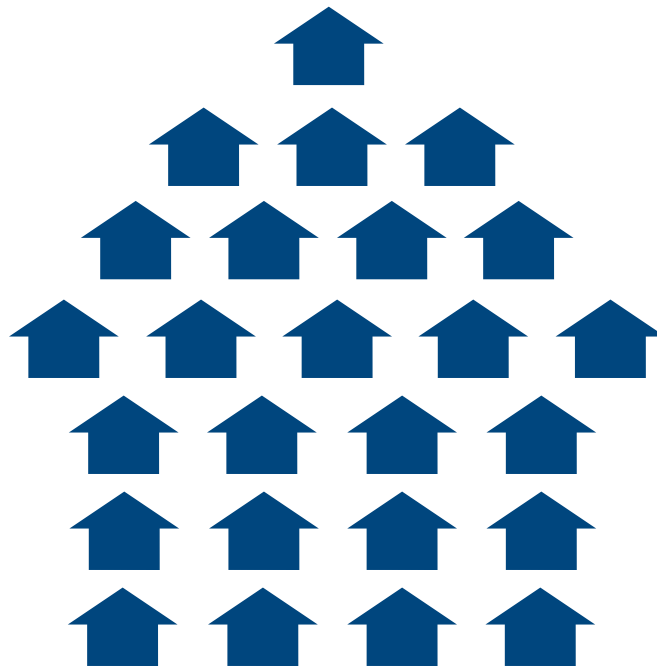


Q3

Interim Report to Unitholders Q3 2008

Opening New Doors



ABOUT THE BROOKFIELD REAL ESTATE SERVICES FUND

The Fund is a leading provider of services to residential real estate 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 brand names. At September 30, 2008, the Fund Network was comprised of 14,766 REALTORS®. As at December 31, 2007, the Fund Network had an approximate 21% share of the Canadian residential resale real estate market based on transactional dollar volume. The Fund is a TSX listed income trust, which pays monthly distributions and trades under the symbol "BRE.UN". The Fund's website address is www.brookfieldres.com.



Q3 2008 INTERIM REPORT TO UNITHOLDERS

LETTER TO UNITHOLDERS

Financial and Operating Highlights

For the three and nine months ended September 30, 2008 and 2007

	Three months ended September 30				Nine months ended September 30			
	2008		2007		2008		2007	
	(thousands)	(per unit)	(thousands)	(per unit)	(thousands)	(per unit)	(thousands)	(per unit)
Royalties	\$ 9,647	\$ 0.72	\$ 9,295	\$ 0.70	\$ 27,143	\$ 2.04	\$ 25,043	\$ 1.88
Earnings before non-controlling interest	\$ 2,463	\$ 0.19	\$ 3,093	\$ 0.23	\$ 6,916	\$ 0.52	\$ 9,212	\$ 0.69
Net earnings	\$ 1,811	\$ 0.18	\$ 2,282	\$ 0.23	\$ 5,070	\$ 0.51	\$ 6,801	\$ 0.68
Distributable cash ¹	\$ 6,939	\$ 0.52	\$ 6,846	\$ 0.51	\$ 19,327	\$ 1.45	\$ 18,279	\$ 1.37
Distributions	\$ 4,500	\$ 0.34	\$ 3,993	\$ 0.30	\$ 12,805	\$ 0.96	\$ 11,856	\$ 0.89

We are pleased to report results for Brookfield Real Estate Services Fund (the "Fund") for the quarter ended September 30, 2008. Royalty revenue was up 3.8% over the third quarter of 2007 to \$9.6 million. Distributable cash¹ for the third quarter increased 1.4% to \$6.9 million (\$0.52 per unit), up from \$6.8 million (\$0.51 per unit) in the third quarter of 2007.

The year-over-year increase in royalties resulted from the growth in the Fund's underlying REALTOR^{®2} network which includes the acquisition of La Capitale Real Estate Network ("La Capitale") with effect from January 1, 2008. Fixed franchise fees for the quarter were up 18.2% over the third quarter of 2007, exceeding the overall increase in the underlying Agents as a result of the introduction of La Capitale REALTORS[®] who operate with a proportionally higher mix of fixed to variable fees. The growth in distributable cash reflects the increase in overall royalties, moderated by an increase in interest expense associated with the funding of the La Capitale acquisition and an increase in management fees associated with the higher royalties. Net earnings were 20.6% lower at \$1.8 million (\$0.18 per unit) compared with \$2.3 million (\$0.23 per unit) in the same quarter of last year due primarily to increased amortization of intangible assets associated with the franchise agreements acquired in January 2008, increased interest expense due to financing of the acquired franchise agreements and increased management fees associated with the higher royalties.

Demand cooled in the third quarter and as a result, Canada's resale housing market experienced declining unit sales compared with a year ago. Based on data released in October 2008 by the Canadian Real Estate Association, the average national home price was down 4.5% in the third quarter when compared to the same period last year. Our research shows low single digit gains in most regions of the country, double digit gains fuelled by low average home prices in the resource-based economies of Regina, St. John's and Winnipeg, and the largest declines in Edmonton and Calgary, where three years of unsustainable escalating prices had significantly impacted affordability. Transactional dollar volume of \$34.1 million in the quarter was 16% below the record level of a year ago. Broad concerns about the global economic outlook have accelerated this shift from sellers' to balanced markets in most regions.

The Fund performed well in the third quarter, in spite of a drop in overall industry transactional volumes, which highlights the business's structural feature that places an emphasis on fixed royalty fees driven by the number of REALTORS[®] in our network. In 2007, 66% of our annual royalties were fixed. That proportion is expected to increase in 2008, as 77% of La Capitale's royalties are expected to fall into the fixed category.

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

While fixed franchise fees increased 18.2% in the quarter, variable franchise fees decreased by 6.1%, and premium franchise fees which are derived from 24 franchise locations serving the Greater Toronto Area declined 20.3%. These latter two fees are related to transaction dollar volume and reflect transaction closings that lag sale contracts by 45 to 60 days.

Nine Month Results

For the nine months ended September 30, 2008, royalties increased 8.4% from the same period a year ago to \$27.1 million, reflecting a 19.2% increase in fixed franchise fees resulting from the expanded REALTOR® network and higher fixed monthly fee plan for La Capitale REALTORS®. Distributable cash increased 5.7% to \$19.3 million, resulting from the higher royalties, moderated by increased interest expenses and higher management fees, in line with the increased royalties. Net earnings of \$5.1 million (\$0.51 per unit) were 25.5% lower than the first nine months of 2007, largely reflecting the \$2.1 million tax recovery, recorded in accordance with new tax legislation in the second quarter of 2007, increased amortization of intangible assets associated with the franchise agreements acquired in January 2008, partially offset by increases in royalties in excess of increases in management fees and debt servicing costs.

Fund Growth

During the third quarter of 2008, the Fund had a net decrease of five REALTORS® from January 1, 2008 resulting in total organic growth of 322 REALTORS® for the first nine months of 2008. This growth along with the 1,272 REALTORS® servicing the 60 franchise agreements acquired by the Fund on January 1, 2008, combined for a total increase of 1,594 REALTORS® for the nine months ended September 30, 2008, up 12.1% from December 31, 2007. At September 30, 2008, the Fund Network was comprised of 338 independently owned and operated franchises operating from 644 locations serviced by 14,766 REALTORS®.

Monthly Cash Distribution

The Brookfield Real Estate Services Fund today declared a cash distribution of \$0.117 per unit for the month of November 2008, payable December 30, 2008, to unitholders of record on November 28, 2008.

Normal Course Issuer Bid

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 units outstanding as of September 30, 2008. The Fund may purchase units at prevailing market prices during the period from October 7, 2008 to October 6, 2009. Purchases are to be made at market prices and to be effected through the facilities of the TSX, with daily limits of 1,995 units other than block purchase exceptions. During the fourth quarter, the Fund began to buyback its shares under a normal course issuer bid as an appropriate use of available funds in the best interests of the Fund and its unitholders. As of November 4th, the Fund had acquired 9,920 units at an average cost of \$8.27 per unit.

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 66% of the Fund's revenue in fiscal 2007 was based on fixed fees from a large number of long-term franchisee contracts, and the percentage is expected to increase in 2008, as 77% of La Capitale's royalties are expected to fall into the fixed category. Fixed fees provide revenue stability and help insulate the Fund from market fluctuations.

Outlook

Real estate resale markets in Canada are being affected by a drop in consumer confidence resulting from widespread economic concerns, originating largely from the U.S. credit market crisis that has spread globally, diminishing the value of a range of asset classes. The sharp drop in commodity prices has affected Canada's resource-based regional economies, as have layoffs in manufacturing-based regions. While we anticipate further softening of Canadian real estate markets until consumer confidence improves, we do not foresee a U.S.-type correction as our markets are supported by markedly different and stronger economic fundamentals than those that American homeowners have been wrestling with since late 2005.

The reduction in unit sales from record levels and decline in transaction dollar volume in Canada in recent quarters may reduce the number of Agents entering the industry. When markets slow, established brands can gain market share as their reputation and support services make them a preferred franchisor or employer. The Fund's three leading brands are well positioned for a Market slowdown.

With an approximate 65% fixed and 35% variable royalty fee mix, changes in overall market activity impacts distributable cash by approximately 35% of the change in the Market. For example, a 10% decrease in the Market would reduce distributable cash by approximately 3.5%. Accordingly, with a potential further softening of the Market, the Fund's distributable cash is well positioned to withstand a significant reduction in the Market. Factors of note within the royalty fee mix which could result in a more substantive change in distributable cash include, changes in the GTA Market from which the Fund currently derives approximately 50% of its variable fees and a loss of Agents resulting in a \$1,500 to \$2,000 fixed fee per Agent per annum reduction and associated variable fees.

Less productive Agents who are unable to generate sufficient income to meet their needs during a market correction may leave the industry. However, the Fund's Agents on average as at December 2007 were 67% more productive than the rest of the industry and therefore management believes are better able to withstand a significant reduction in the Market.

In addition, many new REALTORS® have entered the Market over the past two years, a significant number of whom have joined the Fund Network. Typically these Agents need two years to build a sufficient book of business and as such are more vulnerable to exiting the Market. Lastly, the impact on distributable cash may not follow the overall change in the national market. For example, the Fund is proportionately over represented in the province of Quebec and under represented in the western provinces.

Early in the year, we set an objective to grow Fund revenue by 10% in 2008. While we had anticipated and planned for a softening in the market, the reduction in industry transactional dollar volume has been greater than expected. When considered with the potential for a further market softening through to year end, we expect final revenue growth to be lower than the target. On a positive note, we have already exceeded our objective of adding 300 to 500 REALTORS® during the year, having increased the network of the Fund by approximately 642 REALTORS®, with 322 through organic recruiting and 320 through franchising activities. The 320 REALTORS® added through franchising activities are expected to be acquired by the Fund on January 1, 2009.

Further, our current planned annual cash distribution this year of \$1.31 per unit on a blended basis, including an increase to an annual rate of \$1.40 per unit announced August 7, 2008, exceeds our earlier annual target of \$1.25 per unit.



Philip Soper

President and Chief Executive



Kevin Cash

Chief Financial Officer

November 5, 2008

Financial Review



MANAGEMENT'S DISCUSSION AND ANALYSIS

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INTRODUCTION

This section of our interim report includes management's discussion and analysis ("MD&A") of our results and financial condition as at and for the three months (the "Quarter") and nine months ended September 30, 2008. 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, 2007, 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. These risks are discussed in further detail in this MD&A to the extent they have changed since December 31, 2007.

Management's Discussion and Analysis of Results and Financial Condition

HIGHLIGHTS

(\$ 000's) except Agents, Sales Representatives, units and per unit amounts	Three months ended Sept. 30, 2008	Three months ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Nine months ended Sept. 30, 2007
Royalties	\$ 9,647	\$ 9,295	\$ 27,143	\$ 25,043
Less:				
Administration expenses	188	184	593	533
Interest expense	803	606	2,380	1,813
Management fee	1,805	1,700	5,043	4,539
Earnings before undernoted	\$ 6,851	\$ 6,805	\$ 19,127	\$ 18,158
Amortization of intangible assets	4,297	3,723	12,228	11,058
Other loss	92	–	30	–
Future income tax recovery	(1)	(11)	(47)	(2,112)
Non-controlling interest	652	811	1,846	2,411
Net and comprehensive earnings	\$ 1,811	\$ 2,282	\$ 5,070	\$ 6,801
Basic and diluted earnings per unit (9,983,000 units)	\$ 0.18	\$ 0.23	\$ 0.51	\$ 0.68
Distributions	\$ 4,500	\$ 3,993	\$ 12,805	\$ 11,896
Cash distributions declared per 9,983,000 units	\$ 0.34	\$ 0.30	\$ 0.96	\$ 0.90
Cash distributions declared per 3,327,667 Special Fund units	\$ 0.34	\$ 0.30	\$ 0.96	\$ 0.90
Total assets	\$ 137,012	\$ 131,434	\$ 137,012	\$ 131,434
Total long-term financial liabilities	\$ 51,532	\$ 37,576	\$ 51,532	\$ 37,576
Number of Agents ¹ and Sales Representatives ²	14,766	13,085	14,766	13,085

The table above sets out selected historical information and other data for the Fund which should be read in conjunction with the attached consolidated financial statements for the Quarter and nine months ended September 30, 2008.

¹ Agent is defined as an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with a broker.

² Sales Representative is defined as an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with an Agent.

Management's Discussion and Analysis of Results and Financial Condition

OVERVIEW

This MD&A covers the period from January 1, 2008 to September 30, 2008 and has been prepared as at November 4, 2008.

