Q3

Strong Brands
New Horizons

INTERIM REPORT TO UNITHOLDERS Q3 2010

Brookfield
Real Estate Services

ABOUT THE BROOKFIELD REAL ESTATE SERVICES FUND

The Fund is a leading provider of services to residential real estate brokers and their REALTORS®. The Fund generates cash flow from franchise royalties and service fees derived from a national network of real estate brokers and agents in Canada operating under the Royal LePage, La Capitale Real Estate Network and Johnston & Daniel brands. At September 30, 2010, the Fund Network was comprised of 15,322 agents. The Fund Network has an approximate 22% share of the Canadian residential resale real estate market based on transaction dollar volume. The Fund is a TSX-listed income trust that pays monthly distributions and trades under the symbol "BRE.UN". The Fund's website address is www.brookfieldres.com.

FORWARD-LOOKING STATEMENTS

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

Brookfield
Real Estate Services

Q3 2010 Interim Report to Unitholders

FINANCIAL AND OPERATING HIGHLIGHTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

	Three months ended September 30				Nine months ended September 30			
	2010		2009		2010		2009	
	(thousands)	(per unit)	(thousands)	(per unit)	(thousands)	(per unit)	(thousands)	(per unit)
Royalties	**$ 9,780**	**$ 0.76**	$ 10,028	$ 0.78	**$ 28,472**	**$ 2.22**	$ 25,864	$ 2.00
Net earnings	**$ 2,022**	**$ 0.21**	$ 2,232	$ 0.23	**$ 5,858**	**$ 0.62**	$ 4,068	$ 0.42
Distributable cash[1]	**$ 6,915**	**$ 0.54**	$ 7,142	$ 0.56	**$ 20,202**	**$ 1.58**	$ 18,053	$ 1.39
Distributions	**$ 4,497**	**$ 0.35**	$ 4,517	$ 0.35	**$ 13,492**	**$ 1.05**	$ 13,664	$ 1.05
Payout[2]	**65%**		63%		**67%**		76%	

We are pleased to report results for Brookfield Real Estate Services Fund (the “Fund”) for the quarter ended September 30, 2010. Royalties for the quarter were $9.8 million, down 2.5% from the same period in 2009. Distributable cash during the quarter was $6.9 million ($0.54 per unit), down 3.2% from the third quarter of 2009. Net earnings decreased 9.4% to $2.0 million ($0.21 per unit) from $2.2 million ($0.23 per unit) in the third quarter of 2009.

The year-over-year decrease in royalties, distributable cash and earnings in the third quarter of 2010 reflect the decline in sales activity (measured as transaction dollar volume) for the industry in the quarter, compared with the robust sales rebound in housing markets across the country that began in the second quarter of 2009. The Fund outperformed the industry, which experienced a 23.3% decline in sales activity in the quarter based on Canadian Real Estate Association (CREA) data for MLS listings. The Fund’s fixed fees, which are based on the size of its REALTOR®[3] network, were 5.4% higher than the same quarter a year ago, while its variable and premium fees combined were down 11.7%. Additionally, some of the fees reflect housing sales that were made in the second quarter, when industry sales activity was ahead by 5.1%, but closed in the third quarter. As the Fund’s variable fees are recorded when a sale closes, while industry data is based on when a sale is made, there is a 45 to 60 day lag relative to industry data, and therefore the industry sales decline in the third quarter is expected to affect the Fund’s fourth quarter results.

The year is unfolding much as we predicted, with the unusually active first half giving way to slower markets in the latter part of the year. Helped by very low rates in a competitive mortgage financing market, the third quarter was slightly stronger than anticipated, on new demand fuelled by improved affordability in many regions. Looking ahead, it is very unlikely that the period from now to year end can keep pace with the activity levels in the overheated market of the final quarter of 2009; however, the Fund’s performance is insulated from market fluctuations to the extent that approximately 69% of the Fund’s fees are fixed in nature, based on the number of agents and sales representatives in the network, and the Fund’s strategy is to steadily grow its REALTOR® network and increase REALTOR® productivity. Additionally, given Canada’s strong position in the global economy, we maintain our positive outlook for the real estate market and look forward to improved results in the future.

NINE MONTH RESULTS

For the nine months ended September 30, 2010, royalties were $28.5 million, 10.1% higher than the same period a year ago, reflecting a 19.6% increase in combined variable and premium franchise fees resulting from increased royalties during the first half of 2010. Distributable cash increased 11.9% to $20.2 million ($1.58 per unit) and net earnings increased 44.0% to $5.9 million ($0.62 per unit) compared with the first nine months of 2009, due primarily to the increase in royalties.

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

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

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

FUND GROWTH

At September 30, 2010, the Fund Network was comprised of 367 franchises operating from 663 locations serviced by 15,322 REALTORS®, for a net organic gain of 274 REALTORS® since January 1, 2010 and 27 during the third quarter. With the addition of 417 REALTORS® from the 21 franchise agreements acquired from the Fund Manager, Brookfield Real Estate Services Limited ("the Manager"), under the Royal LePage and La Capitale brands on January 1, 2010, the Fund has a total increase of 691 REALTORS® since December 31, 2009.

MONTHLY CASH DISTRIBUTION

The Fund declared a cash distribution of $0.117 per unit for the month of November 2010, payable December 30, 2010 to unitholders of record on November 30, 2010.

CONVERSION TO A CORPORATION

In a separate news release issued today, the Fund announced that it will seek unitholder approval to convert from an income trust to a corporate structure effective on or about December 31, 2010 and that it expects to initiate monthly dividends at an annualized rate of $1.10 per share ($0.092 monthly) beginning in January 2011. The conversion is subject to unitholder and other approvals and will be completed pursuant to a plan of arrangement to be considered at a special meeting of unitholders that will be held on December 10, 2010. Pursuant to the conversion, unitholders will receive one share of the resulting public corporation for each unit held.

INDUSTRY DEVELOPMENT

On October 24, 2010, CREA membership ratified an agreement reached with the federal Competition Bureau, confirming CREA's commitment to a competitive real estate services market. Highlights of the consent agreement, which is binding for 10 years, include clarification that REALTORS® can offer sellers limited services, including simply posting properties on MLS, and other discrete services short of full service for a pre-agreed fee. Consumers who pay a fee to a REALTOR® to have their home listed on the MLS will not have their contact information posted on the CREA MLS website www.realtor.ca, although listings can provide links to other sites that contain contact information.

We are pleased that the dispute between CREA and the Competition Bureau has been resolved. We believe that the MLS web-based advertising service is a very valuable asset and, with this issue now behind us, we look forward to working with CREA to maximize the value of the MLS system for the benefit of CREA, its membership and consumers.

FUND STRUCTURE

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

OUTLOOK

Much of the extreme volatility within the Canadian housing market over the past few years appears to have been worked out of the system and a steadier housing industry through 2011 is expected to result from gradual economic improvement offset by the dampening effect of a gradual increase in mortgage costs. Housing prices are expected to remain flat or decline slightly in the coming year.

Conversion of the Fund to a corporate structure will not change the underlying business, with its portfolio of long-term royalty contracts, or its business strategy of growing organically and through acquisition within the residential real estate services industry.

Philip Soper

President and Chief Executive

Kevin Cash

Chief Financial Officer

November 8, 2010

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2010

Introduction

This section of our interim report includes management's discussion and analysis ("MD&A") of our results and financial condition for the three months ended September 30, 2010, (the "Quarter") and nine months ended September 30, 2010 (the "Period") and is dated November 5, 2010. The MD&A is intended to provide you with an assessment of our past performance as well as our financial position, performance objectives and future prospects. The information in this MD&A should be read in conjunction with our audited financial statements for the year ended December 31, 2009, prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the interim financial statements for the three and nine months ended September 30, 2010. Additional information relating to the Brookfield Real Estate Services Fund (the "Fund"), including our annual information form, is available on SEDAR at www.sedar.com. All dollar amounts are in Canadian dollars unless otherwise specified.

Statements contained in this MD&A, which are not historical facts, are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. There are a number of external and industry factors related to the residential resale real estate brokerage industry and the business of the Fund which may affect an investment in the Fund's units. A summary of these risks is outlined in the Fund's annual information form which is filed on SEDAR at www.sedar.com. Although the majority of these risks have not changed since the inception of the Fund, they are discussed in further detail in this MD&A to the extent they have changed since December 31, 2009.

Management's Discussion and Analysis of Results and Financial Condition

Highlights

($000's) except Agents, Sales Representatives, units and per unit amounts		**Three months ended Sept. 30, 2010**		Three months ended Sept. 30, 2009		**Nine months ended Sept. 30, 2010**		Nine months ended Sept. 30, 2009
Royalties	**$**	**9,780**	$	10,028	**$**	**28,472**	$	25,864
Less:								
Administration expenses		**316**		189		**726**		614
Interest expense		**713**		810		**2,180**		2,392
Management fee		**1,836**		1,887		**5,364**		4,805
Distributable Cash[1]	**$**	**6,915**	$	7,142	**$**	**20,202**	$	18,053
Amortization of intangible assets		**4,105**		4,198		**12,198**		12,506
Other income		**–**		(99)		**(101)**		(164)
Income tax (recovery) expense		**12**		(16)		**23**		77
Non-controlling interest		**776**		827		**2,224**		1,566
Net and comprehensive earnings	**$**	**2,022**	$	2,232	**$**	**5,858**	$	4,068
Basic and diluted earnings per unit	**$**	**0.21**	$	0.23	**$**	**0.62**	$	0.42
Distributions	**$**	**4,495**	$	4,517	**$**	**13,490**	$	13,664
Cash distributions declared per unit	**$**	**0.35**	$	0.35	**$**	**1.05**	$	1.05
Cash distributions declared per 3,327,667 Special Fund units	**$**	**0.35**	$	0.35	**$**	**1.05**	$	1.05
Total assets	**$**	**115,808**	$	124,675	**$**	**115,808**	$	124,675
Total long-term financial liabilities	**$**	**52,453**	$	1,739	**$**	**52,453**	$	1,739
Number of Agents[2] and Sales Representatives[3]		**15,322**		14,567		**15,322**		14,567
Payout[4]		**65.0%**		63.2%		**66.8%**		75.7%

The table above sets out selected historical information and other data for the Brookfield Real Estate Services Fund (the "Fund") which should be read in conjunction with the attached unaudited interim consolidated financial statements for the three and nine months ended September 30, 2010.

Business Strategy

We are a long established, Canadian based real estate services firm, structured as an Income Trust (see Recent Developments – Conversion to a Corporation). We focus on the provision of services to real estate brokers and their agents who practice predominantly in the residential brokerage segment of the 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 differing value propositions, we cater to the diverse service requirements of regional real estate professionals, in virtually all significant population centres, right across Canada.

As an investment vehicle, our objective is to provide our unitholders with stable and growing distributions. Our revenue is driven primarily by royalties derived from long-term franchise contracts. These royalties are weighted towards fees that are fixed in nature, which has proven effective in moderating the significant swings in overall industry activity that can occur in the Canadian residential real estate market ("Market"[5]).

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

[2] 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 or in the case of Quebec, a broker affiliated with a real estate agency.

[3] 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.

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

[5] The market is defined as the dollar value of residential resale units sold ("Transactional Dollar Volume") over a 12-month period in a particular geographic area.

We manage our operating costs and associated risks by delivering our services and management of the Fund through an Amended and Restated Management Services Agreement ("MSA"), which is provided by Brookfield Real Estate Services Limited (the "Manager"), a subsidiary of Brookfield Asset Management Inc. ("BAM"). The senior management team of the Manager developed and managed the Royal LePage network prior to the inception of the Fund, and BAM holds an approximate 26% interest in the Fund through a wholly-owned subsidiary. As a result of this arrangement, the underlying costs of the Fund are limited to management fees paid under the MSA, public operating costs and carrying costs associated with our debt.

The number of REALTORS®[1] and transaction volumes generated in the markets we serve, the manner in which we structure contracted revenue streams and our success in attracting agents and brokers to our brands through our value proposition and historical performance are all key drivers of Fund performance. These drivers in combination with other uncontrollable risk factors, including the economy at large and competition (see Recent Developments – Competition Bureau), all impact on Fund performance and are discussed in greater detail throughout this MD&A.

Through the Manager we seek to further increase unitholder distributions by increasing our Agent count through the acquisition of franchise contracts and 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.

As at September 30, 2010, the network was comprised of 15,322 Canadian REALTORS® operating from 663 locations providing services under the Royal LePage, Johnston & Daniel and La Capitale Real Estate Network ("La Capitale") brand names (collectively the "Fund Network"). The associated franchise contract stream (See Structure of Fund Royalties) was approximately 69% fixed and 31% variable in 2009 which, after operating costs, delivered $2.04 of distributable cash per unit on a rolling 12-month basis to September 30, 2010 ($1.80 – 2009, see Distributable Cash).

Structure of Fund Royalties

ROYALTY FEES

The Fund generates royalties with both fixed and variable fee components. During 2009, approximately 69% of the annual royalties were partially insulated from market fluctuations, as they were not directly driven by transaction volumes. Management believes that the combination of a royalty stream based on the number of REALTORS® in the Fund Network, increasing Agent and broker productivity, and an increasing supply of new housing inventory provides the base for a strong and stable cash flow. A summary of these fees is as follows:

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

Variable 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 2009, 17% of the Agents in the Fund Network reached this royalty cap.

In addition to these fees, 24 of the Fund's larger Royal LePage locations situated in the Greater Toronto Area ("GTA") pay a Premium franchise fee ranging from 1% to 5% of the location's gross revenue. Of these locations, 16 are operated by the Manager and are contractually obligated to pay the Premium franchise fee to August 2018.

Approximately 88% (88% – 2009) of the Fund's royalties during the Quarter and nine months ended September 30, 2010 was derived from the combined fixed fee per REALTOR® per month, 1% variable fee and premium fees. The remaining royalty stream is comprised of other fees and services generated from a self-insured program called "APEC", under which participating La Capitale Agents provide a warranty on such items as appliances, plumbing, electrical and heating systems, technology fees, web services and other fees.

MONTHLY DISTRIBUTIONS

The targeted annual cash distribution for 2010 is $1.40 per unit, to be paid monthly.

A special distribution of $0.04 per unit was declared for unitholders of record on December 31, 2009 and paid on January 29, 2010.

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

[1] REALTOR® is defined as an individual licensed to trade in Real Estate and includes brokers, Agents and Sales Representatives.

