is 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 Licence Agreement and the Royal LePage Sub-Licence Agreement) before such conflict of interest is approved by the board of directors of the General Partner;
- b) annually reviewing:
 - i) the performance of the Manager as manager under the Management Services Agreement, including its business plans and prospects for the ensuing year;
 - ii) the performance of the management of the Manager; and
 - iii) 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

CIBC \$53 Million Term Facility, \$10 Million Acquisition Facility and \$5 Million Operating Loan

On October 27, 2014, the Company refinanced its previous \$53 million term debt facilities and \$2 million Operating Loan with a five-year \$68 million financing with a February 17, 2020 maturity date. The \$68 million financing arrangement was provided by CIBC Business Banking (collectively the “CIBC Facilities”) and consists of the following three arrangements:

- a) a \$53 million non-revolving term variable rate facility, replacing the current \$53 million debt facility, which was to mature on February 17, 2015. The new facility bears a variable interest rate of Banker’s Acceptances (BAs) + 1.70% or Prime + 0.5%, which the Company has swapped to a fixed rate of 3.64%, payable monthly;
- b) a \$10 million non-revolving acquisition facility to support acquisitions pursued by the Company, bearing a variable interest rate of BAs + 1.70% or Prime + 0.5%. A standby fee of 0.15% applies on undrawn amounts under this facility. No amounts have been drawn on this facility as at December 31, 2014; and
- c) a \$5 million revolving operating facility to meet the Company’s day-to-day operating requirements, bearing a variable interest rate of BAs + 1.70% or Prime + 0.5%. No amounts have been drawn on this facility as at December 31, 2014.

The covenants of this financing prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 5.00 to 1 (unchanged from the previous financing) and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.5 to 1 (up from 2.25 to 1). Consolidated EBITDA is defined as earnings (loss) before tax, interest, interest on Exchangeable Units, gain (loss) on fair value of Exchangeable Units and gain (loss) on purchase obligation adjustment.

On October 27, 2014, the Company entered into a five-year interest swap agreement to swap the variable interest obligation on the \$53 million term debt to a fixed rate of 3.64%. The swap matures on October 28, 2019.

As at the date of this Annual Information Form, the Company has fully drawn the \$53 million non-revolving term facility and \$8 million of the \$10 million Acquisition facility.

Security

The CIBC Facilities have an unconditional and unlimited guarantee and postponement and assignment of debts and claims issued by each of the Residential Income Fund L.P., Residential Income Fund General Partner Limited and Via Capitale L.P. (collectively the “Guarantors”). The CIBC Facilities are secured by a general security interest from each of the Company and each Guarantor in providing for a first-ranking security interest (subject to Permitted Liens entitled to priority at law or under contract) in all of the present and future assets, property and undertakings of each of the Borrower and Guarantor, and a first-ranking assignment (subject to Permitted Liens entitled to priority at law or under contract) by each Guarantor of all Material Contracts, in each case to which it is or may become a party.

Restrictive Covenants

So long as the CIBC Facilities remain outstanding, the Company and its subsidiary operations must comply with a number of restrictive covenants, which are summarized as follows: **Indebtedness.** The Company will not, and will not permit any Material Subsidiary to, 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. **Liens.** The Company will not, and will not permit any of the Material Subsidiaries to, create, issue, incur, assume, have outstanding or permit to exist any Liens on any of its property, other than Permitted Encumbrances. **Asset Dispositions.** The Company will not, and will not permit any Material Subsidiary to, 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. Subject always to the foregoing, the Company will not, and will not permit any Material Subsidiary to, 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 Company 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 Company and the Material Subsidiaries (after taking into account the costs of the acquisition

of any Franchise Agreements by the Company and the Material Subsidiaries) in any one fiscal year exceeds \$500,000, but does not exceed \$2,000,000, provided that (i) notice thereof has been given to the Administrative Agent within 30 days after the closing of each such transaction, setting forth the details of the sale or acquisition (or exchange); (ii) 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 (iii) 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 Company in the Company's or a Material Subsidiary's business. If less than all of the Excess Net Proceeds are reinvested in the Company's or a Material Subsidiary's business (such non-reinvested portion being the "Non-Reinvested Amount"), within 30 days after the end of the fiscal year, the Company will use the Non-Reinvested Amount to rateably repay outstanding Senior Indebtedness of the Company or a Material Subsidiary in accordance with Additional Mandatory Prepayments of the Term Credit. At the request of the Company, the Administrative Agent shall promptly upon the sale thereof release and discharge the Security as to any Assets the sale of which is permitted or not prohibited pursuant to this clause.

