INTERIM REPORT TO SHAREHOLDERS

Brookfield
Real Estate Services Inc.

Momentum you can build on

Profile

The Company is a leading provider of services to residential real estate Brokers and their REALTORS®. The Company generates cash flow from Franchise royalties and service fees derived from a national network of real estate Brokers and Agents in Canada operating under the Royal LePage, Via Capitale and Johnston & Daniel brand names. At March 31, 2015, the Company network consisted of 16,206 REALTORS®.

The Company network has an approximate one fifth share of the Canadian residential resale real estate market based on 2014 transactional dollar volume. The Company generates both fixed and variable fee components. Variable fees are primarily driven by the total transactional dollar volume from the sales commissions of REALTORS®, while fixed fees are based on the number of Agents and Sales Representatives in the Network. Approximately 71% of the Company's revenue is based on fees that are fixed in nature; this provides revenue stability and helps insulate the Company's cash flows from market fluctuations. The Company is listed on the TSX and trades under the symbol "BRE".

For further information about the Company, please visit **www.brookfieldresinc.com**.

Q1 2015 Interim Report to Shareholders Financial and Operating Highlights March 31, 2015 and 2014

Unaudited (In thousands of Canadian dollars)		Three months ended March 31, 2015		Three months ended March 31, 2014
Royalties	$	8,454	$	8,148
CFFO	$	6,018	$	5,698
Dividends	$	2,845	$	2,769
Interest on Exchangeable Units	$	1,318	$	1,270
Current income tax expense	$	894	$	829
Per Share basis				
Royalties	$	0.66	$	0.64
CFFO	$	0.47	$	0.44
Dividends	$	0.30	$	0.29
Interest on Exchangeable Units	$	0.40	$	0.38
Current income tax expense	$	0.09	$	0.09

For the three months ended March 31, 2015 (the "Quarter"), the Company generated net and comprehensive loss of $3.5 million, or $0.37 per share on a diluted basis, compared to a net and comprehensive loss of $4.8 million, or $0.51 per share on a diluted basis, for the same period in 2014. Cash flow from operations ("CFFO") was $6 million, or $0.47 per share, as compared to $5.7 million, or $0.44 per share, for the same period in 2014. Royalties were $8.45 million, as compared to $8.15 million for the same period in 2014 while administration costs were $0.4 million, as compared to $0.3 million, for the same period in 2014.

Market transactional dollar volume for the rolling twelve months ended March 31, 2015 was $200.9 billion, up 12.2% from March 31, 2014, driven by a 6.5% increase in selling price, and a 5.4% increase in home sales activity.

"The start of 2015 has been successful both financially and operationally for the Company," said Phil Soper, President and Chief Executive Officer, Brookfield Real Estate Services Inc. "Our royalties and cash flow from operations were both up on a year-over-year basis, in large part because of our expanding network of Agents. We continued to see success in our acquisition strategy, having added over 500 new Agents and operations in Ontario, Saskatchewan, Quebec and British Columbia since our vend-in period closed last October."

"I am pleased that in the first Quarter we were able to achieve a successful rollout of rlpNetwork, our intranet for Royal LePage Agents and Brokers, and our Broker Advisory Services program. Both of these initiatives will help our network of Agents improve their productivity and maximize their earning potential," added Soper.

The Company Network

As at March 31, 2015, the Company Network consisted of 16,206 REALTORS®, operating under 312 Franchise Agreements providing services from 668 locations, with an approximate one fifth share of the Market, based on 2014 transactional dollar volume. During the Quarter, the Company Network increased by 829 Agents, as a result of the acquisition of Franchise Agreements and addendums on January 1, 2015 represented by 858 REALTORS® operating under the Royal LePage and Via Capitale brands, which was partially offset by the net attrition of 29 Agents.

Q1 2015 Interim Report to Shareholders
Financial and Operating Highlights
March 31, 2015 and 2014

Monthly Cash Dividend

The targeted annual cash dividend payable to public shareholders for 2015 is $1.20 per share, is unchanged from 2014 and is to be paid monthly. The Company declared a cash dividend of $0.10 per share for the month of May 2015, payable on June 30, 2015, to shareholders of record on May 29, 2015. Management and the Board of Directors periodically review the Company's targeted dividends and distributions.

CFFO

This overview and accompanying financial statements make reference to cash flow from operations ("CFFO") on a total and per restricted voting share basis. CFFO is defined as net income prior to fair value changes, amortization, interest on Exchangeable Units, income taxes, and items related to other income. CFFO is used by the Company to measure the amount of cash generated from operations, which is available to the Company's shareholders on a diluted basis, where such dilution represents the total number of shares of the Company that would be outstanding if Exchangeable Unitholders converted Class B LP units into shares of the Company. The Company uses CFFO to assess its operating results and the value of its business, and it believes that many of its shareholders and analysts also find this measure of value to them. CFFO does not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

Outlook

"It is an interesting period in the Canadian residential real estate market, where different territories have markedly mixed prospects for the year ahead. We expect that Toronto, Vancouver and some surrounding areas will remain hot as many eager buyers chase the limited inventory available. Provinces where energy is a major component of the economy, including Alberta, Saskatchewan and Newfoundland and Labrador, are likely to see less activity and potentially softer prices if oil prices remained depressed, although we are encouraged by the bounce back in the price per barrel of oil we saw in April," said Soper.

Philip Soper
President and Chief Executive

Kevin Cash
Chief Financial Officer

May 5, 2015

Q1 2015

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This section of Brookfield Real Estate Services Inc.'s (the "Company") interim report includes management's discussion and analysis ("MD&A") of our results and financial condition for the three months ended March 31, 2015 (the "Quarter") and has been prepared as at May 5, 2015. The financial information presented herein has been prepared on the basis of International Financial Reporting Standards and is expressed in Canadian dollars unless otherwise stated.

The definitions of terms capitalized in this MD&A are provided in the Glossary of Terms commencing on page 33.

This MD&A is intended to provide you with an assessment of our past performance as well as our financial position, performance objectives and future outlook. The information in this section should be read in conjunction with our audited financial statements for the year ended December 31, 2014, prepared in accordance with IFRS. Additional information relating to our Company, including our Annual Information Form, is available on SEDAR at www.sedar.com. All dollar amounts are in Canadian dollars unless otherwise specified.

Management's Discussion and Analysis of Results and Financial Condition

Highlights

Three months ended March 31, ($ 000's) except REALTORS® and per share amounts		Q1 2015		Q1 2014
Royalties	$	8,454	$	8,148
Less:				
Administration expenses		352		254
Management fee		1,504		1,425
Interest expense		580		771
Cash flow from operations	$	6,018	$	5,698
Amortization of intangible assets		(2,465)		(2,942)
Impairment of intangible assets		(46)		(69)
Interest on Exchangeable Units		(1,318)		(1,270)
Loss on fair value of Exchangeable Units		(3,827)		(4,792)
Loss on interest rate swap		(1,561)		–
Loss on fair value of purchase obligation		(17)		(897)
Current income tax expense		(894)		(829)
Deferred income tax recovery		584		293
Net and comprehensive loss	$	(3,526)	$	(4,808)
Basic loss per share	$	(0.37)	$	(0.51)
Diluted loss per share	$	(0.37)	$	(0.51)
Cash flow from operations per share on a diluted basis	$	0.47	$	0.44
Total assets	$	96,421	$	94,688
Total financial liabilities	$	117,788	$	109,827
Number of REALTORS®		16,206		15,685

The table above sets out selected historical information and other data for the Company, which should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2014.

As at March 31, 2015, the Company consisted of 16,206 Canadian REALTORS® contracted with 281 Broker-Owners operating under 312 Franchise Agreements from 668 locations, providing services under the Royal LePage, Johnston & Daniel and Via Capitale brand names collectively as the Company Network, with an approximate one fifth share of the Canadian residential real estate Market based on 2014 transactional dollar volume.

Business Strategy

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

Our objective is to provide our stakeholders with an investment vehicle that pays stable and growing dividends. Our revenue is driven primarily by royalties derived from long-term Franchise Agreements. These royalties are weighted toward fees that are fixed in nature; this has proven to be effective in moderating the variations in overall industry activity that can occur in the Canadian residential real estate Market. We manage our operating costs and associated risks by delivering our services and management of the Company through an Amended and Restated Management Services Agreement ("MSA"), which is provided by Brookfield Real Estate Services Manager Limited (the "Manager"), a subsidiary of Brookfield Asset Management Inc. ("BAM").

The senior management team of the Manager developed and managed the Royal LePage Network before the inception of the Company, and BAM, through its subsidiary holdings, holds an approximate 28.4% interest in the Company. As a result of this arrangement, the underlying costs of the Company are not complex as they are limited to management fees paid under the MSA, public company operating costs and carrying costs associated with our debt.

The number of REALTORS® and transaction volumes generated in the markets we serve, the manner in which we structure our contracted revenue streams and our success in attracting Agents and Brokers to our brands through our value proposition and track record are all key drivers of the Company's performance. These drivers, in combination with other uncontrollable risk factors, including the economy at large, government and regulatory activity (see Recent Developments), all impact the Company's performance and are discussed in greater detail throughout this MD&A.

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

Structure of Company Royalties

ROYALTY FEES

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

Fixed royalty fees are based on the number of Agents and fee-paying Sales Representatives, collectively "selling-REALTORS®", in the Company Network. Fixed Franchise fees from Royal LePage Franchisees consist of a monthly fixed fee of $102 ($100 prior to 2014) per selling-REALTOR®, a technology fee and other fees, while those from Via Capitale Franchisees consist primarily of a monthly fee of approximately $170 per selling-REALTOR®.