Management's Discussion and Analysis of Results and Financial Condition

Recent Developments

CONVERSION TO A CORPORATION

On November 5, 2010, the Board of Trustees approved the proposed conversion of the Fund from an income trust to a public corporation structure (the "Conversion"). The Conversion is expected to be completed on or about December 31, 2010 at which time all the outstanding units of the Fund will be exchanged on a one-to-one basis for shares of the new corporation, on a tax-deferred basis. The Conversion will be undertaken pursuant to a court approved Plan of Arrangement (the "Arrangement"), and is subject to customary commercial conditions and the receipt of regulatory, court and TSX approvals. All current members of the Board of Trustees and senior management are expected to serve as directors and officers of the new corporation.

FUND DISTRIBUTIONS

It is the Board of Trustees' intention to continue to pay a distribution of $1.40 per annum, payable at a rate of $0.1167 per month up to and including the declaration of such amount on December 31, 2010. Upon conversion to a public corporation it is expected that it will be the Board of Directors' intention to pay a dividend of $1.10 per annum, payable at a rate of $0.0917 per month. The reduced dividend amount represents the current distribution of $1.40 per annum reduced by the effective net cash taxes to be paid when the Fund expects to become taxable in 2011.

COMPETITION BUREAU

On October 24, 2010 the Canadian Competition Bureau (the "Bureau") and the Canadian Real Estate Association ("CREA") reached a negotiated agreement (the "Agreement") to the case filed with the Competition Tribunal by the Bureau on February 8, 2010, whereby the Bureau alleged that CREA imposed rules related to the MLS® which limited consumer choice and prevented innovation in the market for residential real estate brokerage services to home sellers in Canada.

The MLS® trademarks are owned by CREA, and are licensed and maintained by CREA. The 101 real estate boards (the "Boards") across the country capture listing information on residential real estate homes for sale (the "Listing") from their member brokers and agents (the "Members") who are licensed REALTORS®, on their local MLS® system. This information is then used by the Members to assist in the matching of buyers and sellers. Much of the content of these Listings is also uploaded onto CREA's Realtor.ca site, which is accessible to the public. The majority of residential resale home listings in Canada are captured by the MLS®.

The Agreement is in effect for ten years. Highlights under this Agreement are as follows:

- The Agreement does not provide the public direct access to list their home on the MLS® System or on Realtor.ca, and the Competition Bureau, in fact never asked for this. The MLS® System remains a Member to Member service. Sellers still need to work with a Member of CREA to list their home on an MLS® System and to have the property advertised on Realtor.ca. MLS® Systems are co-operative marketing systems used exclusively by Canada's real estate Boards to ensure maximum exposure of properties listed for sale.
- The Agreement allows for the "mere posting" of a Listing. Accordingly a Member of CREA can list a seller's home on the local MLS® System, but sellers are not required to purchase any further services from the Member unless they so desire.
- Any services provided in addition to the posting of the Listing on the MLS® by the listing REALTOR® is between the listing REALTOR® and the seller and may not be dictated by the Boards or CREA.
- There must be an offer of compensation from the listing brokerage to the co-operating brokerage (the brokerage that brings the eventual buyer to the listing); that offer of compensation must be of an amount greater than zero.
- The Agreement does not require brokerages to change their business models, which means that each brokerage may choose which services they want to offer to sellers, whether that means a traditional full-service approach, à la carte services, or another model.
- The Agreement maintains the responsibility of CREA Members to ensure the accuracy of MLS® listing content. That means that even if a seller works with a Member to list their home, but purchase no further services from the Member, the Member still must ensure that the Listing information is accurate and up-to-date (including the reporting a sale or a conditional sale).
- CREA or the Boards may not enact any rules which prevents Members from negotiating and contracting, with a seller, in respect of the terms of payment for compensation for such activities as long as the offered compensation is not zero.
- CREA or the Boards may not enact any rules which prevent Members from only offering posting services or from posting such information to the MLS®.

From a practical standpoint these rules protect the integrity of the information being posted to the MLS®, and more readily facilitates a number of scenarios such as allowing a seller to limit the selling REALTOR's® involvement to the posting of their Listing, allowing a seller to contract for other services around the selling transaction from other suppliers as required, allowing a seller to negotiate what compensation they will pay a buyer agent and could create a new buyer agent – buyer compensation arrangement in the event the seller compensation is inadequate. The impact of this agreement on the real estate industry and on the Fund is unknown at this time and will develop over the coming weeks and months. The potential impact on the industry is reduced commission fees and potentially fewer agents which from a Fund perspective could result in lower variable and premium fees due to a reduction in commissions and lower overall fees if agents leave the industry.

The Fund's brands currently compete in the full service market segment of the market where we strive to provide the best value proposition to our franchisees and their agents, allowing them to offer superior services to consumers during one of the most important transactions of their lifetime. We take comfort in the quality of our service offering and the strength of our network and although the low-price market segment has been a long standing service offering in the Canadian market, we will remain vigilant in assessing the developing impact of the Agreement and reacting accordingly.

INTEREST RATES

The Bank of Canada raised its overnight lending rate by 25 basis points on September 8, being the third such increase in 2010. On October 19, 2010 the Bank held the rate constant, noting that the Canadian economy is expected to grow at a more gradual pace than was previously projected.

As variable mortgage rates continue to rise along with the Bank of Canada's rate hikes, fixed-rate mortgages by contrast continue their downward trend in response to forecasts for a slower than expected rate of growth for the Canadian economy. The posted five-year-fixed-rate closed mortgage rate at most chartered banks was 5.29% after the Bank of Canada's OLR announcement in September down from 5.79% after the previous rate adjustment in July. The chartered banks continue to publish discount rates of up to 1.4% below their posted rate in an attempt to remain competitive with other lending institutions.

QUEBEC REAL ESTATE REGULATIONS

Under Quebec's new Real Estate Brokerages Act that came into effect on May 1, 2010, all brokers in the province of Quebec (formerly called agents) were required to pay significantly increased license fees in September 2010. These fees may cause REALTORS® to leave the industry, the impact of which on the Fund and industry will take a few months to determine. In addition, the Act also 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®. This requirement may have increased organic growth for the industry and the Fund in the early part of 2010 and may slow down growth for the immediate future as prospective REALTORS® may have sought to complete their educational requirements under the former legislation by enrolling in a course on or before May 1, 2010.

Key Performance Drivers

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

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

A summary of our performance against these drivers and a discussion of the underlying Canadian Market and REALTOR® population with the review of the Fund network growth, diversity and productivity against these variables follows:

NUMBER OF REALTORS® IN THE FUND

As at September 30, 2010, the Fund Network was comprised of 367 independently owned and operated franchises operating from 663 locations serviced by 15,322 REALTORS®, with an approximate 22% share of the Canadian Market based on 2009 transactional dollar volume.

Management's Discussion and Analysis of Results and Financial Condition

During the Quarter, the Fund grew by 27 REALTORS® resulting in total organic growth of 274 REALTORS® for the first nine months of 2010. This growth, along with the 417 REALTORS® from 21 franchise agreements acquired by the Fund on January 1, 2010, has resulted in a total increase of 691 REALTORS®, up 4.7% from December 31, 2009.

TRANSACTION VOLUMES

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

During the Quarter, the Canadian Market experienced a rebalancing of supply and demand with sales continuing to cool from the record highs in the second half of 2009 as interest rates edge further upwards, allowing prices to stabilize in most markets. A summary of the key market and related activity as reported by Canada Mortgage and Housing Corporation ("CMHC"), CREA and the Toronto Real Estate Board ("TREB"), follows:

- The Canadian Market for the Quarter contracted by 23.3% as a result of a 0.3% increase in average selling price and a 23.5% reduction in residential units sold when compared to the third quarter of 2009. The Canadian Market totalled $157 billion for the 12 months ended September 30, 2010, an increase of 18.8% over 2009, resulting from a 9.1% increase in average selling prices and an 8.9% increase in residential unit sales.
- The GTA Market, from which the Fund earns its premium franchise fees, decreased 20.6% in the Quarter as a result of a 25.1% decrease in residential units sold partially offset by a 6.0% increase in average selling price when compared to the third quarter of 2009. For the 12 months ended September 30, 2010, the GTA Market reached a transactional dollar volume of $39 billion, an increase of 31% from 2009. This market activity is comprised of the sale of 91.2 thousand homes at an average selling price of $427,651, a 17.8% and 11.3% increase, respectively, from the same period in 2009.
- Canada's annual rate of housing starts, the Market's future inventory, totalled 186,400 as of September 30, 2010, an increase of 24.6% from 149,571 in 2009.

STABILITY OF THE FUND'S ROYALTY STREAM

The Fund's network as at September 30, 2010 is comprised of the Royal LePage and the La Capitale networks. The Royal LePage network is characterized as follows:

- Royalties that are derived from a diverse national network of independently owned and operated franchises, the majority of which operate with fewer than 50 Agents. Approximately 69% of Royal LePage's royalties were fixed in nature for the year ended December 31, 2009.

The fixed element of these fees is driven by the number of agents and their productivity and are composed of the $100 per agent per month fee, the $20 per agent per month technology fee and a 1% variable fee generated by Agents earning in excess of the $1,300 cap.

- The geographic distribution of the Royal LePage Network is similar to the distribution of the overall Canadian REALTOR® population.
- The majority of the royalty agreements are 10 and 20 years in duration, significantly exceeding the industry norm of five years.
- During the Quarter, 12 agreements representing 365 REALTORS® were renewed. One agreement representing 7 REALTORS® was not renewed. During the Period 25 agreements representing 778 REALTORS® were renewed, of which one was renewed at the end of its term and the balance were renewed well in advance of their expiry dates. During the Period, two agreements representing 131 REALTORS® were not renewed.

The La Capitale network is characterized as follows:

- The La Capitale network is situated in the province of Quebec.
- La Capitale agreements typically have five-year terms.
- Approximately 76% of La Capitale's royalties were fixed in nature for the year ended December 31, 2009.
- The fixed element of the royalties is comprised primarily of fixed fees of approximately $170 per agent per month and the other fees which are driven primarily from APEC fees.

- During the Quarter, three agreements representing 80 REALTORS® were renewed. During the Period, all agreements subject to renewal were renewed for a total 11 agreements representing 288 REALTORS®. There were no terminations during the Period.

Overall, the Fund's royalty stream continues to demonstrate its stability as:

- During 2009, approximately 69% of the Fund's revenue was fixed in nature,
- The Fund Network of REALTORS® continues to experience year-over-year growth (see REALTOR® Growth),
- The Fund has a diverse network of franchises, of which approximately 70% operate with fewer than 50 REALTORS® (see Network Diversity), and
- The Fund Network of REALTORS® is geographically dispersed and approximates the distribution of the Canadian REALTOR® population (see Network Diversity).

FUND GROWTH OPPORTUNITIES

Growth through acquisition is achieved through the purchase of franchise agreements acquired by the Manager's dedicated network development team.

Growth in overall royalties is achieved by: increasing the number of REALTORS® in the Fund; increasing the productivity of Agents; expanding the range of products and services supporting the franchisees and Agents; increasing adoption of these products and services; and providing sales and marketing programs to the Fund Network. These services are supported by ongoing training programs for franchisees and REALTORS® that assist in leveraging the Fund's competitive advantages to attract and retain potential recruits.

A summary of our results against our growth initiatives to the date of this MD&A are as follows:

- Organic growth for the Quarter reflected an increase of 27 REALTORS®.
- On January 1, 2010, franchise agreements representing 17 locations serviced by an estimated 343 Agents operating under the Royal LePage brand were purchased by the Fund. The estimated purchase price of these agreements is $4.2 million.
- Consistent with the Fund's historical approach to acquisitions made by the Fund Manager, after evaluation, some of the La Capitale contracts were acquired by the Fund on January 1, 2009, and the remainder were retained by the Manager for future development. On January 1, 2010, three of these La Capitale franchise agreements representing three locations serviced by 74 Agents were purchased by the Fund for an estimated purchase price of $1.0 million.
- The average Fund Network REALTOR® generated $2.25 million in transactional dollar volume in 2009, which was 60% greater than all other Canadian REALTORS® and up 6% from 2008 (see REALTOR® Productivity).
- The Manager continues to develop, introduce and support new tools, services and programs, which assist franchisees in attracting and retaining REALTORS®, increasing their productivity and driving down administration costs.

The Canadian Residential Resale Real Estate Market

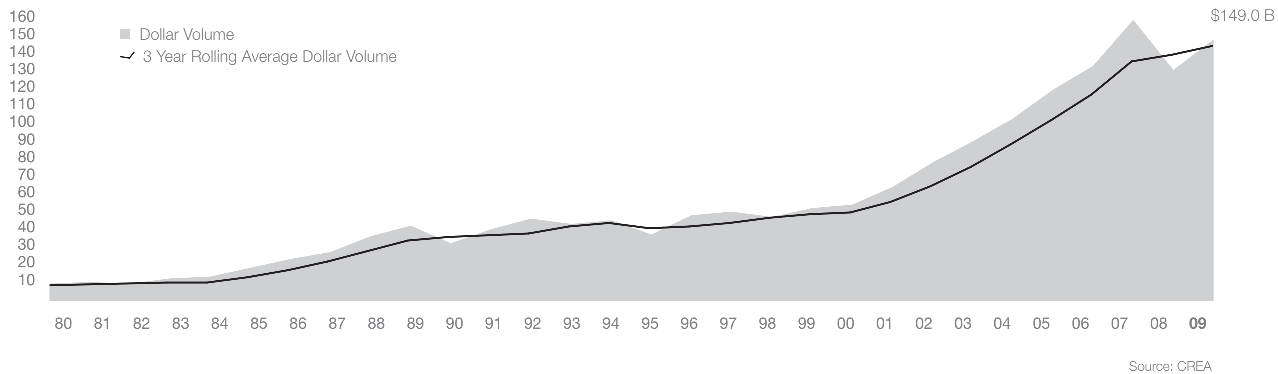
Since 1980, the Canadian Market has grown at a compound annual growth rate ("CAGR") of approximately 10%. The Canadian Market has been very resilient, with only two significant downturns occurring prior to 2008, in 1990 and 1995, both of which returned to pre-downturn levels within 24 months. The duration of these Market downturns were 13 months and 14 months, respectively, with decreases of 26% and 21%, respectively. The Market declined 19% during the 16-month period February 2008 through May 2009 and experienced year over year increases thereafter through the second quarter of 2010. During the Quarter the market declined 23% as compared to the same quarter of 2009, but was up 19% on a rolling 12 month basis as compared to the same period in 2009.

During the 2008/2009 downturn, the most significant decline occurred during the fourth quarter of 2008, when the Market decreased 40% when compared to the fourth quarter of 2007. The Market improvement in 2009 began with the rate of decline moderating steadily from January to May, followed by four months of increasing Market growth, ending the year with a very strong fourth quarter which was up 90% when compared to the same period in 2008.

