

Q1



Strong Brands New Horizons

INTERIM REPORT TO UNITHOLDERS Q1 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 March 31, 2010, the Fund Network was comprised of 15,270 agents. The Fund Network has an approximate 22% share of the Canadian residential resale real estate market based on transactional dollar volume. The Fund is a TSX-listed income trust that pays monthly distributions and trades under the symbol "BRE.UN". The Fund's website address is www.brookfieldres.com.

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking information and other "forward-looking statements". The words such as "should", "will", "continue", "plan", "believe", "expect", "anticipate", "intend", "estimate" and other expressions 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 resale transactions, the average rate of commissions charged, competition from other traditional real estate brokers or from discount and/or Internet-based real estate alternatives, the availability of acquisition opportunities and/or the closing of existing real estate offices, other developments in the residential real estate brokerage industry or the Fund that reduce the number of and/or royalty revenue from the Fund's REALTORS®, our ability to maintain brand equity through the use of trademarks, the availability of equity and debt financing, a change in tax provisions, and other risks detailed in the Fund's annual information form, which is filed with securities commissions and posted on SEDAR at www.sedar.com. The Fund undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Q1 2010 Interim Report to Unitholders

FINANCIAL AND OPERATING HIGHLIGHTS

FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

	Q1 2010		Q1 2009	
	(thousands)	(per unit)	(thousands)	(per unit)
Royalties	\$ 8,165	\$ 0.64	\$ 6,997	\$ 0.54
Net earnings	\$ 1,252	\$ 0.13	\$ 358	\$ 0.04
Distributable cash	\$ 5,699	\$ 0.44	\$ 4,731	\$ 0.36
Distributions	\$ 4,497	\$ 0.35	\$ 4,591	\$ 0.35
Payout ¹	78.9%		97.0%	

We are pleased to report results for Brookfield Real Estate Services Fund (the "Fund") for the quarter ended March 31, 2010. Royalties for the quarter were \$8.2 million, up 16.7% from the same period in 2009. Distributable cash² during the quarter increased to \$5.7 million, up 20.5% from the first quarter of 2009 while distributable cash per unit increased 22.2% or \$0.08 per unit to \$0.44 per unit due in part to the lower number of outstanding units resulting from the completion of the normal course issuer bid program in July 2009. Net earnings increased to \$1.3 million (\$0.13 per unit) from \$0.4 million (\$0.04 per unit) in the first quarter of 2009.

These results represented the third consecutive quarter of year-over-year revenue increases following declining revenues experienced in the first half of 2009. The growth in royalties and corresponding increase in distributable cash in the first quarter reflected the marked increase in home sale activity as compared with the slow first quarter of 2009 and the net growth and increased productivity of the Fund's REALTOR^{®3} network. During the Quarter, fixed franchise fees, which are driven by the number of agents in the network, variable fees and premium fees, which are driven by market activity, increased by 3.2%, 49% and 103%, respectively, from the same period in 2009.

The first quarter of 2010 continued where 2009 left off, as the housing market continued to be a primary beneficiary of low borrowing costs and improving consumer confidence. Pent-up demand, a constrained supply of homes listed for sale, and unseasonably warm weather prompted a spike in home sales in the country's largest housing markets – notably Toronto and Vancouver. Over the past two years, prices in these markets have taken a roller coaster ride, while markets such as Ottawa and Regina have experienced non-stop growth and others such as Montreal and Calgary have seen fairly level prices. Recent mortgage rate increases and an increase in properties listed for sale across the country would indicate that we are heading into a period of more balanced markets.

FUND GROWTH

At March 31, 2010, the Fund Network was comprised of 369 franchises operating from 665 locations serviced by 15,270 REALTORS[®], for a net organic gain of 222 REALTORS[®] since January 1, 2010 and a net gain of 578 REALTORS[®] since March 31, 2009. On January 1, 2010, the Fund acquired from the Fund Manager, Brookfield Real Estate Services Limited ("the Manager"), 21 franchise agreements with 417 REALTORS[®] under the Royal LePage and La Capitale brands.

MONTHLY CASH DISTRIBUTION

The Fund declared a cash distribution of \$0.117 per unit for the month of May 2010, payable June 30, 2010 to unitholders of record on May 31, 2010.

¹ Payout represents distributions as a percentage of distributable cash.

² 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.

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

FUND STRUCTURE

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

OUTLOOK

After a buoyant, if geographically uneven start to the year, Canada's housing market is poised to moderate as 2010 unfolds. Even in the most frenzied pockets of market activity, the inevitable rise in interest rates coupled with home price appreciation will rein in demand as affordability erodes. We expect house prices will continue to rise, but the rate of appreciation should ebb steadily, month by month, throughout the remainder of the year, as a balance of supply and demand returns to the industry.

We continued to build our REALTOR® network and services during the recession and our brands entered 2010 well positioned to capitalize on growth opportunities.

The Canadian Real Estate Association (CREA) has forecast that MLS® (Multiple Listing Service, a trademark of CREA) activity will increase 13.3% to a record level in 2010 and that the national average home price will increase 5.4%, with average home price gains forecast in all provinces. Over the second half of the year, CREA expects national activity will trend downward as pent-up demand is reduced, interest rates begin rising, and the harmonized sales tax comes into effect in Ontario and B.C. Looking to 2011, CREA expects the average price to decline by 1.5%, with modest average price gains in all provinces except B.C. and Ontario.



Philip Soper

President and Chief Executive



Kevin Cash

Chief Financial Officer

May 4, 2010

Management's Discussion and Analysis

Highlights	4	Capital Resources	19
Business Strategy	4	Off-Balance Sheet Arrangements	19
Structure of Fund Royalties	5	Transactions with Related Parties	20
Recent Developments	6	Critical Accounting Estimates	21
Key Performance Drivers	6	Financial Instruments	21
The Canadian Residential Resale Real Estate Market	8	Disclosure Controls and Internal Controls	22
The Canadian Real Estate REALTOR® Population	9	Outstanding Units	22
The Fund Network	10	Fund Structure	22
Network Diversity	11	Taxation of Fund Distributions	23
REALTOR® Productivity	11	Impact of Taxation on Income Trusts	24
Operating Results	12	Change in Accounting Policies	25
Distributable Cash	13	Risk Factors	26
Acquisitions and Deposit on Acquisitions	15	Outlook	27
Debt Refinancing	17	Forward-Looking Statements	27
Summary of Quarterly Results	17	Supplemental Information	28
Liquidity	19	Consolidated Financial Statements	35

2

0

1

0

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 March 31, 2010, (the "Quarter"). The MD&A is intended to provide you with an assessment of our past performance as well as our financial position, performance objectives and future prospects. The information in this section should be read in conjunction with our audited financial statements for the year ended December 31, 2009, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information relating to the Brookfield Real Estate Services Fund (the "Fund"), including our annual information form, is available on SEDAR at www.sedar.com. All dollar amounts are in Canadian dollars unless otherwise specified.

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

Management's Discussion and Analysis of Results and Financial Condition

Highlights

Three months ended March 31,
(\$ 000's) except Agents, Sales Representatives,
units and per unit amounts

	2010	2009
Royalties	\$ 8,165	\$ 6,997
Less:		
Administration expenses	205	217
Interest expense	748	784
Management fee	1,513	1,265
Distributable cash ¹	\$ 5,699	\$ 4,731
Amortization of intangible assets	4,032	4,141
Other (income) loss	(101)	7
Future income tax	27	51
Non-controlling interest	489	174
Net and comprehensive earnings	\$ 1,252	\$ 358
Basic and diluted earnings per unit	\$ 0.13	\$ 0.04
Distributions	\$ 4,497	\$ 4,591
Cash distributions declared per unit	\$ 0.35	\$ 0.35
Cash distributions declared per 3,327,667 Special Fund units	\$ 0.35	\$ 0.35
Total assets	\$ 118,959	\$ 128,974
Total long-term financial liabilities	\$ 52,306	\$ 1,580
Number of Agents ² and Sales Representatives ³	15,270	14,692
Payout ⁴	79%	97%

The table above sets out selected historical information and other data for the Brookfield Real Estate Services Fund (the "Fund"), which should be read in conjunction with the attached consolidated financial statements for the year ended December 31, 2009.

Business Strategy

We are a long established, Canadian based real estate services firm, structured as an Income Trust. 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.