Sales and Leasebacks. The Company will not, and will not permit any Material Subsidiary to, 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 set forth in "Asset Dispositions" above.

Fundamental Changes. The Company will not, and will not permit any Material Subsidiary to, enter into or undertake any merger, reconstruction, reorganization, recapitalization, combination, statutory arrangement, consolidation, amalgamation, liquidation, dissolution, 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 Company 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: (i) 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 Borrower and each Material Subsidiary, as applicable, under each of the Loan Documents to which the Company or such Material Subsidiary is a party, and each of those Loan Documents will be a legal, valid and binding obligation of the Successor, enforceable against the Successor in accordance with its terms; (ii) 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; (iii) 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; (iv) the Transaction is on such terms, and carried out in such a manner, as to preserve and not to impair, and to have no Material Adverse Effect on, any of the rights and powers of the Administrative Agent or the Lenders or otherwise under the Loan Documents; (v) 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 (vi) 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 Administrative Agent a legal opinion of counsel establishing the matters in paragraphs (i) to (iii) above (except as to the issue of solvency referred to in paragraph (ii) above) and an officer's certificate certifying the matters in paragraphs (iv) and (v) above (and as to the issue of solvency referred to in paragraph (ii) above).

Investments, Loans, Advances, Guarantees and Acquisitions. Except as may be expressly permitted under any other provision of this Agreement, each of the BRESI Group shall not purchase, hold or acquire any Equity Securities, evidences of Indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans, advances or other forms of Indebtedness to, provide a Guarantee with respect to any obligations of, or make or permit to exist any Investment or any other interest in any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions), any assets of any other Person or make any Acquisitions, except: (i) loans, advances or other forms of Indebtedness or Investments made between Loan Parties; (ii) Acquisitions that are of (a) assets or (b) Equity Securities, of an entity carrying on a business similar to and consistent with the BRESI Business at the date hereof; (iii) Cash Equivalents; and (iv) Guarantees expressly permitted under the CIBC Credit Agreement provided that (a) no Investment or Acquisition by any of the BRESI Group shall be made by way of a Hostile Takeover Bid and (b) at the time of and immediately after making any such loan, advance, Guarantee, Permitted Acquisition or Investment, no Default or Event of Default shall have occurred and be continuing or would result therefrom.

Organizational Documents. The Company will not, and will not permit the Material Subsidiaries to, 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.

Limitations on Distributions. The

Company will not, and will not permit any Material Subsidiary to, 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 Company 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. **Fair Market Value Transactions.** The Company will not, and will not permit any Material Subsidiary to, engage in transactions with any Affiliates on terms that, on an overall basis, are materially less favourable to the Borrower, 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 that involves the sale, lease or other disposition of property to transferees that are the Borrower and/or wholly owned Subsidiaries. **Pension Plan Compliance.** No member of the BRESI Group shall establish, sponsor, contribute to or assume an obligation to contribute to any Pension Plan except with the prior written consent of the Required Lenders. **No Amendments to Material Contracts.** The Company will not agree to any amendment, termination, surrender or variation of (i) the Management Services Agreement or (ii) any other 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. Notwithstanding the foregoing and anything to the contrary contained in any other Loan Document, the Borrower and any Material Subsidiary may consent to the assignment of any Franchise Agreement or any part thereof by the counterparty thereto with the prior written consent of the Administrative Agent, such consent not to be unreasonably withheld or delayed. **Change of Jurisdiction or Chief Executive Office.** The Company will not, and will not permit any Material Subsidiary to, change its jurisdiction of incorporation or chief executive office. **BRESI Business.** (i) The BRESI Group shall not carry on any business other than the BRESI Business and any business reasonably incidental thereto. (ii) The Company will not, and will not permit any Material Subsidiary to, carry on business outside Canada. **Limited Partnerships.** The Company shall not cease to be the General Partner of any member of the BRESI Group that is a limited partnership (other than the Company), unless the Company (as the case may be) is replaced as the General Partner of such member of the BRESI Group and the interest of such replacement General Partner in the applicable limited partnerships is pledged in favour of the Administrative Agent, as required by the Administrative Agent, acting reasonably, together with such Supporting Documents as may be requested by the Administrative Agent, acting reasonably.