During the 1990 downturn, interest rates were relatively high and there was significant speculation in the form of building and multiple-home ownership. Since that time, lenders now require builders to pre-sell a significant portion of their developments before advancing funds and, under mortgage rules introduced earlier this year, non-owner-occupied property purchases require 20% down-payments to qualify for mortgage insurance.

Market activity since 1980 is provided in the chart below.

Market Dollar Volume – Canadian Resale Residential Real Estate
(1980 – 2009) (In $ Billions)

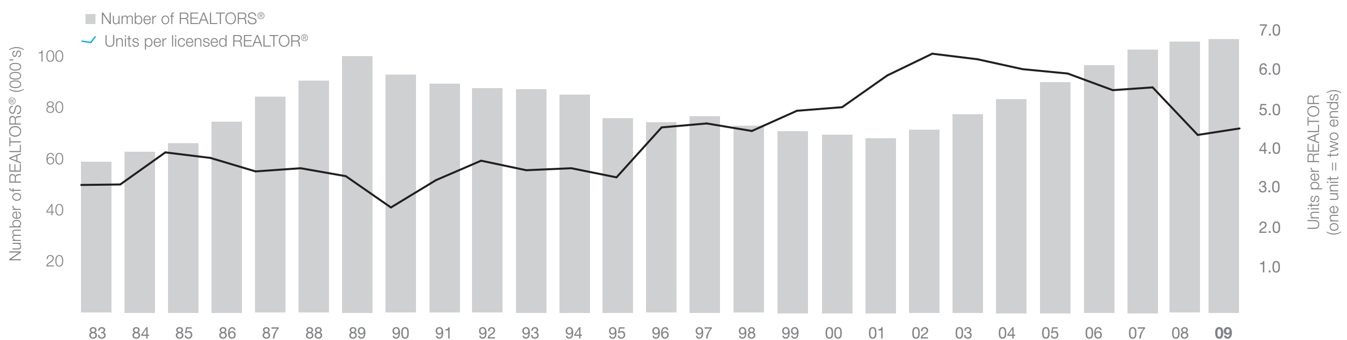


Source: CREA

The Canadian Real Estate REALTOR® Population

The number of REALTORS® in the Fund Network is a key driver of the Fund's results. For the year ended December 31, 2009, the Canadian real estate REALTOR® membership grew by 1.0% to 98,161 members, with an average of 4.7 units sold per REALTOR®. The number of REALTORS® in the Fund Network grew by 0.3% over the same period. The Canadian REALTOR® population and the average number of units sold per REALTOR® are summarized in the chart below.

Canadian Real Estate REALTORS®
(Year ended December 31)



The Fund Network

REALTOR® GROWTH

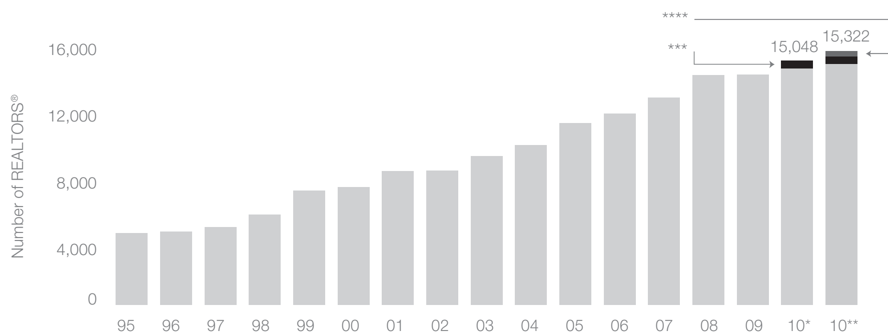
As at September 30, 2010, the Fund Network was comprised of 367 independently owned and operated franchises operating from 663 locations serviced by 15,322 REALTORS®.

During the Quarter, the Fund Network grew by 27 REALTORS®. When combined with the 247 REALTORS® recruited during the six months ended June 30, 2010, the Fund Network increased organically by 1.9% from December 31, 2009. This is in addition to the 417 REALTORS® from the 21 agreements acquired by the Fund on January 1, 2010, for a year-to-date increase of 691 REALTORS®, up 4.7% from December 31, 2009.

During 2009, CREA experienced 1.0% growth in the number of REALTORS® in Canada. The Fund by comparison saw its membership increase by 0.3% during the same period, with organic agent attrition in the first three quarters partially offset by agents gained through the purchase of franchise agreements at the beginning of the year. Management believes agent attrition continued in the Fund for an additional two quarters when compared to the overall CREA membership, as marginal producers opted for brands with lower costs and correspondingly lower or no service offerings during the February 2008 to May 2009 Market downturn.

A summary of the Fund Network growth is as follows:

Fund Growth



Year ended December 31, except 2010
* As at January 1, 2010
** As at September 30, 2010
*** 417 REALTOR® growth of 2.9% consisting of 343 from the Royal LePage brand and 74 from the La Capitale brand
**** Increase of 274 REALTORS®

	Canada*		The Fund Network	
	Number of Licensed Members	% Change	Number of Licensed Members	% Change
Opening	**97,168**	**2.8**	**14,594**	**10.8**
2009 Q1	(815)	(0.8)	98	0.7
2009 Q2	445	0.5	(74)	(0.5)
2009 Q3	503	0.5	(51)	(0.3)
2009 Q4	860	0.9	64	0.4
Opening	**98,161**	**1.0**	**14,631**	**0.3**
2010 Q1	1,658	1.7	639	4.3
2010 Q2	1,249	1.3	25	0.2
2010 Q3	N/A		27	0.2
Closing	**101,068**	**3.0**	**15,322**	**4.7**

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

Management's Discussion and Analysis of Results and Financial Condition

Network Diversity

The Fund Network is comprised of diverse operations, with approximately 72% of the Fund's franchisees operating with fewer than 50 REALTORS® as at December 31, 2009. As summarized in the table below, the Fund Network of REALTORS® is geographically diverse, with REALTORS® spread throughout Canada, with a more pronounced presence in the province of Quebec as a result of the acquisition of the La Capitale franchise network.

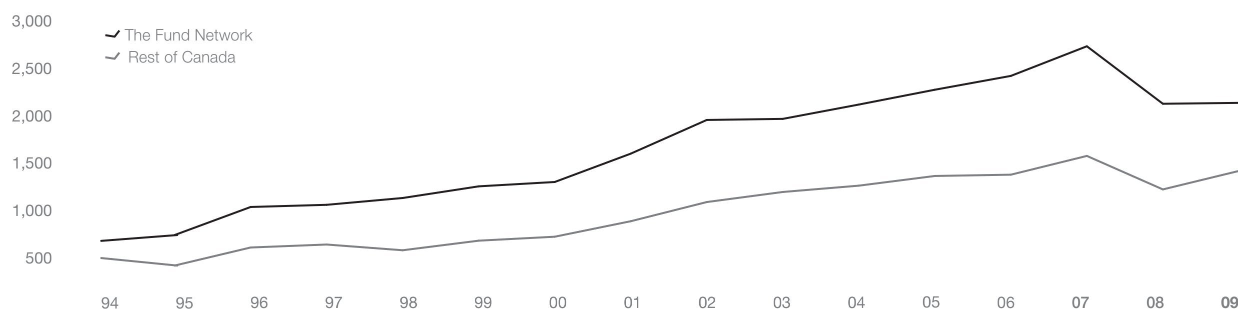
	Canadian[1] REALTOR® Population	Fund[2] Network REALTORS®
Ontario	50%	53%
Prairies	14%	10%
BC	18%	12%
Quebec	15%	21%
Maritimes	3%	4%
Total	100%	100%

[1] As at June 30, 2010, Source: CREA
[2] As at September 30, 2010

REALTOR® Productivity

The average Fund Network REALTOR® generated approximately $2.25 million in transactional dollar volume in 2009, up 6% from $2.12 million in 2008. This productivity was 60% greater than the estimated average of $1.41 million for all other Canadian REALTORS®, up 13% from 2008. Management believes the higher productivity of Fund Network REALTORS® makes the Fund less prone than the industry at large to a loss of REALTORS® during a period of reduced transaction dollar volume. A summary of average transaction dollar volume per REALTOR® for the year ended December 31, 1994 through 2009 is as follows:

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



Source: CREA and Fund Management

Operating Results

($000's) except Agents, unit and per unit amounts	**Three months ended Sept. 30, 2010**	Three months ended Sept. 30, 2009	**Nine months ended Sept. 30, 2010**	Nine months ended Sept. 30, 2009
Royalties				
Fixed franchise fees	**$ 4,700**	$ 4,459	**$ 14,005**	$ 13,371
Variable franchise fees	**2,203**	2,738	**6,976**	6,244
Premium franchise fees	**1,692**	1,674	**4,099**	3,014
Other fee revenue and services	**1,185**	1,157	**3,392**	3,235
	9,780	10,028	**28,472**	25,864
Less:				
Administration expenses	**316**	189	**726**	614
Interest expense	**713**	810	**2,180**	2,392
Management fee	**1,836**	1,887	**5,364**	4,805
Earnings before undernoted	**6,915**	7,142	**20,202**	18,053
Amortization of intangible assets	**4,105**	4,198	**12,198**	12,506
Other income	**–**	(99)	**(101)**	(164)
Income tax expense (recovery)	**12**	(16)	**23**	77
Net and comprehensive earnings before non-controlling interest	**2,798**	3,059	**8,082**	5,634
Non-controlling interest	**776**	827	**2,224**	1,566
Net and comprehensive earnings	**$ 2,022**	$ 2,232	**$ 5,858**	$ 4,068
Basic and diluted earnings per unit	**$ 0.21**	$ 0.23	**$ 0.62**	$ 0.42
Number of Agents	**14,270**	13,569	**14,270**	13,569
Number of fixed fee paying Sales Representatives	**748**	699	**748**	699

The Fund Network as at September 30, 2010, was comprised of 14,270 Agents and 1,052 Sales Representatives, 748 of which operate under the $100 per month fixed fee plan and 304 who are primarily brokers and managers who do not pay fees. The vast majority of our franchisees operate under the per-Agent combined flat fee of $100 per month and 1% of gross earnings option (the "$100/1% option") or the approximate $170 per month flat fee.

Third Quarter Operating Results

As summarized in the table above, during the Quarter, the Fund generated net and comprehensive earnings before non-controlling interest of $2.8 million, down $0.3 million from the same period in 2009. The year-over-year results included a $0.2 million (2.5%) decrease in royalties, primarily attributed to a $0.5 million (19.5%) decrease in variable franchise fees partially offset by a $0.2 million (5.4%) increase in fixed franchise fees. A more detailed discussion of the operating results for the Quarter follows:

Royalties for the Quarter totalled $9.8 million, down 2.5% from the same period in 2009.

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

Fixed, variable and premium franchise fees together represented 88% of royalties for the Quarter, consistent with the same period in 2009.

Fixed franchise fees for the Quarter increased 5.4% over the same period in 2009 as a result of the net increase in REALTORS®. Variable franchise fees for the Quarter fell 19.5% from the same period in 2009, while the Canadian Market declined by 23.3%. This favorable result relative to the Market can be attributed to a combination of a lag between home sales and closings and the fee cap on variable franchise fees.

The lag between variable fees recorded by the Fund and Market activity occurs because Market activity is reported when a home is sold, while the Fund does not record its fees associated with a home sale until it closes, which is typically 45 to 60 days later. Accordingly, management expects the decline experienced in the Canadian Market during the Quarter will result in lower variable fees in the fourth quarter of 2010. In addition, since the 1% variable fee generated by Agents is capped at $1,300 per annum, the cumulative effect of Agents with sales above the capped level will cause the market change to have a less than proportionate impact on variable franchise fees in the later part of the year.

Premium franchise fees are derived from the 24 franchise locations servicing the GTA Market that pay premium fees ranging from 1% to 5% of the location's gross revenue. Premium franchise fees for the Quarter increased 1.1% from the same period in 2009, while the GTA Market activity for the same period fell 20.6%.

The percentage change in year-over-year premium fees was significantly greater than the overall GTA Market change primarily as a result of the lag effect described above and management expects will result in lower premium fees in the fourth quarter of 2010. Furthermore, the change in the Market experienced by the individual market areas serviced by the premium-fee-paying franchise locations differs from the overall GTA Market activity.

Other fees and services, comprised of the APEC fee, technology fees, web service and other fees and revenue, accounted for approximately 12.1% (11.5% – 2009) of Fund royalties for the Quarter, up 2.4% from the same period in 2009. The majority of the increase was attributed to higher technology fees resulting from the increase in Agents.

Administration expenses of $0.3 million for the Quarter were up $0.1 million over the same period in 2009 due to costs incurred with respect to the Fund's conversion activities (see Recent Developments - Conversion to a Corporation).

Interest expense is comprised primarily of interest on the Fund's $32.7 million private debt placement and $20.3 million term facility. During the Quarter, the Fund's interest expense totalled $0.7 million, down $0.1 million (12%) from the same period of 2009 as 38% of the Fund's recently refinanced debt is benefiting from lower variable interest rates.

Management fee expense

Management fees of $1.8 million for the Quarter were down 2.7% from the same period of 2009 due to the decrease in royalty fees. In accordance with the MSA, management fees are calculated as 30% of net royalty fees earned (defined as Distributable Cash in the MSA) from the La Capitale franchise agreements and 20% of the balance of royalties less administrative and interest costs.

Amortization of intangible assets

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

Other income

Other income represented the non-cash change in the fair value of the Fund's interest rate swap associated with debt that was retired on February 17, 2010. Accordingly there was no other income recorded during the Quarter.

Income tax

In accordance with new tax legislation, during the Quarter, the Fund recorded an income tax expense of $12 thousand arising from temporary tax differences expected to reverse after January 1, 2011 at a tax rate of 28.25%, applicable to the Fund in 2011, 26.25% in 2012, 25.5% in 2013 and 25% applicable thereafter (see Impact of Taxation on Income Trusts).

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

Year to Date Operating Results

As summarized in the table on page 13, during the Period, the Fund generated net and comprehensive earnings before non-controlling interest of $8.1 million, up $2.4 million from the same period in 2009. The year-over-year results included a $2.6 million (10%) increase in royalties, primarily attributed to a 20% increase in combined variable and premium franchise fees resulting from the increased Market activity experienced during the fourth Quarter of 2009 and through 2010. A discussion of the operating results highlights for the Period follows:

Royalties for the Period of $28.5 million were up 10% ($2.6 million) over the same period of 2009 due primarily to the following:

- Variable franchise fees for the Period were up 12% ($0.7 million) due to increased market activity and the lag effect (described earlier) flow through of Q4 2009 Canadian Market activity which was up 90% over the same period in 2008,
- Premium franchise fees for the Period were up 36% ($1.1 million) due to increased GTA Market activity and the lag effect (described earlier) flow through of Q4 2009 GTA Market activity which was up 122% over the same period in 2008,
- Fixed franchise fees for the Period were up 5% ($0.6 million) over the same period in 2009, in line with the increase in the number of Agents in the Fund, and
- Other fee revenue and service fees for the Period were up 5% ($0.2 million) over the same period in 2009 due to higher technology and APEC fees as previously described.