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

Management of the Fund is governed by an Amended and Restated Management Services Agreement ("MSA"). The services under the MSA are provided by Brookfield Real Estate Services Limited (the "Manager"), a subsidiary of Brookfield Asset Management Inc. ("BAM"). The senior management team of the Manager developed and managed the Fund Network prior to the inception of the Fund. BAM, through a wholly-owned subsidiary, holds a 25% interest in the Fund (see Transactions with Related Parties).

As at September 30, 2008, the Fund Network was comprised of 14,766 REALTORS[®] operating from 644 locations. During 2007, the Fund Network had an approximate 21% share of the Canadian residential resale real estate market (the "Market"⁴) based on transactional dollar volume.

STRUCTURE OF THE FUND

Royalty Fees

The Fund generates royalties with both fixed and variable fee components. During 2007, approximately 66% of the annual royalties were 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, stable and growing cash flow. A summary of these fees is as follows:

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

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

Approximately 88% (89% – 2007) of the Fund's royalties are derived from the combined fixed fee per REALTOR[®] per month, 1% variable fee and premium fees. The remaining royalty stream is generated from technology fees, the 4.5% variable fee option and web services and other fees. Other fees from La Capitale franchisees are comprised primarily of fees driven from a self-insured program called "APEC" which for all participating Agents provides home buyers a warranty on such items as appliances, plumbing, electrical and heating systems.

Monthly Distributions

The targeted annual cash distribution for 2008 had been \$1.25 per unit, to be paid monthly to public unitholders. On August 7, 2008, the Board of Trustees increased the annual distribution target from \$1.25 to \$1.40 per unit effective the month of August 2008.

To reduce unitholder risk, 25% of the Fund's units, which are held by BAM, were subordinated until August 7, 2008, in their rights to distributions until public unitholders receive their initial target distributions of \$0.0917 per unit per month, \$1.10 per unit per annum.

³ REALTOR[®] is defined as an individual licensed to trade in Real Estate and includes brokers, Agents and Sales Representatives.

⁴ 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.

Management will seek to manage the 2008 tax allocation for distributions to a maximum of 100% taxable income as compared to 97% taxable income and 3% return of capital for 2007.

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

RECENT DEVELOPMENTS

Franchise AGREEMENT Acquisitions

Royal LePage Franchise Agreements

On January 1, 2008, the Fund acquired 16 new Royal LePage franchise agreements serviced by 212 REALTORS®, with an estimated annual royalty stream of \$0.4 million. The agreements for these locations were acquired in accordance with the terms of the MSA at an estimated purchase price of \$3.6 million, with \$2.9 million (80% deposit) due on closing and the balance to be paid in cash or units during the first quarter of 2009, upon meeting certain terms and conditions of the MSA.

La Capitale Franchise Agreements

On January 1, 2008, the Fund acquired franchise agreements and associated trademarks operating under the La Capitale Real Estate Network ("La Capitale") brand in the province of Quebec from an affiliate of the Fund Manager for an estimated purchase price of \$17.5 million. These agreements are represented by 1,060 agents operating from 44 locations, generating an estimated annual royalty stream of \$2.6 million with an approximate 77% fixed, 23% variable fee mix.

Consistent with the Fund's historical approach to acquisitions, after evaluation, some of the La Capitale agreements were retained by the Manager for further development during 2008 and may be presented for acquisition by the Fund in January of 2009.

The acquisition of the La Capitale franchise agreements and trademarks by the Fund was made in accordance with the terms of the associated Unit and Share Purchase Agreement and the Fund's MSA as negotiated by the Fund's Trustees. Under these arrangements, \$14.0 million (80%) of the estimated acquisition price was due on closing. The balance of the purchase price was to be paid in annual installments over the next three years, the management fee attributed to revenue generated from these agreements was increased from 20% to 30% and the accretive factor applied to these agreements on vend-in was increased from 7.5% to 10%.

Term Facility

As at January 1, 2008, the Fund had incurred \$19.3 million in obligations related to the franchise acquisitions, represented by a \$2.3 million balance owing on the January 1, 2007 acquisition and the initial 80% installment for the Royal LePage and La Capitale agreements acquired on January 1, 2008 as discussed above. On January 1, 2008, the Fund utilized \$6.2 million of existing cash balances as a partial payment of these obligations and incurred interest expense of \$0.2 million on the remaining balance calculated at a rate of prime plus 1%.

On April 4, 2008, the Fund completed a \$15 million term facility with a Canadian financial institution. Interest on the term facility is available in the form of floating prime rate payable quarterly, or at Banker's Acceptance rates plus 1% with terms of up to nine months. The term facility matures on February 17, 2010, the same date as the Fund's existing \$38 million long-term debt obligation. On closing, the Fund drew down \$14 million of the term facility to fund the obligations arising from the January 1, 2008 acquisitions.

With effect from April 7, 2008 the Fund completed an interest rate swap agreement which fixed the variable portion of the term facility's interest at 3.29% for an annual interest rate of 4.29% (before legal and associated costs), over the term of the facility. The interest rate swap is a financial derivative valued separately from the term facility. The Fund values the swap agreement at its market value. Changes in the value of the swap agreement are recorded as other income or loss.

Distribution Increase

Effective January 1, 2008, the targeted annual distribution was increased to \$1.25 from \$1.20 per unit. On August 7, 2008, the Board of Trustees increased the annual distribution target from \$1.25 to \$1.40 per unit. This increased distribution target of \$1.40 per unit has been in effect since the month of August 2008.

Management's Discussion and Analysis of Results and Financial Condition

Normal Course Issuer Bid (ncib)

On October 3, 2008, the Toronto Stock Exchange approved the Fund's notice of intention to make a normal course issuer bid for up to 499,150 of its units, representing 5% of its 9,983,000 outstanding units as of September 30, 2008. The Fund may purchase units at prevailing market prices during the period from October 7, 2008, to October 6, 2009. Purchases will be made at market prices in accordance with the rules and policies of the Toronto Stock Exchange. Daily purchases will be effected through the facilities of the TSX and will be limited to 1,995 units, other than block purchase exceptions. The Fund believes that the purchase by the Fund of a portion of its outstanding units may from time to time be an appropriate use of available resources and in the best interests of the Fund and its unitholders. The Fund intends to finance the purchases with available cash on hand. As of the date of this MD&A, 9,920 units have been acquired at an average cost of \$8.27 per unit. Units purchased are cancelled at the end of each month.

OPERATIONS OVERVIEW

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

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

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

Number of REALTORS® in the Fund

After experiencing growth in the first half of 2008, the Fund's REALTORS® count remained relatively flat in the third quarter. From January 1, 2008 to June 30, 2008, the Fund had organic growth of 327 REALTORS® while the REALTOR® count declined by 5 in the third quarter. This growth along with the 1,272 REALTORS® servicing the 60 franchise agreements acquired by the Fund on January 1, 2008, combined for a total increase of 1,594 REALTORS® for the nine months ended September 30, 2008, up 12.1% from December 31, 2007. At September 30, 2008, the Fund Network was comprised of 338 independently owned and operated franchises operating from 644 locations serviced by 14,766 REALTORS®.

Transaction volumes

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

During the Quarter, the Canadian Market experienced declines in unit sales and average selling price as compared to the same period in 2007. Data released by the Canadian Real Estate Association ("CREA") indicated that new listings have declined from the record highs reached during the previous quarter but were ahead of a year ago while unit sales declined 12.0% from the third quarter of 2007 and average home prices nationally were down 4.5%. Transactional dollar volume of \$34.1 billion in the Quarter was 16.0% below the record level set a year ago.

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

- Canada's annual rate of housing starts, the market's future inventory, totalled 219,163 as of September 30, 2008, a decrease of 5.2% from the same period in 2007.
- The Canadian Market totalled \$144.8 billion for the 12 months ended September 30, 2008, a decrease of 6.9% from the same period in 2007, consisting of a 3.0% increase in average selling price of a home to \$309,220 and a 9.6% decrease in residential unit sales to 468,207 units. When compared to the three months ended September 30, 2007 the Canadian Market declined 16.0%.

- The GTA Market, from which the Fund earns its premium franchise fees, reached a transactional dollar volume of \$32.8 billion for the 12 months ended September 30, 2008, a 4.3% decrease from the same period in 2007. This market activity is comprised of the sale of 84.9 thousand homes at an average selling price of \$385,970, a 8.7% decrease and 4.9% increase, respectively, from the same period in 2007. When compared to the three months ended September 30, 2007 the GTA real estate resale market declined 13.8%, the third consecutive year-over-year quarterly decline.

In order to protect the Canadian real estate market from the problems associated with U.S. lending practices, on July 9, 2008, the Canadian Department of Finance announced that after October 15, 2008, the government would no longer guarantee mortgages with 40-year amortizations or 100% loan-to-value mortgages. While this change may in the short term reduce some sales activity due to the tightening of financing policies, in the long run it may add further strength and stability to an already healthy Canadian Market.

Stability of the Fund's royalty stream

The Fund's network as at September 30, 2008 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 66% of the Fund's revenue for the year ended December 31, 2007. This compares to 67% for the same period in 2006.
- The geographic distribution of the Royal LePage network is similar to the distribution of the overall Canadian REALTOR® population.
- Royalty agreements are 10-, 15- and 20-years in duration, significantly exceeding the industry norm of five years.
- During the nine months ended September 30, 2008, 15 agreements representing 520 REALTORS® were renewed and five agreements representing 22 REALTORS® were terminated.

The La Capitale royalties are characterized as follows:

- The La Capitale network is in the province of Quebec.
- La Capitale agreements typically have five-year terms.
- Approximately 77% of the royalties are expected to be fixed in nature.
- The fixed element of the royalties is comprised primarily of a fixed fee of approximately \$170 per agent per month while the other fees are driven primarily from a self-insured program called "APEC" under which participating Agents provide a warranty on such items as appliances, plumbing, electrical and heating systems.
- During the nine months ended September 30, 2008, one agreement representing three REALTORS® was terminated.

Fund growth opportunities

Our growth objective for 2008 is to add 300 to 500 REALTORS® to the Fund Network through recruitment and acquisitions and increase revenues by 10% over 2007. As of the date of this MD&A, the REALTOR® growth objective has already been achieved by increasing the network of the Fund by approximately 642 REALTORS®, with 322 through organic recruiting and 320 through franchising activities. The 320 REALTOR® growth through franchising activities are expected to be acquired by the Fund on January 1, 2009. Although the targeted revenue growth anticipated for a softening in the Market, the reduction in industry transactional dollar volume has been greater than expected. With revenue ahead 8.4% year to date, and considering the potential for a further Market softening through to year end, it is expected that final revenue growth will be lower than the target.

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

Management’s Discussion and Analysis of Results and Financial Condition

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 results to the date of this MD&A is as follows:

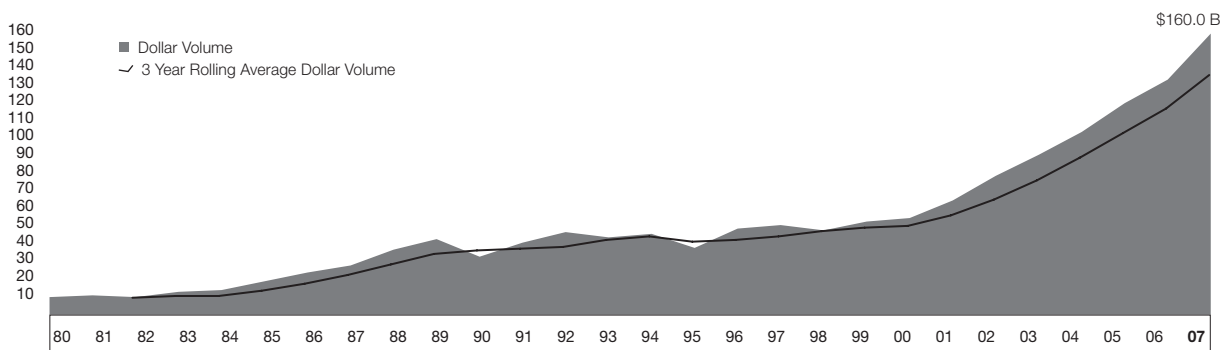
- Organic growth for the nine months ended September 30, 2008 totalled 322 REALTORS® which included a five REALTORS® decrease in the Quarter.
- From November 4, 2007 to the date of this MD&A, Royal LePage franchise agreements representing 19 locations serviced by an estimated 233 Agents were added to the network. The Manager anticipates presenting these franchise agreements to the Fund’s Trustees for purchase by the Fund on January 1, 2009. The estimated purchase price of these agreements is \$2.6 million.
- Consistent with the Fund’s historical approach to acquisitions made by the Fund Manager, after evaluation, some of the La Capitale contracts were acquired by the Fund on January 1, 2008, and the remainder were retained by the Manager for future development during 2008. As of the date of this MD&A, four locations serviced by an estimated 86 Agents are considered fully developed and the Manager anticipates presenting these franchise agreements to the Fund’s Trustees for purchase by the Fund on January 1, 2009.
- 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 10%. The Canadian Market has been very resilient with only two significant downturns occurring in 1990 and 1995, both of which returned to pre-downturn levels within 24 months. During the 1990 downturn, interest rates were relatively high and there was significant speculation in the form of building and multiple home ownership. Since that time, lenders now require builders to pre-sell a significant portion of their developments before advancing funds. Market activity since 1980 is provided in the chart below.