Variable royalty fees are primarily driven by the volume of business transacted by our Agents. Variable Franchise fees from Royal LePage Franchisees are driven by the transactional dollar volume transacted by the Agents and are derived as 1% of each Agent's or Team of Agents' gross commission income, subject to a cap of $1,300 per year. In 2014 approximately 3,000 Agents and Teams exceeded the cap.

In addition to these fees, 23 of the Company'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 Agent Gross Revenue. Of these locations, 17 are operated by the Manager and are contractually obligated to pay the Premium Franchise Fee to August 2018.

NETWORK ROYALTY PROFILE

The Royal LePage Network: The fees generated from the Royal LePage Network accounted for 92% of the Company's fees for the Quarter (92% – 2014) and are primarily made up of a fixed monthly fee per Agent of $102 plus a $20 technology fee per participating Franchisee (representing 97% of Agents in 2014); a variable fee equal to 1% of the fees generated by the Agent or Team of Agents, capped at $1,300 per Agent; and a premium variable fee, as described above.

Due to the variable fee-capping feature, approximately 70% (70% – 2014) of the Royal LePage Network fees were fixed in nature.

The Via Capitale Network: The fees generated from the Via Capitale Network, which services the Quebec market, accounted for 8% of the Company's fees during the Period (8% – 2014). These fees are primarily made up of a fixed monthly fee per Agent of $170 ($2,040 per annum) and fees generated from APEC. Approximately 78% (78% – 2014) of Via Capitale's royalties for the Period were fixed in nature.

SALES REPRESENTATIVES

Sales Representatives are individuals in the Royal LePage Network who are licenced to buy and sell real estate and who do so through an affiliation with an Agent. This affiliation is called a Team. Sales Representatives pay the same monthly fixed fees as an Agent, however for purposes of the $1,300 variable fee cap, the gross commission income of all Team members is aggregated to one cap. In the past the Company has reported the number of Sales Representatives. Commencing with the fourth quarter of 2014 the Company does not report the number of Sales representatives separately, as they pay the same fixed fees as Agents and purposes of the analysis of the Company's variable fees, the number of Agents and Teams that exceed the cap and the approximate percentage of gross commission this group captures of the overall Royal LePage Network is disclosed.

FRANCHISE AGREEMENTS

Franchise Agreements are defined as the agreements pursuant to which brokerage offices offer residential brokerage services. These Franchise Agreements are comprised of a standard contract which governs matters such as use of the Trademarks, initial and renewal terms, services to be provided and fees. Over the term of the standard contract the Franchisee may undertake activities which require an amendment to the standard contract such as the opening of a new location. These changes are documented by way of an addendum to the standard contract and form part of the standard contract.

OVERVIEW OF FIRST QUARTER 2015 OPERATING RESULTS

For the rolling twelve months ended March 31, 2015, the Canadian Market, as defined by Market transactional dollar volume, closed up 12.2%, at $200.9 billion, as compared to the same period of 2014, driven by 6.5% increase in selling price and 5.4% increase in units sold.

During the Quarter, the Canadian Market closed up 11.8%, at $43.2 billion, as compared to the same period of 2014, driven by a 7.1% and 4.4% increase in price and units sold, respectively. The impact of the increase in units sold and price appreciation on the Canadian Market continues to be most pronounced in the Toronto and Vancouver markets while a number of other markets across the country experienced flat to moderate price and unit sales increases. The continued increase in price is a function of a continued tight market and the mix of homes sold, backstopped by a continued low interest rate environment.

For the Quarter the Company generated a net and comprehensive loss of $3.5 million (2014 – $4.8 million), or $0.37 per Restricted Voting Share on a diluted basis, which was down $1.3 million, from a loss of $0.51 per Restricted Voting Share on a diluted basis for the same period in 2014. The primary drivers of the decrease in the net and comprehensive loss as compared to the same period in 2014 was an increase of $0.3 million attributed to cash flow from operations (see below), $0.9 million attributed to the loss on purchase price obligations for Franchise Agreements and addendums recorded in 2014 which did not reoccur in 2015, a $1.0 million reduction in the year over year loss on Exchangeable Units that is attributed to a $1.15 increase in share price for the Quarter as compared to an increase of $1.44 during the same period of 2014 and a $0.5 million decrease in year over year amortization cost. These increases in year over year net and comprehensive income were partially offset by a $1.6 million loss attributed to the valuation of the interest rate swap on the Company's $53 million term facility and an increase of $0.3 million in income tax expense.

For the three months ended March 31, 2015, the Company generated CFFO of $6.0 million (2014 – $5.6 million), or $0.47 per Restricted Voting Share on a diluted basis, which was up $0.3 million, from $0.44 per Restricted Voting Share on a diluted basis for the same period of 2014. This $0.3 million increase was driven by an increase in royalties, due primarily to an increase in the number of Agents in the Network as a result of the acquisition of Franchise Agreements at the beginning of the Quarter. Operating costs were flat year over year as reduced interest costs obtained through the refinancing of the Company's debt arrangements in October 2014 were offset with increase management fees resulting from increased royalties as a result of the acquisition of Franchise contracts on January 1, 2015 and an increase in bad debts for Franchisees experiencing financial difficulties.

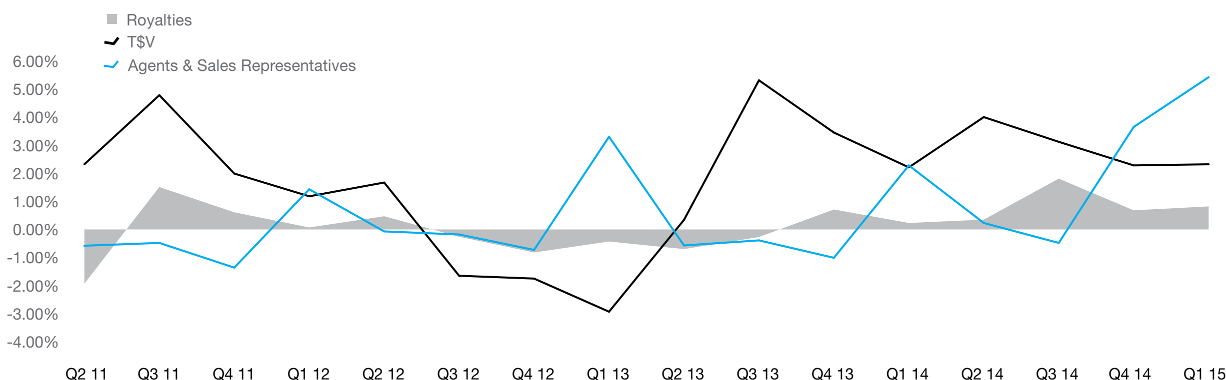
The Company Network experienced a net increase of 829 Agents during the Quarter, compared to a net increase of 375 Agents in the same period in 2014. This increase consisted of 858 Agents from acquisitions of Franchise Agreements and addendums on January 1, 2015 (493 Agents – January 1, 2014), offset by net organic attrition of 29 Agents for the Quarter (118 – 2014).

During the Quarter, three Franchise Agreements, representing 158 Agents that were subject to renewal, renewed.

ROYALTIES

The most significant drivers of the Company's royalties are Market activity, the number of Agents in the Company Network and competition. The chart below summarizes the percentage change in transactional dollar volume in Canada, the Company's royalties and the number of Agents on a rolling twelve-month quarter-over-quarter basis since 2010. As noted from the chart below, the vend-in of Franchise Agreements and addendums in the first quarter of each Year and the organic change in the number of Agents, combined with the fixed-fee nature of our royalties, mitigate the impact of Market fluctuations. In addition, the Lag Effect of the Company's policy of recording variable and Premium Franchise Fee royalties when a home sale transaction closes, which occurs after the home sale has been reported by the Market, is quite evident.

ROLLING TWELVE MONTH % CHANGE FROM PRIOR QUARTER



Recent Developments

ECONOMIC DEVELOPMENTS

After cutting its long-held rate by one-quarter of a per cent early in January, the Bank of Canada ("BoC") held firm on its March and April interest rate announcements, which bodes well for a continuing low interest rate environment. In holding firm on rate the BoC noted that the oil shock was front end loaded to the first Quarter of 2015 and with roughly balanced risks to the outlook for inflation they expect Real GDP growth to "…rebound in the second quarter and subsequently strengthen to average about 2 ½ per cent on a quarterly basis until the middle of 2016".

All of these factors appear to be combining for an overall steady but measured Market for the balance of the year as the consumer sentiment which has been affected by the oil industry decline has been offset by lower interest rates. On balance, we believe we will not be experiencing the kind of appreciation observed over the last three years any time soon, as markets work through the current cycle and align with broader economic conditions. In terms of downside risk, we do not foresee a sharp decline in home prices, particularly in today's low interest rate environment.

TORONTO REAL ESTATE BOARD

The Toronto Real Estate Board's ("TREB") tribunal hearing with Canada's Competition Bureau has been rescheduled from May to the end of September. This new hearing is a continuation of the long debate which began in May 2011 over concerns of privacy, competitive practices and consumer rights between TREB and the federal Competition Bureau.