Management fees for the Period of $5.4 million were up 12% over the same period in 2009, in line with increased royalties and calculated in accordance with the terms of the MSA.

Administration fees for the Period of $0.7 million were up 18% ($0.1 million) over the same period in 2009 due to costs incurred with respect to the Fund's conversion activities (see Recent Developments - Conversion to a Corporation).

Interest expense for the Period of $2.2 million was 9% ($0.2 million) lower than the same period of 2009 due to the lower interest rates attributed to the Fund's current $20.3 million floating rate debt which had been fixed in 2009.

Distributable Cash

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

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

Management's Discussion and Analysis of Results and Financial Condition

Distributable cash and its utilization since Fund inception ($ 000's)	Total	Nine months ended Sept. 30, 2010	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007	Year ended Dec. 31, 2006	Year ended Dec. 31, 2005	Year ended Dec. 31, 2004	Aug. 7, 2003 to Dec. 31, 2003
Royalties	**$ 219,602**	$ 28,472	$ 34,359	$ 34,883	$ 32,491	$ 29,659	$ 27,196	$ 23,740	$ 8,802
Less:									
Administration expenses	**5,118**	726	866	817	725	645	595	513	231
Interest expense	**17,612**	2,180	3,202	3,174	2,419	2,401	2,289	1,327	620
Management fee	**40,208**	5,364	6,365	6,455	5,869	7,285	3,660	3,660	1,550
Distributable cash	**156,664**	20,202	23,926	24,437	23,478	19,328	20,652	18,240	6,401
Less:									
Distributions to public unitholders	**86,859**	9,988	13,828	13,083	11,980	11,477	10,985	10,985	4,533
Distributions to non-controlling interest	**29,331**	3,504	4,805	4,369	3,992	3,826	3,662	3,662	1,511
Total distributions	**116,190**	13,492	18,633	17,452	15,972	15,303	14,647	14,647	6,044
Distributable cash less total distributions	**40,474**	6,710	5,293	6,985	7,506	4,025	6,005	3,593	357
Less Funding of acquisitions	**31,580**	6,436	4,827	5,564	6,333	7,886	414	120	–
Less Purchase of units under NCIB	**(15,884)**	(19,980)	3,805	291	–	–	–	–	–
Net change in the period	**$ 24,778**	$ 20,254	$ (3,339)	$ 1,130	$ 1,173	$ (3,861)	$ 5,591	$ 3,473	$ 357
Cumulative change		$ 24,778	$ 4,524	$ 7,863	$ 6,733	$ 5,560	$ 9,421	$ 3,830	$ 357
Distribution percentage payout[1]	**74%**	67%	78%	71%	68%	79%	71%	80%	94%

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

Distributable cash reconciled to cash flow from operating activities ($ 000's)	Total	Nine months ended Sept. 30, 2010	Year ended Dec. 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007	Year ended Dec. 31, 2006	Year ended Dec. 31, 2005	Year ended Dec. 31, 2004	Aug. 7, 2003 to Dec. 31, 2003
Cash flows from operating activities	**$ 155,773**	$ 18,984	$ 25,710	$ 24,174	$ 22,871	$ 20,199	$ 20,607	$ 17,772	$ 5,456
Add (deduct):									
Changes in non-cash working capital items	**2,125**	1,357	(1,440)	546	769	(703)	183	468	945
Non-cash interest expense	**(1,234)**	(139)	(344)	(283)	(162)	(168)	(138)	–	–
Distributable cash	**$ 156,664**	$ 20,202	$ 23,926	$ 24,437	$ 23,478	$ 19,328	$ 20,652	$ 18,240	$ 6,401

As highlighted on page 4, for the Quarter, the Fund generated distributable cash of $6.9 million, down $0.2 million (3%) from the same quarter in 2009. This decrease in distributable cash was primarily due to decreased royalties from variable franchise fees partially offset by an increase in fixed franchise fees.

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

From inception to September 30, 2010, the Fund has utilized distributable cash in excess of distributions to fund acquisitions and the NCIB obligations.

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

($000's)	**Three months ended Sept. 30, 2010**	Three months ended Sept. 30, 2009	**Nine months ended Sept. 30, 2010**	Nine months ended Sept. 30, 2009
Cash flows from operating activities	**$ 7,986**	$ 7,861	**$ 18,984**	$ 18,274
Net income for the period	**2,022**	2,232	**5,858**	4,068
Actual cash distributions paid	**3,329**	3,349	**10,365**	10,160
Excess of cash flows from operating activities over cash distributions paid	**4,657**	4,512	**8,619**	8,114
Shortfall of net income over cash distributions paid	**$ (1,307)**	$ (1,117)	**$ (4,507)**	$ (6,092)

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

Acquisitions and Deposit on Acquisitions

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

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

Management's Discussion and Analysis of Results and Financial Condition

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

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

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

For La Capitale acquisitions, changes to the purchase price obligation calculated at the end of the two subsequent years are recorded as changes to intangible assets and amortized accordingly. A summary of the Fund's acquisition of franchise agreements since 2005 are summarized in the following chart:

Date acquired by the Fund, January 1, ($ millions unless stated otherwise)	**2010**	2009	2008	2007	2006	2005
Purchase price						
Estimated	**5.25**	3.44	21.14	7.18	6.22	9.26
Actual (a) (d)	**(a)**	3.31	23.50	8.04	5.55	9.94
Payments						
Initial	**4.20**	2.75	16.91	5.74	4.98	7.05
Final (b) (c) (d)	**(a)**	0.35	4.54	2.30	0.57	2.89
Estimated						
Annual royalty stream	**0.88**	0.70	2.99	0.82	0.74	1.15
Number of REALTORS®	**417**	316	1,272	390	346	558
Number of locations	**17**	25	60	22	21	47
Number of contracts	**21**	21	60	22	16	38
Actual						
Annual royalty stream (b)	**(d)**	0.66	3.32	0.92	0.66	1.24
Number of REALTORS®	**(d)**	316	1,502	534	345	666
Number of locations	**17**	25	60	22	21	46
Number of contracts	**21**	21	60	22	16	37

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

Royal LePage Franchise Agreements

On January 1, 2010, the Fund acquired 18 new Royal LePage franchise agreements serviced by 343 REALTORS®, with an estimated annual royalty stream of $0.7 million. The agreements for these 14 locations were acquired in accordance with the terms of the MSA at an estimated purchase price of $4.20 million, with $3.36 million (80% deposit) due on closing and the balance to be paid in cash or units during the first quarter of 2011, upon meeting certain terms and conditions of the MSA.

La Capitale Franchise Agreements

On January 1, 2010, the Fund acquired three franchise agreements operating under the La Capitale brand in the province of Quebec from the Fund Manager for an estimated purchase price of $1.04 million. These agreements are represented by 74 REALTORS® operating from three locations with an estimated annual royalty stream of $0.2 million. As outlined in the Fund's MSA, 80% of the estimated acquisition price ($0.83 million) was paid in January 2010. Under terms negotiated with the Fund's Trustees, the balance of the purchase price is to be paid in annual installments over the next three years, subject to adjustments as previously described.

Debt Refinancing

On February 18, 2010, the Fund completed the refinancing of its long-term debt of $53.0 million, for a five-year term maturing on February 17, 2015. The refinancing is comprised of a $32.7 million private debt placement with a number of Canadian institutional investors with fixed interest of 5.809% and a $20.3 million term facility with a Canadian financial institution with interest available at a floating rate at prime plus 1.5% payable quarterly, or at Bankers' Acceptance ("BA") rates plus 3% with terms of up to six months.

The Fund has a $2 million operating credit facility provided by a single Canadian financial institution.

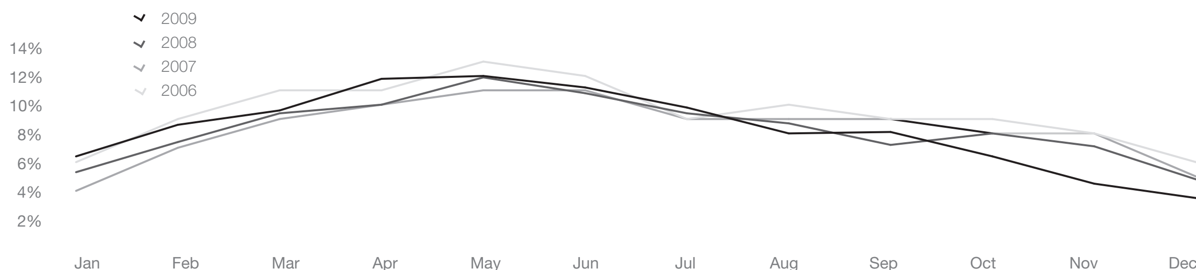
There are no substantive changes to the covenants associated with the refinanced debt facilities and the renewed operating credit facility.

Summary of Quarterly Results

Three months ended		2010			2009			2008
($ 000's) except Agents, unit and per unit amounts	**Sept. 30**	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Royalties								
Fixed franchise fees	**$ 4,700**	$ 4,695	$ 4,610	$ 4,471	$ 4,459	$ 4,445	$ 4,467	$ 4,491
Variable franchise fees	**2,203**	2,990	1,783	1,631	2,738	2,312	1,194	1,243
Premium franchise fees	**1,692**	1,556	851	1,341	1,674	920	420	937
Other fee revenue and services	**1,185**	1,286	921	1,052	1,157	1,162	916	1,069
	9,780	10,527	8,165	8,495	10,028	8,839	6,997	7,740
Less:								
Administration expenses	**316**	205	205	252	189	208	217	224
Interest expense	**713**	719	748	810	810	798	784	794
Management fee	**1,836**	2,015	1,513	1,560	1,887	1,653	1,265	1,412
Earnings before undernoted	**6,915**	7,588	5,699	5,873	7,142	6,180	4,731	5,310
Amortization of intangible assets	**4,105**	4,061	4,032	4,491	4,198	4,167	4,141	4,658
Other (income) loss	**–**	–	(101)	(100)	(99)	(72)	7	335
Future income tax (recovery) expense	**12**	(16)	27	(628)	(16)	42	51	(1)
Net and comprehensive earnings before non-controlling interest	**2,798**	3,543	1,741	2,110	3,059	2,043	532	318
Non-controlling interest	**776**	959	489	599	827	565	174	118
Net and comprehensive earnings	**$ 2,022**	$ 2,584	$ 1,252	$ 1,511	$ 2,232	$ 1,478	$ 358	$ 200
Basic and diluted earnings per unit	**$ 0.21**	$ 0.27	$ 0.13	$ 0.16	$ 0.23	$ 0.15	$ 0.04	$ 0.02
Number of Agents	**14,270**	14,236	14,199	13,620	13,569	13,615	13,696	13,600
Number of fixed fee paying Sales Representatives	**748**	762	771	707	699	697	699	699

Revenues increased in each quarter year-over-year except for the Quarter due to a number of factors such as organic Agent growth, Agent productivity and the acquisition of franchise agreements on January 1 of each year. Revenues in the Quarter declined 2.5% due primarily to decreased Market activity resulting in decreased variable fees.

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



Source: CREA and Fund Management

A key performance indicator management utilizes to monitor Fund performance is the rolling 12-month distributable cash per unit, adjusted for management fees on a "total" basis. As noted in the table below, distributable cash calculated on this basis had been declining in the first two quarters of 2009 before increasing over the balance of 2009 and the first two quarters of 2010 and then declining slightly in the Quarter. Prior to the fourth quarter of 2008, distributable cash had increased steadily since the inception of the Fund.

Adjusted[1] rolling twelve-month distributable cash

Twelve months ended	2010			2009				2008
($ 000's) except per unit amounts	**Sept. 30**	June 31	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Royalties	**$ 36,967**	$ 37,215	$ 35,527	$ 34,359	$ 33,604	$ 33,223	$ 33,788	$ 34,883
Less:								
Administration expenses	**978**	851	854	866	838	837	844	817
Interest expense	**2,990**	3,087	3,166	3,202	3,186	3,179	3,147	3,174
Adjusted Management fee[1]	**6,924**	6,975	6,613	6,365	6,217	6,135	6,247	6,455
	26,075	26,302	24,894	23,926	23,363	23,072	23,550	24,437
Adjusted Distributable cash per unit – total basis	**$ 2.04**	$ 2.05	$ 1.94	$ 1.85	$ 1.80	$ 1.76	$ 1.78	$ 1.84

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

Twelve months ended	2010			2009				2008
($ 000's) except per unit amounts	**Sept. 30**	June 31	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Cash flows from operating activities	**$ 26,420**	$ 26,297	$ 26,491	$ 25,710	$ 23,850	$ 22,996	$ 23,928	$ 24,174
Add (deduct):								
Changes in non-cash working capital items	**(117)**	283	(1,272)	(1,440)	(149)	414	(56)	546
Non-cash interest expense	**(228)**	(278)	(325)	(344)	(338)	(338)	(322)	(283)
	26,075	26,302	24,894	23,926	23,363	23,072	23,550	24,437
Adjusted Distributable cash per unit – total basis	**$ 2.04**	$ 2.05	$ 1.94	$ 1.85	$ 1.80	$ 1.76	$ 1.78	$ 1.84

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

Liquidity

The Fund utilized cash flow generated from operating activities for the Quarter of $8.0 million to meet acquisition, distribution and debt refinancing requirements. A summary of the Fund's working capital position is as follows:

WORKING CAPITAL

($ 000's)		As at Sept. 30, 2010		As at June 30, 2010		As at March 31, 2010		As at December 31, 2009
Current assets								
Cash and cash equivalents	$	**4,552**	$	1,063	$	402	$	6,842
Accounts receivable and other		**3,424**		4,702		3,553		3,267
Deposit on acquisition		**–**		455		2,220		–
		7,976	$	6,220	$	6,175	$	10,109
Current liabilities								
Accounts payable and accrued liabilities	$	**1,746**	$	1,993	$	3,273	$	3,079
Purchase obligation		**2,700**		1,815		1,815		2,219
Distribution payable to unitholders		**1,110**		1,110		1,110		1,489
Financial derivative		**–**		–		–		101
		5,556		4,918		6,198		6,888
Net working capital	$	**2,420**	$	1,302	$	(23)	$	3,221

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

Working Capital

During the Quarter the Fund's net working capital increased by $1.1 million due primarily to $7.0[1] million generated from operations, partially offset by:

- $4.5 million payment of distributions
- $0.9 increase in purchase obligation for the assets acquired on January 1, and
- $0.5 million non cash transfer from deposit on acquisition to intangible assets

Capital Resources

The existing capital resources that the Fund can draw on consist of a $2 million operating credit facility (the "Facility").