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 Company. In addition, Brookfield Holdings ultimately owns 315,000 Restricted Voting Shares of the Company, for a combined interest of 28%.

EXCHANGE RIGHTS

TBI, 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 (i) amended on December 31, 2010 to give effect to the conversion of Fund Units into Restricted Voting Shares in the capital of the Company and (ii) amended and restated on December 31, 2012 to give effect to the wind-up of the Holding Trust and the Fund. 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) with the right to require the Company to directly or indirectly exchange Class B LP Units and/or Class A LP Units for Restricted Voting Shares of the Company on the basis of one Restricted Voting Share of the Company 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 Company 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 Company. These rights enable Brookfield Holdings or the Manager to require the Company 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 Company’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 Company 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 Company’s financing requirements are to take priority.

DISTRIBUTIONS

Distributions per Share for Last Three Fiscal Years

The following table sets out the aggregate dividends declared in respect of the Restricted Voting Shares in each of 2014, 2013 and 2012:

Period	Distributions Per Restricted Voting Share or Unit
2014	\$1.20
2013	\$1.10
2012	\$1.10

MARKET FOR SECURITIES

The Restricted Voting Shares are currently listed for trading on the TSX under symbol “BRE”. None of the units of the Partnership, units of Via Capitale L.P. or shares of the General Partner are listed for trading on a recognized exchange, nor is there a market for such securities. The following table sets out the price ranges and volume traded for Restricted Voting Shares on the TSX for each month during 2014:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
High	\$14.54	\$14.51	\$14.99	\$14.95	\$14.79	\$14.40	\$14.26	\$14.20	\$14.10	\$14.04	\$14.08	\$13.80
Low	\$13.25	\$13.90	\$13.87	\$14.51	\$13.96	\$13.95	\$13.85	\$13.80	\$13.74	\$12.98	\$13.70	\$12.62
Close	\$14.17	\$14.35	\$14.79	\$14.72	\$14.21	\$14.00	\$13.89	\$13.84	\$13.88	\$13.77	\$13.80	\$13.00
Avg Daily Volume	6,119	4,938	6,731	7,017	7,599	8,590	9,377	10,256	12,222	12,629	18,625	12,053

DIRECTORS AND OFFICERS OF THE COMPANY

The names, principal occupations and municipalities of residence of our directors and officers, as well as the year each director first became a director, are set out below. Each director is appointed to serve until the next annual meeting of Shareholders or until his or her successor is elected or appointed.

Note: On May 6, 2014, Mr. George Myhal, former Director and Chairman of the Board and Brookfield Holding's designated Director, resigned from the Board of Directors, and Mr. Allen Karp, former Director and Chairman of the Governance Committee, did not stand for re-election.

Directors

Name and Municipality of Residence	Position and/or Office with Company	Present Principal Occupation If Different from Office Held	Period During Which Served as Director/Trustee	Restricted Voting Shares Beneficially Owned or Controlled as at March 31, 2015 ³
Lorraine Bell ^{1, 2, 3, 4} New York, NY, USA <i>Independent Director</i>	Director, Chair of the Audit Committee	Corporate Director	Since Jan. 3, 2003	7,500
Simon Dean ^{1, 2, 3, 5} Oakville, ON, Canada <i>Independent Director</i>	Director	Self-employed Consultant	Since Jan. 3, 2003	8,000
Gail Kilgour ^{1, 2, 3, 6} Toronto, ON, Canada <i>Independent Director</i>	Director, Chair of the Governance Committee	Corporate Director	Since Jan. 3, 2003	5,000
Honourable Trevor J. Eyton OC ⁷ Caledon, ON, Canada <i>Related Director</i>	Director	Corporate Director	Since May 6, 2014	Nil
Spencer Enright ^{3, 7, 8} Toronto, ON, Canada <i>Related Director</i>	Chairman and Director	Chief Operating Officer, Brookfield Real Estate Services Manager Limited	Since May 6, 2014	1,000

¹ Member of the Audit Committee.

² Member of the Governance Committee.