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 through a wholly-owned subsidiary holds an approximate 26% (25% – 2008) interest in the Fund. As a result of this arrangement, the underlying costs of the Fund are not complex as they 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 track performance are all key drivers of Fund performance. These drivers in combination with other uncontrollable risk factors, including the economy at large, competition (see Recent Developments – Competition Bureau) and government activity (see Recent Developments – Mortgage Rules) 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 March 31, 2010, the network was comprised of 15,270 Canadian REALTORS[®] operating from 665 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 \$1.94 of distributable cash per unit on a rolling 12-month basis (\$1.78 – 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 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 network reached the 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 89% (87% – 2009) of the Fund’s royalties during the Quarter ended March 31, 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 APEC fees, 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

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 Banker's Acceptance rates plus 3% with terms of up to six months.

On April 19, 2010, the Fund drew \$1.7 million on its operating credit facility in the form of 30-day Bankers' Acceptances. The cash was utilized to pay outstanding management fees and associated taxes and interest.

COMPETITION BUREAU

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

Management recognizes the importance of a competitive marketplace that includes a broad range of business models and choice for the consumers. The contemporary real estate market is home to many such offerings, including limited service models charging far less expensive fees than those that the Fund businesses contract for. As a company, we strive to provide the best value proposition for our franchisees, allowing them to offer superior services to consumers during one of the most important transactions of their lifetimes.

Although some changes have already been implemented by CREA, the full extent of the changes that will ultimately be required from the brokerage industry is not known at this time. However, we feel confident that the Fund's brands will be able to adapt as it has in the past and continue to grow.

The Fund today competes in the full service subsection of the real estate brokerage industry. A potential risk to the Fund's variable fees does exist if average commission rates fall across all segments of the real estate brokerage industry. Management feels this is unlikely. The low price segment of the brokerage market is well serviced today. Any new low-priced, limited service entrants would likely take share from these providers.

MORTGAGE RULES

On February 16, 2010 Canada's Finance Minister announced changes to Canada's mortgage rules that took effect on April 19, 2010. These changes are as follows:

1. Borrowers will be required to qualify for a five-year fixed-rate mortgage, regardless of the type of mortgage they choose.
2. The maximum amount a homeowner will be permitted to withdraw when refinancing a mortgage will be lowered to 90% from 95% of the value of the property.
3. To qualify for mortgage insurance, the required down payment on a non-owner-occupied property purchase for investment purposes will increase to 20% from 5%. Borrowers buying a property they intend to live in that also includes rental units will not be subject to the 20% rule.

These tighter standards for mortgage approvals will help protect consumers from becoming overleveraged and should contribute to moderating demand in the residential real estate market.

MORTGAGE RATES

During April, three successive mortgage rate hikes by the major Canadian banks have pushed the posted five-year fixed-rate closed mortgage from 5.25% to 6.25%. Although a significant increase, current rates would still be considered close to historical lows. In addition, it is still possible to source mortgages at rates significantly discounted from the posted rates.

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 March 31, 2010, the Fund Network was comprised of 369 independently owned and operated franchises operating from 665 locations serviced by 15,270 REALTORS®, with an approximate 22% share of the Canadian Market based on 2009 transactional dollar volume.

During the Quarter, The Fund experienced net organic recruiting increase of 222 REALTORS®. With the addition of 417 REALTORS® from 21 franchise agreements acquired by the Fund on January 1, 2010, the Fund has a total increase of 639 REALTORS®, up 4.4% 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 continued to exceed expectations while setting new records in some markets and a Canadian record for average price and transaction dollar volume during the period.

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

- The Canadian Market for the Quarter increased 71% as a result of a 19% increase in average selling price and a 45% increase in residential units sold when compared to the first quarter of 2009. The Canadian Market totalled \$165 billion for the 12 months ended March 31, 2010, an increase of 36% over 2009, resulting from a 10% increase in average selling prices and a 24% increase in residential unit sales.
- The GTA Market, from which the Fund earns its premium franchise fees, increased 109% in the Quarter as a result of a 75% increase in residential units sold and a 20% increase in average selling price when compared to the first quarter of 2009. For the 12 months ended March 31, 2010, the GTA Market reached a transactional dollar volume of \$40 billion, a 51% increase over 2009. This market activity is comprised of the sale of 96.9 thousand homes at an average selling price of \$407,958, a 39% and 9% increase, respectively, from the same period in 2009.
- Canada’s annual rate of housing starts, the Market’s future inventory, totalled 196,000 as of March 31, 2010, an increase of 3% from 191,218 in 2009.

STABILITY OF THE FUND’S ROYALTY STREAM

The Fund’s network as at March 31, 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.
- A significant portion of the Royalties are fixed in nature based on the number of Agents and their productivity, which, through the combination of the \$100 per agent per month fee and the 1% variable fee generated by Agents earning in excess of the \$1,300 per annum cap, contributed approximately 69% of the Fund’s revenue for the year ended December 31, 2009.
- The geographic distribution of the Royal LePage Network is similar to the distribution of the overall Canadian REALTOR® population.
- A significant portion of the royalty agreements are 10 and 20 years in duration, significantly exceeding the industry norm of five years.
- During the Quarter, 3 agreements representing 48 REALTORS® were renewed. There were no terminations in the Quarter.

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 the royalties are fixed in nature, compared to 74% for the same period in 2008.

Management's Discussion and Analysis of Results and Financial Condition

- The fixed element of the royalties is comprised primarily of a fixed fee of approximately \$170 per agent per month while the other fees are driven primarily from a self-insured program called "APEC", under which participating Agents provide a warranty on such items as appliances, plumbing, electrical and heating systems.
- During the Quarter, 15 agreements representing 320 REALTORS® were renewed. There were no terminations during the Quarter.

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

- During 2009, approximately 69% of the Fund's revenue is 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 72% 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 is as follows:

- Organic growth for the Quarter ended March 31, 2010, reflected an increase of 222 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 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

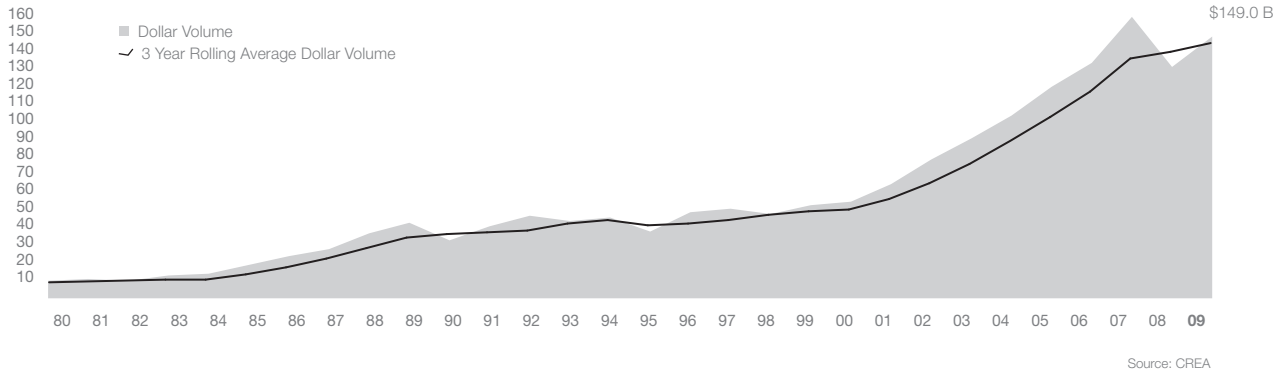
Since 1980, the Canadian Market has grown at a compound annual growth rate ("CAGR") of approximately 10%. The Canadian Market has been very resilient, with only two significant downturns occurring prior to 2008, in 1990 and 1995, both of which returned to pre-downturn levels within 24 months. The duration 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 has been experiencing year over year increases thereafter.

During this recent downturn, the most significant decline occurred during the fourth quarter of 2008, when the Market decreased 40% 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, and subsequently ending the year with very strong growth of 90% in the Quarter over 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 the new mortgage rules (see Recent Developments), non-owner occupied property purchases which qualify for mortgage insurance have increased downpayment requirements.

Market activity since 1980 is provided in the chart below.