Market Dollar Volume – Canadian Residential Resale Real Estate

(1980 – 2007) (In \$ Billions)



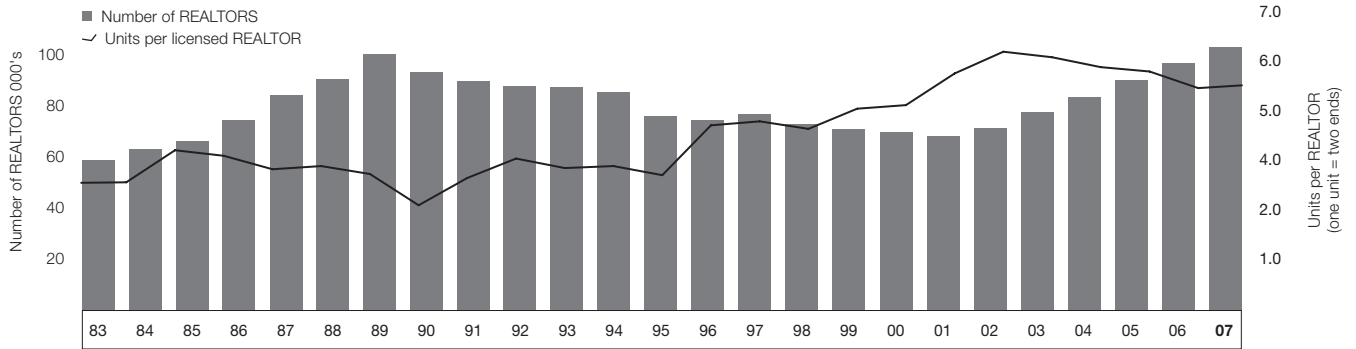
Source: CREA

THE CANADIAN REAL ESTATE REALTOR® POPULATION

The number of REALTORS® in the Fund Network is a key driver of the Fund’s results. For the year ended December 31, 2007, on the strength of another robust Market, the Canadian real estate REALTOR® membership grew by 6.3% to 94,506 members with an average of 5.7 units sold per REALTOR®. The number of REALTORS® in the Fund Network grew by 8.4% over the same period. The Canadian REALTOR® population and the average number of units sold per REALTOR® are summarized in the chart below.

Canadian Real Estate REALTORS®

(Year ended December 31)



THE FUND NETWORK

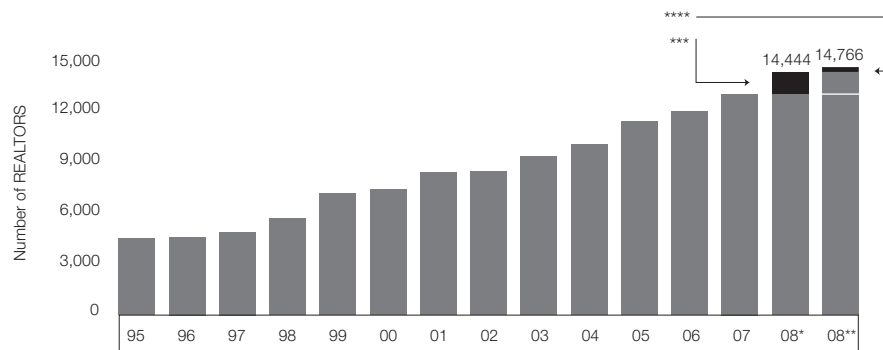
REALTOR® Growth

As at September 30, 2008, the Fund Network was comprised of 338 independently owned and operated franchises operating from 644 locations serviced by 14,766 REALTORS®.

During the Quarter, the Fund Network declined by 5 REALTORS®. Including this decline 322 REALTORS® recruited during the first nine months of 2008 and 1,272 REALTORS® joined the Fund Network with the 60 franchise agreements acquired on January 1, 2008, for a 12.1% year-to-date increase of 1,594 REALTORS®.

During 2007, the number of REALTORS® in the Fund Network grew by 8.4% or 1,023 REALTORS® to 13,172. Industry wide, by comparison, CREA reported that the number of REALTORS® in Canada grew by 6.3%. This gain in REALTOR® share was obtained through the acquisition of agreements representing 390 Agents on January 1, 2007 and the addition of 633 Agents through organic growth.

Fund Growth



Year ended December 31, except 2008

* As at January 1, 2008

** As at September 30, 2008

*** 1,272 REALTOR growth of 9.7% consisting of 212 from Royal LePage brand and 1,060 from La Capitale brand

**** 322 REALTORS from organic growth

Management's Discussion and Analysis of Results and Financial Condition

A summary of the Canadian and Fund's growth in REALTORS® during 2007 and 2008 follows:

	Canada*		The Fund Network	
	Number of Licensed Members	% Change	Number of Licensed Members	% Change
Opening	88,906		12,149	
2007 Q1	1,543	1.7%	633	5.2%
2007 Q2	1,947	2.2%	178	1.5%
2007 Q3	1,313	1.5%	125	1.0%
2007 Q4	797	0.9%	87	0.7%
Opening	94,506	6.3%	13,172	8.4%
2008 Q1	1,728	1.8%	1,418	10.8%
2008 Q2	1,838	2.0%	181	1.3%
2008 Q3	N/A		(5)	0.0%
Closing	98,072	3.8%	14,766	12.1%

* Source – CREA

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

NETWORK DIVERSITY

The Fund Network is comprised of diverse operations with 72% of the Fund's franchisees operating with fewer than 50 REALTORS® as at December 31, 2007. 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%	51%
Prairies	14%	10%
BC	19%	14%
Quebec	14%	21%
Maritimes	3%	4%
Total	100%	100%

¹ As at June 30, 2008, Source: CREA

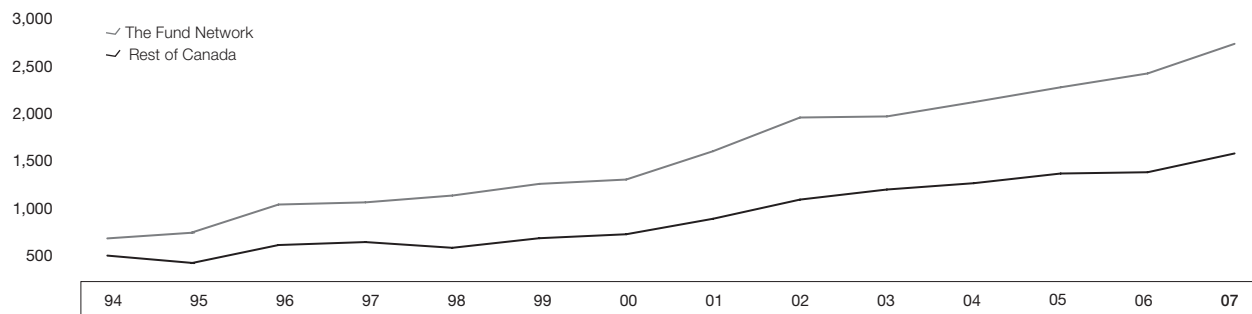
² As at September 30, 2008

REALTOR® PRODUCTIVITY

The average Fund Network REALTOR® generated approximately \$2.70 million in transactional dollar volume in 2007, up 13% from \$2.38 million in 2006. This productivity was 70% greater than the estimated average of \$1.59 million for all other Canadian REALTORS®, up 11% from 2006. Management believes the higher productivity of Fund Network REALTORS® makes the Fund less prone than the industry at large to losing its REALTORS® during a period of reduced transaction dollar volume. A summary of average transaction dollar volume per Agent for the year ended December 31, 1994 through 2007 is as follows:

Canadian Residential Real Estate Resale Market

(Average Transaction Dollar Volume Per REALTOR®, \$ thousands)



Source: CREA and Fund Management

OPERATING RESULTS

Nine months ended Sept. 30,
(\$ 000's) except Agents, unit and per unit amounts

	2008	2007
Royalties		
Fixed franchise fees	\$ 13,207	\$ 11,084
Variable franchise fees	7,048	7,251
Premium franchise fees	3,513	3,942
Other fee revenue and services	3,375	2,766
	27,143	25,043
Less:		
Administration expenses	593	533
Interest expense	2,380	1,813
Management fee	5,043	4,539
Earnings before undernoted	19,127	18,158
Amortization of intangible assets	12,228	11,058
Other income	30	–
Future income tax recovery	(47)	(2,112)
Net and comprehensive earnings before non-controlling interest	6,916	9,212
Non-controlling interest	1,846	2,411
Net and comprehensive earnings	\$ 5,070	\$ 6,801
Basic and diluted earnings per unit (9,983,000 units)	\$ 0.51	\$ 0.68
Number of Agents	13,732	12,117
Number of fixed fee paying Sales Representatives	729	716

As summarized in the table above, during the nine months ended September 30, 2008, the Fund generated net and comprehensive earnings before non-controlling interests of \$6.9 million, down \$2.3 million from the same period in 2007. The year-over-year results included a \$2.1 million (8.4%) increase in royalties attributed to growth of the Fund's underlying Agent network which was offset by increased amortization, debt service costs and management fees. The nine months ended September 30, 2007 included the recognition of a \$2.1 million income tax recovery recorded in the second quarter of 2007, in accordance with new tax legislation. A more detailed discussion of these factors is provided below.

Management's Discussion and Analysis of Results and Financial Condition

The Fund Network as at September 30, 2008, was comprised of 13,732 Agents and 1,034 Sales Representatives (729 Sales Representatives operating under the \$100 per month fixed fee plan and 305 Sales Representatives who are primarily brokers and managers who do not pay fees), with 13,535 of the Agents operating under the combined flat fee of \$100 per month and 1% of gross earnings option (the "\$100/1% option") or the approximate \$170 per month flat fee, and 197 Agents operating under the 4.5% variable fee option (the "4.5% option").

Royalties for the nine months ended September 30, 2008, totalled \$27.1 million, up 8.4% from the same period in 2007.

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

Fixed, variable and premium franchise fees together represented 88% of royalties for the nine months ended September 30, 2008, compared with the 89% experienced during the same period in 2007.

Fixed franchise fees for the nine months ended September 30, 2008 increased 19.2% over the same period in 2007 and exceeded the overall increase in the underlying Agents as a result of the introduction of La Capitale REALTORS® operating under an approximate \$170 per month fee plan.

Variable franchise fees for the nine months ended September 30, 2008, decreased by 2.8% from the same period in 2007 while the Canadian Market activity decreased 11.9%. These favourable results relative to the Market can be attributed to two factors: the lag between a home sale and closings and the effects of Agent capping at \$1,300 per annum.

A lag between variable fees recorded by the Fund and Market activity occurs as Market activity is reported when a home is sold, while the Fund does not record variable fees associated with the home sales until it closes, which is typically 45 to 60-days later. This lag created a spillover effect in the first quarter as a 16.8% year-over-year Market activity increase in the fourth quarter of 2007 materialized as variable fees in the first quarter of 2008 contributing to a variable fee increase of 11.7% over the first quarter of 2007 while the Market experienced a decline of 7.7%.

The change in variable fees is further mitigated by Agents that have begun to reach the royalty cap of \$1,300 per annum as a decrease in the Market does not decrease fees earned from these Agents once they have reached the cap. In 2007, 22% of the Agents in the network reached the royalty cap. This mitigating effect is expected to continue in the fourth quarter as more Agents reach the cap.

Premium franchise fees are derived from the 24 franchise locations servicing the GTA Market that pay premium fees ranging from 1% to 5% of the location's gross revenue. Premium franchise fees for the nine months ended September 30, 2008 decreased 10.9% from the same period in 2007, while the GTA Market activity for the same period experienced an 11.2% decrease. The favourable results relative to the GTA Market for the nine months ended September 30, 2008 can be attributed to the results in the first quarter which were up 21.2% year-over-year reflecting the spillover effect of robust sales during the fourth quarter of 2007 materializing as premium fees in early 2008. The percentage decrease in year-over-year premium fees is not entirely comparable to the overall GTA Market decrease, as the change in the Market activity experienced by the individual market areas serviced by the premium-fee-paying franchise locations differs from the overall GTA Market activity. As mentioned earlier, the lag effect and the decreased Market activity during the Quarter is expected to result in lower premium fees in the fourth quarter due to the timing associated with the reported home sale market activity and the recording of actual variable premium fee by the Fund.

Other fees and services comprised of the APEC fee, technology fees, 4.5% option, web service plus other fees and revenue accounted for approximately 12% (11% – 2007) of Fund royalties for the nine months ended September 30, 2008, increased 22.0% over the same period in 2007. This growth was due primarily to the APEC fee paid by participating La Capitale REALTORS®, growth in the number of REALTORS® in the Royal LePage network, partially offset by a decrease in the 4.5% variable fee, resulting from slowing Market activity and the conversion of some offices to the \$100/1% fee option.

Administration expenses of \$0.6 million for the nine months ended September 30, 2008, were in line with management's expectations.

Interest expense is comprised primarily of interest on the Fund's \$38 million private debt placement from 2005 and the \$14 million draw on the \$15 million credit facility. During the nine months ended September 30, 2008, the Fund's interest expense totalled \$2.4 million up \$0.6 million over the same period in 2007 due to the \$14 million draw on the credit facility. Total interest expense included \$0.2 million in non-cash charges as a result of the amortization of the financing charges incurred and \$0.2 million in interest paid in respect of the purchase obligation. The \$2 million operating line has remained undrawn since the inception of the Fund.

Management fee expense

Management fees of \$5.0 million for the nine months ended September 30, 2008 were up 11.1% over the same period of 2007 and were in line with growth in the Fund's royalties. In accordance with the MSA, management fees are calculated as 30% of net royalty fees earned (defined as Distributable Cash in the MSA) from the La Capitale franchise agreements and the 20% of the balance of royalties less administrative and interest costs.

Amortization of intangible assets

Intangible assets relate to the values attributed to the franchise agreements and relationships and trademarks acquired by the Fund since August 7, 2003. Trademarks are amortized on a straight-line basis over the term of the agreement plus one renewal period, while 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, at the commencement of that period. See Acquisitions and Deposit on Acquisitions for further discussion regarding intangible assets arising on acquisitions.

Income tax recovery

In accordance with new tax legislation, during the nine months ended September 30, 2008, the Fund has recorded a non-cash future tax asset of \$47 thousand arising from temporary tax differences expected to reverse after January 1, 2011 at the tax rate of 29.5%, applicable to the Fund in 2011 and 28% applicable thereafter (see Impact on Taxation of Income Trusts).