The Company does not believe that the Competition Bureau's dispute with TREB will have a material adverse impact on its business. Our real estate Agents and their clients both want to be able to advertise their listed properties in the most effective manner, whether this be on the Realtor.ca website (operated by MLS) or some other alternative. Our Agents have legitimate concerns about the privacy and the proprietary nature of their listing information. That said, we encourage openness in our industry where practical and believe that real estate listing websites will continue to expand and flourish, regardless of the outcome of the current dispute between TREB and the Competition Bureau.

Management's Discussion and Analysis of Results and Financial Condition

CANADIAN FRANCHISE ASSOCIATION – 2015 OUTSTANDING CORPORATE CITIZEN

The Company's Royal LePage Franchise operation was named 2015 Outstanding Corporate Citizen by the Canadian Franchise Association and becomes the first real estate agency to achieve that accolade. The award was made for the Company's support of local communities through its network of 600 brokerage offices and for nationwide philanthropy, especially through its charity the Royal LePage Shelter Foundation.

Key Performance Drivers

The key drivers of the Company's business and dividends payable to shareholders are:

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

A summary of our performance against these drivers and a discussion of the underlying Market follows.

Stability of the Company's Royalty Stream

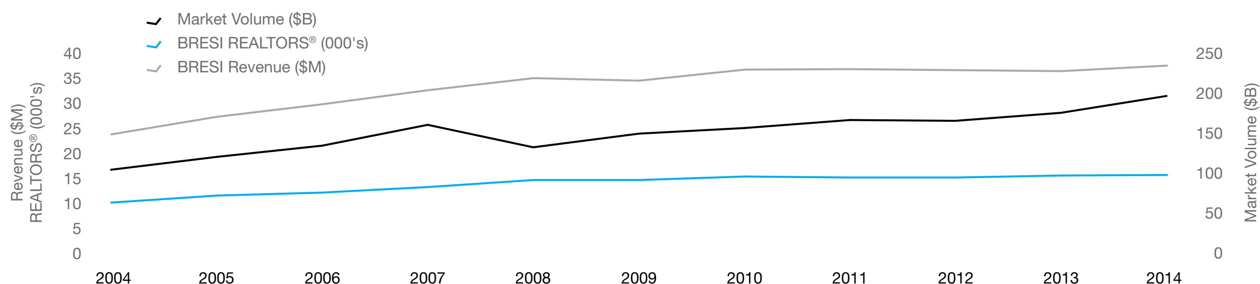
The stability of the Company's royalty stream is derived from a number of factors, including the fixed-fee structure of the Company's royalties, the diversity of the Company Network, the geographic distribution of the Company Network, the length of the Company's Franchise Agreements and the renewal of Franchise Agreements. A discussion of these factors follows.

FIXED-FEE STRUCTURE

The fixed nature of the fees generated under the Company Network Franchise Agreements (see Structure of Company Royalties) results in an approximate 71% fixed and 29% variable royalty stream which partially insulates the Company from fluctuations in the Market.

The fixed nature of the fee structure is quite evident, as can be seen in the chart below, which compares the Company's royalties to the Market and underlying Company Network.

REVENUE, MARKET AND REALTOR® TRENDS



INCREASE IN FEES

Under our Franchise contracts we are permitted to increase our fixed and variable fees. Such increases are limited to the change in the underlying consumer price index.

On February 11, 2015 the Company announced that the Royal LePage Network monthly fee of $102 per Agent will be increased to $105 per Agent and the cap on the 1% variable fee payable will increase from $130,000 gross revenue to $132,500 gross revenue. The increase in the cap translates to a maximum annual increase of $25 for those Agents or Teams who earn $132,500 or more in gross income per annum. In 2014, approximately 3,100 Agents and Teams earned in excess of this cap.

The increases to take place on January 1, 2016 impact approximately 85% of the Franchise Agreements for the Royal LePage Network of Agents. The fee increase for the remainder of the Royal LePage Network will be effective January 1, 2017. Based on the number of fixed fee paying Agents in Royal LePage Network as at January 1, 2015 and 2014 transaction dollar volumes this increase in fees translates into approximately $600,000 of incremental annual fees when fully implemented.

NETWORK DIVERSITY AND GEOGRAPHIC DISTRIBUTION

As at March 31, 2015 the diverse Company Network of 16,206 REALTORS® operates through 281 Broker-Owners providing services across the country through 668 locations operating under 312 Franchise Agreements.

With diverse Market requirements our Broker-Owner's operations are as diverse, varying in size and scope with 20% of the Company Network of Agents represented by 71% of our Broker-Owners who operate with fewer than 50 REALTORS® and 80% of the Company Network of Agents represented by 29% of our Broker-Owners who operate with 50 or more REALTORS®.

As noted in the chart below the Company Network of REALTORS® is geographically disbursed across Canada. As compared to the distribution of REALTORS® across Canada the Company Network is under represented in British Columbia and Alberta, on par in the Prairies and east of the Prairies with the Province of Quebec benefiting in part due to the acquisition of the Via Capitale Network in 2008.

	Canadian[1] REALTOR Population	Company[2] Network REALTORS
Ontario	55%	61%
Prairies	12%	10%
BC	17%	10%
Quebec	12%	16%
Maritimes	4%	3%
Total	100%	100%

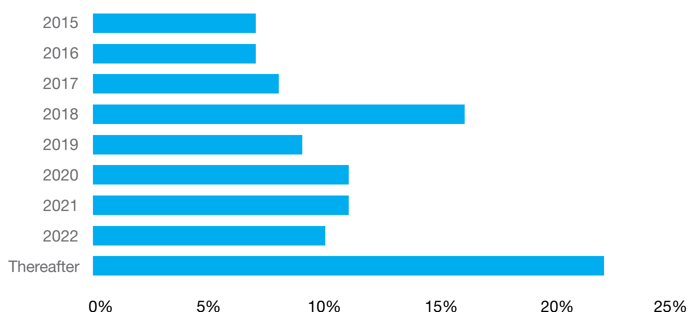
[1] Source CREA: as at March 31, 2015
[2] As at March 31, 2015

FRANCHISE AGREEMENT TERMS

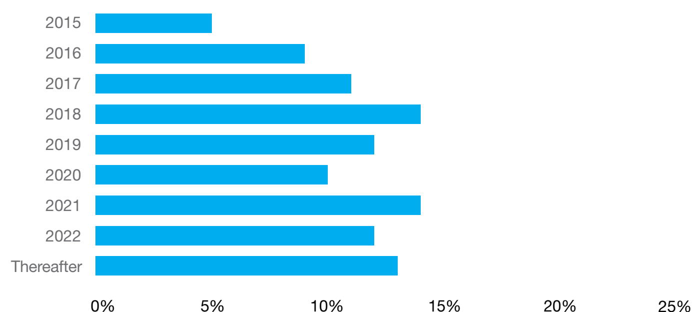
The Royal LePage Franchise Agreements, which are represented by 93% of the Company's REALTORS®, are 10 to 20 years in duration, significantly exceeding the industry norm of five years and thereby reducing agreement renewal risk. At the time of the initial public offering ("IPO"), the Company's Royal LePage Franchise Agreements were largely subject to five-year renewal terms. Since the IPO, the Company's standard renewal terms for agreement additions are typically 10 years in duration. The Company further extends agreements in existence at IPO to 10 years as and when opportunities present themselves. The Company's overall agreement renewal profile by year is not overly skewed to any one year and, as such, is very manageable. A summary of our agreement renewal profiles as at December 31, 2014 for our combined Royal LePage and Via Capitale networks is shown below.

The Via Capitale Franchise Agreements, which are represented by 7% of the Company's REALTORS®, are typically five years in duration.

% OF FRANCHISE AGREEMENTS UP FOR RENEWAL
(by Number of Agents)



% OF FRANCHISE AGREEMENTS UP FOR RENEWAL
(by Number of Agreements)



RENEWALS

The Company has historically enjoyed 95% plus renewal success of Franchise Agreements as they come due, expressed as a percentage of the underlying number of REALTORS® to these agreements. Due to the ongoing success of our Franchisees, a number of opportunities, such as increasing Franchisee locations, present themselves to renew Franchise Agreements before they come due.

During the Quarter, three Franchise Agreements, representing 158 Agents that were subject to renewal, renewed.

During the Quarter, no Franchise Agreements were terminated.

Number of REALTORS® in the Company

As at March 31, 2015, the Company Network of 16,206 REALTORS® increased by 829 REALTORS®, compared to a net increase of 375 REALTORS® during the same period in 2014. After taking into account the 858 REALTORS® added through the acquisition of Franchise Agreements and addendums on January 1, 2015, the Company experienced net attrition of 29 REALTORS® or 0.2% of the Company Network as compared to the 0.5% – 603 Agent growth experienced in the overall Canadian REALTORS® population.

During the Quarter all areas of the country experienced growth in the number of REALTORS® with BC and Prairies leading with a 1% increase while Ontario was up 0.3% and Alberta, Quebec and the Maritimes were up between 0.6% to 0.5%. The number of REALTORS® across Canada as compared to March 31, 2014 was up 2.4% with Ontario leading with a 4.3% increase followed by BC with 2.9%, Alberta with 1.3% and the Prairies with 1.3% while Quebec and the Maritimes experienced net attrition of 3.3% and 3.9% respectively.

During the Quarter, after taking into account the Company's acquisition of contracts representing 858 Agents, the Company experienced net organic agent attrition of 29 Agents or 0.2% of the Company network with the majority of the decrease coming from the province of Quebec. This compares favorably to the net organic agent attrition of 118 Agents which was experienced during the first quarter of 2014.