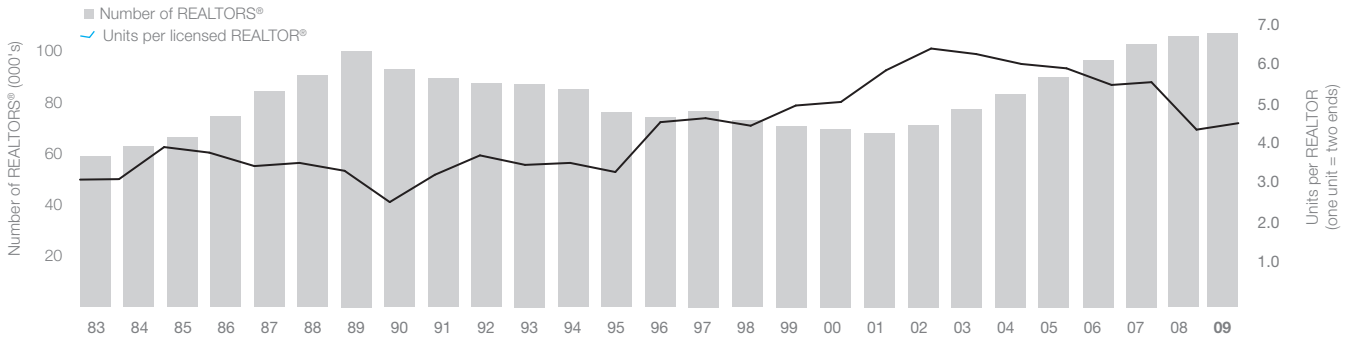
Market Dollar Volume – Canadian Resale Residential Real Estate
(1980 – 2009) (In \$ Billions)



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)



Management's Discussion and Analysis of Results and Financial Condition

The Fund Network

REALTOR® GROWTH

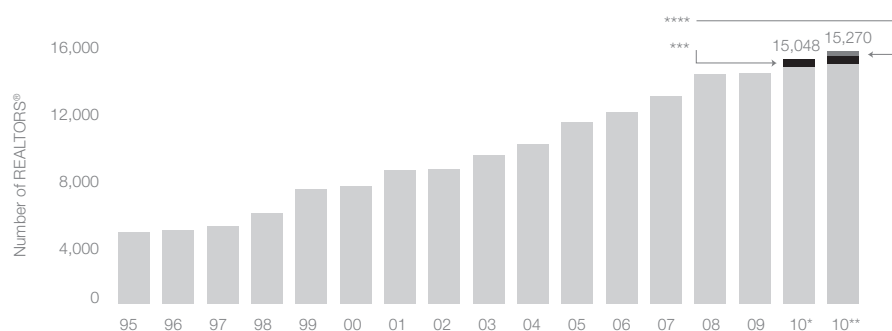
As at March 31, 2010, the Fund Network was comprised of 369 independently owned and operated franchises operating from 665 locations serviced by 15,270 REALTORS®.

During the Quarter, the Fund Network grew by 639 REALTORS®, consisting of 417 acquired by the Fund on January 1, 2010 and 222 from organic growth, representing a 4.4% increase 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 March 31, 2010

*** 417 REALTOR® growth of 2.9% consisting of 343 from the Royal LePage brand and 74 from the La Capitale brand

**** Increase of 222 REALTORS®

A summary of the Canadian and Fund's growth in REALTORS® during 2009 and 2010 follows:

	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	N/A		639	4.4
Closing	98,161	-	15,270	4.4

* Source: CREA

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

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%	13%
Quebec	15%	21%
Maritimes	3%	3%
Total	100%	100%

¹ As at December 31, 2009, Source: CREA

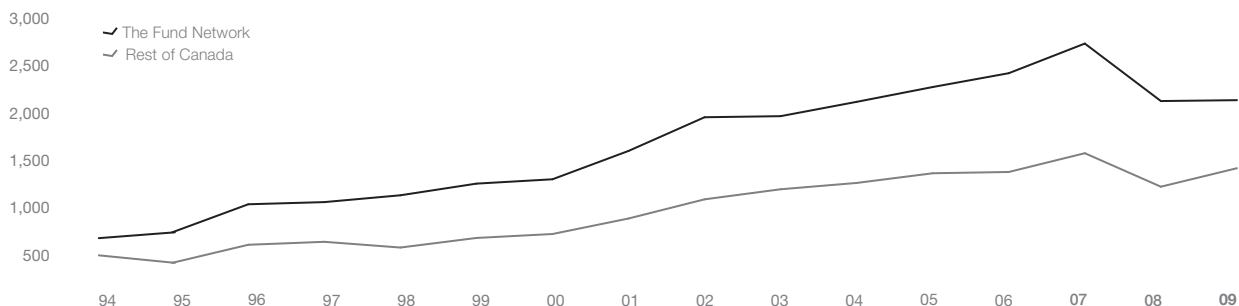
² As at March 31, 2010

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

Management's Discussion and Analysis of Results and Financial Condition

Operating Results

Three months ended March 31,
(\$ 000's) except Agents, unit and per unit amounts

	2010	2009
Royalties		
Fixed franchise fees	\$ 4,610	\$ 4,467
Variable franchise fees	1,783	1,194
Premium franchise fees	851	420
Other fee revenue and services	921	916
	8,165	6,997
Less:		
Administration expenses	205	217
Interest expense	748	784
Management fee	1,513	1,265
Earnings before undernoted	5,699	4,731
Amortization of intangible assets	4,032	4,141
Other (income) loss	(101)	7
Income tax	27	51
Net and comprehensive earnings before non-controlling interest	1,741	532
Non-controlling interest	489	174
Net and comprehensive earnings	\$ 1,252	\$ 358
Basic and diluted earnings per unit	\$ 0.13	\$ 0.04
Number of Agents	14,199	13,696
Number of fixed fee paying Sales Representatives	771	699

As summarized in the table above, during the Quarter, the Fund generated net and comprehensive earnings before non-controlling interest of \$1.7 million, up \$1.2 million from 2009. The year-over-year results included a \$1.2 million (16.7%) increase in royalties, primarily attributed to a 63% increase in combined variable and premium franchise fees resulting from the market increase at the end of 2009 and the beginning of 2010. A more detailed discussion of these results is provided below.

The Fund Network as at March 31, 2010, was comprised of 14,199 Agents and 1,071 Sales Representatives, 771 of which operate under the \$100 per month fixed fee plan and 300 who are primarily brokers and managers who do not pay fees. Primarily all 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.

Royalties for the Quarter totalled \$8.2 million, up 16.7% 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 89% of royalties for the Quarter, compared with 87% during the same period in 2009.

Fixed franchise fees for the Quarter increased 3.2% over the same period in 2009 as a result of the net increase in REALTORS®.

Variable franchise fees for the Quarter increased by 49% from the same period in 2009, while the Canadian Market increased by 71%. These seemingly unfavourable results relative to the Market can be primarily attributed to a lag between home sales and closings.

The lag between variable fees recorded by the Fund and Market activity occurs because Market activity is reported when a home is sold, while the Fund does not record its fees associated with a home sale until it closes, which is typically 45 to 60 days later. Some of the 71% year-over-year increase in Market activity in the Quarter is expected to materialize as variable fees in the second quarter of 2010.

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 103% from the same period in 2009, while the GTA Market activity for the same period increased 109%.

The percentage change in year-over-year premium fees is not entirely comparable to the overall GTA Market change, as the change in the Market experienced by the individual market areas serviced by the premium-fee-paying franchise locations differs from the overall GTA Market activity. As mentioned earlier, as a result of the lag effect, some of the increased market activity during the Quarter is expected to result in relatively higher premium fees in the second quarter of 2010.

Other fees and services, comprised of the APEC fee, technology fees, web service and other fees and revenue, accounted for approximately 11.3% (13.1% – 2009) of Fund royalties for the Quarter, increased 0.5% from the same period in 2009. APEC fee and royalty fees from franchisees on the 4.5% option were both driven higher by the increase in the Market; however, this was partially offset by lower interest and web service revenue earned in the Quarter as compared to the three months ended March 31, 2009.

Administration expenses of \$0.2 million for the Quarter were in line with management's expectations.

Interest expense is comprised primarily of interest on the Fund's \$32.7 million private debt placement and \$20.3 million term facility which both came into effect on February 18, 2010. During the Quarter, the Fund's interest expense totalled \$0.7 million, down slightly 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 \$1.5 million for the Quarter were up 19.6% from the same period of 2009 due to the increase 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) loss

Other (income) loss represents the non-cash change in the fair value of the Fund's interest rate swap, which was adjusted during the Quarter by \$101 thousand as the associated debt was retired on February 17, 2010 and this adjustment brought the value of the swap to nil.

Income tax

In accordance with new tax legislation, during the Quarter, the Fund has recorded income tax of 27 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 \$0.5 million represents the NCI's approximate 26% interest in the Fund's underlying operations.