Non-controlling interest ("NCI") of \$1.8 million represents the NCI's 25% in the Fund's underlying operations.

DISTRIBUTABLE CASH

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

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

Management's Discussion and Analysis of Results and Financial Condition

Distributable cash and its utilization since Fund inception		Nine months ended Sept. 30, 2008	Year ended Dec. 31, 2007	Year ended Dec. 31, 2006	Year ended Dec. 31, 2005	Year ended Dec. 31, 2004	August 7, 2003 to Dec. 31, 2003
(\$ 000's)	Total						
Royalties	\$ 149,031	\$ 27,143	\$ 32,491	\$ 29,659	\$ 27,196	\$ 23,740	\$ 8,802
Less/(add):							
Administration expenses	3,302	593	725	645	595	513	231
Interest expense	11,436	2,380	2,419	2,401	2,289	1,327	620
Non-cash interest expense	(668)	(200)	(162)	(168)	(138)	–	–
Management fee	27,067	5,043	5,869	7,285	3,660	3,660	1,550
Distributable cash	107,894	19,327	23,640	19,496	20,790	18,240	6,401
Less:							
Distributions to public unitholders	59,564	9,604	11,980	11,477	10,985	10,985	4,533
Distributions to non-controlling interest	19,855	3,201	3,993	3,826	3,662	3,662	1,511
Total distributions	79,419	12,805	15,973	15,303	14,647	14,647	6,044
Distributable cash less total distributions	28,475	6,522	7,667	4,193	6,143	3,593	357
Less funding of acquisitions	20,317	5,564	6,333	7,886	414	120	–
Net change in the period	\$ 8,158	\$ 958	\$ 1,334	\$ (3,693)	\$ 5,729	\$ 3,473	\$ 357
Cumulative change		\$ 8,158	\$ 7,200	\$ 5,866	\$ 9,559	\$ 3,830	\$ 357
Distribution percentage payout ¹	74%	66%	68%	78%	70%	80%	94%

¹ This represents the total distributions paid as a percentage of distributable cash.

Distributable cash Reconciled to cash flows from operating activities		Nine months ended Sept. 30, 2008	Year ended Dec. 31, 2007	Year ended Dec. 31, 2006	Year ended Dec. 31, 2005	Year ended Dec. 31, 2004	August 7, 2003 to Dec. 31, 2003
(\$ 000's)	Total						
Cash flows from operating activities	\$ 105,503	\$ 18,598	\$ 22,871	\$ 20,199	\$ 20,607	\$ 17,772	\$ 5,456
Add (deduct):							
Changes in non-cash working capital items	2,391	729	769	(703)	183	468	945
Distributable cash	\$ 107,894	\$ 19,327	\$ 23,640	\$ 19,496	\$ 20,790	\$ 18,240	\$ 6,401

For the nine months ended September 30, 2008, the Fund generated distributable cash of \$19.3 million, up \$1.0 million (5.7%) over the same period in 2007. This increase in distributable cash was primarily due to increased royalties generated from growth in Fund revenues as a result of the acquisition of franchise agreements on January 1, 2008 and organic agent growth, partially offset by increased debt service costs and 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 reserves the right to retain cash for working capital requirements.

As at September 30, 2008, the Fund had approximately \$8.2 million in distributable cash not yet utilized, as presented in the table above. This undistributed cash represents distributable cash generated by the Fund less distributions to public unitholders, the non-controlling interest and \$20.3 million in cash utilized to meet the Fund's franchise agreement purchase obligations.

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

(\$ 000's)	Three months ended Sept. 30, 2008	Three months ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Nine months ended Sept. 30, 2007
Cash flows from operating activities	\$ 7,007	\$ 8,211	\$ 18,598	\$ 17,930
Net income for the period	1,811	2,282	5,070	6,801
Actual cash distributions paid	3,375	2,995	9,604	8,943
Excess of cash flows from operating activities over cash distributions paid	3,632	5,216	8,994	8,987
Shortfall of net income over cash distributions paid	\$ (1,564)	\$ (713)	\$ (4,534)	\$ (2,142)

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 and pay distributions to the non-controlling interest. It is management's expectation, at the discretion of the Board of Trustees, that in the short to near term cash distributions to unitholders will continue and the remaining cash flow will be utilized to fund acquisitions and pay distributions to the non-controlling interest.

ACQUISITIONS AND DEPOSITS ON ACQUISITIONS

Under terms of the MSA, the Fund is permitted to acquire franchise agreements approved by Independent Trustees of the Fund from the Manager on January 1 of each year. The purchase price is determined in line with the terms of the MSA. The actual purchase price for these agreements is not determined until after October 31 of each year when an audit of the actual royalties generated under these agreements is completed and the purchase price is recalculated as detailed in the MSA. As a result, the initial payment representing up to 80% of the estimated purchase price is recorded as a deposit on acquisition. At each quarter end, the purchase price obligation is recalculated based on the actual royalties generated from these agreements and the resultant amount is removed from the deposit on acquisition and reclassified to intangible assets. The increase in intangible assets is amortized in accordance with the Fund's intangible assets policy. Recalculated purchase price obligations in excess of the deposit on acquisitions are classified as purchase obligations and the corresponding amount transferred to intangible assets and amortization, as previously described, is recorded.

During 2007, the January 1, 2007 franchise agreement acquisition obligation was audited and determined to be \$8.0 million, \$0.8 million greater than the estimated obligation due to a combination of a greater number of Agents and higher than planned revenues. A summary of the franchise agreements acquired by the Fund since inception is summarized as follows:

Management's Discussion and Analysis of Results and Financial Condition

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

(a) To be determined at the end of the year in accordance with the appropriate purchase agreement

(b) Audited

(c) Purchase price obligation as at December 31

During the nine months ended September 30, 2008, \$16.9 million was paid and recorded as a deposit on acquisition in respect of the Royal LePage and La Capitale acquisitions. At each quarter end, the realized portion of the estimated asset value was recalculated based on the actual royalties generated from these agreements. Based on these quarterly calculations, \$5.5 million and \$16.9 million for the three and nine months ended September 30, 2008, respectively, were transferred from deposit on acquisition to intangible assets. During the Quarter, the realized portion of the estimated asset value exceeded the deposit on acquisition by of \$1.4 million which has been recorded as a purchase price obligation and added to intangible assets. The \$16.9 million transfer from deposit on acquisition to intangible assets consisted of \$13.0 million related to the acquisition of La Capitale and \$3.9 million from the acquisition of Royal LePage franchise contracts.

In addition, during the nine months ended September 30, 2008, intangible assets were further increased by \$2.5 million due to future income tax liabilities arising from the La Capitale acquisition as described below and by \$0.1 million for acquisition related legal expenses. The increase attributable to future income tax liabilities arises as the assets of La Capitale were acquired on a tax deferred basis through a partnership with the underlying tax value attributed to the partnership units. As a result, the individual agreements and trademarks of the partnership at the time of acquisition by the Fund do not have a tax basis. The temporary difference between the carrying value of these agreements and trademarks and zero tax basis results in a future income tax liability. Under GAAP the Fund is required to adjust the carrying value of the agreements by an amount equal to the income tax liability. During the three and nine months ended September 30, 2008, the Fund recorded future income tax liabilities of \$1.0 million and \$2.5 million, respectively.

DEBT FINANCING

In the low interest rate environment of 2004 and 2005, the Fund sought to increase its debt to meet its franchise agreement purchase obligations and moved from a floating interest rate position to a fixed interest rate position. Accordingly, on February 18, 2005, the Fund completed a \$38 million private debt placement with a number of Canadian institutional investors for a five-year term with interest fixed at 5.882%, payable quarterly in arrears. The full amount of the debt is due upon maturity on February 17, 2010.

The Fund has a \$2 million operating line provided by a single Canadian financial institution. As of the date of this MD&A, this operating line remains undrawn and in force. On February 25, 2008, the operating line was renewed for an additional one-year period ending March 6, 2009.

On April 4, 2008, the Fund completed a \$15 million term facility with a Canadian financial institution and with effect from April 7, 2008 entered into an interest rate swap agreement which fixed the variable portion of the term facility's interest at 3.29% for a total annual interest rate of 4.29% over the term of the facility (before legal and associated costs) (see Recent Developments – Term Facility). On closing, the Fund drew down \$14 million of the term facility to fund the obligations arising from the January 1, 2008 acquisitions.

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

SUMMARY OF QUARTERLY RESULTS

Three months ended	2008				2007			
(\$ 000's) except Agents, unit and per unit amounts	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Royalties								
Fixed franchise fees	\$ 4,431	\$ 4,440	\$ 4,336	\$ 3,788	\$ 3,749	\$ 3,714	\$ 3,621	\$ 3,509
Variable franchise fees	2,499	2,628	1,921	1,315	2,661	2,870	1,720	1,347
Premium franchise fees	1,514	1,106	893	1,348	1,899	1,306	737	990
Other fee revenue and services	1,203	1,230	942	997	986	948	832	919
	9,647	9,404	8,092	7,448	9,295	8,838	6,910	6,765
Less:								
Administration expenses	188	215	190	192	184	175	174	132
Interest expense	803	766	811	606	606	615	592	606
Management fee	1,805	1,765	1,473	1,330	1,700	1,610	1,229	1,205
Earnings before undernoted	6,851	6,658	5,618	5,320	6,805	6,438	4,915	4,822
Amortization of intangible assets	4,297	4,035	3,896	3,746	3,723	3,683	3,652	3,666
Other loss (income)	92	(62)	–	–	–	–	–	–
Future income tax expense / (recovery)	(1)	(11)	(35)	293	(11)	(2,101)	–	–
Net and comprehensive earnings before non-controlling interest	2,463	2,696	1,757	1,281	3,093	4,856	1,263	1,156
Non-controlling interest	652	718	476	364	811	1,249	351	317
Net and comprehensive earnings	\$ 1,811	\$ 1,978	\$ 1,281	\$ 917	\$ 2,282	\$ 3,607	\$ 912	\$ 839
Basic and diluted earnings per unit (9,983,000 units)	\$ 0.18	\$ 0.20	\$ 0.13	\$ 0.09	\$ 0.23	\$ 0.36	\$ 0.09	\$ 0.08
Number of Agents	13,732	13,715	13,551	12,201	12,117	12,038	11,868	11,258
Number of fixed fee paying Sales Representatives	729	740	728	735	716	673	643	644

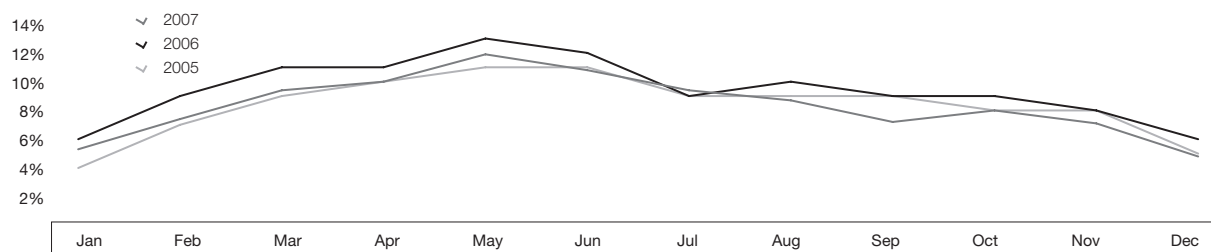
Revenues increased in each quarter, year over year due to a number of factors such as organic Agent count growth, increasing Agent productivity, the acquisition of franchise agreements on January 1 of each year. An income tax recovery of \$1.8 million was recorded during 2007, in line with new tax legislation effecting income trusts (see Impact of Taxation on Income Trusts).

Management's Discussion and Analysis of Results and Financial Condition

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

Canadian Residential Resale Real Estate Market

(% Transactional Dollar Volume by Month)



Source: CREA and Fund Management

A key statistic management utilizes to monitor Fund performance is the rolling 12-month distributable cash per unit, adjusted for management fees on a "total" basis. As noted on the table below, distributable cash calculated on this basis has been steadily increasing each quarter with a leveling off in the Quarter.

Adjusted¹ rolling twelve-month distributable cash

Twelve months ended	2008				2007			2006
(\$ 000's) except per unit amounts	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Royalties	\$ 34,591	\$ 34,239	\$ 33,673	\$ 32,491	\$ 31,808	\$ 30,983	\$ 30,077	\$ 29,659
Less:								
Administration expenses	785	781	741	725	665	644	659	645
Interest expense	2,986	2,789	2,638	2,419	2,419	2,418	2,403	2,401
Non-cash interest expense	(241)	(194)	(166)	(162)	(162)	(163)	(163)	(168)
Adjusted management fee ¹	6,373	6,268	6,113	5,869	5,745	5,584	5,403	5,323
	\$ 24,688	\$ 24,595	\$ 24,347	\$ 23,640	\$ 23,141	\$ 22,500	\$ 21,775	\$ 21,458
Adjusted distributable cash per unit – total basis	\$ 1.85	\$ 1.85	\$ 1.83	\$ 1.78	\$ 1.74	\$ 1.69	\$ 1.64	\$ 1.61

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.

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

Twelve months ended	2008				2007			2006
(\$ 000's) except per unit amounts	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Cash flows from operating activities	\$ 23,539	\$ 24,744	\$ 24,335	\$ 22,871	\$ 23,998	\$ 22,054	\$ 20,968	\$ 20,199
Add (deduct):								
Changes in non-cash working capital items	1,149	(149)	12	769	(856)	446	807	(703)
Management fee adjustment ¹	-	-	-	(0)	(1)	(0)	-	1,962
	\$ 24,688	\$ 24,595	\$ 24,347	\$ 23,640	\$ 23,141	\$ 22,500	\$ 21,775	\$ 21,458
Adjusted distributable cash per unit – total basis	\$ 1.85	\$ 1.85	\$ 1.83	\$ 1.78	\$ 1.74	\$ 1.69	\$ 1.64	\$ 1.61

¹ Above adjusted for management fees calculated before Reserve requirements.