³ As of March 31, 2015, the current directors of the Company owned beneficially, directly and indirectly, 21,500 Restricted Voting Shares representing approximately 0.2% of the issued and outstanding Restricted Voting Shares. Brookfield Holdings holds one Special Voting Share.

⁴ **Lorraine Bell – Director and Chair of the Audit Committee.** Since 1996, Ms. Bell has been self-employed. Ms. Bell is a Chartered Accountant with over 30 years of experience in the financial sector. Ms. Bell is a member of the Board of Directors and the Audit, Risk Management, Human Resources and Governance Committees of the Ontario Financing Authority and a director and member of the Audit committee of IBI Group Inc. She is also a member of the Board of Directors of University of Toronto Associates in New York. Prior to being self-employed, she was the founder and responsible for General Re Financial Products Canada, a derivatives services company, which she ran from 1993 until 1996.

⁵ **Simon Dean – Director.** Since April 2005, Mr. Dean has been a self-employed consultant. He has been Chief Executive Officer of the Manager (and its predecessor) since January 1995 and Managing Partner of Brookfield Business Services since 2001. Prior to joining the Manager's predecessor, he was President and Chief Executive Officer of three retail organizations owned by Rogers Communications Inc. from 1988 to 1993 and Executive Vice President of Rogers Cantel Mobile Communications Inc., a national cellular service provider, from 1993 to 1994.

⁶ **Gail Kilgour – Director.** Ms. Kilgour, ICD.C, brings more than 25 years of experience in the financial services industry to the Board. She is a past Vice-Chair of the Board of Directors for the Ontario Realty Corporation and Chair of its Governance Committee, Director of Ontario Infrastructure and Lands Corporation and Trustee of the University of Guelph, where she chaired its Audit Committee. She is Chair of the Board of St. George's Golf and Country Club and Chair of its Human Resources and Nominating Committees. A self-employed consultant since 2004 and corporate director, Ms. Kilgour was, prior to 2004, employed by the Canadian Imperial Bank of Commerce ("CIBC") in a number of senior management roles, including Senior Vice-President, Government Sponsored Student Loans; President & Chief Executive Officer of EDULINX Canada Corporation, a subsidiary of CIBC; and Senior Vice-President, e-Business Strategy, CIBC.com.

⁷ **The Honourable Trevor J. Eyton OC – Director.** The Honourable Trevor J. Eyton OC is a well-known businessman in Canada and internationally, including serving for some years as the President and Chief Executive Officer and Chairman of Brascan (now Brookfield Asset Management Inc.), one of Canada's largest companies. Appointed to the Senate in 1990, Senator Eyton served on three committees – Banking, Trade and Commerce, Transport and Communications and Scrutiny of Regulations, where he was the Joint Chair. He also served as a director of Coca-Cola Enterprises (Atlanta) from 1998 to 2007. Mr. Eyton retired from the Canadian Senate in 2009. Currently the Senator serves as Honorary Chairman of the Canada Sports Hall of Fame as well as Chairman and a director of Silver Bear Resources Inc. and a director of Magna International Inc. Prior to his business career, the Senator was educated at Toronto's Jarvis Collegiate Institute and the University of Toronto, where he received both his BA and his JD.

⁸ **Spencer Enright – Director and Chairman.** Mr. Enright, CPA, CA is Chief Executive Officer of Brookfield Real Estate Services Manager Limited. He joined in 2010 from Coca-Cola Ltd./Minute Maid Canada, where he was SVP and General Manager. Mr. Enright was Chief Operating Officer of Brookfield RPS from 2011 to end of 2012, and SVP Operations in 2010. He was instrumental in successfully integrating the U.S. Real Estate and Global Relocations operations that were acquired in 2009–2012 by Brookfield RPS.

Officers

Name, Municipality of Residence and Restricted Voting Shares Owned as at March 28, 2014	Position Held	Five-Year Occupational History
Philip Soper Toronto, ON, Canada 11,245	President and Chief Executive Officer	Mr. Soper is the President and Chief Executive Officer of the Company and President of the Manager. Mr. Soper joined the Brookfield organization as Vice President and General Manager, Corporate Relocation Solutions in February 2001 and was named Chief Executive Officer of what is now Brookfield Real Estate Services, Inc. in 2002. Prior to joining the Manager, he held various Canadian and international leadership positions with IBM, commencing in 1984, including General Manager for IBM's Information Technology Consulting and Services business from 1997 to 2001. Mr. Soper is Chairman of the Brookfield Real Estate Services Foundation.
Kevin Cash Markham, ON, Canada 3,800	Chief Financial Officer	Mr. Cash was appointed Chief Financial Officer of a predecessor to the Company on January 6, 2003. Mr. Cash has held various positions within Brookfield Asset Management (1999 to present) and is the Chief Financial Officer of the Manager.