Distributable Cash

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

Management's Discussion and Analysis of Results and Financial Condition

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

Distributable cash and its utilization since Fund inception		Three months ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Aug. 7, 2003 to
(\$ 000's)		March 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
	Total								
Royalties	\$ 199,295	\$ 8,165	\$34,359	\$ 34,883	\$ 32,491	\$ 29,659	\$ 27,196	\$ 23,740	\$ 8,802
Less:									
Administration expenses	4,597	205	866	817	725	645	595	513	231
Interest expense	16,180	748	3,202	3,174	2,419	2,401	2,289	1,327	620
Management fee	36,357	1,513	6,365	6,455	5,869	7,285	3,660	3,660	1,550
Distributable cash	142,161	5,699	23,926	24,437	23,478	19,328	20,652	18,240	6,401
Less:									
Distributions to public unitholders	80,200	3,329	13,828	13,083	11,980	11,477	10,985	10,985	4,533
Distributions to non-controlling interest	26,995	1,168	4,805	4,369	3,992	3,826	3,662	3,662	1,511
Total distributions	107,195	4,497	18,633	17,452	15,972	15,303	14,647	14,647	6,044
Distributable cash less total distributions	34,966	1,202	5,293	6,985	7,506	4,025	6,005	3,593	357
Less funding of acquisitions	31,559	6,415	4,827	5,564	6,333	7,886	414	120	-
Less purchase of units under NCIB	4,096	-	3,805	291	-	-	-	-	-
Net change in the period	\$ (689)	\$ (5,213)	\$ (3,339)	\$ 1,130	\$ 1,173	\$ (3,861)	\$ 5,591	\$ 3,473	\$ 357
Cumulative change		\$ (689)	\$ 4,524	\$ 7,863	\$ 6,733	\$ 5,560	\$ 9,421	\$ 3,830	\$ 357
Distribution percentage payout ¹	75%	79%	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		Three months ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Aug. 7, 2003 to
(\$ 000's)		March 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
	Total								
Cash flows from operating activities	\$ 142,592	\$ 5,803	\$ 25,710	\$ 24,174	\$ 22,871	\$ 20,199	\$ 20,607	\$ 17,772	\$ 5,456
Add (deduct):									
Changes in non-cash working capital items	727	(41)	(1,440)	546	769	(703)	183	468	945
Non-cash interest expense	(1,158)	(63)	(344)	(283)	(162)	(168)	(138)	-	-
Distributable cash	\$ 142,161	\$ 5,699	\$ 23,926	\$ 24,437	\$ 23,478	\$ 19,328	\$ 20,652	\$ 18,240	\$ 6,401

For the Quarter, the Fund generated distributable cash of \$5.7 million, up \$1.0 million (20.5%) from the same period in 2009. This increase in distributable cash was primarily due to increased royalties from variable and premium franchise fees, partially offset by an increase in management fees.

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

From inception to March 31, 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:

Three months ended March 31,

(\$ 000's)	2010	2009
Cash flows from operating activities	\$ 5,670	\$ 5,022
Net income for the period	1,252	358
Actual cash distributions paid	3,708	3,423
Excess of cash flows from operating activities over cash distributions paid	1,962	1,599
Shortfall of net income over cash distributions paid	\$ (2,456)	\$ (3,065)

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.

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.

Management's Discussion and Analysis of Results and Financial Condition

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 is 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 Banker's Acceptance 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. As of the date of this MD&A, this operating credit facility has been renewed for a one-year term and \$1.7 million was utilized on April 19, 2010 to meet working capital requirements.

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	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	
Royalties									
Fixed franchise fees	\$ 4,610	\$ 4,471	\$ 4,459	\$ 4,445	\$ 4,467	\$ 4,491	\$ 4,431	\$ 4,440	
Variable franchise fees	1,783	1,631	2,738	2,312	1,194	1,243	2,499	2,628	
Premium franchise fees	851	1,341	1,674	920	420	937	1,514	1,106	
Other fee revenue and services	921	1,052	1,157	1,162	916	1,069	1,203	1,230	
	8,165	8,495	10,028	8,839	6,997	7,740	9,647	9,404	
Less:									
Administration expenses	205	252	189	208	217	224	188	215	
Interest expense	748	810	810	798	784	794	803	766	
Management fee	1,513	1,560	1,887	1,653	1,265	1,412	1,805	1,765	
Earnings before undernoted	5,699	5,873	7,142	6,180	4,731	5,310	6,851	6,658	
Amortization of intangible assets	4,032	4,491	4,198	4,167	4,141	4,658	4,297	4,035	
Other (income) loss	(101)	(100)	(99)	(72)	7	335	92	(62)	
Future income tax expense (recovery)	27	(628)	(16)	42	51	(1)	(1)	(11)	
Net and comprehensive earnings before non-controlling interest	1,741	2,110	3,059	2,043	532	318	2,463	2,696	
Non-controlling interest	489	599	827	565	174	118	652	718	
Net and comprehensive earnings	\$ 1,252	\$ 1,511	\$ 2,232	\$ 1,478	\$ 358	\$ 200	\$ 1,811	\$ 1,978	
Basic and diluted earnings per unit	\$ 0.13	\$ 0.16	\$ 0.23	\$ 0.15	\$ 0.04	\$ 0.02	\$ 0.18	\$ 0.20	
Number of Agents	14,199	13,620	13,569	13,615	13,696	13,600	13,732	13,715	
Number of fixed fee paying Sales Representatives	771	707	699	697	699	699	729	740	

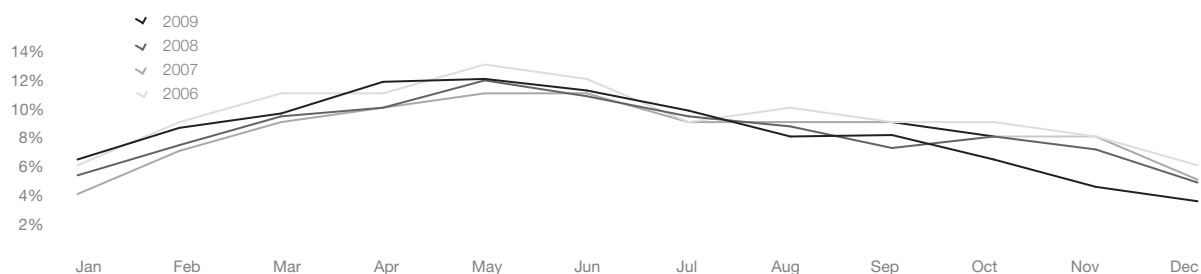
With the exception of the results for the first two quarters of 2009, revenues increased in each quarter year-over-year due to a number of factors such as organic Agent growth, Agent productivity, and the acquisition of franchise agreements on January 1 of each year. Revenues in the Quarter increased 16.7% due primarily to increased Market activity resulting in increased premium and 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.

Management's Discussion and Analysis of Results and Financial Condition

Canadian Residential Resale Real Estate Market

(% transactional dollar volume by month)



Source: CREA and Fund Management

A key 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 steadily increasing each quarter until leveling off in the fourth quarter of 2008, and subsequently declining in the first two quarters of 2009 before increasing over the balance of 2009 and the first quarter of 2010.