On April 19, the Fund withdrew $1.7 million on the Facility which was used to pay outstanding management fees and associated taxes and interest. The Revolver was repaid on May 21, 2010.

On February 18, 2010, management refinanced its debt (see Debt Refinancing). As at September 30, 2010, the Fund's debt was comprised of a fixed interest rate $32.7 million Private Placement and floating interest rate $20.3 million term facility, both of which mature on February 17, 2015.

Off-Balance Sheet Arrangements

The Fund has no off-balance sheet arrangements.

[1] $7.0 million derived from the Fund's Statement of Cash Flows as $8.0 million cash flow provided by operations less $1.0 million changes in non-cash working capital.

Management's Discussion and Analysis of Results and Financial Condition

Transactions with Related Parties

As at the date of this MD&A, the Fund's interests are ultimately controlled approximately 74% by the public and 26% by BAM. BAM derived its ownership interest in the Fund through the sale of its interest in certain assets to the Fund at its inception. These assets included the relationships, trademarks and franchise agreements related to the business of its Royal LePage residential resale real estate brokerage franchise operations.

BAM operates 17 corporately-owned residential resale real estate brokerage locations in the GTA, serviced by over 1,000 Agents. Of these locations, 16 operate under separate agreements under the $100/1% option to August 2023, with an additional Premium franchise fee of up to 5% of the location's gross commission income to August 2018. The remaining location, which was opened during the third Quarter of 2009, may be presented to the board for acquisition on January 1, 2011.

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

On January 1 of each year, the Fund may, upon the Board of Trustees' approval and criteria detailed in the MSA, purchase Royal LePage franchises acquired by the Manager up to or on or about October 31 of the previous year. The acquisition amount is determined in accordance with a formula detailed in the MSA. The acquisition costs may be satisfied by way of cash or units of the Fund, and are paid 80% on acquisition and the remaining 20% a year later, when the actual franchise fees are audited and the acquisition calculations are adjusted accordingly.

On January 1 of each year, the Fund may, upon the Independent Trustees' approval and criteria established by the Board of Trustees, purchase La Capitale franchises acquired by the Manager or its affiliates up to or on or about October 31 of the previous year. The acquisition costs may be satisfied by way of cash or units of the Fund. Modification of the MSA relating to the La Capitale acquisition costs and management fees are as follows:

(a) the discount factor of 7.5%, which is applied to the Royalties upon which the purchase price is based, was increased to 10%, thereby reducing the purchase price;

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

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

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

	Three months ended Sept. 30, 2010	Three months ended Sept. 30, 2009	**Nine months ended Sept. 30, 2010**	Nine months ended Sept. 30, 2009
a) Royalties				
Fixed, variable and other franchise fees	**$ 656**	$ 675	**$ 2,024**	$ 1,779
Premium franchise fees	**$ 1,451**	$ 1,439	**$ 3,514**	$ 2,565
b) Expenses				
Management fees	**$ 1,836**	$ 1,887	**$ 5,364**	$ 4,805
Insurance and other	**$ 27**	$ 27	**$ 81**	$ 81
c) Distributions				
Distribution declared to non-controlling interest	**$ 1,168**	$ 1,168	**$ 3,504**	$ 3,504

As at		**Sept. 30, 2010**		Dec. 31, 2009
d) Accounts receivable				
Franchise fees receivable and other	$	**976**	$	585
e) Accounts payable and accrued liabilities				
Distributions payable to non-controlling interest	$	**388**	$	521
Management fees	$	**573**	$	1,656
f) Purchase obligation payable, net	$	**2,897**	$	4,143

Effective January 1, 2010, the Fund acquired 18 Royal LePage franchise agreements and three La Capitale franchise agreements for an estimated purchase price of $4.2 million and $1.0 million, respectively, with 80% ($4.2 million) of the purchase price due during the first quarter (see Franchise Acquisition Agreements for further information). During the Period, the Fund utilized cash on hand to pay the $4.2 million deposit and $2.2 million in prior year purchase price obligations.

Critical Accounting Estimates

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

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

Financial Instruments

The Fund's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, purchase obligation, distributions payable to unitholders, a $32.7 million private debt placement, a $20.3 million term facility and a $2 million operating credit facility.

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

The Fund's $32.7 million private debt was fixed at 5.809% for a five-year term commencing February 18, 2010, and as such is not subject to interest rate fluctuations. The $20.3 million term facility has a variable interest rate and accordingly is subject to interest rate fluctuations. An increase of 1% in the Fund's effective interest rate would result in an interest expense increase of approximately $530.

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

Disclosure Controls and Internal Controls

As a public entity, the Fund must take every step to ensure that material information regarding our reports filed or submitted under securities legislation fairly presents the financial information of the Fund. Responsibility for this resides with management, including the President and Chief Executive and the Chief Financial Officer. Management is responsible for establishing, maintaining and evaluating disclosure controls and procedures, as well as internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES (DC&P)

The evaluation of the effectiveness of DC&P as defined in National Instrument 52-109 Certification of Disclosures in Issuers' Annual and Interim filings was performed under the supervision of the President and Chief Executive and the Chief Financial Officer. They conclude that these disclosure controls and procedures were adequate and effective, as at September 30, 2010. The Fund's management can therefore provide reasonable assurance that it receives material information relating to the Fund in a timely manner so that it can provide investors with complete and reliable information.

INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICFR)

The Fund's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Fund's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Fund. All internal control systems have inherent limitations and may become inadequate because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes in the Fund's internal control over financial reporting during the period ended September 30, 2010, that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

Outstanding Units

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

On October 3, 2008, the Toronto Stock Exchange approved the Fund's notice of intention to make a normal course issuer bid for up to 499,150 of its units, representing 5% of its 9,983,000 outstanding units as of September 30, 2008.

During 2008, 163,720 units were purchased at an average price of $7.51 per unit. During 2009, a further 335,430 units at an average price of $8.54 per unit were acquired. The Fund has purchased the maximum amount permitted under the NCIB. Units purchased were cancelled at the end of each month.

The Fund financed the purchases with available cash on hand.

As at September 30, 2010, 9,483,850 units remained outstanding. In addition to these units, the Fund has 3,327,667 Special Fund Units outstanding, which entitles the holder to vote in all votes of Fund units as if they had converted their Subordinated LP units into Fund units.

Fund Structure

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

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

As part of the Fund's purchase of the La Capitale Assets on January 1, 2008, the LP acquired two companies, a Limited Partnership ("LCLP") which held the La Capitale Assets and the General Partner ("LCGP"). For a more detailed explanation of the Fund Structure, see the 2009 Annual Information Form.

Under the terms of the offering, the subordinated unitholder had to retain its full interest for five years from the commencement of the Fund. Fund distributions of all available cash were made on a monthly basis to public unitholders and on a quarterly basis to the subordinated unitholder. During the initial five-year period, the subordinated unitholder's distributions were subordinated to the public unitholders' distributions to the extent the public unitholders had not received the initial targeted monthly distribution of $0.0917 per unit, $1.10 per unit per annum. The initial five-year term ended August 7, 2008, after which the subordinated unitholder may exchange its units for units of the Fund and receives distributions on a monthly basis. As at the date of this MD&A these units have not been exchanged for units of the Fund.

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

Taxation of Fund Distributions

Under the Fund's Amended and Restated Declaration of Trust, the maximum tax deductions available to the Fund shall be claimed to the extent it brings the taxable income of the Fund to nil. The deductions available to the Fund are comprised of the costs of the offering and intangible assets. The estimated deductions available to the Fund as at December 31, 2009 are comprised of the costs of the initial public offering, intangible assets of the LP, acquisitions of franchise agreements subsequent to inception, and issue costs for the Fund's debt arrangements, which have the deductibility profile and amounts noted in the chart below. In 2010, additional deductions, which include the estimated addition of franchise agreements on January 1, 2010, as well as the costs associated with the $53 million re-financed debt will be available.

TAXATION OF FUND DISTRIBUTIONS

Future Deduction Basis	Remaining Balance December 31, 2009	Estimated Addition for 2010	Estimated Deduction for 2010	Estimated Balance December 31, 2010
7% of Balance	75.8	5.2	5.6[1]	74.1
Five year straight-line	0.2	0.8[2]	0.2	0.8
	76.0	6.0	5.8	74.9

[1] This estimated deduction for 2010 is calculated as 7% of the sum of both the remaining balance as of December 31, 2009 and 75% of the estimated addition for 2010.

[2] Cost associated with the refinanced long-term debt (see Recent Developments – Debt Refinancing).

For the years ended December 31, 2009 and 2008, the Fund's distributions were approximately 100% taxable with no return of capital. A summary of the related calculations is provided in the table below. Management will seek to manage distributions to a minimum of 100% of the Fund's taxable income in 2010.

($ millions)	2003	2004	2005	2006	2007	2008	**2009**
Fund net earnings	2.0	3.3	4.8	3.5	7.7	5.3	**5.6**
Add:							
Non-controlling interest	0.7	1.2	1.7	1.3	2.8	2.0	**2.2**
Amortization	3.8	13.7	14.2	14.6	14.8	16.9	**17.0**
Income tax	–	–	–	–	(1.8)	–	**(0.6)**
Rounding and other	(0.1)				0.1	0.5	**0.3**
Taxable earnings	6.4	18.2	20.7	19.4	23.6	24.7	**24.5**
Less:							
Tax deduction	3.4	8.0	8.2	8.1	8.1	7.2	**5.9**
Taxable income	3.0	10.2	12.5	11.3	15.5	17.5	**18.6**
Distributions	(6.0)	(14.6)	(14.6)	(15.3)	(16.0)	(17.5)	**(18.6)**
Return of capital	(3.0)	(4.4)	(2.1)	(4.0)	(0.5)	–	**–**
Return of capital	50%	30%	14%	26%	3%	0%	**0%**
Taxable	50%	70%	86%	74%	97%	100%	**100%**
Distributions							
Unitholders	4.5	11.0	11.0	11.5	12.0	13.1	**13.8**
Non-controlling interest	1.5	3.6	3.6	3.8	4.0	4.4	**4.8**
	6.0	14.6	14.6	15.3	16.0	17.5	**18.6**

Management's Discussion and Analysis of Results and Financial Condition

Impact of Taxation on Income Trusts

On October 31, 2006, the Minister of Finance announced proposed tax legislation ("SIFT rules") that will change the income tax rules applicable to publicly traded trusts rendering income trusts taxable in 2011. The SIFT rules were substantively enacted on June 12, 2007, at which time the Fund gave accounting recognition to these new tax rules. Prior to June 12, 2007, income tax obligations relating to distributions from the Fund were obligations of the unitholders and, accordingly, no provisions for income taxes were recorded by the Fund.

While the Fund is not expected to be liable for current income taxes until January 1, 2011, the enactment of the SIFT rules led to the Fund recognizing future income taxes in respect of temporary tax expected to reverse after December 31, 2010. These temporary differences arise from differences between the tax basis and the carrying amount of the Fund's intangible assets. These differences arose primarily due to the Fund's acquisition of certain intangible assets on a tax-deferred basis (meaning that the tax basis of the assets was lower than cost recorded for accounting), but are also affected by relative amounts of amortization deducted for tax and accounting purposes each year.

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

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

On November 5, 2010, the Board of Trustees approved the proposed conversion of the Fund from an income trust to a public corporation structure. The Conversion is expected to be completed on or about December 31, 2010 (see Recent Developments – Conversion to a Corporation).

Change in Accounting Policies

ACCOUNTING CHANGES – FUTURE

The CICA has issued the following new accounting standards:

a) International Financial Reporting Standards. The Accounting Standards Board of Canada ("AcSB") will converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards ("IFRS") over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. As a result, the Fund has established an implementation team and a changeover plan to convert to these new standards according to the timetable set with these new rules. The Fund completed the scoping and diagnostic phase and is now in the implementation and review phase. At this time, other than additional disclosure and presentation requirements, management has determined that the most significant changes to the financial statements as a result of IFRS are the estimation and recognition of future purchase obligations and the associated deferred income tax impact on the balance sheet and statement of comprehensive earnings, which differs from our deposit accounting for these acquisitions as described in note 4 to our interim consolidated financial statements, and the accounting for the Fund's exchangeable units. A further discussion of these changes follows:

Acquisition of franchise contracts

Currently under GAAP, the Fund records the initial payments for the franchise contract purchases as deposits on acquisition since the purchase prices are undeterminable at that time. In each subsequent quarter, as royalties are earned from the contracts, the Fund transfers an amount equal to the calculated value of the intangible asset from deposit on acquisition to intangible assets and any portion in excess of the deposit is recorded as a purchase obligation. Under IFRS, the Fund would record the estimated purchase price as an asset with the amount in excess of the deposit paid being recorded as a purchase obligation at the time of acquisition.

Exchangeable Units

The Fund, in preparation for the proposed Conversion that is expected to become effective on or about December 31, 2010, is evaluating the accounting for exchangeable units under IFRS and expects differences from the current presentation as a non-controlling interest.

Impairment of Intangibles

Under current GAAP, the impairment of Intangible assets are reviewed at the end of each reporting period by comparing the expected future undiscounted cash flows to be generated from the Fund's Intangible assets against the carrying value of the assets. Under IFRS, the Fund is required to assess its Intangibles for impairment in value using a discounted cash flow ("DCF"), whereby the DCF expected to be derived from the Fund's Intangible assets are compared to their carrying value in the financial statements at the end of each reporting period. Where the value of the DCF is less than the carrying value, the carrying value of the Intangible is to be recorded at the DCF value, with the difference or impairment being written off as a current period charge to the statement of earnings. The primary drivers of the DCF as they relate to franchise contracts and relationships are the expected future cash flows from these assets over the remaining initial and first renewal terms of the contracts and the discount rate utilized. Management has determined that the yield on the Fund's units would be an appropriate discount rate for this purpose, as this is the inherent rate of return for the Fund and was used in part to determine the purchase price for the Fund's franchise contract acquisitions.