As of March 31, 2015, the current officers and directors of the Company owned beneficially, directly and indirectly, 36,545 Restricted Voting Shares representing approximately 0.4% of the issued and outstanding Restricted Voting Shares. Brookfield Holdings holds one Special Voting Share.

As of the date hereof, no individual who is, or at any time during the most recently completed financial year of the Company ended December 31, 2014 was, a director or senior officer of the Company or the General Partner, or a trustee of the Partnership or Via Capitale L.P., an individual proposed as a nominee for election to any such position, nor any associates of any such director, senior officer or proposed nominee, has been indebted to the Company, the General Partner, the Partnership or Via Capitale L.P., nor has any such individual's indebtedness to another entity at any time since the beginning of the most recently completed financial year been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company, the General Partner, the Partnership or Via Capitale L.P. in connection with the purchase of securities of the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The section entitled "Interest of Informed Persons in Material Transactions" contained in the Company's Management Information Circular dated March 31, 2015 is incorporated herein by reference.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Deloitte LLP, Suite 1400, Brookfield Place, 181 Bay Street, Toronto, Ontario, Canada, M5J 2V1. The Transfer Agent and registrar for the Company is CST Trust Company, 320 Bay Street, P.O. Box 1, Toronto, Ontario, M5H 4A6.

External Auditor Service Fees (by Category)

The following table sets out further information on the fees billed or expected to be billed by Deloitte to the Company, the Partnership and Via Capitale L.P. relating to the fiscal years ended December 31, 2014 and 2013:

Fees	2014	2013
Audit fees	\$200,000	\$201,000
Audit-related fees	\$45,000	\$30,000
Tax fees	\$15,000	\$15,000
All other fees	–	–
Total fees	\$260,000	\$246,000

Audit fees were for professional services rendered for the audit of our consolidated financial statements as of and for the years ended December 31, 2014 and 2013 and the audit of internal control over financial reporting as of December 31, 2014 and 2013, the quarterly review of the financial statements included in our quarterly reports, consents and comfort letters issued and review of filings with securities commissions.

Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit and are not reported under “Audit fees”. Audit-related fees include fees relating to employee benefit plans, operating costs and escalation, joint venture and lender audits as well as consultations concerning financial accounting and reporting standards.

Tax fees consist of fees for services related to tax compliance, including the preparation of tax returns and refund claims and tax planning and advice, including assistance with property tax assessment and appeals and technical advice related to income tax matters.

Other fees consist of fees for assistance with corporate and social responsibility reporting.

The Audit Committee of the Board of Directors has determined that the provision of these services is compatible with the maintenance of the independence of Deloitte.

MATERIAL CONTRACTS

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

- CIBC Credit Agreement and related security documentation
- Exchange Agreement
- La Capitale Licence Agreement
- Royal LePage Licence Agreement
- Management Services Agreement
- Partnership Agreement
- Registration Rights Agreement
- Shareholders’ Agreement among TBI, the Fund and the General Partner, in respect of the General Partner, dated August 7, 2003

RISK FACTORS

The following sections describe the risks related to the residential resale real estate brokerage industry and the Business of the Partnership and the Company.

Residential Real Estate Resale Industry

The performance of the Company 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 Company 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 Company. The popularity of Internet use by real estate consumers has led to a questioning of the value of traditional real estate services.

For the Year ended December 31, 2014, the residential resale market based on transactional dollar volume was \$196.3 billion, which was up 12.1% from December 31, 2013, driven by a 6.7% increase in selling price and a 5.1% increase in units. For the three months ended December 31, 2014, transactional dollar volume was up 11.9% over the same period in 2013, driven by a 5.7% increase in selling price and a 5.9% increase in units.

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, 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 Company'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.

Demographics, Interest Rates, Economy, Consumer Confidence

A substantial portion of the recent attrition in Agents experienced in the Franchise Network 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 have 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 modest Agent attrition in the Ontario market due in part to increased competition directed at recruiting high-producing Agents and teams of Agents as well as competition from discount brokerage offerings.