SUMMARY OF CANADIAN AND COMPANY GROWTH IN REALTORS®

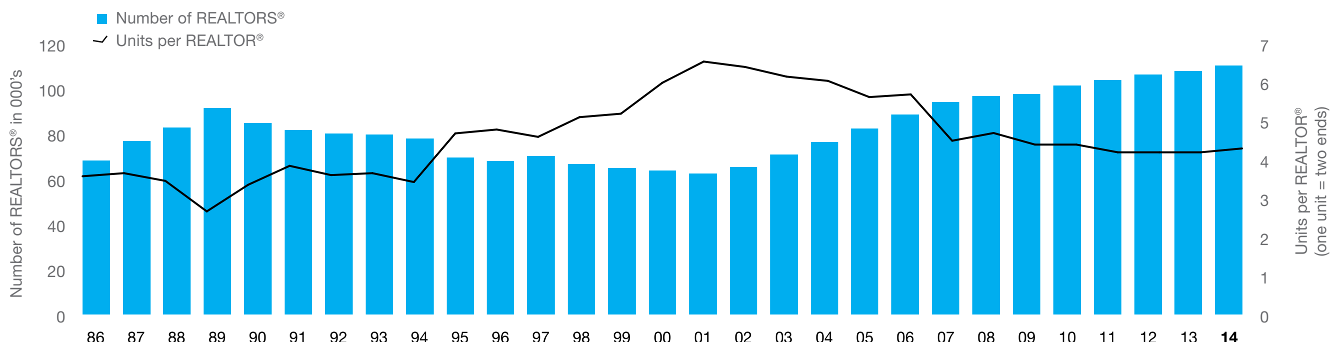
	Canada*		The Company Network	
	Number of Licensed Members	% Change	Number of Licensed Members	% Change
Opening	**108,278**	**1.2**	**15,310**	**1.5**
2014 Q1	428	0.4	375	2.4
2014 Q2	672	0.6	12	0.1
2014 Q3	587	0.5	(104)	(0.7)
2014 Q4	856	0.8	(216)	(1.4)
Opening	**110,821**	**2.3**	**15,377**	**0.4**
2015 Q1	603	0.5	829	5.4
Closing	**111,424**	**0.5**	**16,206**	**5.4**

* Source – CREA
Beginning 2014, CREA no longer reports the number of affiliate members and as such the figures previously reported by CREA have been eliminated.

The increase in the number of Canadian REALTORS® has in part been driven by increases in discount brokerage offerings, which have attracted new entrants to the industry and what appears to be an increase in market activity serviced by REALTORS® operating as Teams. This increase in REALTORS® and change in mix has resulted in a modest 3% year-over-year increase in the number of homes sold per REALTOR®. As summarized in the chart below, it shows 2014 and 2013 closing up at 4.3 units per REALTOR®, from 4.2 in 2012 and in line with 4.3 units per REALTOR® in 2011.

CANADIAN REAL ESTATE REALTORS®

(Years ended December 31)



Transaction Volumes

For the twelve months ended March 31, 2015, the Canadian Market closed up 12.2%, at $200.9 billion, as compared to the same period of 2014, driven by a 6.5% and 5.4% increase in price and units sold, respectively. The increase in average selling price of a home was buoyed by robust activity in the Toronto and Vancouver markets and the low interest rate environment

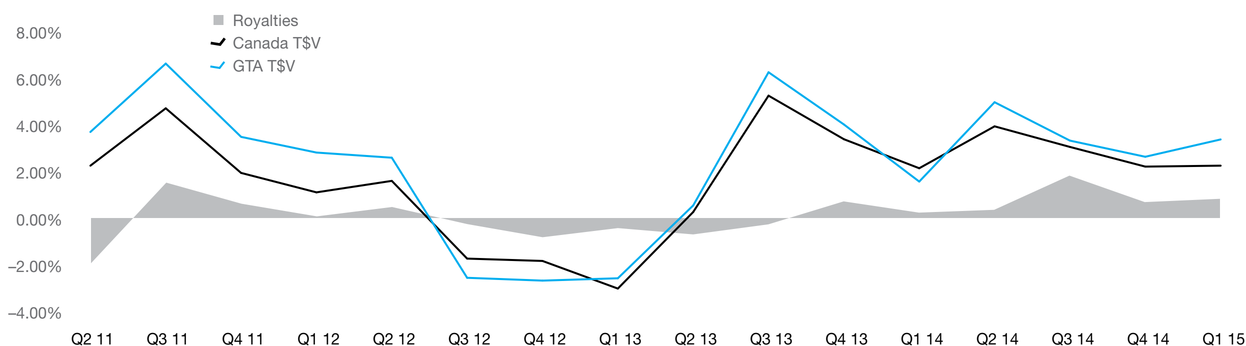
During the Quarter, the Canadian Market closed up 11.8%, at $43.2 billion, as compared to the same period of 2014, driven by a 7.1% and 4.4% increase in price and units sold, respectively, for the reasons noted above.

For the rolling twelve months ended March 31, 2015, the GTA Market closed up 15.4%, at $54.7 billion, as compared to the same period of 2014, driven by a 8.1% and 6.7% increase in price and units sold, respectively, for the reasons noted above.

During the Quarter, the GTA Market closed up 18.5%, at $11.7 billion, as compared to the same period of 2014, driven by a 8.3% and 9.4% increase in price and units sold, respectively.

The GTA market, as presented in the chart below, typically lags the Canadian Market and has had a more pronounced change in Market activity. This may cause the Premium Franchise Fees received by the Company from this Market to differ from the change in the overall Canadian Market.

ROLLING TWELVE-MONTH % CHANGE FROM PRIOR QUARTER



Management's Discussion and Analysis of Results and Financial Condition

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

From CMHC[1]: On an annual basis, housing starts are expected to range between 154,000 and 201,000 units in 2015 and from 148,000 to 203,000 units in 2016. Multiple Listing Service® (MLS®) sales are expected to range between 425,000 and 504,000 units in 2015 and 410,000 to 505,000 units in 2016. The average MLS® price is forecast to be between $384,000 and $428,000 in 2015. In 2016, the average MLS® price is expected to be between $388,000 and $438,000. The point forecasts call for a 1.5 per cent gain in 2015 and a further 1.6 per cent gain in 2016. MLS® sales in 2015 are expected to remain close to levels observed in 2014. By 2016, demand for existing units is expected to moderate slightly relative to 2014 and 2015, but still remain above the average MLS® national sales level over the 2009 to 2013 period.

From CREA[2]: The national average home price is now forecast to rise by two per cent to $416,200 in 2015. Only British Columbia (+3.4 per cent) and Ontario (+2.5 per cent) are forecast to see gains in excess of the national increase. Prices are projected to remain largely stable elsewhere, with increases or decreases of around one per cent or less this year. The exception is Alberta, where average price is forecast to fall by 3.4 per cent, reflecting a pullback in sales for luxury properties compared to homes in more affordable price segments.

From TREB[3]: Greater Toronto Area REALTORS® reported 8,940 sales in March 2015. This result represented an 11 per cent increase compared to March 2014. Sales were up for most major home types, both in the City of Toronto and the surrounding regions. New listings were also up, but by a lesser 5.5 per cent, indicating tighter market conditions. In March, the average selling price for all reported transactions was $613,933 – up 10 per cent year-over-year. The MLS® HPI Composite Index, which tracks benchmark homes with the same attributes from one period to the next, was up by 7.9 per cent. Average price growth was strongest for detached homes in the City of Toronto, at 15.9 per cent. Over the same period the detached MLS® HPI in the '416' area code increased 7.8 per cent. The MLS® HPI provides a clear indication of price growth due to market forces – the relationship between demand and supply. Comparing MLS® HPI growth to average price growth provides a sense of the changing mix of home types sold from one period to the next.

Company's Growth Opportunities

Growth in the Company's royalties is achieved by increasing the number of REALTORS® in the Company Network through organic growth and acquiring Franchise Agreements from the Manager, increasing the productivity of Agents, expanding the range of products and services supporting Franchisees and their Agents and increasing the adoption of these products and services. These services are supported by ongoing training programs for Franchisees and REALTORS®, which assist in leveraging the Company's competitive advantages to attract and retain potential recruits.

GROWTH IN NUMBER OF REALTORS®

Our growth objective for 2015 in light of the economy and Market conditions is to increase the year-over-year Company Network of REALTORS® through the continued momentum of converting competitive offerings to the Company's brands and development of programs to increase organic agent growth.

Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network to March 31, 2015 has increased by 75.4% (6,968 REALTORS®), of which 82% has been through acquisitions and 18% through organic growth.

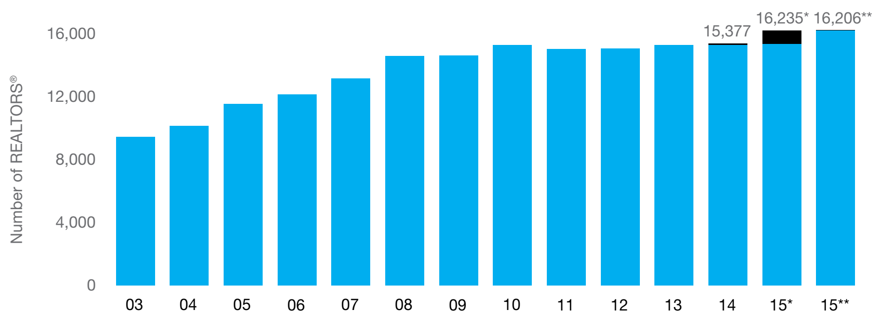
Growth through acquisition is achieved by purchasing Franchise Agreements acquired by the Manager's dedicated Network development team.