Adjusted¹ rolling twelve-month distributable cash

Twelve months ended		2010	2009				2008			
(\$ 000's) except per unit amounts	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	
Royalties	\$ 35,527	\$ 34,359	\$ 33,604	\$ 33,223	\$ 33,788	\$ 34,883	\$ 34,591	\$ 34,239	\$ 33,673	
Less:										
Administration expenses	854	866	838	837	844	817	785	781	741	
Interest expense	3,166	3,202	3,186	3,179	3,147	3,174	2,986	2,789	2,638	
Adjusted Management fee ¹	6,613	6,365	6,217	6,135	6,247	6,455	6,373	6,268	6,113	
	24,894	23,926	23,363	23,072	23,550	24,437	24,447	24,401	24,181	
Adjusted Distributable cash per unit – total basis	\$ 1.94	\$ 1.85	\$ 1.80	\$ 1.76	\$ 1.78	\$ 1.84	\$ 1.84	\$ 1.83	\$ 1.82	

Adjusted¹ rolling twelve-month distributable cash Reconciled to cash flows from operating activities

Twelve months ended		2010	2009				2008			
(\$ 000's) except per unit amounts	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	
Cash flows from operating activities	\$ 26,491	\$ 25,710	\$ 23,850	\$ 22,996	\$ 23,928	\$ 24,174	\$ 23,539	\$ 24,744	\$ 24,335	
Add (deduct):										
Changes in non-cash working capital items	(1,272)	(1,440)	(149)	414	(56)	546	1,149	(149)	12	
Non-cash interest expense	(325)	(344)	(338)	(338)	(322)	(283)	(241)	(194)	(166)	
	24,894	23,926	23,363	23,072	23,550	24,437	24,447	24,401	24,181	
Adjusted Distributable cash per unit – total basis	\$ 1.94	\$ 1.85	\$ 1.80	\$ 1.76	\$ 1.78	\$ 1.84	\$ 1.84	\$ 1.83	\$ 1.82	

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 \$5.8 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 March 31, 2010	As at December 31, 2009
Current assets		
Cash and cash equivalents	\$ 402	\$ 6,842
Accounts receivable and other	3,553	3,267
Deposit on acquisition	2,220	-
	\$ 6,175	\$ 10,109
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,273	\$ 3,079
Purchase obligation	1,815	2,219
Distribution payable to unitholders	1,110	1,489
Financial derivative	-	101
	6,198	6,888
Net working capital	\$ (23)	\$ 3,221

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

During the Quarter, the Fund's net working capital decreased by \$3.2 million from December 31, 2009, as cash balances on hand and cash flow generated from operations was utilized to meet the Fund's contract purchase obligations (\$6.4 million), refinancing issue costs (\$0.8 million) and distribution (\$5.0 million) requirements.

Capital Resources

The existing capital resources that the Fund can draw on consist of a \$2 million operating credit facility, which had been unutilized since the inception of the Fund until April 19, 2010.

On February 18, 2010, management refinanced its debt (see Debt Financing). As at March 31, 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.

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 operations, 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, will 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 March 31,	2010	2009
a) Royalties		
Fixed, variable and other franchise fees	\$ 645	\$ 520
Premium franchise fees	\$ 732	\$ 358
b) Expenses		
Management fees	\$ 1,513	\$ 1,232
Insurance and other	\$ 27	\$ 127
Interest on purchase obligation	\$ –	\$ 13
c) Distributions		
Distribution paid to non-controlling interest	\$ 1,168	\$ 1,168
	March 31, 2010	December 31, 2009
d) Accounts receivable		
Franchise fees receivable and other	\$ 490	\$ 585
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	\$ 389	\$ 521
Management fees	\$ 2,164	\$ 1,656
f) (Deposit on acquisition) Purchase obligation payable	\$ (297)	\$ 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 Quarter, 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.

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

Management's Discussion and Analysis of Results and Financial Condition

Disclosure Controls and Internal Controls

As a public entity, we 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 March 31, 2010. The Fund's management can therefore provide reasonable assurance that it receives material information relating to the company 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 March 31, 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.

As at March 31, 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.

The Fund financed the purchases with available cash on hand.

Fund Structure

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

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

distributions to the extent the public unitholders had not received the initial targeted monthly distribution of \$0.0917 per unit, \$1.10 per unit per annum. The initial five-year term ended August 7, 2008, after which the subordinated unitholder may exchange its units for units of the Fund and receives distributions on a monthly basis. 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 Trust to nil. The deductions available to the Trust are comprised of the costs of the offering and intangible assets. The estimated deductions available to the Trust as at December 31, 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).

Management's Discussion and Analysis of Results and Financial Condition

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 Taxable	50%	30%	14%	26%	3%	0%	0%
Distributions	50%	70%	86%	74%	97%	100%	100%
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

Impact of Taxation on Income Trusts

During the audit of the 2009 financial statements, the Fund identified an error with respect to its 2008 future income tax liability balance. During 2008, the Fund acquired certain intangible assets on a tax deferred basis and an error of \$1.3 million was made in calculating the corresponding future tax liability and the related cost of the intangible assets purchased. This error has been corrected and the 2008 balance sheet has been restated to reflect an increase in the future income tax liability balance from \$1.2 million to \$2.5 million and an increase in the carrying value of the intangible assets from \$126.7 million to \$128.0 million. This error was a non-cash item which did not impact net earnings and comprehensive earnings, earnings per share or cash flows as previously presented.

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.

As at the date of this MD&A the Trustees of the Fund have created a committee comprised of independent Trustees to evaluate a number of the Fund conversion strategies in light of the SIFT rules. Management has assessed the Fund's ability to convert to a corporation under the trust legislation, and it would appear the Fund can convert under these rules. Despite the Fund's conservative payout ratio, with the imposition of taxes on the Fund's net income in 2011, the resultant decrease in cash flow may cause the acquisition of contracts to be funded through alternative means and/or may result in a decrease in distributions.

The SIFT rules imposed limits on the amount of new equity or equity-like securities that can be issued by the Fund and thus place a limit on the size of acquisitions that the Fund could undertake in 2010. Management and the Trustees continue to monitor the changes in the income trust environment and are continuing to review potential impacts on the Fund's current strategy and the alternatives available to the Fund, to protect and enhance unitholder value.

Change in Accounting Policies

ACCOUNTING CHANGES – FUTURE

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 a changeover plan to convert to these new standards according to the timetable set with these new rules. An implementation team has been created and third-party advisors have been engaged to provide training to our staff. The Fund completed the scoping and diagnostic phase and is now in the implementation and review phase.

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

Acquisition of franchise contracts

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

Valuation of Intangibles

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

Exchangeable Units

The Fund is evaluating the accounting for the 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 is 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 is compared to their carrying value in the financial statements at the end of each reporting period. Where the value of the DCF is less than the carrying value, the carrying value of the Intangible is to be recorded at the DCF value, with the difference or impairment being written off as a current period charge to the statement of earnings. IFRS does not permit a write-up of Intangibles should the DCF exceed the carrying value, regardless of whether or not the Intangible was subject to an earlier impairment charge.

Management's Discussion and Analysis of Results and Financial Condition

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

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

b) **Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements, 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. These amendments are not expected to have significant impact 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.

Risk Factors

The Canadian Competition Bureau filed an application with the Competition Tribunal on February 8, alleging, in essence that CREA used its control of the relevant trademarks to prevent competition from developing in the supply of less than full service brokerages services to homeowners. See Recent Developments regarding risks associated with this filing by the Competition Bureau.

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

We expect Canada's residential real estate market to remain unusually strong throughout the balance of the first half of 2010 as economic conditions across the country improve and the stimulus impact of low interest rates continues to stoke demand. A number of factors are expected to bring the market back into balance in the second half of the year, when the rate at which home prices are appreciating is expected to moderate considerably. These factors include the gradual erosion of affordability driven by higher house prices and the continuing of modest movement of interest rates by some Canadian financial institutions, the expected modest upward movement in the Bank of Canada interest rates, and an improvement in listings supply as more Canadians feel confident in the economy and are prepared to list their homes and move. The tighter standards for mortgage approvals and other similar measures implemented this spring by the federal government will contribute to moderating demand. We support these modest measures, designed to help protect consumers from becoming overleveraged.

CREA has forecast that home sales will increase 13.3% to a record level in 2010 and that the national average home price will increase 5.4%, with average price gains forecast in all provinces. Over the second half of the year, CREA expects national activity will trend downward as pent-up demand is reduced, interest rates begin rising, and the harmonized sales tax comes into effect in Ontario and B.C. Looking to 2011, CREA expects the average price to decline by 1.5%, with modest average price gains in all provinces except B.C. and Ontario.

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.

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.