A "total" basis refers to the calculation of the management fee as per the MSA before Reserves for working capital requirements.

Prior to 2005, a Reserve was deducted for the purposes of the management fee calculation.

This Reserve requirement was removed and the accumulated management fee was paid in the first quarter of 2006.

THIRD QUARTER REVIEW

As summarized in the table provided in the Summary of Quarterly Results, during the Quarter the Fund generated net and comprehensive earnings before non-controlling interest ("NCENCI") of \$2.5 million, down \$0.6 million (20.4%) from the same period of 2007 as the growth of the Fund's underlying Agent network, was more than offset by higher interest expense and management fees and an increase in amortization and interest expense relating to the La Capital acquisition.

The Fund Network

After experiencing growth in the first half of 2008, the Fund's REALTORS® count remained relatively flat in the third Quarter with a net decrease of 5 REALTORS®. This net decline was the result of franchisees rationalizing operations in light of the economic slow down.

Royalties for the Quarter of \$9.6 million were up 3.8% over the same period in 2007, due in part to the growth in the underlying number of Agents in the Network. Both the overall Canadian Residential Real Estate Market and the Greater Toronto Area real estate Market experienced declines during the Quarter that may result in lower variable and premium fee revenues during the quarter ending December 31, 2008. Combined, fixed franchise fees, variable franchise fees and premium franchise fees represented 87% of royalties for the Quarter, in comparison to 89% for the same period in 2007.

Fixed franchise fees for the Quarter were up 18.2% over the same period in 2007. This increase exceeded the overall increase in the underlying Agents due primarily to the acquisition of La Capitale franchise agreements operating under an approximate \$170 per REALTOR® per month fee plan.

Variable franchise fees for the Quarter decreased 6.1% from the same period in 2007 while the related Market activity declined by 16.0%. The decrease in Market activity for the Quarter outpaced the decrease in the Fund's variable fees due to the timing of the earning of variable fees as these fees are paid to the Fund after the sales transaction closes as previously described. In addition, since the 1% variable fee generated by Agents is capped at \$1,300 per annum, a market reduction experienced by those Agents with sales well above the capped level will have a less than proportionate impact on variable franchise fees.

Premium franchise fees for the Quarter declined 20.3% from the same period in 2007, due primarily to a 13.8% decrease in the GTA Market which experienced its third consecutive quarterly year-over-year decline. The percentage decrease in year-over-year premium fees is not entirely comparable to the overall GTA Market increase, as the Market decline experienced in the individual market areas serviced by the premium-fee-paying franchise locations differs from the overall GTA Market activity. In addition, there is typically a 45 to 60-day delay between a home sale and closing, as such, some of the decreased Market activity during the Quarter is expected to materialize as lower premium fees in the quarter ending December 31, 2008.

Management's Discussion and Analysis of Results and Financial Condition

Other fees and services accounted for 12% of the Fund's royalties for the Quarter, compared to 11% of royalties in the same period in 2007. These fees are comprised of the APEC fee, technology fees, 4.5% option, web service and other fees and revenue, were up 22.0% over the same period in 2007, due primarily to the APEC fee paid by participating La Capitale REALTORS®, growth in the number of REALTORS® in the Royal LePage network and partially offset by a decrease in the 4.5% variable fee, resulting from slowing market activity and the conversion of some offices to the \$100/1% fee option.

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

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

Management fee expense of \$1.8 million for the Quarter was in line with growth in the Fund's royalties. In accordance with the MSA, management fees are calculated as 30% of net royalty fees earned (defined as Distributable Cash in the MSA) from the La Capitale franchise agreements and the 20% of the balance of royalties less administrative and interest costs.

Amortization of intangible assets of \$4.3 million increased by \$0.6 million over the comparative amount in 2007 in line with the additional amortization associated with the franchise agreements acquired on January 1, 2008.

Income tax recovery was negligible during the Quarter.

Non-controlling interest ("NCI") charge of \$0.7 million represents the NCI's 25% interest in the Fund's underlying operations.

Distributable cash for the Quarter totalled \$6.9 million, up 0.1% over the same period in 2007.

LIQUIDITY

The Fund utilized cash flow generated from operating activities for the Quarter and nine months ended September 30, 2008 of \$7.0 million and \$18.6 million, respectively, to meet acquisition and distribution requirements. A summary of the Fund's working capital position is as follows:

Working Capital

(\$ 000's)	As at September 30, 2008	As at June 30, 2008	As at March 31, 2008	As at December 31, 2007
Current assets				
Cash and cash equivalents	\$ 7,746	\$ 5,307	\$ 2,365	\$ 7,516
Accounts receivable and other	3,345	3,863	3,373	2,836
	\$ 11,091	\$ 9,170	\$ 5,738	\$ 10,352
Current liabilities				
Accounts payable and accrued liabilities	\$ 1,842	\$ 2,422	\$ 2,336	\$ 2,232
Purchase obligation	1,386	-	5,358	2,295
Distribution payable to unitholders	1,168	1,038	1,038	998
	4,396	3,460	8,732	5,525
Net working capital	\$ 6,695	\$ 5,710	\$ (2,994)	\$ 4,827

The Fund had a positive working capital of \$4.8 million as at December 31, 2007. The working capital was subsequently reduced to a negative position of \$3.0 million as at March 31, 2008, a decrease of \$7.8 million resulting primarily from the \$5.4 million purchase price obligation relating to the January 1, 2008 acquisition, the use of cash to fund the payment of the purchase price adjustment relating to the January 1, 2007 acquisition and the use of cash to fund the initial payment for the January 1, 2008 acquisition (see Acquisitions and Deposit on Acquisitions) partially offset by positive cash flows generated during the quarter.

As at June 30, 2008 the working capital increased to \$5.7 million as the purchase price obligation was settled with the proceeds from the term facility (see Recent Developments – Term Facility) and positive cash flows were generated.

The Fund had a net positive working capital position of \$6.7 million as at September 30, 2008, an increase of \$1.0 million from June 30, 2008, and \$1.9 million from December 31, 2007. The increase in net working capital from December 31, 2007 was due primarily to positive cash flows generated from operations during the nine months ended September 30, 2008 partially offset by payments made to fund the purchase price obligation relating to the January 1, 2008 acquisition and the purchase price adjustment relating to the January 1, 2007 acquisition (see Acquisitions and Deposit on Acquisitions).

Accounts receivable of \$3.3 million increased \$0.5 million from December 31, 2007 due primarily to seasonal fluctuations and increased revenues associated with the increase in the number of REALTORS®.

Accounts payable and accrued liabilities of \$1.8 million decreased \$0.4 million from December 31, 2007. The decrease was predominantly a result of the payment of the distributions to the non-controlling interest on a monthly basis beginning August 2008 compared to the previous quarterly payments (see Transactions with Related Parties).

Accounts payable and accrued liabilities is comprised of a \$0.4 million (\$1.0 million – December 31, 2007) distribution payable to the non-controlling interest, \$0.5 million (\$0.4 million – December 31, 2007) in management fees payable to the Manager and \$0.9 million (\$0.8 million – December 31, 2007) in interest expense, deferred service revenue and administration expense accruals.

CAPITAL RESOURCES

The existing capital resources that the Fund can draw on consist of a \$2 million operating line, which has been unutilized since the inception of the Fund and \$1 million remaining undrawn from a \$15 million term facility (see Recent Developments – Term Facility).

Other capital resources include: funds generated from operations and \$8.2 million in unutilized distributable cash held for future distributions in anticipation of the seasonality of the Canadian Market; debt servicing; distribution requirements; and financing for the acquisition of franchise agreements.

OFF-BALANCE SHEET ARRANGEMENTS

The Fund has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

As at September 30, 2008, the Fund's interests are ultimately controlled 75% by the public and 25% by BAM, which sold its interest in certain assets to the Fund. These assets included the relationships, trademarks and franchise agreements related to the business of its Royal LePage residential resale real estate brokerage franchise operations. Under the terms of the offering, the non-controlling interest was required to hold its 25% interest for five years ended August 7, 2008 at which time it earned the right to exchange its Subordinated LP units for units of the Fund. In addition, during the initial five-year period, the non-controlling interest's right to receive distributions on a quarterly basis is reduced to the extent that the public unitholders do not receive their initial targeted monthly distributions of \$0.0917 per unit. With the lapse in the five-year subordination, the non-controlling interest began to receive its distributions on a monthly basis commencing with the August distribution paid in September.

As at September 30, 2008, BAM continued to operate 16 corporately-owned residential resale real estate brokerage locations in the GTA serviced by over 1,000 Agents. Of these operations, 14 entered into a single franchise agreement with the Fund on the inception of the Fund. This franchise agreement provides for a 20-year term for these locations under the \$100/1% option and an additional Premium franchise fee ranging from 1% to 5% of the location's gross commission income for a 15-year term after which time the Premium franchise fees cease. The agreement for one additional corporately-owned location was acquired by the Fund on January 1, 2007 and a 16th location was acquired by the Fund on January 1, 2008.

Management's Discussion and Analysis of Results and Financial Condition

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 was amended and restated effective January 1, 2008. 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% with 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 based upon 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 reviewed and the acquisition calculations are adjusted accordingly.

On January 1 of each year, the Fund may, upon the Independent Trustees' approval and criteria established by the Board of Trustees, purchase La Capitale franchises acquired by the Manager or its affiliates up to 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 92.5%, which is applied to the royalties upon which the purchase price is based, was increased to 90%, thereby reducing the purchase price;
- (b) the final purchase price is to be calculated based on the average annual royalties earned from La Capitale franchise agreements over three years (instead of one year);
- (c) the Partnership will pay a management fee equal to 30% of net royalties (defined as Distributable Cash 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:

Nine months ended September 30,	2008	2007
a) Royalties		
Fixed, variable and other franchise fees	\$ 1,843	\$ 1,723
Premium franchise fees	\$ 3,156	\$ 3,327
b) Expenses		
Management fees	\$ 5,043	\$ 4,539
Insurance and other	\$ 76	\$ 76
Interest on initial purchase obligation	\$ 210	\$ -
c) Distributions		
Distribution paid to non-controlling interest	\$ 3,201	\$ 2,953
As at	Sept. 30, 2008	Dec. 31, 2007
d) Accounts receivable		
Franchise fees receivable and other	\$ 602	\$ 554
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	\$ 389	\$ 998
Management fees	\$ 482	\$ 429
Purchase obligation	\$ 1,386	\$ 2,295

Effective January 1, 2008, the Fund acquired 16 new Royal LePage franchise agreements serviced by 212 real estate Agents. The Fund acquired the agreements from the Manager for an estimated purchase price of \$3.6 million which is based on an estimated annual royalty stream of \$0.4 million and has been calculated in accordance with the formula set forth in the Fund's MSA. The initial purchase price obligation of \$2.9 million was due on January 2, 2008 and the remaining \$0.7 million is expected to be paid in the first quarter of 2009 upon meeting the terms set out in the MSA.

Also effective January 1, 2008, the Fund acquired from an affiliate to the Manager (the "Seller") the La Capitale trademarks, trademark rights and the 44 La Capitale franchise agreements serviced by 1,060 real estate Agents, collectively the "La Capitale Assets". The estimated purchase price for the La Capitale Assets of \$17.5 million which is based on an estimated annual royalty stream of \$2.5 million is calculated in accordance with the MSA as modified by the Board of Trustees as previously described. The initial purchase price obligation of \$14.0 million was required to be satisfied on or about January 1, 2008. The remaining 20% of the purchase obligation is to be paid out over the next three years based on an annual review of the actual royalties received and a re-estimation of the purchase price. Such payment will be made on or about January 1 of 2009, 2010 and 2011, with any excess over the purchase price plus interest being paid to the Seller and any payments made by the Fund in excess of the purchase price plus interest being paid by the Seller to the Fund.

On January 2, 2008, the Fund paid \$3.9 million from cash on hand against the 2008 initial purchase obligation of \$16.9 million. The balance of the obligations and \$0.2 million of associated interest charges were paid on April 4, 2008 from proceeds of a \$15 million term debt facility (see Recent Developments – Term Facility).

CRITICAL ACCOUNTING ESTIMATES

Substantially all of the Fund's activities are based on cash transactions with revenue and expenditures based on contracted terms. The only 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 \$0.7 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 and cash equivalents, accounts receivable, derivative liability, accounts payable and accrued liabilities, purchase obligation, distributions payable to unitholders, a \$38 million private debt placement and a \$15 million term facility.

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

The Fund's \$38 million private debt is fixed at 5.882% with an effective rate after financing costs of 6.3% for a five-year term commencing February 18, 2005 and as such is not subject to interest rate fluctuations.

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

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

CONTROLS AND PROCEDURES

We maintain appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. Our Chief Executive and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and effectiveness of our disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at September 30, 2008, and have concluded that such disclosure controls and procedures are operating effectively.

Management is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our Chief Executive and Chief Financial Officer assessed, or caused an assessment under their direct supervision of, the design of our internal controls over financial reporting (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at September 30, 2008 and, based on that assessment, determined that our internal controls over financial reporting were appropriately designed. No changes were made to the design of our internal controls over financial reporting during the nine months ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Note, however that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

OUTSTANDING UNITS

The Fund's capital structure remains unchanged from its launch on August 7, 2003, with the Fund authorized to issue an unlimited number of units of the same class with equal rights and privileges. As at September 30, 2008, 9,983,000 units were issued and outstanding. In addition to these units, the Fund has also issued 3,327,667 Special Fund Units, which entitles the holder to vote in all votes of Fund units as if they had converted their Subordinated LP Units into Fund units.