On January 1, 2015, the Company purchased Franchise Agreements and addendums representing 40 real estate operations, serviced by an estimated 858 Agents operating under the Royal LePage and Via Capitale brands. The estimated purchase price of these agreements was $10.2 million, with an estimated annual royalty stream of $1.5 million. (See – Transactions with Related Parties.)

A summary of the growth of the Company Network since inception is summarized in the chart below.

[1] Source: CMHC Housing Market Outlook – First Quarter 2015
[2] Source: CREA Updates and Extends Resale Housing Forecast, published March 13, 2015
[3] Source: TREB Market Watch data, published April 7, 2015

COMPANY GROWTH



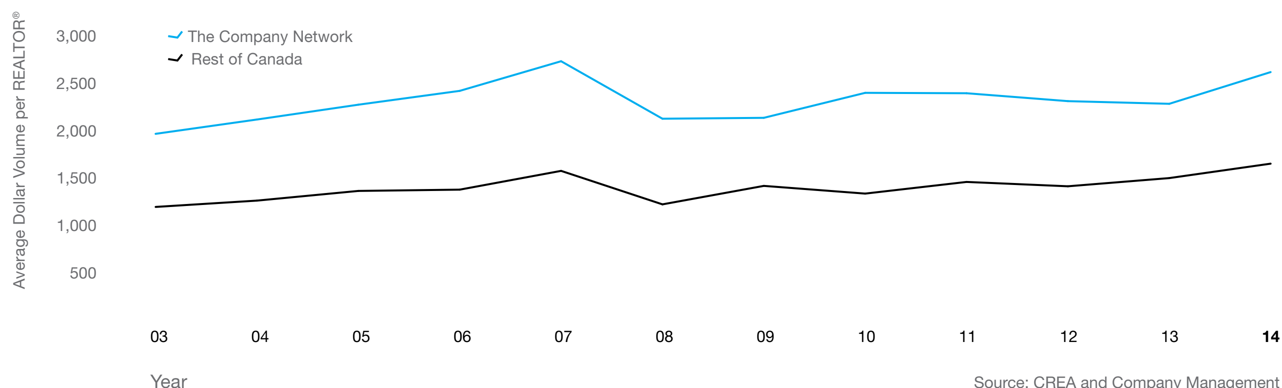
Year ended December 31, except 2014
*As at January 31, 2015
**As at March 31, 2015

REALTOR® Productivity

The average Company Network REALTOR® generated approximately $2.5 million in transactional dollar volume for the twelve months ended December 31, 2014, which is up 11% from 2013. This productivity was 51% greater than the estimated average of $1.7 million for all other Canadian REALTORS®, up from $1.5 million in 2013. Management believes that the higher productivity of Company Network REALTORS® makes the Company less prone than the industry at large to a loss of REALTORS® during a period of reduced transactional dollar volume. A summary of average transactional dollar volume per REALTOR® for the years ended December 31, 2003 through 2014 is summarized in the chart below.

CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET REALTOR® PRODUCTIVITY

(Average Transactional Dollar Volume per REALTOR®, $ thousands)



Year

Source: CREA and Company Management

PRODUCTS AND SERVICES

During 2014 the Manager re-launched the Company's consumer-facing websites to capitalize on the referral, Franchisee and REALTOR® attraction and retention opportunities represented by displaying the listings of all participating REALTORS® on the Company's consumer-facing websites.

The Manager continues to develop, introduce and support new tools, services and programs to assist Franchisees in attracting and retaining REALTORS®, increasing their productivity and reducing administration costs.

Management's Discussion and Analysis of Results and Financial Condition

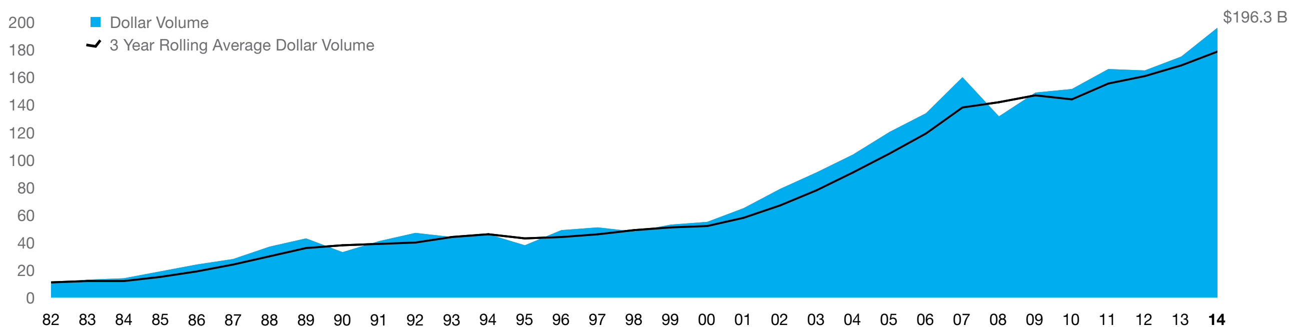
The Canadian Residential Real Estate Market

Since 1980, the Market has grown at a compound annual growth rate ("CAGR") of 9.7%. Over the last three years the Market has been relatively stable with a CAGR of 6% driven by a 1.5% increase in units and a 4.1% increase in selling price due in part to a combination of a low interest rate environment and government-mandated mortgage tightening rules. Over the last quarter century there has been three significant downturns, in each case the Market demonstrated its resilience by returning to pre-downturn levels within 24 months. These downturns occurred in 1990, 1995 and 2008 with durations of 13, 14 and 16 months and decreases of 26%, 21% and 19%, respectively.

During 2008 downturn the Market declined 19% during the 16 month period of February 2008 through May 2009 with the most significant downturn occurring in the fourth quarter of 2008, when the Market declined by 40% as compared to the same quarter in 2007. The Market began to gain momentum in early 2009 and gained further strength in the first half of 2010 due in part to consumers seeking to close home sales ahead of government-mandated changes to mortgage rules, anticipated increases in mortgage rates and the introduction of HST on July 1, 2010. The latter half of 2010 leveled off due in part to the pull forward of demand as discussed above and set the stage for the relatively stable growth the Market has experienced since the end of 2010.

MARKET DOLLAR VOLUME – CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET

(1982–2014) (In $billions)

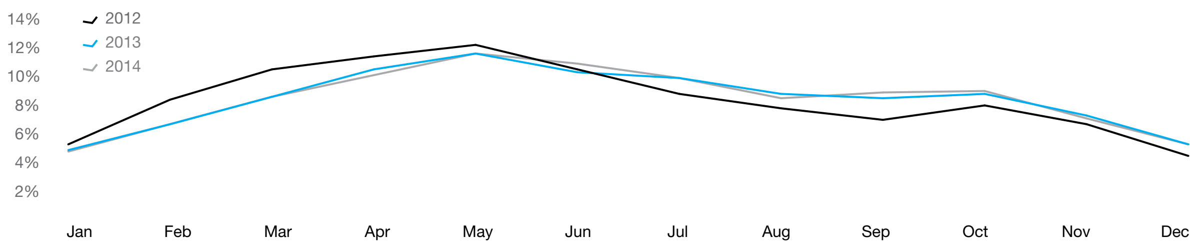


Source: CREA

The Company's royalty revenues are affected by the seasonality of the Market, which typically has stronger second and third quarters, as summarized in the chart below. The seasonality of the Market is in turn mitigated throughout the year by the fixed-fee nature of the Company's royalties, the acquisition of Franchise Agreements at the beginning of the year and in the latter part of the year by the Royal LePage Agents and Teams who have capped out under the 1%/$1,300 per annum variable fee.

CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET

(% Transaction dollar volume by month)



Source: CREA and Company Management

Operating Results

Three months ended March 31,
($ 000's) except REALTORS® and per share amounts

		2015		2014
Royalties				
Fixed Franchise fees	$	4,931	$	4,739
Variable Franchise fees		1,759		1,728
Premium Franchise Fees		829		791
Other revenue and services		935		890
		8,454		8,148
Less:				
Administration		352		254
Management fee		1,504		1,425
Interest expense		580		771
		2,436		2,450
Cash flow from operations		6,018		5,698
Amortization of intangible assets		2,465		2,942
Impairment of intangible assets		46		69
Interest on Exchangeable Units		1,318		1,270
Loss on fair value of Exchangeable Units		3,827		4,792
Loss on interest rate swap		1,561		–
Loss on fair value of purchase obligation		17		897
Loss before income taxes		(3,216)		(4,272)
Current income tax expense		(894)		(829)
Deferred income tax recovery		584		293
Net and comprehensive loss	$	(3,526)	$	(4,808)
Basic loss per share	$	(0.37)	$	(0.51)
Diluted loss per share	$	(0.37)	$	(0.51)
Number of REALTORS®		16,206		15,685

As summarized in the table above, during the Quarter, the Company generated net and comprehensive loss before income taxes of $3.2 million and CFFO of $6.0 million, compared to net and comprehensive loss before income taxes of $4.3 million and CFFO of $5.7 million for the same period in 2014.