The DCF approach to the valuation of Intangibles does not recognize the future value of the contracts and relationships derived from the period occurring after the remaining initial and first renewal terms of the underlying contracts. Should the Fund's yield increase significantly due to a considerable reduction in the unit price, as was the case until recently, and if there is no growth in the fee-paying agent population relating to the contracts, it is conceivable that an impairment charge in respect of the Fund's Intangibles could arise as a result of the application of this accounting requirement.

b) Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 Non-controlling Interests. These sections are based on the IASB's International Financial Reporting Standard 3, "Business Combinations". These new standards replace the existing guidance on business combinations and consolidated financial statements. The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. These new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards shall not be adjusted upon application of these new standards. The Non-Controlling Interests standard should be applied retrospectively except for certain items. Management is evaluating the impact of the standards on the Fund's accounting for business combinations, consolidation of financial statements, and non-controlling interests.

c) Section 3855, Financial Instruments – Recognition and Measurement. This section adds more guidance on the application of the effective interest rate method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, with early adoption permitted. The amendments are not expected to have a significant impact on the Fund's accounting for its financial instruments.

The following information is presented pursuant to the October 2008 recommendations of the Canadian Performance Reporting Board relating to pre-2011 communications about IFRS conversion and to comply with Canadian Securities Administrators Staff Notice 52-320, Disclosure of Expected Changes in Accounting Policies Relating to Changeover to IFRS. This information is provided to allow investors and others to obtain a better understanding of the Fund's IFRS changeover plan and the resulting possible effects on, for example, the Fund's consolidated financial statements and operating performance measures. Readers are cautioned that it may not be appropriate to use such information for any other purpose. This information also reflects the Fund's most recent assumptions and expectations. Circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could change these assumptions or expectations.

Progress toward completion of our IFRS changeover plan

Summarized on the following page is a description of the Fund's progress toward completion of selected key activities of its IFRS changeover plan as of September 30, 2010. At this time, the Fund cannot quantify the impact that the future adoption of IFRS will have on its consolidated financial statements and operating performance measures. It is also expected that the changeover to IFRS will impact internal controls over financial reporting and disclosure controls and procedures. Additional information will be provided as the Fund moves toward the changeover date.

	SELECTED KEY ACTIVITIES	MILESTONES/DEADLINES	PROGRESS TO DATE
Financial statement preparation	Identify relevant differences between IFRS and the Fund's accounting policies and practices and design and implement solutions. Evaluate and select one-time and ongoing accounting policy alternatives. Benchmark findings with peer companies. Prepare consolidated financial statements and related note disclosures to comply with IFRS. Quantify the effects of changeover to IFRS.	Assessment and quantification of the significant effects of the changeover substantially completed by the 3rd Quarter of 2010. Final selection of accounting policy alternatives by the changeover date (Jan. 1, 2011), with an initial selection by the 3rd Quarter of 2010.	Have established the scope of the project by identifying which IFRS sections are applicable to the Fund and have identified differences between Canadian GAAP and IFRS.
Training and communication	Establish IFRS project team. Engage subject matter experts to assist in the transition. Provide training to the IFRS project team, management and the Trustees and relevant committees thereof, including the Audit Committee. Communicate progress of changeover plan to internal and external stakeholders.	Establish IFRS project team by 2009. Timely training provided to align with work under changeover – training to commence in December of 2010. Communicate effects of changeover in time for creation of 2011 budget (third quarter of 2010).	The Fund has formally established an IFRS project team consisting of members of its finance group and is led by the Fund's Chief Financial Officer. Training for the IFRS project team has been completed. Training for the Trustees and the Audit Committee is ongoing and will be completed by December 2010. Periodic internal and external communications about the Fund's progress is ongoing.
IT systems	Identify and address IFRS differences that require changes to financial systems.	Changes to significant systems completed by the end of 2010.	Based on the results of the Fund's review of the potential differences between IFRS and Canadian GAAP that may impact the Fund, to date no significant changes to the Fund's accounting systems will be required as substantially of the changes resulting from IFRS adoption impacts accounting records that are manually populated.
Contractual arrangements	Identify impact of changeover on contractual arrangements. Make any required changes to arrangements and plans.	Changes completed by the end of 2010.	IFRS differences with potential impacts on contractual arrangements are being reviewed.

	SELECTED KEY ACTIVITIES	MILESTONES/DEADLINES	PROGRESS TO DATE
Internal control over financial reporting (ICFR)	Revise existing internal control processes and procedures to address significant changes to existing accounting policies and practices during 2010. Design and implement internal controls with respect to one-time changeover adjustments and related communications.	Assessment to be completed by 2010. Conduct management evaluation of new or revised controls throughout 2010. Update Chief Executive Officer/Chief Financial Officer certification process by the fourth quarter of 2010.	
Disclosure controls and procedures (DC&P)	For changes to accounting policies and practices identified, assess the DC&P design and effectiveness implications.	See ICFR deadlines above.	We are beginning to work on MD&A disclosures. Project team will be reporting to the CFO on a regular basis.

Risk Factors

The Canadian Competition Bureau ("the Bureau") and the Canadian Real Estate Association ("CREA") have reached a negotiated settlement to the case filed by the Bureau on February 8, 2010 whereby the Bureau alleged that CREA used its control of the MLS® system to prevent competition from developing in the supply of less than full service brokerage services to homeowners. See Recent Developments regarding risks associated with this settlement.

Quebec's new Real Estate Brokerages Act that came into effect on May 1, 2010 changed the way real estate is organized in Quebec. The changes resulted in a significant increase to the investment required for entry into the profession and subsequent license renewals. The Act also imposed joint liability on the broker (formerly called agent) and the agency (formerly the brokerage) for the real estate transaction which was previously the exclusive responsibility of the agency. See Recent Developments regarding risks associated with the new legislation.

Other risks related to the residential resale real estate brokerage industry and the business of the Partnership and the Fund are outlined in the Fund's Annual Information Form, which is available at www.sedar.com and on the Funds website, www.brookfieldres.com under Investor Relations/Financial Reports. Additional discussion regarding these risks as appropriate is provided in this MD&A.

Outlook

As predicted, the unusually active real estate market in the first half of 2010 has given way to slower markets in the second half of the year. The Quarter was slightly stronger than anticipated largely due to improved affordability in many regions assisted by very low rates in a competitive mortgage financing market. The cooling trend is expected to continue throughout the remainder of 2010.

Much of the extreme volatility within the Canadian housing market over the past few years appears to have been worked out of the system and a steadier housing industry through 2011 is expected to result from a gradually recovering economy and job market offset by the dampening effect of a gradual increase in mortgage costs.

The Fund is well positioned throughout the market cycle, with 69% of fees based on revenue that is fixed in nature.

Our business strategy is to continue to grow by expanding our REALTOR® network through organic agent recruitment and through acquisitions, to improve agent retention rates and by increasing REALTOR® productivity. We have a multi-brand strategy to improve our reach into different market segments, which has been very successful in Canada. With the Fund Manager's recent U.S.-based acquisitions, the Fund will have an opportunity to consider expanding its scope to include the large U.S. market and beyond.

Management's Discussion and Analysis of Results and Financial Condition

Forward-Looking Statements

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

Supplemental Information – Net Earnings and Distributable Cash by Period

Three months ended ($ 000's except per unit amounts, unaudited)	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010	June 30, 2010	**Sept. 30, 2010**
Royalties	$ 9,647	$ 7,740	$ 6,997	$ 8,839	$ 10,028	$ 8,495	$ 8,165	$ 10,527	**$ 9,780**
Less:									
Administration expenses	188	224	217	208	189	252	205	205	**316**
Management fee	1,805	1,412	1,265	1,653	1,887	1,560	1,513	2,015	**1,836**
Interest expense	803	794	784	798	810	810	748	719	**713**
Other (income) / loss	92	335	7	(72)	(99)	(100)	(101)	–	**–**
Amortization of intangible assets	4,297	4,658	4,141	4,167	4,198	4,491	4,032	4,061	**4,105**
Earnings before undernoted	2,462	317	583	2,085	3,043	1,482	1,768	3,527	**2,810**
Future income tax recovery / (expense)	1	1	(51)	(42)	16	628	(27)	16	**(12)**
Non-controlling interest	(652)	(118)	(174)	(565)	(827)	(599)	(489)	(959)	**(776)**
Net and comprehensive earnings for the period	1,811	200	358	1,478	2,232	1,511	1,252	2,584	**2,022**
Add:									
Amortization of intangible assets	4,297	4,658	4,141	4,167	4,198	4,491	4,032	4,061	**4,105**
Non-cash other (income) / loss	92	335	7	(72)	(99)	(100)	(101)	–	**–**
Future income tax (recovery) expense	(1)	(1)	51	42	(16)	(628)	27	(16)	**12**
Non-controlling interest	652	118	174	565	827	599	489	959	**776**
Distributable cash	6,851	5,310	4,731	6,180	7,142	5,873	5,699	7,588	**6,915**
Less change in:									
Unutilized cash	(2,351)	(663)	(140)	(1,624)	(2,625)	(904)	(1,202)	(3,090)	**(2,418)**
Cash required for distributions	$ 4,500	$ 4,647	$ 4,591	$ 4,556	$ 4,517	$ 4,969	$ 4,497	$ 4,498	**$ 4,497**
Distributable cash available to:									
Public unitholders	$ 3,375	$ 3,479	$ 3,423	$ 3,388	$ 3,349	$ 3,668	$ 3,329	$ 3,330	**$ 3,329**
Non-controlling interest	1,125	1,168	1,168	1,168	1,168	1,301	1,168	1,168	**1,168**
	$ 4,500	$ 4,647	$ 4,591	$ 4,556	$ 4,517	$ 4,969	$ 4,497	$ 4,498	**$ 4,497**
Distributions to public unitholders	$ 3,375	$ 3,479	$ 3,423	$ 3,388	$ 3,349	$ 3,668	$ 3,329	$ 3,330	**$ 3,329**
Per unit (9,983,000 units less retired):									
Basic and diluted earnings	$ 0.18	$ 0.02	$ 0.04	$ 0.15	$ 0.23	$ 0.16	$ 0.13	$ 0.27	**$ 0.21**
Basic and diluted distributable cash before working capital and other reserves	$ 0.51	$ 0.40	$ 0.36	$ 0.48	$ 0.56	$ 0.46	$ 0.44	$ 0.59	**$ 0.54**
Basic and diluted distributions	$ 0.34	$ 0.35	$ 0.35	$ 0.35	$ 0.35	$ 0.39	$ 0.35	$ 0.35	**$ 0.35**

Distribution Tax Allocation

For the year ended December 31, (Unaudited)	2003[1]	2004	2005	2006	2007	2008	**2009**
	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	**(actual)**
Other taxable income	50%	70%	86%	74%	97%	100%	**100%**
Return of capital	50%	30%	14%	26%	3%	0%	**0%**
Total distributions of the period	100%	100%	100%	100%	100%	100%	**100%**

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

Supplemental Information – Selected Financial and Operating Information

Three months ended ($000's, unaudited)	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010	June 30, 2010	**Sept. 30, 2010**
Revenue									
Fixed franchise fees	$ 4,431	$ 4,491	$ 4,467	$ 4,445	$ 4,459	$ 4,471	$ 4,610	$ 4,695	**$ 4,700**
Variable franchise fees	2,499	1,243	1,194	2,312	2,738	1,631	1,783	2,990	**2,203**
Premium franchise fees	1,514	937	420	920	1,674	1,341	851	1,556	**1,692**
Other fee revenue and services	1,203	1,069	916	1,162	1,157	1,052	921	1,286	**1,185**
	$ 9,647	$ 7,740	$ 6,997	$ 8,839	$ 10,028	$ 8,495	$ 8,165	$ 10,527	**$ 9,780**
% Revenue by region									
British Columbia	11	11	13	12	12	12	12	11	**11**
Prairies	9	10	10	9	9	9	10	9	**9**
Ontario	59	53	53	54	56	56	56	57	**58**
Quebec	18	22	21	22	20	20	19	20	**19**
Maritimes	3	4	3	3	3	3	3	3	**3**
	100	100	100	100	100	100	100	100	**100**

Three months ended **Changes during the period**	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010	June 30, 2010	**Sept. 30, 2010**
Number of REALTORS®	(5)	(172)	98	(74)	(51)	64	639	25	**27**
Number of Agents	17	(132)	96	(81)	(46)	51	579	37	**34**
Number of fixed fee paying Sales Representatives	(11)	(30)	0	(2)	2	8	64	(9)	**(14)**
Number of locations	0	(1)	17	(5)	(3)	(5)	18	1	**(3)**
Number of franchise agreements	0	0	15	(3)	1	(2)	20	(1)	**(1)**
At end of period									
Number of REALTORS®	14,766	14,594	14,692	14,618	14,567	14,631	15,270	15,295	**15,322**
Number of Agents	13,732	13,600	13,696	13,615	13,569	13,620	14,199	14,236	**14,270**
Number of fixed fee paying Sales Representatives	729	699	699	697	699	707	771	762	**748**
Number of locations	644	643	660	655	652	647	665	666	**663**
Number of franchise agreements	338	338	353	350	351	349	369	368	**367**

Supplemental Information – Fund Unit Performance

Three months ended	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010	June 30, 2010	**Sept. 30, 2010**
Trading price range of units (TSX: "RSF.UN")									
High	$ 10.87	$ 10.47	$ 9.62	$ 8.40	$ 12.17	$ 12.00	$ 13.45	$ 13.90	**$ 13.40**
Low	$ 8.04	$ 6.15	$ 7.00	$ 7.50	$ 8.20	$ 11.15	$ 12.31	$ 11.99	**$ 11.67**
Close	$ 9.84	$ 7.74	$ 7.77	$ 8.34	$ 11.55	$ 11.64	$ 12.91	$ 12.18	**$ 13.05**
Average daily volume	10,901	11,121	5,230	20,924	19,167	14,434	24,796	11,022	**7,186**
Number of units outstanding at period end	9,983,000	9,819,280	9,650,880	9,650,880	9,483,850	9,483,850	9,483,850	9,483,850	**9,483,850**
Net enterprise value at period end (thousands)									
Market capitalization[1]	$130,977	$101,757	$100,843	$108,241	$147,973	$149,126	$165,397	$156,044	**$167,190**
Long-term debt	51,532	51,615	51,697	52,776	52,864	52,953	52,197	52,218	**52,256**
Less:									
Cash on hand	7,746	7,924	155	1,962	3,902	6,842	402	1,063	**4,552**
	$174,763	$145,448	$152,385	$159,055	$196,935	$195,237	$217,192	$207,199	**$214,894**

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

DISTRIBUTION HISTORY

	Distributions Declared per Unit							
Month	2003	2004	2005	2006	2007	2008	2009	**2010**
January		$ 0.0917	$ 0.0917	$ 0.0958	$ 0.1000	$ 0.1040	$ 0.1170	**$ 0.1170**
February		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	**0.1170**
March		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	**0.1170**
April		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	**0.1170**
May		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	**0.1170**
June		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	**0.1170**
July		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	**0.1170**
August		0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	**0.1170**
September	$ 0.1789[1]	0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	**0.1170**
October	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	
November	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	
December	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1570	
	$ 0.45	$ 1.10	$ 1.10	$ 1.15	$ 1.20	$ 1.31	$ 1.44[2]	**$ 1.05**

[1] Based on a 55-day period.