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Net Earnings and Distributable Cash by Period

Three months ended (\$ 000's except per unit amounts, unaudited)	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010
Royalties	\$ 8,092	\$ 9,404	\$ 9,647	\$ 7,740	\$ 6,997	\$ 8,839	\$ 10,028	\$ 8,495	\$ 8,165
Less:									
Administration expenses	190	215	188	224	217	208	189	252	205
Management fee	1,473	1,765	1,805	1,412	1,265	1,653	1,887	1,560	1,513
Interest expense	811	766	803	794	784	798	810	810	748
Other (income) loss	–	(62)	92	335	7	(72)	(99)	(100)	(101)
Amortization of intangible assets	3,896	4,035	4,297	4,658	4,141	4,167	4,198	4,491	4,032
Earnings before undernoted Future income tax recovery (expense)	1,722	2,685	2,462	317	583	2,085	3,043	1,482	1,768
Non-controlling interest	(476)	(718)	(652)	(118)	(174)	(565)	(827)	(599)	(489)
Net and comprehensive earnings for the period	1,281	1,978	1,811	200	358	1,478	2,232	1,511	1,252
Add:									
Amortization of intangible assets	3,896	4,035	4,297	4,658	4,141	4,167	4,198	4,491	4,032
Non-cash other (income) loss	–	(62)	92	335	7	(72)	(99)	(100)	(101)
Future income tax (recovery) expense	(35)	(11)	(1)	(1)	51	42	(16)	(628)	27
Non-controlling interest	476	718	652	118	174	565	827	599	489
Distributable cash	5,618	6,658	6,851	5,310	4,731	6,180	7,142	5,873	5,699
Less change in:									
Unutilized cash	(1,463)	(2,508)	(2,351)	(663)	(140)	(1,624)	(2,625)	(904)	(1,202)
Cash required for distributions	\$ 4,155	\$ 4,150	\$ 4,500	\$ 4,647	\$ 4,591	\$ 4,556	\$ 4,517	\$ 4,969	\$ 4,497
Distributable cash available to:									
Public unitholders	\$ 3,115	\$ 3,114	\$ 3,375	\$ 3,479	\$ 3,423	\$ 3,388	\$ 3,349	\$ 3,668	\$ 3,329
Non-controlling interest	1,040	1,036	1,125	1,168	1,168	1,168	1,168	1,301	\$ 1,168
	\$ 4,155	\$ 4,150	\$ 4,500	\$ 4,647	\$ 4,591	\$ 4,556	\$ 4,517	\$ 4,969	4,497
Distributions to public unitholders	\$ 3,115	\$ 3,114	\$ 3,375	\$ 3,479	\$ 3,423	\$ 3,388	\$ 3,349	\$ 3,668	\$ 3,329
Per unit (9,983,000 units less retired):									
Basic and diluted earnings	\$ 0.13	\$ 0.20	\$ 0.18	\$ 0.02	\$ 0.04	\$ 0.15	\$ 0.23	\$ 1.16	\$ 0.13
Basic and diluted distributable cash before working capital and other reserves	\$ 0.42	\$ 0.50	\$ 0.51	\$ 0.40	\$ 0.36	\$ 0.48	\$ 0.56	\$ 0.46	\$ 0.44
Basic and diluted distributions	\$ 0.31	\$ 0.31	\$ 0.34	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.39	\$ 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

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Selected Financial and Operating Information

Three months ended (\$000's, unaudited)	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010
Revenue									
Fixed franchise fees	\$ 4,336	\$ 4,440	\$ 4,431	\$ 4,491	\$ 4,467	\$ 4,445	\$ 4,459	\$ 4,471	\$ 4,610
Variable franchise fees	1,921	2,628	2,499	1,243	1,194	2,312	2,738	1,631	1,783
Premium franchise fees	893	1,106	1,514	937	420	920	1,674	1,341	851
Other fee revenue and services	942	1,230	1,203	1,069	916	1,162	1,157	1,052	921
	\$ 8,092	\$ 9,404	\$ 9,647	\$ 7,740	\$ 6,997	\$ 8,839	\$ 10,028	\$ 8,495	\$ 8,165

% Revenue by region

British Columbia	14	13	11	11	13	12	12	12	12
Prairies	10	10	9	10	10	9	9	9	10
Ontario	55	54	59	53	53	54	56	56	56
Quebec	18	20	18	22	21	22	20	20	19
Maritimes	3	3	3	4	3	3	3	3	3
	100	100	100	100	100	100	100	100	100

Three months ended Changes during the period	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010
Number of REALTORS®	1,418	181	(5)	(172)	98	(74)	(51)	64	639
Number of Agents	1,350	164	17	(132)	96	(81)	(46)	51	579
Number of fixed fee paying Sales Representatives	(7)	12	(11)	(30)	0	(2)	2	8	64
Number of locations	55	(2)	0	(1)	17	(5)	(3)	(5)	18
Number of franchise agreements	54	(1)	0	0	15	(3)	1	(2)	20

At end of period

Number of REALTORS®	14,590	14,771	14,766	14,594	14,692	14,618	14,567	14,631	15,270
Number of Agents	13,551	13,715	13,732	13,600	13,696	13,615	13,569	13,620	14,199
Number of fixed fee paying Sales Representatives	728	740	729	699	699	697	699	707	771
Number of locations	646	644	644	643	660	655	652	647	665
Number of franchise agreements	339	338	338	338	353	350	351	349	369

Supplemental Information – Fund Unit Performance

Three months ended	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010
Trading price range of units (TSX: "RSF.UN")									
High	\$ 13.88	\$ 12.00	\$ 10.87	\$ 10.47	\$ 9.62	\$ 8.40	\$ 12.17	\$ 12.00	\$ 13.45
Low	\$ 11.01	\$ 10.00	\$ 8.04	\$ 6.15	\$ 7.00	\$ 7.50	\$ 8.20	\$ 11.15	\$ 12.31
Close	\$ 11.75	\$ 10.00	\$ 9.84	\$ 7.74	\$ 7.77	\$ 8.34	\$ 11.55	\$ 11.64	\$ 12.91
Average daily volume	4,385	5,110	10,901	11,121	5,230	20,924	19,167	14,434	24,796
Number of units outstanding at period end									
	9,983,000	9,983,000	9,983,000	9,819,280	9,650,880	9,650,880	9,483,850	9,483,850	9,483,850
Net enterprise value at period end (thousands)									
Market capitalization	\$156,400	\$133,107	\$130,977	\$101,757	\$100,843	\$108,241	\$147,973	\$149,126	\$165,397
Long-term debt	37,660	51,511	51,532	51,615	51,697	52,776	52,864	52,953	52,197
Less:									
Cash on hand	2,365	5,307	7,746	7,924	155	1,962	3,902	6,842	402
	\$191,695	\$179,311	\$174,763	\$145,449	\$152,385	\$159,055	\$196,935	\$195,237	\$217,192

DISTRIBUTION HISTORY

Month	Distributions Declared per Unit								
	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	0.1170	
November	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	0.1170	
December	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1570	0.1570	
	\$ 0.45	\$ 1.10	\$ 1.10	\$ 1.15	\$ 1.20	\$ 1.31	\$ 1.44 ²	\$ 0.35	

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.

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Condensed Balanced Sheet

As at (\$ 000's, unaudited)	March 31, 2008	June 30, 2008	Sept. 30, 2008	Restated Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010
Cash and									
cash equivalents	\$ 2,365	\$ 5,307	\$ 7,746	\$ 7,924	\$ 155	\$ 1,962	\$ 3,902	\$ 6,842	\$ 402
Accounts receivable	3,272	3,801	3,322	3,224	3,428	4,148	3,584	3,267	3,300
Prepaid expenses	101	62	23	145	102	45	23	–	253
Deposit on acquisition	1,908	5,545	–	–	1,572	699	–	–	2,220
Financial derivatives	–	62	–	–	–	–	–	–	–
Future income tax asset	799	333	–	–	–	–	–	–	–
Intangible assets	121,857	122,317	125,921	127,980	123,717	120,423	117,167	114,840	112,784
	\$130,302	\$137,427	\$137,012	\$139,273	\$128,974	\$127,277	\$124,676	\$124,949	\$118,959
Accounts payable and									
accrued liabilities	\$ 2,336	\$ 2,422	\$ 1,842	\$ 2,551	\$ 1,979	\$ 1,768	\$ 1,813	\$ 3,079	\$ 3,273
Purchase obligations –									
short term	5,358	–	1,386	3,031	1,615	1,593	1,676	2,219	1,815
Distributions payable									
to unitholders	1,038	1,038	1,168	1,148	1,129	1,128	1,108	1,489	1,110
Long-term debt									
(current portion)	–	–	–	–	51,697	52,776	52,864	–	–
Long-term debt	37,660	51,511	51,532	51,615	–	–	–	52,953	52,197
Purchase obligations –									
long term	–	–	–	3,180	1,580	1,580	1,739	1,924	109
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
Non-controlling interest	21,542	21,224	20,751	19,701	18,707	18,104	17,763	17,061	16,382
Unitholders' equity	62,368	61,232	59,668	55,156	50,651	48,742	46,241	44,044	41,967
	\$130,302	\$137,427	\$137,012	\$139,273	\$128,974	\$127,277	\$124,675	\$124,949	\$118,959