On October 3, 2008, the Toronto Stock Exchange approved the Fund's notice of intention to make a normal course issuer bid for up to 499,150 of its units, representing 5% of its 9,983,000 outstanding units as of September 30, 2008. The Fund may purchase units at prevailing market prices during the period from October 7, 2008, to October 6, 2009. Purchases will be made at market prices in accordance with the rules and policies of the Toronto Stock Exchange. Daily purchases will be effected through the facilities of the TSX and will be limited to 1,995 units, other than block purchase exceptions.

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

FUND STRUCTURE

On October 31, 2007, the name of the Royal LePage Franchise Services Fund was changed to the Brookfield Real Estate Services Fund. This name change reflects the Fund's long-term multi-brand growth strategy and its close association with BAM, which has a strong reputation in the global real estate industry. The Fund currently receives revenues from franchisees operating under the national brand of Royal LePage and Quebec-based La Capitale network. As a result of these changes, the Fund's TSX stock symbol has been changed to BRE.UN and the website to www.brookfieldres.com.

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

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

As part of the Fund's purchase of the La Capitale Assets on January 1, 2008, the LP acquired two companies, a Limited Partnership ("LCLP") which held the La Capitale Assets and the General Partner ("LCGP"). For a more detailed explanation of the Fund Structure please see the 2007 Annual Information Circular.

Under the terms of the Offering, the subordinated unitholder must retain its full interest for five years from the commencement of the Fund. Fund distributions of all available cash are 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 are subordinated to the public unitholders' distributions to the extent the public unitholders have 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 and the subordinated unitholder may exchange its units for units of the Fund as well as receive distributions on a monthly basis.

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

TAXATION OF FUND DISTRIBUTIONS

Under the Fund's Amended and Restated Declaration of Trust, the maximum tax deductions available to the Fund shall be claimed to the extent it brings the taxable income of the Trust to nil. The deductions available to the Trust are comprised of the costs of the offering and intangible assets. The estimated deductions available to the Trust as at December 31, 2007 are comprised of the costs of the initial public offering, intangible assets of the LP, acquisitions of franchise agreements subsequent to inception, and costs associated with the \$38 million private debt placement, which have the following deductibility profile and amounts:

Taxation of Fund Distributions

(\$ millions)

Future Deduction Basis	Remaining Balance Dec. 31, 2007	Estimated Addition for 2008	Estimated Deduction for 2008	Estimated Balance Dec. 31, 2008
7% of Balance	81.5	3.6	5.9 ¹	78.3
Five-year straight-line	1.4	–	1.2	0.2
	82.9	3.6	7.1	78.5

¹ This estimated deduction for 2008 is calculated as 7% of the sum of the remaining balance as of December 31, 2007 and 75% of the estimated addition for 2008.

² There is approximately \$3.9 million of post acquisition costs that may be available for future deductions.

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For the year ended December 31, 2007, the Fund had a return of capital per unit of approximately 3% (26% – 2006) and a taxable amount per unit of approximately 97% (74% – 2006). These calculations are summarized in the table below. Management will seek to manage the taxable amount to a maximum of 100% in 2008.

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

IMPACT OF TAXATION ON INCOME TRUSTS

On October 31, 2006, the Minister of Finance announced proposed tax legislation (“trust legislation”) that will change the income tax rules applicable to publicly traded trusts rendering income trusts taxable in 2011. This trust legislation was substantially enacted into law on June 12, 2007, and accordingly, during the second quarter of 2007, the Fund began to recognize the accounting treatment of 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.

In accordance with the substantially enacted trust legislation, while the Fund will not be liable for current taxes until January 1, 2011, the Fund recognized, beginning in the second quarter of 2007, future income taxes or recoveries arising from those temporary tax differences expected to reverse after January 1, 2011.

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

In accordance with new tax legislation, as at September 30, 2008 the Fund has recorded a non-cash future tax liability of \$0.6 million, arising from temporary tax differences expected to reverse after January 1, 2011 at the tax rate of 29.5%, applicable to the Fund in 2011 and 28% applicable thereafter. This non-cash future tax liability is net of the original non-cash future asset of \$1.9 million recorded as at September 30, 2008. The increase attributable to future income tax liabilities arises as the assets of La Capitale were acquired on a tax deferred basis through a partnership with the underlying tax value attributed to the partnership units. As a result, the individual agreements and trademarks of the partnership at the time of acquisition by the Fund do not have a tax basis. The temporary difference between the carrying value of these agreements and trademarks and zero tax basis results in a future income tax liability of \$2.5 million income tax liability.

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

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

CHANGE IN ACCOUNTING POLICIES

Accounting Changes

The CICA has issued new accounting standards.

- a) Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. These two new sections, issued by the CICA on December 1, 2006, replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements and carrying forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards came into effect for the Fund during the first quarter of 2008. The Fund has not experienced any material impact on the consolidated financial statements by adopting these standards.
- b) Section 1535, Capital Disclosures. This section establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital. This new standard came into effect for the Fund in the first quarter of 2008. The Fund has not experienced any material impact on the consolidated financial statements by adopting these standards.

Accounting Changes – Future

- a) Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section, issued in February 2008, will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Fund will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Fund is currently assessing the future impact of these new standards on its consolidated financial statements.
- b) International Financial Reporting Standards ("IFRS"). The Accounting Standards Board of Canada has announced that accounting standards in Canada, as used by public companies, will be converged to IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Fund will convert to these new standards according to the timetable set with these new rules. The Fund is currently assessing the future impact of these new standards on its consolidated financial statements.

RISK FACTORS

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

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OUTLOOK

Real estate resale markets in Canada are being affected by a drop in consumer confidence resulting from widespread economic concerns, originating largely from the U.S. credit market crisis that has spread globally, diminishing the value of a range of asset classes. The sharp drop in commodity prices has affected Canada's resource-based regional economies, as have layoffs in manufacturing-based regions. While we anticipate further softening of Canadian real estate markets until consumer confidence improves, we do not foresee a U.S.-type correction as our markets are supported by markedly different and stronger economic fundamentals than those that American homeowners have been wrestling with since late 2005.

The reduction in unit sales from record levels and decline in transaction dollar volume in Canada in recent quarters may reduce the number of agents entering the industry. When markets slow, established brands can gain market share as their reputation and support services make them a preferred franchisor or employer. The Fund's three leading brands are well positioned for a market slowdown.

With an approximate 65% fixed and 35% variable royalty fee mix, changes in overall Market activity, with no change in the number of Fund Network Agents, impacts distributable cash by approximately 35% of the change in the Market. For example, a 10% decrease in the Market would reduce distributable cash by approximately 3.5%. Accordingly, with a potential further softening of the Market, the Fund's distributable cash is well positioned to withstand a significant reduction in the Market.

Factors of note within the royalty fee mix which could result in a more substantive change in distributable cash include, changes in the GTA Market from which the Fund currently derives approximately 50% of its variable fees and a loss of Agents resulting in a \$1,500 to \$2,000 fixed fee per Agent per annum reduction and associated variable fees. Less productive Agents who are unable to generate sufficient income to meet their needs during a Market correction may leave the industry. However, the Fund's Agents on average as at December 2007 were 67% more productive than the rest of the industry and therefore management believes are better able to withstand a significant reduction in the Market.

Another factor that could affect royalty fees is that many new REALTORS® have entered the Market over the past two years, a significant number of whom have joined the Fund Network. Typically these Agents need two years to build a sufficient book of business and as such are more vulnerable to exiting the Market.

In addition, the impact on distributable cash may not follow the overall change in the national market. For example, the Fund is proportionately over represented in the province of Quebec and under represented in the western provinces.

In summary, the Fund continues to experience growth even while the Market has slowed. Our high proportion of fixed revenue and growth through acquisitions mitigates the impact of a declining Market. These strategies have positioned the Fund to maintain performance stability throughout the Market cycle.

FORWARD-LOOKING STATEMENTS

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

SUPPLEMENTAL INFORMATION – NET EARNINGS AND DISTRIBUTABLE CASH BY PERIOD

Three months ended (\$ 000's except per unit amounts, unaudited)	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008
Royalties	\$ 6,765	\$ 6,910	\$ 8,838	\$ 9,295	\$ 7,448	\$ 8,092	\$ 9,404	\$ 9,647
Less:								
Administration expenses	132	174	175	184	192	190	215	188
Management fee	1,205	1,229	1,610	1,700	1,330	1,473	1,765	1,805
Interest expense	606	592	615	606	606	811	766	803
Other income	–	–	–	–	–	–	(62)	92
Amortization of intangible assets	3,666	3,652	3,683	3,723	3,746	3,896	4,035	4,297
Earnings before undernoted	1,156	1,263	2,755	3,082	1,574	1,722	2,685	2,462
Future income tax recovery (expense)	–	–	2,101	11	(293)	35	11	1
Non-controlling interest	(317)	(351)	(1,249)	(811)	(364)	(476)	(718)	(652)
Net and comprehensive earnings for the period	839	912	3,607	2,282	917	1,281	1,978	1,811
Add:								
Amortization of intangible assets	3,666	3,652	3,683	3,723	3,746	3,896	4,035	4,297
Non-cash interest expense	41	39	41	41	41	43	69	88
Non-cash other income	–	–	–	–	–	–	(62)	92
Future income tax (recovery) expense	–	–	(2,101)	(11)	293	(35)	(11)	(1)
Non-controlling interest	317	351	1,249	811	364	476	718	652
Distributable cash	4,863	4,954	6,479	6,846	5,361	5,661	6,727	6,939
Less change in:								
Unutilized cash	(1,038)	(961)	(2,486)	(2,853)	(1,368)	(1,506)	(2,577)	(2,439)
Cash required for distributions	\$ 3,825	\$ 3,993	\$ 3,993	\$ 3,993	\$ 3,993	\$ 4,155	\$ 4,150	\$ 4,500
Distributable cash available to:								
Public unitholders	\$ 2,870	\$ 2,995	\$ 2,995	\$ 2,995	\$ 2,995	\$ 3,115	\$ 3,114	\$ 3,375
Non-controlling interest	955	998	998	998	998	1,040	1,036	1,125
	\$ 3,825	\$ 3,993	\$ 3,993	\$ 3,993	\$ 3,993	\$ 4,155	\$ 4,150	\$ 4,500
Distributions to public unitholders	\$ 2,870	\$ 2,995	\$ 2,995	\$ 2,995	\$ 2,995	\$ 3,115	\$ 3,114	\$ 3,375
Per unit (9,983,000 units):								
Basic and diluted earnings	\$ 0.08	\$ 0.09	\$ 0.36	\$ 0.23	\$ 0.09	\$ 0.13	\$ 0.20	\$ 0.18
Basic and diluted distributable cash before working capital and other reserves	\$ 0.37	\$ 0.37	\$ 0.49	\$ 0.51	\$ 0.40	\$ 0.43	\$ 0.51	\$ 0.52
Basic and diluted distributions	\$ 0.29	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.31	\$ 0.31	\$ 0.34

TAX ALLOCATION OF DISTRIBUTIONS

(Unaudited)	2003 ¹	2004	2005	2006	2007	2008 ²
	(actual)	(actual)	(actual)	(actual)	(actual)	(estimated)
Other taxable income	50%	70%	86%	74%	97%	100%
Return of capital	50%	30%	14%	26%	3%	0%
Total distributions of the period	100%	100%	100%	100%	100%	100%

¹ Inception (August 7) to December 31, 2003

² Management will seek to manage the taxable income to a maximum of 100%

Management's Discussion and Analysis of Results and Financial Condition

SUPPLEMENTAL INFORMATION – SELECTED FINANCIAL AND OPERATING INFORMATION

Three months ended (\$000's, unaudited)	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008
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Revenue

Fixed franchise fees	\$ 3,509	\$ 3,621	\$ 3,714	\$ 3,749	\$ 3,788	\$ 4,336	\$ 4,440	\$ 4,431
Variable franchise fees	1,347	1,720	2,870	2,661	1,315	1,921	2,628	2,499
Premium franchise fees	990	737	1,306	1,899	1,348	893	1,106	1,514
Other fee revenue and services	919	832	948	986	997	942	1,230	1,203
	\$ 6,765	\$ 6,910	\$ 8,838	\$ 9,295	\$ 7,448	\$ 8,092	\$ 9,404	\$ 9,647

% Revenue by region

British Columbia	14	15	15	13	13	14	13	11
Prairies	11	11	11	9	9	10	10	9
Ontario	59	58	59	63	63	55	54	59
Quebec	12	12	12	11	11	18	20	18
Maritimes	4	4	3	4	4	3	3	3
	100	100	100	100	100	100	100	100

Three months ended Changes during the period	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008
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Number of REALTORS®	(52)	633	178	125	87	1,418	181	(5)
Number of Agents	(49)	610	170	79	84	1,350	164	17
Number of fixed fee paying Sales Representatives	–	(1)	30	43	19	(7)	12	(11)
Number of locations	(1)	22	(6)	–	(3)	55	(2)	0
Number of franchise agreements	(1)	20	(6)	–	(4)	54	(1)	0

At end of period

Number of REALTORS®	12,149	12,782	12,960	13,085	13,172	14,590	14,771	14,766
Number of Agents	11,258	11,868	12,038	12,117	12,201	13,551	13,715	13,732
Number of fixed fee paying Sales Representatives	644	643	673	716	735	728	740	729
Number of locations	578	600	594	594	591	646	644	644
Number of franchise agreements	275	295	289	289	285	339	338	338

SUPPLEMENTAL INFORMATION

Fund Unit Performance

Three months ended	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008
Trading price range of units (TSX: "RSF.UN")								
High	\$ 14.50	\$ 14.00	\$ 14.26	\$ 14.14	\$ 13.89	\$ 13.88	\$ 12.00	\$ 10.87
Low	\$ 11.00	\$ 11.85	\$ 12.10	\$ 12.26	\$ 11.50	\$ 11.01	\$ 10.00	\$ 8.04
Close	\$ 13.35	\$ 12.74	\$ 13.75	\$ 12.87	\$ 13.88	\$ 11.75	\$ 10.00	\$ 9.84
Average daily volume	11,731	4,230	6,497	3,618	8,266	4,385	5,110	10,901
Number of units outstanding at period end	9,983,000	9,983,000	9,983,000	9,983,000	9,983,000	9,983,000	9,983,000	9,983,000
Net enterprise value at period end (thousands)								
Market capitalization ⁵	\$177,697	\$169,578	\$183,022	\$171,308	\$184,752	\$156,400	\$133,107	\$130,977
Long-term debt	38,000	37,494	37,535	37,576	37,617	37,660	51,511	51,532
Less:								
Cash on hand	6,951	512	2,434	6,652	7,516	2,365	5,307	7,746
	\$208,746	\$206,560	\$218,123	\$202,232	\$214,853	\$191,695	\$179,311	\$174,763

⁵ Comprised of the number of units outstanding at period end and 3,327,667 subordinated units, multiplied by the closing unit price.