[2] A special distribution of $0.04 per unit was declared for unitholders of record on December 31, 2009 and paid on January 29, 2010.

Supplemental Information – Condensed Balanced Sheet

As at ($ 000's, unaudited)	Sept. 30, 2008	Restated Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010	June 30, 2010	**Sept. 30, 2010**
Cash and cash equivalents	$ 7,746	$ 7,924	$ 155	$ 1,962	$ 3,902	$ 6,842	$ 402	$ 1,063	**$ 4,552**
Accounts receivable	3,322	3,224	3,428	4,148	3,584	3,267	3,300	4,476	**3,222**
Prepaid expenses	23	145	102	45	23	–	253	226	**202**
Deposit on acquisition	–	–	1,572	699	–	–	2,220	455	**–**
Intangible assets	125,921	127,980	123,717	120,423	117,167	114,840	112,784	110,509	**107,832**
	$137,012	$139,273	$128,974	$127,277	$124,676	$124,949	$118,959	$116,729	**$115,808**
Accounts payable and accrued liabilities	$ 1,842	$ 2,551	$ 1,979	$ 1,768	$ 1,813	$ 3,079	$ 3,273	$ 1,993	**$ 1,746**
Purchase obligations – short-term	1,386	3,031	1,615	1,593	1,676	2,219	1,815	1,815	**2,700**
Distributions payable to unitholders	1,168	1,148	1,129	1,128	1,108	1,489	1,110	1,110	**1,110**
Long-term debt (current portion)	–	–	51,697	52,776	52,864	52,953	–	–	**–**
Long-term debt	51,532	51,615	–	–	–	–	52,197	52,218	**52,256**
Purchase obligations – long-term	–	3,180	1,580	1,580	1,739	1,924	109	109	**197**
Financial derivatives	30	365	372	300	201	101	–	–	**–**
Future income tax liability	635	2,526	1,244	1,286	1,270	2,079	2,106	2,090	**2,102**
Non-controlling interest	20,751	19,701	18,707	18,104	17,763	17,061	16,382	16,173	**15,781**
Unitholders' equity	59,668	55,156	50,651	48,742	46,241	44,044	41,967	41,221	**39,916**
	$137,012	$139,273	$128,974	$127,277	$124,675	$124,949	$118,959	$116,729	**$115,808**

Supplemental Information – Condensed Cash Flow by Period

Three months ended ($ 000's, unaudited)	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010	June 30, 2010	**Sept. 30, 2010**
Cash provided by (used for):									
Operating activities									
Net earnings for the period	$ 1,811	$ 200	$ 358	$ 1,478	$ 2,232	$ 1,511	$ 1,252	$ 2,584	**$ 2,022**
Add (deduct):									
Non-controlling interest	652	118	174	565	827	599	489	959	**776**
Future income tax (recovery) expense	(1)	(1)	51	42	(16)	(628)	27	(16)	**12**
Non-cash interest expense	88	83	82	85	88	89	63	38	**38**
Non-cash other (income)/loss	92	335	7	(72)	(99)	(100)	(101)	–	**–**
Amortization of intangible assets	4,297	4,658	4,141	4,167	4,198	4,491	4,032	4,061	**4,105**
Changes in non-cash working capital	68	183	209	(874)	631	1,474	41	(2,429)	**1,033**
	7,007	5,576	5,022	5,391	7,861	7,436	5,803	5,197	**7,986**
Investing activities									
Deposit on acquisition	–	(70)	(1,572)	–	–	–	(2,220)	–	**–**
Payment of purchase price obligation	–	–	(3,051)	–	–	–	(2,219)	–	**–**
Purchase of intangible assets	(1)	70	(1,176)	(22)	–	–	(1,976)	(21)	**–**
	(1)	(1)	(5,799)	(22)	–	–	(6,415)	(21)	**–**
Financing activities									
Re-purchase of fund unit	–	(291)	(2,401)	–	(1,404)	–	–	–	**–**
Proceeds from term facility	(67)	–	–	994	–	–	19,986	(6)	**–**
Repayment of term facility	–	–	–	–	–	–	(15,000)	–	**–**
Proceeds from long-term debt	–	–	–	–	–	–	32,195	(11)	**–**
Repayment of term loan	–	–	–	–	–	–	(38,000)	–	**–**
Distributions paid to unitholders	(3,375)	(3,329)	(3,423)	(3,388)	(3,349)	(3,327)	(3,708)	(3,330)	**(3,329)**
Distributions paid to non-controlling interest	(1,125)	(1,777)	(1,168)	(1,168)	(1,168)	(1,169)	(1,301)	(1,168)	**(1,168)**
	(4,567)	(5,397)	(6,992)	(3,562)	(5,921)	(4,496)	(5,828)	(4,515)	**(4,497)**
Increase (decrease) in cash and cash equivalents during the period	2,439	178	(7,769)	1,807	1,940	2,940	(6,440)	661	**3,489**
Cash and cash equivalents, beginning of period	5,307	7,746	7,924	155	1,962	3,902	6,842	402	**1,063**
Cash and cash equivalents, end of period	$ 7,746	$ 7,924	$ 155	$ 1,962	$ 3,902	$ 6,842	$ 402	$ 1,063	**$ 4,552**

Supplemental Information – Canadian Real Estate Market

Three months ended	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010	June 30, 2010	**Sept. 30, 2010**
Canada									
Transaction dollar volume[1]	$ 33,996	$ 18,961	$ 21,748	$ 46,938	$ 44,281	$ 36,025	$ 37,356	$ 49,354	**$ 33,974**
Average selling price	$296,177	$282,642	$284,681	$318,675	$327,769	$338,843	$336,380	$345,001	**$328,878**
Number of units sold	114,782	67,086	76,396	147,291	135,098	106,285	111,015	143,056	**103,303**
Number of REALTORS® at period end	98,459	97,168	96,353	96,798	97,301	98,161	99,819	101,068	**N/A**
Housing starts	58,292	47,067	23,772	35,798	42,934	46,577	35,014	55,287	**49,522**
Greater Toronto Area									
Transaction dollar volume[1]	$ 7,279	$ 3,929	$ 4,589	$ 11,120	$ 10,097	$ 8,722	$ 9,594	$ 12,671	**$ 8,018**
Average selling price	$365,577	$358,551	$357,817	$395,520	$395,974	$417,878	$427,948	$439,804	**$419,654**
Number of units sold	19,910	10,957	12,824	28,115	25,498	20,872	22,418	28,810	**19,106**
Housing starts	11,736	9,847	5,904	5,639	6,712	7,694	5,669	7,962	**7,845**

Twelve months ended	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010	June 30, 2010	**Sept. 30, 2010**
Canada									
Transaction dollar volume[1]	$144,651	$131,688	$120,785	$121,644	$131,929	$148,993	$164,600	$216,419	**$156,710**
Average selling price	$310,225	$304,971	$299,306	$299,944	$309,786	$320,333	$388,276	$338,846	**$337,985**
Number of units sold	466,277	431,805	403,551	405,555	425,871	465,070	499,689	638,693	**463,659**
Housing starts	219,163	211,056	191,218	164,929	149,571	149,081	160,323	179,812	**186,400**
Seasonally adjusted housing starts	213,500	172,200	131,200	129,700	155,000	178,400	192,900	199,500	**188,400**
Greater Toronto Area									
Transaction dollar volume[1]	$ 31,963	$ 28,281	$ 26,229	$ 26,916	$ 29,734	$ 34,527	$ 44,121	$ 53,754	**$ 39,004**
Average selling price	$385,272	$379,347	$375,480	$374,843	$384,189	$395,460	$402,098	$425,240	**$427,651**
Number of units sold	82,961	74,552	69,855	71,806	77,394	87,309	109,727	126,408	**91,206**
Housing starts	40,964	42,212	39,171	33,126	28,102	25,949	24,714	28,037	**29,170**

Source: CMHC, CREA and TREB

[1] ($ million).

N/A: Not Available

Brookfield Real Estate Services Fund

Interim Consolidated Balance Sheets

As at (in thousands of dollars)	September 30, 2010 (unaudited)	December 31, 2009
Assets		
Current assets		
Cash	$ 4,552	$ 6,842
Accounts receivable	3,222	3,267
Prepaid expenses	202	–
	7,976	10,109
Intangible assets (note 5)	107,832	114,840
	$ 115,808	$ 124,949
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,746	$ 3,079
Purchase obligation – current portion (note 4)	2,700	2,219
Distribution payable to unitholders	1,110	1,489
Financial derivative (note 8)	–	101
	5,556	6,888
Purchase obligation (note 4)	197	1,924
Long-term debt (note 8)	52,256	52,953
Future income tax liability (note 6)	2,102	2,079
Non-controlling interest	15,781	17,061
	75,892	80,905
Unitholders' equity	39,916	44,044
	$ 115,808	$ 124,949

See accompanying notes to the interim consolidated financial statements.

On behalf of the board

Simon Dean
TRUSTEE

Lorraine Bell
TRUSTEE

Interim Consolidated Statements of Earnings and Comprehensive Earnings

(unaudited) (in thousands of dollars, except unit and per unit amounts)	**Three months ended Sept. 30, 2010**	Three months ended Sept. 30, 2009	**Nine months ended Sept. 30, 2010**	Nine months ended Sept. 30, 2009
Royalties				
Fixed franchise fees	**$ 4,700**	$ 4,459	**$ 14,005**	$ 13,371
Variable franchise fees	**2,203**	2,738	**6,976**	6,244
Premium franchise fees	**1,692**	1,674	**4,099**	3,014
Other fee revenue and services	**1,185**	1,157	**3,392**	3,235
	9,780	10,028	**28,472**	25,864
Expenses				
Administration	**316**	189	**726**	614
Management fee	**1,836**	1,887	**5,364**	4,805
Interest expense	**713**	810	**2,180**	2,392
Other income (note 8)	**–**	(99)	**(101)**	(164)
Amortization of intangible assets	**4,105**	4,198	**12,198**	12,506
	6,970	6,985	**20,367**	20,153
Earnings before income tax and non-controlling interest	**2,810**	3,043	**8,105**	5,711
Future income tax (expense) recovery (note 6)	**(12)**	16	**(23)**	(77)
Earnings before non-controlling interest	**2,798**	3,059	**8,082**	5,634
Non-controlling interest	**(776)**	(827)	**(2,224)**	(1,566)
Net earnings and comprehensive earnings	**$ 2,022**	$ 2,232	**$ 5,858**	$ 4,068
Basic and diluted earnings per unit (9,483,850 weighted average units for the three and nine months ended September 30, 2010) (2009 – 9,520,717 and 9,631,788 weighted average units) (note 10)	**$ 0.21**	$ 0.23	**$ 0.62**	$ 0.42

See accompanying notes to the interim consolidated financial statements.

Interim Consolidated Statements of Unitholders' Equity

(unaudited) (in thousands of dollars)	Unitholders' Contribution	Contributed Surplus	Net Earnings	Distributions	Deficit	Total
Balance, January 1, 2009	$ 91,301	$ 404	$ 26,494	$ (63,043)	$ (36,549)	$ 55,156
Changes during the period:						
Issuer repurchases	(3,354)	491	–	–	–	(2,863)
Net earnings	–	–	4,068	–	4,068	4,068
Unit distributions	–	–	–	(10,120)	(10,120)	(10,120)
Balance, September 30, 2009	$ 87,947	$ 895	$ 30,562	$ (73,163)	$ (42,601)	$ 46,241
Balance, January 1, 2010	$ 87,947	$ 895	$ 32,073	$ (76,871)	$ (44,798)	$ 44,044
Changes during the period:						
Net earnings	–	–	5,858	–	5,858	5,858
Unit distributions	–	–	–	(9,986)	(9,986)	(9,986)
Balance, September 30, 2010	**$ 87,947**	**$ 895**	**$ 37,931**	**$ (86,857)**	**$ (48,926)**	**$ 39,916**

There is no accumulated other comprehensive income or loss to the Fund at September 30, 2010 (September 30, 2009 – $nil).

See accompanying notes to the interim consolidated financial statements.

Brookfield Real Estate Services Fund

Interim Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars)	**Three months ended Sept. 30, 2010**	Three months ended Sept. 30, 2009	**Nine months ended Sept. 30, 2010**	Nine months ended Sept. 30, 2009
Cash provided by (used for):				
Operating activities				
Net earnings for the period	**$ 2,022**	$ 2,232	**$ 5,858**	$ 4,068
Items not affecting cash				
Non-controlling interest	**776**	827	**2,224**	1,566
Future income tax expense (recovery)	**12**	(16)	**23**	77
Non-cash interest expense (note 8)	**38**	88	**139**	255
Change in value of derivative	**–**	(99)	**(101)**	(164)
Amortization of intangible assets	**4,105**	4,198	**12,198**	12,506
Changes in non-cash working capital	**1,033**	631	**(1,357)**	(34)
	7,986	7,861	**18,984**	18,274
Investing activities				
Deposits on acquisitions (note 4)	**–**	–	**(4,196)**	(2,748)
Purchase of intangible assets (note 4)	**–**	–	**(21)**	(22)
Purchase price obligation payment (note 4)	**–**	–	**(2,219)**	(3,051)
	–	–	**(6,436)**	(5,821)
Financing activities				
Repurchase of Fund units (note 9)	**–**	(1,404)	**–**	(3,805)
Proceeds of Terms Facility	**–**	–	**19,980**	994
Repayment of Term Facility (note 8)	**–**	–	**(15,000)**	–
Proceeds of Private Placement (note 8)	**–**	–	**32,184**	–
Repayment of long-term debt (note 8)	**–**	–	**(38,000)**	–
Distributions paid to unitholders	**(3,329)**	(3,349)	**(10,365)**	(10,160)
Distributions paid to non-controlling interest	**(1,168)**	(1,168)	**(3,637)**	(3,504)
	(4,497)	(5,921)	**(14,838)**	(16,475)
Increase (decrease) in cash during the period	**3,489**	1,940	**(2,290)**	(4,022)
Cash, beginning of period	**1,063**	1,962	**6,842**	7,924
Cash, end of period	**$ 4,552**	$ 3,902	**$ 4,552**	$ 3,902
Supplementary Cash Flow Information				
Interest paid	**$ 689**	$ 713	**$ 2,324**	$ 2,064

See accompanying notes to the interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

September 30, 2010 and 2009 (unaudited) (in thousands of dollars)

1. Organization

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

These consolidated financial statements include the accounts of Brookfield Real Estate Services Fund, its wholly owned subsidiary RL RES Holding Trust ("RLHT"), and its 75% owned subsidiaries, Residential Income Fund General Partner Limited ("RIFGP"), Residential Income Fund L.P. (the "Partnership"), 9120 Real Estate Network, L.P. ("LCLP"), a wholly owned subsidiary of the Partnership, and 4541219 Canada Inc., the "General Partner of LCLP". RIFGP is the managing general partner of the Partnership. Trilon Bancorp Inc. (the "non-controlling interest") owns the remaining 25% interest in the Partnership and RIFGP. The Fund receives certain management, administrative and support services from Brookfield Real Estate Services Ltd. ("BRESL"), a party related to the non-controlling interest via common control.