Supplemental Information – Condensed Cash Flow by Period

Three months ended (\$ 000's, unaudited)	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010
Cash provided by (used for):									
Operating activities									
Net earnings for the period	\$ 1,281	\$ 1,978	\$ 1,811	\$ 200	\$ 358	\$ 1,478	\$ 2,232	\$ 1,511	\$ 1,252
Add (deduct):									
Non-controlling interest	476	718	652	118	174	565	827	599	489
Future income tax (recovery) expense	(35)	(11)	(1)	(1)	51	42	(16)	(628)	27
Non-cash interest expense	43	69	88	83	82	85	88	89	63
Non-cash other (income) loss	–	(62)	92	335	7	(72)	(99)	(100)	(101)
Amortization of intangible assets	3,896	4,035	4,297	4,658	4,141	4,167	4,198	4,491	4,032
Changes in non-cash working capital	(393)	(403)	68	183	209	(874)	631	1,474	41
	5,268	6,324	7,007	5,576	5,022	5,391	7,861	7,436	5,803
Investing activities									
Deposit on acquisition	(3,949)	(12,965)	–	(70)	(1,572)	–	–	–	(2,220)
Payment of purchase price obligation	(2,295)	–	–	–	(3,051)	–	–	–	(2,219)
Purchase of intangible assets	(20)	(49)	(1)	70	(1,176)	(22)	–	–	(1,976)
	(6,264)	(13,014)	(1)	(1)	(5,799)	(22)	–	–	(6,415)
Financing activities									
Re-purchase of fund units	–	–	–	(291)	(2,401)	–	(1,404)	–	–
Proceeds from term facility	–	13,782	(67)	–	–	994	–	–	19,986
Repayment of term facility	–	–	–	–	–	–	–	–	(15,000)
Proceeds from long-term debt	–	–	–	–	–	–	–	–	32,195
Repayment of term loan	–	–	–	–	–	–	–	–	(38,000)
Distributions paid to unitholders	(3,115)	(3,114)	(3,375)	(3,329)	(3,423)	(3,388)	(3,349)	(3,327)	(3,708)
Distributions paid to non-controlling interest	(1,040)	(1,036)	(1,125)	(1,777)	(1,168)	(1,168)	(1,168)	(1,169)	(1,301)
	(4,155)	9,632	(4,567)	(5,397)	(6,992)	(3,562)	(5,921)	(4,496)	(5,828)
Increase (decrease) in cash and cash equivalents during the period									
	(5,151)	2,942	2,439	178	(7,769)	1,807	1,940	2,940	(6,440)
Cash and cash equivalents, beginning of period									
	7,516	2,365	5,307	7,746	7,924	155	1,962	3,902	6,842
Cash and cash equivalents, end of period									
	\$ 2,365	\$ 5,307	\$ 7,746	\$ 7,924	\$ 155	\$ 1,962	\$ 3,902	\$ 6,842	\$ 402

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Canadian Real Estate Market

Three months ended	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010
Canada								
Transaction dollar volume ¹	\$ 46,041	\$ 33,991	\$ 18,966	\$ 21,802	\$ 46,911	\$ 44,281	\$ 36,042	\$ 37,377
Average selling price	\$318,079	\$296,137	\$282,668	\$283,521	\$319,432	\$327,691	\$338,843	\$336,380
Number of units sold	144,746	114,780	67,095	76,896	146,858	135,130	106,367	111,115
Number of REALTORS® at period end	98,072	98,459	97,168	96,353	96,798	97,301	98,161	N/A
Housing starts	62,087	58,292	47,067	23,772	35,798	42,934	46,577	70,691
Greater Toronto Area								
Transaction dollar volume ¹	\$ 10,433	\$ 7,279	\$ 3,929	\$ 4,589	\$ 11,120	\$ 10,097	\$ 8,722	\$ 9,594
Average selling price	\$398,763	\$365,577	\$358,551	\$357,817	\$395,520	\$395,974	\$417,878	\$427,948
Number of units sold	26,164	19,910	10,957	12,824	28,115	25,498	20,872	22,418
Housing starts	11,684	11,736	9,847	5,904	5,639	6,712	7,694	5,669

Twelve months ended	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	March 31, 2010
Canada								
Transaction dollar volume ¹	\$151,272	\$144,709	\$131,693	\$120,798	\$121,669	\$131,959	\$149,035	\$164,611
Average selling price	\$312,366	\$309,876	\$304,971	\$299,364	\$299,951	\$309,779	\$320,333	\$329,571
Number of units sold	484,278	466,990	431,823	403,517	405,629	425,979	465,251	499,470
Housing starts	228,709	219,163	211,056	191,218	164,929	149,571	149,081	196,000
Seasonally adjusted housing starts	212,800	213,500	172,200	148,300	142,900	166,300	176,100	197,300
Greater Toronto Area								
Transaction dollar volume ¹	\$ 33,208	\$ 31,963	\$ 28,281	\$ 26,229	\$ 26,916	\$ 29,734	\$ 34,527	\$ 39,532
Average selling price	\$385,112	\$385,272	\$379,347	\$375,480	\$374,843	\$384,189	\$395,460	\$407,958
Number of units sold	\$ 86,230	\$ 82,961	\$ 74,552	\$ 69,855	\$ 71,806	\$ 77,394	\$ 87,309	\$ 96,903
Housing starts	38,951	40,964	42,212	39,171	33,126	28,102	25,949	25,714

Source: CMHC, CREA and TREB

¹ (\$ million).

N/A: Not Available

Interim Consolidated Balance Sheets

As at (in thousands of dollars)	March 31, 2010 (unaudited)	December 31, 2009
Assets		
Current assets		
Cash	\$ 402	\$ 6,842
Accounts receivable	3,300	3,267
Prepaid expenses	253	-
Deposit on acquisition (note 4)	2,220	-
	6,175	10,109
Intangible assets (note 5)	112,784	114,840
	\$ 118,959	\$ 124,949
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,273	\$ 3,079
Purchase obligation – current portion (note 4)	1,815	2,219
Distribution payable to unitholders	1,110	1,489
Financial derivative (note 8)	-	101
	6,198	6,888
Purchase obligation (note 4)	109	1,924
Long-term debt (note 8)	52,197	52,953
Future income tax liability (note 6)	2,106	2,079
Non-controlling interest	16,382	17,061
	76,992	80,905
Unitholders' equity	41,967	44,044
	\$ 118,959	\$ 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 March 31, 2010	Three months ended March 31, 2009
Royalties		
Fixed franchise fees	\$ 4,610	\$ 4,467
Variable franchise fees	1,783	1,194
Premium franchise fees	851	420
Other revenue and services	921	916
	8,165	6,997
Expenses		
Administration	205	217
Management fee	1,513	1,265
Interest expense	748	784
Other (income) loss (note 8)	(101)	7
Amortization of intangible assets (note 5)	4,032	4,141
	6,397	6,414
Earnings before income tax and non-controlling interest	1,768	583
Future income tax (note 6)	(27)	(51)
Earnings before non-controlling interest	1,741	532
Non-controlling interest	(489)	(174)
Net and comprehensive earnings	\$ 1,252	\$ 358
Basic and diluted earnings per unit (9,483,850 units) (2009 – 9,726,024 weighted average units) (note 10)	\$ 0.13	\$ 0.04

See accompanying notes to the interim consolidated financial statements.

Interim Consolidated Statements of Unitholders' Equity

(in thousands of dollars) (unaudited)	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	(1,684)	225	–	–	–	(1,459)
Net earnings	–	–	358	–	358	358
Unit distributions	–	–	–	(3,404)	(3,404)	(3,404)
Balance, March 31, 2009	\$ 89,617	\$ 629	\$ 26,852	\$ (66,447)	\$ (39,595)	\$ 50,651
Balance, January 1, 2010	\$ 87,947	\$ 895	\$ 32,073	\$ (76,871)	\$ (44,798)	\$ 44,044
Changes during the period:						
Net earnings	–	–	1,252	–	1,252	1,252
Unit distributions	–	–	–	(3,329)	(3,329)	(3,329)
Balance, March 31, 2010	\$ 87,947	\$ 895	\$ 33,325	\$ (80,200)	\$ (46,875)	\$ 41,967

There is no accumulated other comprehensive income or loss to the Fund at March 31, 2010 (March 31, 2009 – \$nil).