The Company Network as at March 31, 2015 consisted of 16,206 Agents and Sales Representatives, which includes 243 Broker-Owners and managers who do not pay fees. Approximately 93% of the Company Network of paying Agents are represented by our Franchisees operating under the per-Agent combined flat fee of $102 per month and 1% of gross earnings option (the "$102/1% option") and the balance to the approximate $170 per month flat fee.

Royalties for the Quarter totaled $8.5 million, compared to $8.2 million for the same period in 2014. Fixed, variable and Premium Franchise Fees together represented 89% of royalties (89% – 2014). Royalties increased due primarily to the larger Agent base.

Fixed Franchise fees for the Quarter increased by 4.1% as compared to the same period of 2014, due to the increase in the Agent base resulting from to the acquisition of Franchise Agreements and addendums representing 858 Agents at the beginning of the year, partially offset by attrition experienced over the comparative period.

Variable Franchise fees for the Quarter increased by 1.8%, which follows the increase in transaction dollar value of the Market driven by robust Toronto and Vancouver markets, mitigated by the Lag Effect, Agents and Teams who have exceeded the $1,300 annual variable fee cap and the over weighting of the BC market due to their higher selling prices where the Company's Network of Agents is under represented.

Management's Discussion and Analysis of Results and Financial Condition

Premium Franchise Fees are derived from the 23 Franchise locations servicing the GTA Market, which pay Premium Franchise Fees ranging from 1% to 5% of the location's gross revenue. Premium Franchise Fees for the Quarter have increased by 4.8%, which follows the increase in the underlying Market activity, mitigated by the Lag Effect as previously described.

Other fees and services include home warranty fees, technology fees and other fees, which accounted for approximately 11.1% of total royalties for the Quarter. Other fees increased 5.1% in the Quarter over the same period due to the technology fees earned from Franchise Agreements and addendums acquired on January 1, 2015.

Administration expenses of $0.4 million for the Quarter were up $0.1 million to compared 2014, as a result of the bad debt provisions recorded for certain Franchisees that are experiencing financial difficulties.

Management fee expense of $1.5 million for the Quarter, calculated in accordance with the MSA, was up by $0.1 million compared to the same period in 2014, due primarily to increase in royalties.

Interest expense decreased by $0.2 million – 25% in the Quarter over the same period, due primarily to the refinancing of the Company's debt arrangements in the fourth quarter of 2014. Interest expense is derived from the Company's $53 million term facility and $10 million acquisition facility. The $53 million term facility has a variable rate interest obligation which the Company swapped under contract to a fixed rate of 3.64%. The swap results in an annual interest obligation of $1.9 million. The $10 million acquisition facility has a variable rate interest obligation of BAs +1.70% or Prime +0.5%. A standby fee of 0.15% applies to undrawn amounts under the acquisition facility, payable monthly. In January 2015 $8 million of the $10 million acquisition facility has been drawn by the Company. As at March 31, 2015 $2 million of the acquisition facility remain undrawn.

Amortization of Intangible Assets

Intangible assets relate to the values attributed to the Franchise Agreements and Trademarks acquired by the Company since August 7, 2003. Franchise Agreements and trademarks are amortized on a straight-line basis over their expected useful life. Amortization during the Quarter totaled $2.5 million, a decrease of 16.2% from 2014 as older Franchise Agreements expire.

Interest on Exchangeable Units represents the targeted pre-tax distribution of $1.58 per annum, $0.40 per quarter paid to the Exchangeable Unitholders.

Loss on fair value of Exchangeable Units represents the change in fair value during the period of the underlying interest of the Exchangeable Units in the Company. As the Company's share price increased in value during the Quarter, the Company recorded a loss of $3.8 million, for the resulting increase in the fair value of the underlying Exchangeable Unit obligations.

Loss on interest rate swap of $1.6 million is a non-cash item which results from the fair valuing of the five year interest rate swap the Company entered into on October 27, 2014 which fixed the annual interest rate on the Company's $53 million term facility at 3.64%. Since December 31, 2014 the cost of entering into a similar swap arrangement has decreased, which has resulted in the loss.

Current Income Tax

In calculating current income taxes, earnings before income tax for the Quarter are adjusted for the add-back of non-deductible items, which consist primarily of interest and fair value adjustments applicable to the Company's Exchangeable Units, interest rate swap, amortization and intangible impairments; the deduction for income allocated to the Exchangeable Unitholders, who hold their ownership at the partnership level of the Company's structure; and changes in tax rates or filing positions.

The effective tax rate for the Quarter is 26.5% (2014 – 26.5%), which, after adjusting for the items noted earlier and the utilization of tax shields primarily attributable to the Company's Franchise Agreements, resulted in an overall tax provision of $0.9 million, consisting of a $0.9 million current income tax expense (2014 – $0.8 million) and a $0.6 million deferred income tax recovery (2014 – $0.2 million).

Deferred Income Tax

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of intangible assets and their tax basis, and they are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. As at March 31, 2015, the Company's deferred tax asset was $6.5 million (December 31, 2014 – $5.9 million) and was calculated using an effective tax rate of 26.5% (2014 – 26.5%). During the Quarter, the Company recorded a $0.6 million deferred income tax recovery (2014 – $1.0 million). The change in the Quarter is primarily attributed to the tax affecting of the loss on interest rate swap, which is a non-cash item. The Company is subject to a variety of Canadian federal and provincial tax laws and regulations. Changes to these laws or regulations may affect our tax asset, current tax liability, return on investments and business operations.

A summary of the tax pools available to the Company are summarized as follows:

COMPANY TAX POOLS

Future Deduction Basis	Balance December 31, 2014	Estimated Addition for 2015	Estimated Deduction for 2015	Estimated Balance December 31, 2015
7% of Balance	$ 68.6	$ 7.7	$ 5.3[1]	$ 71.0
5 Year Straight-Line	$0.2	–	–	$0.2
	$ 68.8	$ 7.7	$ 5.3	$ 71.2

[1] This estimated deduction for 2015 is calculated as 7% of the sum of the remaining balance as of December 31, 2014 and the tax effected estimated addition for 2015.

CASH FLOW FROM OPERATIONS

For the Quarter, the Company generated CFFO of $2.04 per restricted voting share, as compared to $1.98 CFFO generated during the same period of 2014 (see Overview of First Quarter 2015 Operating Results). A summary of the Company's CFFO generated over the last eight quarters is presented in the table below.

ROLLING TWELVE-MONTH CASH FLOW FROM OPERATIONS

Twelve months ended	2015	2014				2013		
($ 000's) except per share amounts	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Royalties	**$ 37,698**	$ 37,392	$ 37,140	$ 36,478	$ 36,352	$ 36,268	$ 36,014	$ 36,110
Less:								
Administration	**1,724**	1,626	1,327	1,118	1,325	1,342	1,786	1,912
Interest expense	**3,228**	3,419	3,080	3,067	3,092	3,040	3,014	2,987
Management fee	**6,548**	6,469	6,624	6,609	6,620	6,677	6,553	6,564
	26,198	25,878	26,109	25,684	25,315	25,209	24,661	24,647
Cash flow from operations per share	**$ 2.04**	$ 2.02	$ 2.04	$ 2.00	$ 1.98	$ 1.97	$ 1.92	$ 1.92

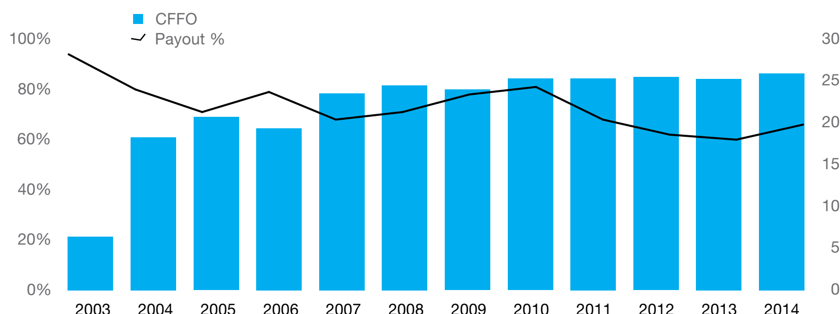
The Company's operations have been a significant source of capital, with $263.5 million of CFFO generated since inception, of which $188.5 million has been paid to the public shareholders and Exchangeable Unitholders. Of the remaining $75.0 million retained by the Company, $52.4 million has been invested in Franchise Agreements that earn attractive returns, and $4.1 million was used to purchase units of the Company in 2008 and 2009 and the balance to pay income taxes and fund net working capital requirements. Also see Supplemental Information – Cash Flow Operations.

The chart below presents a summary of the CFFO generated by the Company since inception and the percentage payout of these amounts to shareholders and the Exchangeable Unitholders of the Company in the form of dividends to shareholders and interest to the Exchangeable Unitholders.

Management's Discussion and Analysis of Results and Financial Condition

CASH FLOW FROM OPERATIONS

Years ended December 31 in $ millions



The tables below presents a summary of the main elements of the Company's performance, which assist in assessing the sustainability of the Company's cash distributions from CFFO reconciled to cash flow from operating activities, as presented in the Consolidated Statements of Cash Flows. See Supplemental Information – Cash Flow from Operations for CFFO from inception to date, reconciled to operating activities, as presented in the Consolidated Statements of Cash Flows.