SEASONALITY

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

CONVERSION TO A CORPORATION

On November 5, 2010, the Board of Trustees approved the proposed conversion from an income trust to a public corporation structure (see note 14).

2. Summary of Accounting Policies

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements. They do not include all the information and disclosure required by GAAP for annual audited financial statements and should be read in conjunction with the December 31, 2009 annual consolidated financial statements.

3. Future Accounting and Reporting Changes

The CICA has issued the following new accounting standards:

a) International Financial Reporting Standards – the Accounting Standards Board of Canada ("AcSB") will converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards ("IFRS") over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. At this time, other than additional disclosure and presentation requirements, management has determined that the most significant changes to the financial statements as a result of IFRS are the estimation and recognition of future purchase obligations and the associated deferred income tax impact on the balance sheet and statement of earnings and comprehensive earnings, which differs from our deposit accounting for these acquisitions as described in note 4, and the accounting for the Fund's exchangeable units.

b) Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-controlling Interests. These sections are based on the IASB's International Financial Reporting Standard 3, "Business Combinations". These new standards replace the existing guidance on business combinations and consolidated financial statements. The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. These new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards shall not be adjusted upon application of these new standards. The Non-Controlling Interests standard should be applied retrospectively except for certain items. Management is evaluating the impact of the standards on the Fund's accounting for business combinations, consolidation of financial statements, and non-controlling interests.

c) Section 3855, Financial Instruments – Recognition and Measurement. This section adds more guidance on the application of the effective interest rate method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The amendments are not expected to have significant impact on the Fund's accounting of its financial instruments.

4. Asset Acquisitions

The Fund's purchases of franchise agreements are governed by terms set out in the Amended and Restated Management Services Agreement (the "MSA").

On January 1, 2010, the Partnership acquired 18 new Royal LePage franchise agreements from BRESL at an estimated purchase price of $4,205 and $21 of related legal and other acquisition costs. A deposit of $3,364, equal to 80% of the estimated purchase price, was paid from cash on hand on January 4, 2010 and the remainder is to be paid a year later, when the final purchase price is determined.

On January 1, 2010, LCLP acquired three La Capitale franchise agreements from BRESL for an estimated purchase price of $1,040. A deposit of $832, equal to 80% of the estimated purchase price, was paid from cash on hand on January 4, 2010.

Until the final purchase price is determined, the purchase price obligation is recalculated at each period end based on the actual royalties earned. Correspondingly, the deposit on acquisition is reduced by the calculated amount and transferred to intangible assets. The intangible assets are then amortized in accordance with the Fund's policy on a prospective basis. The recalculated purchase price obligation in excess of the deposit on acquisition is recorded as a purchase obligation and the corresponding amount added to the intangible assets and amortized as described above.

During the three and nine months ended September 30, 2010, $455 and $4,196 respectively, were transferred from deposit on acquisition to intangible assets. During the three and nine months ended September 30, 2010, $973 was recorded as purchase obligation and the corresponding amount was added to intangible assets.

On January 1, 2009, the Partnership acquired 18 new Royal LePage franchise agreements from BRESL at a purchase price of $2,264 and $24 of related legal and other acquisition costs.

On January 1, 2009, LCLP acquired three new La Capitale franchise agreements from BRESL for an estimated purchase price of $1,050 and $2 of related costs. The estimated price is to be revised at the end of each of the next two years based on the average annual royalty stream earned over the three-year period from November 1, 2008 to October 31, 2011. The Partnership used cash on hand to acquire these agreements.

The purchase obligations consist of the following:

	September 30, 2010			December 31, 2009
	Royal LePage	LCLP	Total	Total
Obligation at beginning of year	$ 241	$ 3,902	$ 4,143	$ 6,211
Payment of current obligations	(241)	(1,978)	(2,219)	(3,051)
	$ –	$ 1,924	$ 1,924	$ 3,160
Legal and other acquisition costs for the current year	21	–	21	–
Payment of acquisition costs	(21)	–	(21)	–
Price adjustment on prior year purchases	–	–	–	413
Purchase obligation at end of period	$ –	$ 1,924	$ 1,924	$ 3,573
80% deposit paid on current year's additions	$ (3,364)	$ (832)	$ (4,196)	$ (2,748)
Earned asset value during the period	4,205	964	5,169	3,318
Purchase obligation, end of the period	$ 841	$ 132	$ 973	$ 570
Net purchase obligation	$ 841	$ 2,056	$ 2,897	$ 4,143
Summary				
Purchase obligation, current portion	$ 841	$ 1,859	$ 2,700	$ 2,219
Purchase obligation, long-term	–	197	197	1,924
Net purchase obligation	$ 841	$ 2,056	$ 2,897	$ 4,143

5. Intangible Assets

A summary of intangible assets is provided in the table presented below.

As at	September 30, 2010		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	$ 154,034	$ 102,420	$ 51,614
Relationships and trademarks	60,821	4,603	56,218
Total	$ 214,855	$ 107,023	$ 107,832

As at	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	$ 150,297	$ 91,844	$ 58,453
Relationships and trademarks	59,368	2,981	56,387
Total	$ 209,665	$ 94,825	$ 114,840

The additions to intangible assets during the nine months ended September 30, 2010 and 2009 are summarized as follows:

	Royal LePage	LCLP	Nine months ended Sept. 30, 2010
Franchise agreements	$ 3,186	$ 551	$ 3,737
Relationships and trademarks	1,040	413	1,453
Total	$ 4,226	$ 964	$ 5,190

	Royal LePage	LCLP	Nine months ended Sept. 30, 2009
Franchise agreements	$ 1,559	$ 435	$ 1,994
Relationships and trademarks	489	542	1,031
Total	$ 2,048	$ 977	$ 3,025

6. Future Income Taxes

On October 31, 2006, the Minister of Finance announced proposed tax legislation (“SIFT rules”) that will change the income tax rules applicable to publicly traded trusts rendering income trusts taxable in 2011. The SIFT rules were substantively enacted on June 12, 2007, at which time the Fund gave accounting recognition to these new tax rules. Prior to June 12, 2007, income tax obligations relating to distributions from the Fund were obligations of the unitholders and, accordingly, no provisions for income taxes were recorded by the Fund.

While the Fund is not expected to be liable for current income taxes until January 1, 2011, the enactment of the SIFT rules led to the Fund recognizing future income taxes in respect of temporary tax difference expected to reverse after December 31, 2010. These temporary differences arise from differences between the tax basis and the carrying amount of the Fund’s intangible assets. These differences arose primarily due to the Fund’s acquisition of certain intangible assets on a tax-deferred basis (meaning that the tax basis of the assets was lower than cost recorded for accounting), but are also affected by relative amounts of amortization deducted for tax and accounting purposes each year.

The Fund had a net future income tax liability of $2,079 at December 31, 2009. During the three and nine months ended September 30, 2010, the Fund recorded an increase in non-cash net future tax liability of $12 and $23, respectively. The resulting net future income tax liability was $2,102 at September 30, 2010.

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

7. Operating Credit Facility

On February 18, 2010, the Partnership renewed the credit facility (the “Revolver”) of up to $2,000 from a Canadian financial institution. This Revolver may be used to provide working capital to the Partnership from time to time. The Revolver is subject to annual renewal with outstanding principal under the Revolver subject to interest at the lender’s prime rate plus 2.5% to 3% or the Bankers’ Acceptance (“BA”) rate plus 3.5% to 4%, based on the ratio of total debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) of the Partnership as defined in the credit agreement.

On April 19, 2010, the Fund drew $1,700 on its Revolver in the form of a 30-day BA which yielded $1,694 in cash, net of $6 interest paid in advance. The Revolver was repaid on May 21, 2010. The cash was utilized to pay outstanding management fees and associated taxes and interest.

8. Long-Term Debt

A summary of the Fund's long-term debt is comprised of the following debt facilities:

As at		September 30, 2010		December 31, 2009
Private debt placement	$	**32,241**	$	37,975
Term Facility		**20,015**		14,978
	$	**52,256**	$	52,953

On February 18, 2010, the Partnership completed the refinancing of its $53,000 debt obligations with a five-year term maturing on February 17, 2015. The refinancing is comprised of a $32,700 private debt placement with a number of Canadian institutional investors with fixed interest of 5.809% and a $20,300 term facility provided by a Canadian financial institution with interest available in the form of a floating rate at prime plus 1.5% payable quarterly, or at BA rates plus 3% with terms of up to six months.

The Fund incurred, $836 in issue costs associated with the new debt obligations resulting in net proceeds of $52,164. These proceeds and cash on hand were utilized to repay the previous private placement of $38,000 and term facility of $15,000 that matured on February 17, 2010.

The private placement and term facility had fair values of $32,910 and $20,300, respectively, at September 30, 2010 (2009 – $38,001 and $15,000).

During the three and nine months ended September 30, 2010, $38 and $139, respectively, of amortization of the issue costs were recorded as interest expense (2009 – $88 and $255).

The swap agreement relating to the prior term facility that expired on February 17, 2010 was valued at its market value which was a liability of $101 as at December 31, 2009. Upon maturity of the swap agreement on February 17, 2010, this liability was reversed and $101 of other income was recorded.

9. Fund Units

The Fund is authorized to issue an unlimited number of units, each of which represents an equal undivided beneficial interest in any distributions from the Fund. All units are of the same class with equal rights and privileges.

Pursuant to the Amended and Restated Declaration of Trust, the holder of the Special Fund Units, which accompanied the Class B LP Units, will be entitled to vote in all votes of Fund unitholders, as if they were holders of the number of units of the Fund they would receive if Class B LP Units were exchanged into units of the Fund as of the record date of such votes, and will be treated in all respects as unitholders of the Fund for the purpose of any such votes. The Special Fund Units are not entitled to receive distributions.

Units are redeemable at the option of the holder at a price based on the market value as defined in the Declaration of Trust, subject to a maximum of $50,000 in cash redemptions by the Fund in any one month. The limitation may be waived at the discretion of the Trustees of the Fund.

During the period from October 7, 2008 to October 6, 2009, the Fund repurchased 499,150 of its units under the normal course issuer bid ("NCIB") approved by the TSX on October 3, 2008. During the nine months ended September 30, 2009 the Fund purchased and cancelled 335,430 units at a total cost of $2,863. The repurchased units had an issued value of $3,354, resulting in a contributed surplus of $491.

10. Earnings Per Unit

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

Notes to the Consolidated Financial Statements

11. Related Party Transactions

Unless disclosed elsewhere, the Fund had the following transactions with parties related to the non-controlling interest during the three and nine months ended September 30, 2010 and 2009. These transactions have been recorded at the exchange amount agreed to between the parties.

	Three months ended Sept. 30, 2010	Three months ended Sept. 30, 2009	Nine months ended Sept. 30, 2010	Nine months ended Sept. 30, 2009
a) Royalties				
Fixed, variable and other franchise fees	$ 656	$ 675	$ 2,024	$ 1,779
Premium franchise fees	$ 1,451	$ 1,439	$ 3,514	$ 2,565
b) Expenses				
Management fees	$ 1,836	$ 1,887	$ 5,364	$ 4,805
Insurance and other	$ 27	$ 27	$ 81	$ 81
c) Distributions				
Distributions declared to non-controlling interest	$ 1,168	$ 1,168	$ 3,504	$ 3,504

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

As at	September 30, 2010	December 31, 2009
d) Accounts receivable		
Franchise fees receivable and other	$ 976	$ 585
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	$ 388	$ 521
Management fees	$ 573	$ 1,656
f) Purchase obligation payable, net	$ 2,897	$ 4,143

12. Financial Instruments

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

A) CREDIT RISK

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

B) LIQUIDITY RISK

The Fund is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs including paying ongoing future distributions to unitholders and non-controlling interests. Management reduces liquidity risk by maintaining more conservative debt covenant ratios compared with those required by the covenants associated with the long-term debt. Also, the Fund has $2,000 unutilized credit under the Revolver described in note 7.

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

	2010	2011	2012	Beyond 2012	Total
Accounts payable and accrued liabilities	$ 1,746	$ –	$ –	$ –	$ 1,746
Purchase obligations	–	2,700	153	44	2,897
Distributions payable to unitholders	1,110	–	–	–	1,110
Private debt placement	–	–	–	32,700	32,700
Term facility	–	–	–	20,300	20,300
Total	$ 2,856	$ 2,700	$ 153	$ 53,044	$ 58,753

C) INTEREST RATE RISK

The Fund is exposed to the risk of interest rate fluctuations on its operating credit and term facilities as the interest rates on these facilities are tied to the prime and BA rates. Management has elected to continue with a floating rate position on these facilities and monitors this position on an ongoing basis. The Fund's $32,700 private debt placement is fixed and accordingly does not have risk of interest rate fluctuations. An increase of 1% in the Fund's effective interest rate would result in an interest expense increase of approximately $530.

D) FAIR VALUE

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

13. Management of Capital

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

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

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

The covenants of the long-term debt prescribe that the Fund must maintain a ratio of Adjusted EBITDA to Senior Interest Expense at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Adjusted EBITDA at a maximum 2.25 to 1. The Fund is compliant with all financial covenants.

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

14. Subsequent Events

On November 5, 2010, the Board of Trustees approved the proposed conversion of the Fund from an income trust to a public corporation structure ("Conversion"). The Conversion is expected to be completed on or about December 31, 2010 at which time all the outstanding units of the Fund will be exchanged on a one-to-one basis for shares of the new corporation, on a tax-deferred basis. The Conversion will be undertaken pursuant to a court-approved Plan of Arrangement (the "Arrangement") and is subject to customary commercial conditions and the receipt of regulatory, court and TSX approvals. All current members of the Board of Trustees and senior management are expected to serve as directors and officers of the new corporation.

For the three and nine months ended September 30, 2010, the Fund has recorded in Administration Expenses $127 of financial, legal and accounting-related services in connection with the proposed Conversion.

Management Team

Philip Soper, President and Chief Executive
Kevin Cash, Chief Financial Officer

Board of Trustees

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

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TSX Symbol: BRE.UN

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

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