See accompanying notes to the interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars)	Three months ended March 31, 2010	Three months ended March 31, 2009
Cash provided by (used for):		
Operating activities		
Net earnings for the period	\$ 1,252	\$ 358
Items not affecting cash		
Non-controlling interest	489	174
Future income tax	27	51
Non-cash interest expense (note 8)	63	82
Change in value of derivative (note 8)	(101)	7
Amortization of intangible assets	4,032	4,141
	5,762	4,813
Changes in non-cash working capital	41	209
	5,803	5,022
Investing activities		
Deposits on acquisition (note 4)	(2,220)	(1,572)
Purchase of intangible assets (note 4)	(1,976)	(1,176)
Payment of purchase price obligation (note 4)	(2,219)	(3,051)
Repurchase of Fund units (note 9)	-	(2,401)
	(6,415)	(8,200)
Financing activities		
Proceeds of Term Facility (note 8)	19,986	-
Repayment of Term Facility (note 8)	(15,000)	-
Proceeds of Private Placement (note 8)	32,195	-
Repayment of long-term debt (note 8)	(38,000)	-
Distributions paid to unitholders	(3,708)	(3,423)
Distributions paid to non-controlling interest	(1,301)	(1,168)
	(5,828)	(4,591)
Decrease in cash during the period	(6,440)	(7,769)
Cash, beginning of period	6,842	7,924
Cash, end of period	\$ 402	\$ 155
Supplemental Cash Flow Information		
Interest paid	\$ 955	\$ 653

See accompanying notes to the interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

March 31, 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. 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.

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. 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, and the accounting for the Fund's exchangeable units.
- b) **Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements, 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 are 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. These amendments are not expected to have significant impact 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 purchase 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. 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 received. Correspondingly, the deposit on acquisition is reduced by the calculated amount and transferred to intangible assets. The intangible assets are then amortized in accordance with the Fund's policy on a prospective basis. The recalculated purchase price obligation in excess of the deposit on acquisition is recorded as a purchase obligation and the corresponding amount added to the intangible assets and amortized as described above.

During the three months ended March 31, 2010, \$1,976 was transferred from deposit on acquisition 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. Then Partnership used cash on hand to acquire these agreements.

Notes to the Consolidated Financial Statements

The purchase obligations consist of the following:

	March 31, 2010			December 31, 2009	
	Royal LePage	LCLP	Total	Total	
Prior year acquisitions					
Obligation at beginning of year	\$ 241	\$ 3,902	\$ 4,143	\$	6,211
Payment of obligations	(241)	(1,978)	(2,219)		(3,051)
Price adjustment on prior year purchases	-	-	-		413
Purchase obligation at end of period	\$ -	\$ 1,924	\$ 1,924	\$	3,573
Current year acquisitions					
80% deposit paid on current year's additions	\$ (3,364)	\$ (832)	\$ (4,196)	\$	(2,748)
Earned asset value during the period	1,590	386	1,976		3,318
(Deposit on acquisition) purchase obligation, end of the period	\$ (1,774)	\$ (446)	\$ (2,220)	\$	570
Net (deposit on acquisition) purchase obligation	\$ (1,774)	\$ 1,478	\$ (296)	\$	4,143
Summary					
Deposit on acquisition	\$ (1,774)	\$ (446)	\$ (2,220)	\$	-
Purchase obligation, short-term	-	1,815	1,815		2,219
Purchase obligation, long-term	-	109	109		1,924
Net (deposit on acquisition) purchase obligation	\$ (1,774)	\$ 1,478	\$ (296)	\$	4,143

5. Intangible Assets

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

	March 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	\$ 151,715	\$ 95,335	\$ 56,380
Relationships and trademarks	59,926	3,522	56,404
	\$ 211,641	\$ 98,857	\$ 112,784
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
	\$ 209,665	\$ 94,825	\$ 114,840

The additions to intangible assets during the three months ended March 31, 2010 and 2009:

	Royal LePage	LCLP	Three months ended March 31, 2010	Three months ended March 31, 2009
Franchise agreements	\$ 1,197	\$ 221	\$ 1,418	\$ 806
Relationships and trademarks	393	165	558	405
	\$ 1,590	\$ 386	\$ 1,976	\$ 1,211

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 lead 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 months ended March 31, 2010, the Fund recorded a reduction of non-cash future tax asset of \$27. The resulting net future income tax liability was \$2,106 at March 31, 2010.

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

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 rate plus 3.5% to 4%, based on the ratio of total debt to Adjusted EBITDA of the Partnership as defined in the credit agreement. As at March 31, 2010, the revolver had not been drawn upon. Subsequent to the end of the quarter, the Fund drew on its revolver (see note 14).

Notes to the Consolidated Financial Statements

8. Long-Term Debt

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

As at	March 31, 2010	December 31, 2009
Private debt placement	\$ 32,205	\$ 37,975
Term Facility	19,992	14,978
	\$ 52,197	\$ 52,953

On February 18, 2010, the Partnership completed the refinancing of its \$53,000 debt obligations for 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 Banker's Acceptance rates plus 3% with terms of up to six months.

The Fund incurred \$819 in issue costs associated with the new debt obligations resulting in net proceeds of \$52,181. 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 \$32,647 and \$20,300, respectively at March 31, 2010 (2009 – \$37,950 and \$15,000).

During the three months ended March 31, 2010, \$63 of amortization of the issue costs was recorded as interest expense (2009 – \$82).

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, 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 Toronto Stock Exchange ("TSX") on October 3, 2008.

10. Earnings Per Unit

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

11. Related Party Transactions

Unless disclosed elsewhere, the Fund had the following transactions with parties related to the non-controlling interest during the three months ended March 31, 2010 and 2009. These transactions have been recorded at the exchange amount agreed to between the parties.

For the three months ended	March 31, 2010	March 31, 2009
a) Royalties		
Fixed, variable and other franchise fees	\$ 645	\$ 520
Premium franchise fees	\$ 732	\$ 358
b) Expenses		
Management fees	\$ 1,513	\$ 1,232
Insurance and other	\$ 27	\$ 27
Interest on purchase obligation	\$ -	\$ 13
c) Distributions		
Distributions paid to non-controlling interest	\$ 1,168	\$ 1,168

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

As at	March 31, 2010	December 31, 2009
d) Accounts receivable		
Franchise fees receivable and other	\$ 490	\$ 585
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	\$ 389	\$ 521
Management fees	\$ 2,164	\$ 1,656
f) (Deposit on acquisition) Purchase obligation payable, net	\$ (296)	\$ 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. 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. Subsequent to March 31, 2010, the Fund drew on its revolver as described in note 14.

Notes to the Consolidated Financial Statements

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

	2010	2011	2012	Beyond 2012	Total
Accounts payable and accrued liabilities	\$ 3,273	\$ –	\$ –	\$ –	\$ 3,273
Purchase obligations	–	1,815	109	–	1,924
Distributions payable to unitholders	1,110	–	–	–	1,110
Private debt placement	–	–	–	32,700	32,700
Term facility	–	–	–	20,300	20,300
Total	\$ 4,383	\$ 1,815	\$ 109	\$ 53,000	\$ 59,307

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 Bankers' Acceptance 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.

D) FAIR VALUE

The fair value of the Fund's financial instruments, which consist of cash, accounts receivable, deposits on acquisitions, accounts payable and accrued liabilities, purchase obligation and distributions payable to unitholders are estimated by management to approximate their carrying values due to their short-term nature. Similarly, the Fund's floating rate debt has a fair value that approximates its face 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 Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") to Senior Interest Expense at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Adjusted EBITDA at a maximum 2.25 to 1. The Fund is compliant with all financial covenants.

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

14. Subsequent Events

On April 19, 2010, the Fund drew \$1,700 on its revolver described in note 7 in the form of a 30-day Bankers' Acceptance, which yielded \$1,694 in cash, net of \$6 interest paid in advance. The cash was utilized to pay \$1,612 of outstanding management fees and associated taxes and interest.

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

Head Office

Brookfield Real Estate Services Fund
39 Wynford Drive
Don Mills, ON M3C 3K5

Telephone: (416) 510 5800
Facsimile: (416) 510 5856

info@brookfieldres.com
www.brookfieldres.com

TSX Symbol: BRE.UN

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

Transfer Agent and Registrar

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, ON M5C 2W9

Telephone: 1-800-387-0825 or (416) 653 5500
Facsimile: (416) 643-5501

inquiries@cibcmellon.com
www.cibcmellon.com/investor

Proven performance.
Structured reliability.
Meaningful potential.

www.brookfieldres.com

Brookfield
Real Estate Services