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 4.5%, 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 Company 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 Network 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 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 or her 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 the services area could have a materially 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-licence 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 that 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-licence were assigned to the Partnership on August 7, 2003. There can be no assurance that the Royal Trust Company will renew the licence to use the Royal LePage Trademarks when the master licence 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 materially 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 expired on October 27, 2012. In a consultative process with Via Capitale’s Franchisees and Brokers, the Company addressed this issue with the successful rebranding of La Capitale to 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-Based Real Estate Business

Internet-based real estate businesses have operated in the market for 20 years. While none have achieved material market share to date, innovation in the space is constant, and disruptive business models could draw consumers away from traditional brokerages.

Competition Tribunal

The Competition Bureau filed an application with the Competition Tribunal (the “Tribunal”) on February 8, 2010, alleging that the CREA used its control of the relevant trademarks to prevent competition from developing in the supply of less than full-service brokerage services to homeowners. On October 24, 2010, the Competition Bureau and the CREA reached a negotiated settlement, ending the Tribunal process.

On May 27, 2011, the Competition Bureau announced that it had filed an application with the Tribunal, seeking to prohibit potentially anti-competitive practices by the Toronto Real Estate Board (“TREB”). On April 15, 2013, this case was dismissed by the Tribunal, which concluded that the abuse of dominance provision under section 79 of the Competition Act did not apply to the facts of the case. On February 3, 2014, Canada’s Federal Court of Appeal overturned the Tribunal’s decision to dismiss the Competition Bureau’s abuse of dominance application against TREB, sending the application back to the Tribunal for a second hearing.

From our perspective, we do not believe that the Competition Bureau’s dispute with TREB will have a materially adverse impact on our Business. Our real estate Agents and their clients both want to be able to advertise their listed properties in the most effective manner, whether this is on the Realtor.ca website (operated by MLS®) or some other alternative.

Government – Mortgage-Lending Rules

In 2010, the Canadian real estate market was impacted by two announcements by the Canadian 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 Canadian 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 Canadian 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 one with 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 Canadian government and the 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.

For the third time in recent years, Ottawa’s regulators introduced mortgage-lending rules designed to tighten household debt levels. The most significant changes, which took effect on July 9, 2012, are as follows:

- **Less Refinancing:** The maximum permitted loan to value ratio for an insured high-ratio mortgage refinance declined from 85% to 80%.
- **Shorter Amortization:** The maximum amortization period for an insured high-ratio mortgage dropped from 30 to 25 years.
- **Smaller Debt Ratio:** The gross debt service ratio was reduced to 39% and the total debt service ratio was reduced to 44%.

- **Mortgage Insurance Changes:** The availability of government-backed mortgage insurance has been restricted to homes with a value of less than \$1 million.

Regulatory – Quebec Real Estate Regulations

Under Quebec's *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 Company 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 Company 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 Company's Franchise Network since 2011 continues to be driven in part by the increased education and costs of association for Quebec-based Agents, which has resulted in a decline in new Agents entering the Quebec market. In 2014, the industry-wide number of Agents servicing the Quebec market declined by a further 1.3%.

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 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 Company on the Partnership

The Company 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 Franchisees, 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 the 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 Company by the Independent Directors of the Company 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 66²/₃% 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 Company of the Management Services Agreement in its reliance on this provision. The Management Services Agreement has an initial term that expires on December 31, 2018 and is automatically renewable for successive five-year terms unless notice of

termination is given by the Manager, the Company, the General Partner, the Partnership or Via Capitale L.P. at least six 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 CIBC Debt Facilities. See “Credit Facilities”. The degree to which the Partnership is leveraged could have important consequences to the holders of the LP Units, including the following: (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 the funds available for distribution to the Company; 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 CIBC Debt Facilities contain numerous restrictive covenants that limit the discretion of the Company’s and 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 CIBC Debt Facilities 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 CIBC Term Facilities could result in an event of default, which, if not cured or waived, could permit acceleration of the relevant indebtedness and acceleration. If the 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 Company. 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 Company’s only assets are Class A LP Units and shares of the General Partner.