CASH FLOW FROM OPERATIONS AND ITS UTILIZATION

Three months ended March 31, ($ 000's)	2015	2014
Royalties	$ 8,454	$ 8,148
Less:		
Administration expenses	352	254
Management fee	1,504	1,425
Interest expense	580	771
Cash flow from operations	6,018	5,698
Less:		
Dividends to shareholders	2,845	2,845
Interest on Exchangeable Units	1,318	1,270
Total dividends and interest	4,163	4,115
Cash flow from operations less total dividends to shareholders and interest on Exchangeable Units	1,855	1,583
Less: funding of acquisitions	8,145	3,501
Net change in the period	$ (6,290)	$ (1,918)

CASH FLOW FROM OPERATIONS RECONCILED TO CASH FLOW FROM OPERATING ACTIVITIES

Three months ended March 31, ($ 000's)	2015	2014
Cash flow from operating activities	$ 4,166	$ 3,311
Add (deduct):		
Interest on Exchangeable Units	1,318	1,270
Income taxes paid	308	1,008
Changes in non-cash working capital items	286	191
Interest expense	(1,898)	(2,041)
Interest paid	1,838	1,959
Cash flow from operations	$ 6,018	$ 5,698

CFFO to restricted voting shareholders represents net and comprehensive earnings adjusted for interest on Exchangeable Units, fair value of Exchangeable Unit, other income, amortization of intangible assets, current and deferred income taxes and purchase obligation adjustment.

CFFO does not have a standardized meaning under IFRS and, accordingly, may not be comparable to similar measures used by other issuers. Management believes that CFFO is a useful supplemental measure of performance as it provides investors with an indication of the amount of pre-tax cash generated from operations and available to restricted voting shareholders and Exchangeable Unitholders and to meet tax cash payments. Investors are cautioned, however, that CFFO should not be construed as an alternative to using net earnings as a measure of profitability or the statement of cash flows. (See the table under Supplemental Information – Cash Flow From Operations for a reconciliation of CFFO.)

The Company's payment of dividends to shareholders is fully funded by CFFO. The Company has consistently paid out cash in excess of net income to shareholders as a significant portion of the Company's operating expenses is made up of the non-cash amortization of intangible assets, consisting of Franchise Agreements and Trademarks. Management does not view the excess payment 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 Company lies in part with management's ability to retain and renew the underlying Franchise Agreements and to ensure the ongoing integrity of the Trademarks. The Company has not paid out all of the CFFO to shareholders as the cash generated in excess of these amounts (see Supplemental Information – Cash Flow From Operations) has been used to fund the acquisition of Franchise Agreements, pay distributions to the Exchangeable Unitholders, fund the purchase of units under the normal course issuer bid ("NCIB") and meet future tax liabilities. It is management's expectation, at the discretion of the Board of Directors, that for the foreseeable future, cash distributions to shareholders in the form of dividends will continue, and the remaining cash flow will be used to fund acquisitions and pay distributions to the Exchangeable Unitholders.

Debt Financing

On October 27, 2014 the Company entered into a five year, $68 million financing package provided by a Canadian Chartered Bank. These debt facilities mature on February 17, 2020 and are comprised of the following three arrangements:

- A $53 million non-revolving term variable rate facility, replacing the former $53 million term facility which was to mature on February 17, 2015. This facility bears a variable interest rate of Banker's Acceptances (BAs) +1.70% or Prime + 0.5%, which the Company has swapped to a fixed rate of 3.64%, payable monthly. The swap contract matures on October 28, 2019.
- A $10 million non-revolving acquisition facility to support acquisitions pursued by the Company, bearing a variable interest rate of BAs +1.70% or Prime + 0.5%. A standby fee of 0.15% applies on undrawn amounts under this facility.
- A $5 million revolving operating facility to meet the Company's day-to-day operating requirements, bearing a variable interest rate of BAs +1.70% or Prime + 0.5%.

The covenants of this financing prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 5.00 to 1 (unchanged from the previous financing) and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.5 to 1 (up from 2.25 to 1). Consolidated EBITDA is defined as earnings (loss) before tax, interest, interest on Exchangeable Unit, gain (loss) on fair value of Exchangeable Unit and gain (loss) on purchase obligation adjustment. As at March 31, 2015 the Company is compliant with these covenants.

Management's Discussion and Analysis of Results and Financial Condition

Summary of Quarterly Results

Three months ended	2015	2014				2013		
($ 000's) except Agents, Sales Representatives and per share amounts	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Royalties								
Fixed Franchise fees	**$ 4,931**	$ 4,814	$ 4,813	$ 4,913	$ 4,739	$ 4,719	$ 4,725	$ 4,726
Variable Franchise fees	**1,759**	1,457	2,793	2,582	1,728	1,399	2,469	2,594
Premium Franchise Fees	**829**	1,364	2,153	1,268	791	1,285	1,913	1,314
Other revenue and services	**935**	949	1,036	1,102	890	929	1,026	1,105
	8,454	8,584	10,795	9,865	8,148	8,332	10,133	9,739
Less:								
Administration	**352**	339	602	431	254	40	393	638
Management fee	**1,504**	1,431	1,883	1,730	1,425	1,586	1,868	1,741
Interest expense	**580**	1,089	777	782	771	750	764	807
Cash flow from operations	**6,018**	5,725	7,533	6,922	5,698	5,956	7,108	6,553
Interest on Exchangeable Units	**1,318**	1,318	1,318	1,950	1,270	1,168	1,168	1,168
(Gain) loss on fair value of Exchangeable Units	**3,827**	(2,928)	(399)	(2,629)	4,792	(499)	4,325	(2,096)
Loss on interest rate swap	**1,561**	482						
Loss (gain) on fair value of purchase obligation	**17**	260	218	(420)	897	343	(203)	(138)
Amortization of intangible assets	**2,465**	2,510	2,633	2,743	2,942	2,882	3,211	3,259
Impairment of intangible assets	**46**	1,096	538	681	69	909	94	–
Earnings (loss) before income taxes	**(3,216)**	2,987	3,225	4,597	(4,272)	1,153	(1,487)	4,360
Current income tax expense	**894**	836	1,198	794	829	887	1,134	1,096
Deferred income tax recovery	**(584)**	(298)	(190)	(210)	(293)	(303)	(109)	(110)
Net and comprehensive loss	**$ (3,526)**	$ 2,449	$ 2,217	$ 4,013	$ (4,808)	$ 569	$ (2,512)	$ 3,374
Basic earnings (loss) per share	**$ (0.37)**	$ 0.26	$ 0.23	$ 0.42	$ (0.51)	$ 0.06	$ (0.26)	$ 0.36
Diluted earnings (loss) per share	**$ (0.37)**	$ 0.26	$ 0.23	$ 0.26	$ (0.51)	$ 0.06	$ (0.26)	$ 0.19
Cash flow from operations per share on a diluted basis	**$ 0.47**	$ 0.45	$ 0.59	$ 0.54	$ 0.44	$ 0.46	$ 0.55	$ 0.51
Number of Agents and Sales Representatives	**15,963**	15,143	15,362	15,462	15,437	15,068	15,203	15,252
Number of REALTORS®	**16,206**	15,377	15,593	15,697	15,685	15,310	15,451	15,499

Liquidity

Changes in the Company's net working capital are primarily driven by cash flow generated from operations, the recording of obligations arising from the purchase of Franchise Agreements and the settlement of these obligations and payment of dividends and interest.

The estimated contractual liabilities and their dates of maturity are summarized in the chart below.

	2015	2016	2017	Beyond 2017	Total
Accounts payable and accrued liabilities	1,231	–	–	–	1,231
Purchase obligation	4,404	8	–	–	4,412
Interest payable to Exchangeable Unitholders	423	–	–	–	423
Dividends payable to shareholders	948	–	–	–	948
Interest on long-term debt	1,581	2,109	2,109	4,569	10,368
Interest rate swap liability	–	–	–	2,043	2,043
Debt facilities	–	–	–	61,000	61,000
Exchangeable Units	–	–	–	47,086	47,086
Total	8,587	2,117	2,109	114,698	127,511

During the Quarter working capital decreased by $1.4 million from a $3.2 million positive working capital position as at December 31, 2014 to $1.8 million as a result of:

- A $1.2 million increase in cash and cash equivalents for the Quarter comprised of $6.0 million CFFO less $1.3 million in interest payments to Exchangeable Unitholders and $2.9 million dividends payment to shareholders.
- A net $2.3 million increase in purchase obligation and associated HST for the acquisition of Franchise Agreements and addendums on January 1, 2015; and
- A $0.6 million increase in current income tax liability; and
- A $0.3 million increase in receivables, due in part to what is expected to be delayed Market activity.

The Company drew down $8 million of its $10 million acquisition facility and used cash on hand to satisfy its $8.2 million purchase obligations for the Quarter.