Distribution History

Month	Distributions Declared per Unit						
	2003	2004	2005	2006	2007	2008	
January		\$ 0.0917	\$ 0.0917	\$ 0.0958	\$ 0.1000	\$ 0.1042	
February		0.0917	0.0917	0.0958	0.1000	0.1042	
March		0.0917	0.0917	0.0958	0.1000	0.1042	
April		0.0917	0.0917	0.0958	0.1000	0.1042	
May		0.0917	0.0917	0.0958	0.1000	0.1042	
June		0.0917	0.0917	0.0958	0.1000	0.1042	
July		0.0917	0.0917	0.0958	0.1000	0.1042	
August		0.0917	0.0917	0.0958	0.1000	0.1167	
September		\$ 0.1789*	0.0917	0.0917	0.0958	0.1000	0.1167
October		0.0917	0.0917	0.0917	0.0958	0.1000	
November		0.0917	0.0917	0.0917	0.0958	0.1000	
December		0.0917	0.0917	0.0917	0.0958	0.1000	
		\$ 0.45	\$ 1.10	\$ 1.10	\$ 1.15	\$ 1.20	\$ 0.96

* Based on a 55-day period

Management's Discussion and Analysis of Results and Financial Condition

SUPPLEMENTAL INFORMATION – CONDENSED BALANCED SHEET

As at (\$ 000's, unaudited)	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008
Cash and cash equivalents	\$ 6,951	\$ 512	\$ 2,434	\$ 6,652	\$ 7,516	\$ 2,365	\$ 5,307	\$ 7,746
Accounts receivable	2,699	3,030	3,854	3,054	2,752	3,272	3,801	3,322
Prepaid expenses	92	108	62	23	84	101	62	23
Deferred charges	516	–	–	–	–	–	–	–
Deposit on acquisition	–	3,908	1,512	–	–	1,908	5,545	–
Financial derivatives	–	–	–	–	–	–	62	–
Future income tax asset	–	–	2,101	2,112	1,819	799	333	–
Intangible assets	124,031	122,228	120,941	119,593	117,279	121,857	122,317	125,921
	\$134,289	\$129,786	\$130,904	\$131,434	\$129,450	\$130,302	\$137,427	\$137,012
Accounts payable and accrued liabilities	\$ 2,998	\$ 2,236	\$ 2,450	\$ 2,978	\$ 2,232	\$ 2,336	\$ 2,422	\$ 1,842
Purchase obligations	576	–	–	862	2,295	5,358	–	1,386
Distributions payable to unitholders	956	998	998	998	998	1,038	1,038	1,168
Long-term debt	38,000	37,494	37,535	37,576	37,617	37,660	51,511	51,532
Financial derivatives	–	–	–	–	–	–	–	30
Deferred tax payable	–	–	–	–	–	–	–	635
Non-controlling interest	23,317	22,677	22,928	22,740	22,106	21,542	21,224	20,751
Unitholders' equity	68,442	66,381	66,993	66,280	64,202	62,368	61,232	59,668
	\$134,289	\$129,786	\$130,904	\$131,434	\$129,450	\$130,302	\$137,427	\$137,012

SUPPLEMENTAL INFORMATION – CONDENSED CASH FLOW BY PERIOD

Three months ended (\$ 000's, unaudited)	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008
Cash provided by (used for):								
Operating activities								
Net earnings for the period	\$ 839	\$ 912	\$ 3,607	\$ 2,282	\$ 917	\$ 1,281	\$ 1,978	\$ 1,811
Add (deduct)								
Non-controlling interest	317	351	1,249	811	364	476	718	652
Future income tax (recovery) expense	–	–	(2,101)	(11)	293	(35)	(11)	(1)
Amortization of deferred charges	41	–	–	–	–	–	–	–
Non-cash interest expense	–	39	41	41	41	43	69	88
Non-cash other income	–	–	–	–	–	–	(62)	92
Amortization of intangible assets	3,666	3,652	3,683	3,723	3,746	3,896	4,035	4,297
Changes in non-cash working capital	1,205	(1,150)	(564)	1,365	(420)	(393)	(403)	68
	6,068	3,804	5,915	8,211	4,941	5,268	6,324	7,007
Investing activities								
Deposit on acquisition	–	(5,743)	–	–	–	(3,949)	(12,965)	–
Payment of purchase price obligation	–	(576)	–	–	–	(2,295)	–	–
Purchase of intangible assets	–	(14)	–	–	–	(20)	(49)	(1)
	–	(6,333)	–	–	–	(6,264)	(13,014)	(1)
Financing activities								
Proceeds from term facility	–	–	–	–	–	–	13,782	(67)
Distributions paid to unitholders	(2,869)	(2,953)	(2,995)	(2,995)	(3,037)	(3,115)	(3,114)	(3,375)
Distributions paid to non-controlling interest	(956)	(957)	(998)	(998)	(1,040)	(1,040)	(1,036)	(1,125)
	(3,825)	(3,910)	(3,993)	(3,993)	(4,077)	(4,155)	9,632	(4,567)
Increase (decrease) in cash and cash equivalents during the period	2,243	(6,439)	1,922	4,218	864	(5,151)	2,942	2,439
Cash and cash equivalents, beginning of period	4,708	6,951	512	2,434	6,652	7,516	2,365	5,307
Cash and cash equivalents, end of period	\$ 6,951	\$ 512	\$ 2,434	\$ 6,652	\$ 7,516	\$ 2,365	\$ 5,307	\$ 7,746

Management's Discussion and Analysis of Results and Financial Condition

SUPPLEMENTAL INFORMATION – CANADIAN ESTATE MARKET

Three months ended	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008
Canada								
Transaction dollar volume ¹	\$ 27,289	\$ 35,287	\$ 52,385	\$ 40,546	\$ 31,875	\$ 32,578	\$ 46,258	\$ 34,068
Average selling price	\$280,821	\$293,849	\$309,165	\$308,542	\$314,591	\$312,583	\$314,517	\$294,743
Number of units sold	97,176	120,084	169,441	131,412	101,323	104,221	147,078	115,585
Number of REALTORS® at period end	88,906	90,449	92,396	93,709	94,538	96,266	98,072	N/A
Housing starts	58,052	40,716	64,615	67,838	55,174	43,610	62,087	58,292
Greater Toronto Area								
Transaction dollar volume ¹	\$ 6,180	\$ 7,438	\$ 11,841	\$ 8,788	\$ 7,838	\$ 6,720	\$ 10,645	\$ 7,572
Average selling price	\$351,070	\$363,488	\$381,364	\$368,685	\$394,382	\$379,232	\$397,591	\$368,516
Number of units sold	17,604	20,463	31,049	23,837	19,874	17,721	26,773	20,548
Housing starts	9,578	5,585	9,386	9,723	8,599	8,945	11,684	11,736

Twelve months ended	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008
Canada								
Transaction dollar volume ¹	\$ 133,985	\$ 138,622	\$ 148,310	\$ 155,507	\$ 160,093	\$ 157,385	\$ 151,310	\$ 144,779
Average selling price	\$276,960	\$283,397	\$292,292	\$300,141	\$306,539	\$310,794	\$312,440	\$309,220
Number of units sold	483,770	489,145	507,403	518,113	522,260	506,397	484,285	468,207
Housing starts	227,395	224,194	223,580	231,221	228,343	231,237	228,709	219,163
Seasonally adjusted housing starts	211,500	210,900	225,500	278,200	187,500	254,700	217,800	217,600
Greater Toronto Area								
Transaction dollar volume ¹	\$ 29,903	\$ 30,352	\$ 32,535	\$ 34,248	\$ 35,905	\$ 35,188	\$ 33,991	\$ 32,775
Average selling price	\$352,382	\$355,943	\$362,321	\$368,444	\$377,066	\$380,489	\$385,364	\$385,970
Number of units sold	84,859	85,272	89,796	92,953	95,223	92,481	88,205	84,916
Housing starts	37,080	35,375	33,299	34,272	33,293	36,653	38,951	40,964

Source: CMHC, CREA and TREB

¹ (\$ million)

N/A: Not Available

Interim Consolidated Balance Sheets

As at (in thousands of dollars)	September 30, 2008 (unaudited)	December 31, 2007
Assets		
Current assets		
Cash	\$ 7,746	\$ 7,516
Accounts receivable	3,322	2,752
Prepaid expenses	23	84
	11,091	10,352
Future income tax asset (note 3)	-	1,819
Intangible assets (note 5)	125,921	117,279
	\$ 137,012	\$ 129,450
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,842	\$ 2,232
Purchase obligation (note 4(iii))	1,386	2,295
Distribution payable to unitholders	1,168	998
	4,396	5,525
Long-term debt (note 7)	51,532	37,617
Financial derivative (note 7)	30	-
Future income tax liability (note 3)	635	-
Non-controlling interest	20,751	22,106
	77,344	65,248
Unitholders' equity	59,668	64,202
	\$ 137,012	\$ 129,450

See accompanying notes to the interim consolidated financial statements

On behalf of the board



Simon Dean
TRUSTEE



Lorraine Bell
TRUSTEE

Interim Consolidated Statements of Earnings and Comprehensive Earnings

(unaudited) (in thousands of dollars, except unit and per unit amounts)	Three months ended Sept. 30, 2008	Three months ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Nine months ended Sept. 30, 2007
Royalties				
Fixed franchise fees	\$ 4,431	\$ 3,749	\$ 13,207	\$ 11,084
Variable franchise fees	2,499	2,661	7,048	7,251
Premium franchise fees	1,514	1,899	3,513	3,942
Other fee revenue and services	1,203	986	3,375	2,766
	9,647	9,295	27,143	25,043
Expenses				
Administration	188	184	593	533
Management fee	1,805	1,700	5,043	4,539
Interest expense	803	606	2,380	1,813
Other loss (income) (note 7)	92	–	30	–
Amortization of intangible assets	4,297	3,723	12,228	11,058
	7,185	6,213	20,274	17,943
Earnings before undernoted	2,462	3,082	6,869	7,100
Future income tax recovery (note 3)	1	11	47	2,112
Earnings before non-controlling interest	2,463	3,093	6,916	9,212
Non-controlling interest	(652)	(811)	(1,846)	(2,411)
Net and comprehensive earnings	\$ 1,811	\$ 2,282	\$ 5,070	\$ 6,801
Basic and diluted earnings per unit (9,983,000 units) (note 9)	\$ 0.18	\$ 0.23	\$ 0.51	\$ 0.68

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Unitholders' Equity

(unaudited) (in thousands of dollars)	Unitholders' Contribution	Net Earnings	Distributions	Deficit	Total
Balance, January 1, 2007	\$ 92,938	\$ 13,506	\$ (37,980)	\$ (24,474)	\$ 68,464
Changes during the period:					
Net income	–	2,611	–	2,611	2,611
Unit distributions	–	–	(8,608)	(8,608)	(8,608)
Balance, September 30, 2007	\$ 92,938	\$ 16,117	\$ (46,588)	\$ (30,471)	\$ 62,467
Balance, January 1, 2008	\$ 92,938	\$ 21,224	\$ (49,960)	\$ (28,736)	\$ 64,202
Changes during the period:					
Net income	–	5,070	–	5,070	5,070
Unit distributions	–	–	(9,604)	(9,604)	(9,604)
Balance, September 30, 2008	\$ 92,938	\$ 26,294	\$ (59,564)	\$ (33,270)	\$ 59,668

See accompanying notes to the interim consolidated financial statements

The Fund has no accumulated other comprehensive income at September 30, 2008 (December 31, 2007 – \$Nil).