The Company May Issue Additional Restricted Voting Shares Diluting Existing Shareholders’ Interests

The Company 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 Company 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 under the Tax Act or that the Restricted Voting Shares will not be foreign property under the Tax Act. The Tax Act may impose penalties for the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property.

ADDITIONAL INFORMATION

Additional information, including remuneration and indebtedness of the directors of the Company, the directors of the General Partner, the principal holders of the Company's and the Partnership's securities and the interest of insiders in material transactions, is contained in the Company's Management Information Circular, prepared for the annual meeting of Shareholders scheduled for May 6, 2015, at which the Independent Directors are to be elected. Additional financial information is provided in the Company's comparative financial statements and management's discussion and analysis for the Year commencing January 1, 2014 and ended December 31, 2014, which information is incorporated herein by reference. These documents and additional information regarding the Company are available on SEDAR at www.sedar.com.

APPENDIX A

BROOKFIELD REAL ESTATE SERVICES INC.

BOARD OF DIRECTORS CHARTER

1. ROLE OF BOARD

The role of the Brookfield Real Estate Services Inc. (the “Company”) Board of Directors is to oversee, directly and through its committees, the Business and affairs of the Company, which are conducted by the officers and employees of the Company’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 Company.

The Board is elected by the Shareholders to oversee management to ensure that shareholder value is advanced in a manner that recognizes the concerns of other stakeholders in the Company, 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 Company and the Residential Income Fund L.P. (the “Partnership”), which owns the assets from which the Company 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 Company together with the Manager and reviewing, approving and monitoring the strategic plan for the Company and the Partnership including fundamental financial and business strategies and objectives;
- b) **Risk Management** – assessing the major risks facing the Company and reviewing, approving and monitoring the manner of managing those risks;
- c) **Manager** – monitoring the performance of the Manager on behalf of the Company and the Partnership with reference to the Management Services Agreement among the Company, 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 Company’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 Company 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 Company 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 Company. They should possess skills and competencies in areas that are relevant to the Company’s and Partnership’s activities. A majority of the directors will be “Independent” Directors. “Independent” has the meaning based on the rules and guidelines of the Toronto Stock Exchange and applicable securities regulatory authorities.
- 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 charter 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 financial, legal or other advisors at the expense of the Company.

BROOKFIELD REAL ESTATE SERVICES INC.

AUDIT COMMITTEE CHARTER

A committee of the Board of Directors of the Company to be known as the Audit Committee (the “Committee”) shall have the terms of reference set out below.

1. MEMBERSHIP AND CHAIRPERSON

- a) Following each annual meeting of Shareholders, the Board of Directors of the Company (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 Company or until a member ceases to be a director, resigns or is replaced, whichever first occurs.
- b) All of the members of the Committee shall be Independent Directors within the meaning of the rules and guidelines of the Toronto Stock Exchange and applicable securities regulatory authorities. No member of the Committee shall be an officer or employee of the Company or Brookfield Real Estate Services Manager Limited (the “Manager”) who manages the Company 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 Company, 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 Company to the following matters: publicly disclosed financial information, financial accounting and reporting, internal control, risk management and insurance, and external and internal audit, and it 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 that accompanies published financial statements (to the extent that 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 its relations with the external and internal auditors of the Company:
 - 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 its independence and to review any relationship between the auditor and the Company 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 Company'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 Company;
 - 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 Company may bring to its attention and that may have a material impact on financial results or that may otherwise adversely affect the financial well-being of the Company; 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 Company 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, e-mail, 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.

BROOKFIELD REAL ESTATE SERVICES INC.

GOVERNANCE COMMITTEE CHARTER

A committee of the Board of Directors of the Company to be known as the Governance Committee (the “Committee”) shall have the terms of reference set out below.

1. MEMBERSHIP AND CHAIRPERSON

- a) Following each annual meeting of Shareholders, the Board of Directors of the Company (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 Company or until a member ceases to be a director, resigns or is replaced, whichever first occurs.
- b) A majority of the members of the Committee shall be Independent Directors within the meaning of the rules and guidelines of the Toronto Stock Exchange and applicable securities regulatory authorities.
- 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 Company to the following matters: Board nominations, size and composition of the Board, Board member effectiveness, Board member orientation and directors’ compensation.
- b) The 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) The 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 Company 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 Company 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 a meeting may be given verbally or by letter, e-mail, 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, any review undertaken and any associated recommendations.