Interim Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars)	Three months ended Sept. 30, 2008	Three months ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Nine months ended Sept. 30, 2007
Cash provided by (used for):				
Operating activities				
Net earnings for the period	\$ 1,811	\$ 2,282	\$ 5,070	\$ 6,801
Items not affecting cash				
Non-controlling interest	652	811	1,846	2,411
Future income tax recovery (note 3)	(1)	(11)	(47)	(2,112)
Non-cash interest expense (note 7)	88	41	200	121
Unrealized loss on financial derivative (note 7)	92	–	30	–
Amortization of intangible assets	4,297	3,723	12,228	11,058
	6,939	6,846	19,327	18,279
Changes in non-cash working capital	68	1,365	(729)	(349)
	7,007	8,211	18,598	17,930
Investing activities				
Deposit on acquisition (note 4)	–	–	–	–
Purchase of intangible assets (note 5)	(1)	–	(16,983)	(5,757)
Payment of purchase price obligation (note 4)	–	–	(2,295)	(576)
	(1)	–	(19,278)	(6,333)
Financing activities				
Proceeds of Term Facility (note 7)	(67)	–	13,715	–
Distributions paid to unitholders	(3,375)	(2,995)	(9,604)	(8,943)
Distributions paid to non-controlling interest	(1,125)	(998)	(3,201)	(2,953)
	(4,567)	(3,993)	910	(11,896)
Increase (decrease) in cash during the period	2,439	4,218	230	(299)
Cash, beginning of period	5,307	2,434	7,516	6,951
Cash, end of period	\$ 7,746	\$ 6,652	\$ 7,746	\$ 6,652
Supplementary cash flow information				
Cash paid for interest	\$ 663	\$ 559	\$ 2,258	\$ 1,118

See accompanying notes to the interim consolidated financial statements

Notes to the Interim Consolidated Financial Statements

September 30, 2008 and 2007 (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") and Residential Income Fund L.P. (the "Partnership") and its wholly-owned subsidiaries 9120 Real Estate Network, L.P. ("LCLP") and 9188-5517 Quebec Inc. (the "General Partner of LCLP"). RIFGP is the managing general partner of the Partnership. Trilon Bancorp Inc. (the "non-controlling interest") owns the remaining 25% interest in the Partnership and RIFGP. The Fund receives certain management, administrative and support services from Brookfield Real Estate Services Ltd. ("BRESL"), a party related to the non-controlling interest via common control.

Seasonality

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

2. SUMMARY OF ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements except as described below. They do not include all the information and disclosure required by GAAP for annual audited financial statements, and should be read in conjunction with the December 31, 2007 annual consolidated financial statements.

Financial Instruments

- i) On January 1, 2008, the Fund adopted CICA Handbook Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*. These two new sections, issued by the CICA on December 1, 2006, replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing disclosure requirements and carrying forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Fund has included these disclosures in note 11.
- ii) On April 4, 2008, the Partnership completed a Term Facility and interest rate swap agreement with a single Canadian financial institution (see note 7). The Fund elected to classify the Term Facility as Other Liability, consistent with the classification of its existing long-term debt.

The Fund utilizes a derivative financial instrument to manage its interest rate risk. Derivative financial instruments are classified as Held-for-Trading and are carried at estimated fair values. Gains or losses arising from changes in fair value are recognized in the statement of earnings and are classified as other income in the period the change occurs.

The Fund did not have any financial instrument or embedded derivative at September 30, 2008 that would result in Other Comprehensive Earnings to the Fund.

Capital Disclosures

On January 1, 2008, the Fund adopted CICA Handbook Section 1535, *Capital Disclosures*. This section establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital. The Fund has included this disclosure in note 12.

3. FUTURE INCOME TAXES

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

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

Due to the enactment of trust legislation, while the Fund is expected to not be liable for current taxes until January 1, 2011, beginning June 12, 2007, the Fund recognized future income taxes arising from those temporary tax differences expected to reverse after January 1, 2011 at the tax rates of 29.5% applicable to the Fund in 2011 and 28% applicable after January 1, 2012.

The Fund had a future income tax asset of \$1,819 at December 31, 2007. During the three and nine months ended September 30, 2008, the Fund recorded an additional non-cash future tax asset of \$1 and \$47 respectively. The resulting total future income tax asset was \$1,865 at September 30, 2008.

The assets of LCLP acquired by the Partnership as described in note 4 were obtained on a tax-deferred basis with the related tax value attributed to the partnership units of LCLP held by the Partnership. Accordingly, the individual agreements and trademarks of the partnership at the time of acquisition by the Fund do not have a tax basis. The temporary difference between the carrying value of these agreements and zero tax basis results in a future income tax liability. Under GAAP the Fund is required to adjust the carrying value of the agreements by an amount equal to the income tax liability. Accordingly, during the three and nine months ended September 30, 2008, the Fund recorded future income tax liabilities of \$968 and \$2,500, respectively. The future income tax liability was \$2,500 at September 30, 2008, which net of the future income tax asset described above resulted in a net future income tax liability of \$635.

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.

4. ASSET ACQUISITIONS

i) Royal LePage Franchise Agreement Acquisitions

On January 1, 2008, the Partnership acquired 16 new Royal LePage franchise agreements from BRESL. The estimated purchase price of \$3,623 is based on an estimated annual royalty stream of \$447 and has been calculated in accordance with a formula set out in the Amended and Restated Management Services Agreement (the “MSA”). A deposit of \$2,899, equal to 80% of the estimated purchase price, was paid from cash on hand on January 2, 2008 and the remainder is to be paid a year later, when the final purchase price is determined in accordance with the terms set out in the MSA.

On January 1, 2007, the Partnership acquired 22 Royal LePage franchise agreements from BRESL at a purchase price of \$8,038 calculated in accordance with the MSA. The purchase price was paid from cash on hand with the deposit of \$5,743 paid on January 2, 2007 and balance of \$2,295 on January 2, 2008.

ii) La Capitale Asset Acquisition

On January 1, 2008, the Partnership acquired 100% of the partnership units of LCLP, which holds franchise agreements operating under the La Capitale brand in Quebec and associated trademarks, and 100% of the shares of the General Partner of LCLP for an estimated purchase price of \$17,519 from Trilon Bancorp Inc., the parent company of BRESL. The estimated purchase price is calculated in accordance the terms of the Fund’s MSA and the Unit and Share Purchase Agreement negotiated by the Fund’s Trustees and is based on an estimated annual royalty stream of \$2,539. Under these arrangements a deposit of \$14,015, being 80% of the estimated purchase price (the “Initial Purchase Obligation”), was due on closing with the balance of the purchase price to be paid in annual installments over the next three years.

Notes to the Interim Consolidated Financial Statements

The Partnership paid an initial deposit of \$1,050 from cash on hand on January 2, 2008. On April 4, 2008, the Fund paid the remaining deposit of \$12,965 and related interest of \$210 from a \$14,000 withdrawal against the \$15,000 Term Facility described in note 7.

iii) Deposit on Acquisition

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

On January 2 and April 4, 2008, \$3,949 and \$12,965, respectively, were paid and recorded as deposit on acquisition, resulting in a total deposit of \$16,914 being paid in respect of the acquisitions. During the three and nine months ended September 30, 2008, \$5,546 and \$16,914, respectively, were transferred from deposit on acquisition to intangible assets. During the three and nine months ended September 30, 2008, \$1,386 was recorded as purchase obligation and the corresponding amount was added to the intangible assets.

5. INTANGIBLE ASSETS

A summary of intangible assets is provided in the chart below. During the nine months ended September 30, 2008, the intangible asset cost base increased by \$20,871 with \$17,694 and \$3,107 resulting from the acquisition of the La Capitale and Royal LePage assets, respectively (see note 4) and \$70 of related legal expenses. The increase attributed to the Royal LePage assets was derived from the transfer from deposit on acquisition, while the increase attributed to the La Capitale assets was comprised of \$15,194 transferred from deposit on acquisition and \$2,500 from future income tax liabilities (see note 3).

	September 30, 2008		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	\$ 144,447	\$ 71,832	\$ 72,615
Relationships and trademarks	54,644	1,338	53,306
	\$ 199,091	\$ 73,170	\$ 125,921

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	\$ 133,393	\$ 59,988	\$ 73,405
Relationships and trademarks	44,828	954	43,874
	\$ 178,221	\$ 60,942	\$ 117,279

6. OPERATING CREDIT FACILITY

On February 16, 2005, the Partnership obtained a credit facility (the "revolver") of up to \$2,000 from a Canadian financial institution. This revolver may be used to provide working capital to the Partnership from time to time. The revolver is subject to annual renewal with outstanding principal under the revolver subject to interest at the lender's prime rate plus 1% to 1.5% or the Bankers' Acceptance rate plus 2% to 2.5%, based on the ratio of total debt to Adjusted EBITDA of the Partnership as defined in the credit agreement.

On February 25, 2008, the Partnership renewed the operating credit facility for an additional year, thereby extending the maturity date to March 6, 2009. All terms and conditions of the initial agreement are applicable during the renewal period.

As at September 30, 2008, the operating credit facility had not been drawn upon.

7. LONG-TERM DEBT

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

	As at September 30, 2008	As at December 31, 2007
Private debt placement	\$ 37,745	\$ 37,617
Term Facility	13,787	–
	\$ 51,532	\$ 37,617

a) Private Placement

On February 18, 2005, the Partnership completed the issuance of a \$38,000 private debt placement (the "private placement") provided by Canadian institutional investors. The private placement is for a five-year term with interest fixed at 5.882%, and only interest payable quarterly in arrears. The proceeds of the private placement, net of \$822 in issue costs, were utilized by the Partnership to payout and retire its \$30,600 term loan and to fund the Partnership's January 1, 2005 franchise agreement acquisition obligations.

The private placement had a fair value of \$37,732 at September 30, 2008 (2007 – \$37,576).

During the three and nine months ended September 30, 2008, \$43 and \$129, respectively, of amortization of the private placement was recorded as interest expense (2007 – \$41 and \$121).

b) Term Facility

On April 4, 2008, in connection with the La Capitale acquisition, the Partnership completed a \$15,000 Term Facility with a single Canadian financial institution of which the Fund drew down \$14,000 on closing. Interest on the Term Facility is available in the form of floating prime rate payable quarterly, or a Bankers' Acceptance rate plus 1% with terms of up to six months. With effect from April 7, 2008, the Partnership entered into an interest rate swap agreement, which fixed the variable portion of the Term Facility's interest at 3.29% for a total effective annual interest rate of 4.29% before legal and associated costs over the term of the facility. The Term Facility and interest rate swap mature on February 17, 2010, the same date as the private placement described above.

The Term Facility had a fair value of \$13,970 on September 30, 2008, the equivalent of its face value of \$14,000 less the \$30 liability attributed to the interest rate swap agreement at September 30, 2008.

During the three and nine months ended September 30, 2008, \$45 and \$71, respectively of amortization of long-term debt relating to the Term Facility was recorded as interest expense.

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

8. NON-CONTROLLING INTEREST

Prior to August 7, 2008 ("Conversion Date"), distributions to holders of the Class B subordinated limited partnership units ("Class B LP Units") were subordinated to the distributions to the holders of Class A limited partnership units ("Class A LP Units"). The non-controlling interest was entitled to indirectly exchange, on a one-for-one basis, subject to adjustment, the Class B LP Units for Units of the Fund on or after conversion date.

Effective August 7, 2008, the subordination period ended and distributions were paid to the holders of Class B LP Units on the same monthly schedule as distributions paid to holders of Class A LP Units.

As at September 30, 2008, the non-controlling interest had not elected to exchange the Class B LP Units for Fund Units.

Notes to the Interim Consolidated Financial Statements

9. EARNINGS PER UNIT

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

10. RELATED PARTY TRANSACTIONS

Unless disclosed elsewhere, the Fund had the following transactions with parties related to the non-controlling interest during the three and nine months ended September 30, 2008 and 2007. These transactions have been recorded at the exchange amount agreed to between the parties.

(unaudited) (in thousands of dollars)	Three months ended Sept. 30, 2008	Three months ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Nine months ended Sept. 30, 2007
a) Royalties				
Fixed, variable and other franchise fees	\$ 634	\$ 597	\$ 1,843	\$ 1,723
Premium franchise fees	\$ 1,437	\$ 1,615	\$ 3,156	\$ 3,327
b) Expenses				
Management fees	\$ 1,805	\$ 1,700	\$ 5,043	\$ 4,539
Interest on Initial Purchase Obligation	-	-	\$ 210	-
Insurance and other	\$ 26	\$ 26	\$ 76	\$ 76
c) Distributions				
Distributions paid to non-controlling interest	\$ 1,125	\$ 998	\$ 3,201	\$ 2,953

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

	As at September 30, 2008	As at December 31, 2007
d) Accounts receivable		
Franchise fees receivable and other	\$ 602	\$ 554
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	\$ 389	\$ 998
Management fees	\$ 482	\$ 429
Purchase obligation	\$ 1,386	\$ 2,295

11. 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 taking a prudent, conservative approach to cash management.

The Fund has \$3,000 unutilized credit under the Term Facility and the revolver described in notes 7 and 6 respectively. Management also maintains working capital ratios that are conservative compared to those required by the covenants associated with the long-term debt.

c) Interest Rate Risk

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

d) Fair Value

The fair value of the Fund's financial instruments, which consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, purchase obligation, distributions payable to unitholders are estimated by management to approximate their carrying values due to their short term nature. The fair market value of the Fund's long-term debt and derivative liability are disclosed in note 7.

12. MANAGEMENT OF CAPITAL

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

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

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

The covenants of the Private Placement and Term Facility prescribe that the Fund must maintain a ratio of adjusted EBITDA to Senior Interest Expense at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Adjusted EBITDA at a maximum 2.25 to 1. The Fund is compliant with all financial covenants.

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

13. SUBSEQUENT EVENT

On October 3, 2008, the Toronto Stock Exchange approved the Fund's notice of intention to make a normal course issuer bid for up to 499,150 of its units, representing 5% of its 9,983,000 outstanding units as of September 30, 2008. The Fund may purchase units at prevailing market prices during the period from October 7, 2008, to October 6, 2009. Purchases will be made at market prices in accordance with the rules and policies of the Toronto Stock Exchange. Daily purchases will be effected through the facilities of the TSX and will be limited to 1,995 units, other than block purchase exceptions. The Fund believes that the purchase by the Fund of a portion of its outstanding units may from time to time be an appropriate use of available resources and in the best interests of the Fund and its unitholders. The Fund intends to finance the purchases with available cash on hand. Units purchased are cancelled at the end of each month.

Unitholder Information

Officers

Philip Soper,
President and Chief Executive

Kevin Cash,
Chief Financial Officer

Board of Trustees

George Myhal,
Chairman

Lorraine Bell
Simon Dean
Allen Karp
Gail Kilgour

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

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Corporate Counsel

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TSX symbol: BRE.UN

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

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