A summary of the Company's working capital is presented below:

WORKING CAPITAL

As at ($ 000's)	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014	Dec. 31, 2013	Change in Quarter	Change in Year
Current assets								
Cash and cash equivalents	**$ 4,228**	$ 3,052	$ 2,266	$ 537	$ 674	$ 3,633	$ 1,176	$ 3,554
Accounts receivable and notes receivable	**5,345**	5,034	5,371	7,358	5,760	5,321	311	(415)
Income tax receivable	**–**	–	–	332	327	148	–	(327)
Prepaid expenses	**179**	119	142	62	89	90	60	90
	$ 9,752	$ 8,205	$ 7,779	$ 8,289	$ 6,850	$ 9,192	$ 1,547	$ 2,902
Current liabilities								
Accounts payable and accrued liabilities	**$ 1,231**	$ 1,100	$ 1,120	$ 1,752	$ 1,695	$ 1,384	$ 131	$ (464)
Debt facilities	**–**	–	52,925	52,877	52,829		–	(52,829)
Purchase obligation – current portion	**4,404**	2,150	1,882	4,180	4,626	974	2,254	(222)
Current income tax liability	**894**	308	375	–	–	–	586	894
Interest payable to Exchangeable Unitholders	**423**	423	423	423	423	389	–	–
Dividends payable to shareholders	**948**	948	948	948	948	872	–	–
	7,900	4,929	57,673	60,180	60,521	3,619	2,971	(52,621)
Net working capital	**$ 1,852**	$ 3,276	$ (49,894)	$ (51,891)	$ (53,671)	$ 5,573	$ (1,424)	$ 55,523

Capital Resources

The existing capital resources that the Company can draw upon as at the date of this MD&A is a $5 million operating line and $2 million of the Company's non-revolving acquisition line. In January 2015, $8 million of the $10 million acquisition line was drawn to meet Franchise contract purchase obligations. Other capital resources include funds generated from operations, less debt servicing, dividend and Exchangeable Unit requirements and financing for the acquisition of Franchise Agreements.

Off-Balance Sheet Arrangements

The Company has no off–balance sheet arrangements.

Transactions With Related Parties

As at the date of this MD&A, the Company's interests are ultimately controlled approximately 71.6% by the public and 28.4% by BAM. BAM primarily derived its ownership interest in the Company through the sale of its interest in certain assets to the Company at its inception. These assets included the Trademarks and Franchise Agreements related to the business of its Royal LePage residential resale real estate brokerage Franchise operations.

BAM operates 27 corporately owned Royal LePage residential brokerage locations. These locations are serviced by 1,776 Agents with 1,319 Agents operating out of 17 locations situated in the GTA Market and 457 Agents operating from 10 locations situated in the Vancouver mainland Market. The Vancouver operations are represented by 190 Agents acquired through the acquisition of an existing Independent Royal LePage Franchisee in the fourth quarter of 2013 and 266 Agents acquired through the acquisition and conversion of a competing Franchise operation during the fourth quarter of 2014. It is the Manager's intention to present the Franchise Agreement representing the operations which were converted in the fourth quarter of 2014 to the Company for acquisition.

All of these operations operate under Franchise Agreements with the standard $102/1% option. The GTA based locations are up for renewal in 2023, while the Vancouver mainland based operations are under the standard Franchise Agreement ten year terms with five year renewal terms from their date of signing. Included in the GTA based Franchise Agreement is an additional premium fee ranging from 1% to 5% for 16 of the 18 location's gross commission income to August 2018.

The management of the Company and its underlying structure has been provided by the current Manager under an MSA since the Company's inception as an Income Trust in 2003. The Manager is a company controlled by the Exchangeable Unitholders. On June 28, 2013, the Company entered into a new MSA. The new MSA is effective January 1, 2014, with an initial five-year term and a provision for the automatic renewal of successive five-year terms. Under the new MSA: (1) the management fee has been standardized to 20% across all brands, as compared to 20% for Royal LePage and 30% for Via Capitale under the previous MSA; (2) the Manager can earn a new incentive fee for organic growth, which closely aligns the Manager and the Company's goals with growing the underlying network of Agents, with the fee being calculated in accordance with the formula for incremental Franchise based on the average annual royalty fees per Agent; (3) the Manager has the ability to sell other branded Canadian Franchises to the Company; and (4) the following three changes were made to the manner in which amounts paid to the Manager for incremental Franchise contracts are determined: (i) the accretion factor was standardized to 7.5%, (ii) the final purchase price is based on the average annual royalties earned over one year for existing brands and two years for new brands (iii) the 20% holdback on the initial purchase price for the incremental Franchise contracts is paid over one year for existing brands and two years for new brands. All other terms of the new MSA remain substantially unchanged from the previous MSA. The differences from the previous MSA in respect of the three changes made to the incremental Franchise contract calculation noted above are as follows: (1) the Via Capitale accretion factor was 10%, (2) the final purchase price for the contracts was based on the average annual royalties earned over one year for Royal LePage and three years for Via Capitale and (3) the 20% holdback on the initial purchase price for Royal LePage incremental Franchise contracts was paid after the end of the first year and evenly over three years for Via Capitale.

On January 1 of each year, the Company may, upon approval by the Independent Board of Directors and criteria detailed in the MSA, purchase Royal LePage and Via Capitale 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 shares of the Company, at the option of the Company; 80% is paid on acquisition and the remaining 20% a year later, when the actual Franchise fees are determined, and the acquisition calculations adjusted accordingly.

On January 1 of each year, the Company may, upon approval by the Independent Directors and criteria established by the Board of Directors, purchase Franchises of other brands 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 shares of the Company at the option of the Company; 80% is paid on acquisition and the remaining 20% evenly over two years, when the actual Franchise fees are determined, and the acquisition calculations are adjusted accordingly.

The related party transactions entered into by the Company were transacted at contracted rates or at exchange amounts approximating fair market value. A summary of these amounts can be found in Note 13 of the Interim Condensed Consolidated Financial Statements.

On January 1, 2015 the Company through the Partnership and VCLP acquired Franchise Agreements and addendums for $10.2 million that represented 40 real estate operations comprising 848 Agents generating approximately $1.5 million in annual royalties. Under terms of the MSA, 80% of the purchase price and applicable taxes were due on January 1, 2015. The Company satisfied this obligation through cash on hand and a drawdown of $8 million on the Company's $10 million acquisition line. The remaining obligation is to be paid in 2016 when the final purchase price is determined in accordance with the MSA.

Critical Accounting Estimates and Assumptions

Substantially all of the Company's activities are based on cash transactions, with revenue and expenditures based on contracted terms. The operating activities not based on contractual terms include the Company's administration costs, and the amortization period of intangible assets. The Company's administration costs of approximately $1.7 million per annum relate to the Company's public reporting, regulatory and insurance costs.

The Company's intangible assets are continuously monitored for indication of impairment in the carrying value of these assets. A change in the carrying value would affect the net earnings of the Company but would have no direct cash flow implications.

In assessing the fair value of Franchise Agreements upon acquisition, impairment of intangible assets and measurement of deferred taxes, management estimates future cash flows by relying on external information and observable conditions where possible, supplemented by internal analysis.

The preparation of financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the Company's consolidated financial statements require the determination of future cash flows utilized in assessing the impairment of intangible assets, determining the useful life of intangible assets, assessing the recoverability of accounts receivable, measurement of deferred taxes, measurement of the fair values of purchase obligation (receivable) and Exchangeable Units and fair values used for disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with that in the prior periods, and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in these consolidated financial statements. The estimates are impacted by, among other things, movements in interest rates, which are highly uncertain. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all assets and liability account balances.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgments that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the financial statements:

ACCOUNTING FOR FRANCHISE AGREEMENTS

The critical judgment made in accounting for the acquisition of Franchise Agreements is determining whether the acquisition is considered the acquisition of assets or a business. In applying the guidance in IFRS 3, Business Combinations ("IFRS 3"), the Company must evaluate whether the acquisition includes both inputs and processes and, as well, whether the integration of acquired inputs and processes into current processes of the Company would meet the definition of a business. The Company evaluated the criteria included in IFRS 3 and determined that the acquisition of Franchise Agreements is an acquisition of assets as no "processes" are acquired in respect of the Franchise Agreements. In addition, the Company must apply judgment with respect to the accounting for the earn-out provisions as set out in the MSA, in connection with the purchase of Franchise Agreements. The Company has determined that a portion of the purchase obligation is an embedded derivative instrument in a non-financial host contract, whereby the value changes in response to an underlying contract, which is the actual earned Franchise revenue. The Company has elected to designate the entire purchase obligation as a financial liability at fair value through profit or loss.

IMPAIRMENT CHARGES FOR INTANGIBLE ASSETS

Under IAS 36, Impairment of Assets, the Company needs to ensure that the intangible assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value-in-use). The critical judgment made in impairment charges for intangible asset is determining whether there is any indication that a particular Franchise Agreement is potentially impaired. Management has identified a number of items that are important to the operating profitability of Franchisees and use them to assist in determining impairment indicators. These factors include aging of receivables, agent count, known financial difficulties, health concerns, non-compliance with contractual obligation and the underlying market conditions.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, purchase obligation, interest rate contract ,current income tax liability, interest payable to Exchangeable Unitholders, dividends payable to shareholders, $53 million term facility (2014 $32.7 million private debt placement, a $20.3 million term facility and as of October 27, 2014 – $53 million), Exchangeable Unit liability, $8 million acquisition facility (2013 – $nil) and a $5 million operating credit facility (2014 – $2 million).

The Company is exposed to credit risk with respect to accounts and notes receivable to the extent that any Franchisees are unable to pay their fees. The Company'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 amounts receivable on an ongoing basis.

On October 27, 2014 the Company entered into an interest rate swap arrangement to fix the interest rate on the Company's $53 million non-revolving term facility at 3.64% to October 28, 2019. As the Company's $53 million non-revolving term facility has a maturity date of February 17, 2020 the Company is exposed to interest rate risk from the period of October 29, 2019 to February 17, 2020 to the extent the debt is outstanding at that time.

The Company is exposed to the risk of interest rate fluctuations on its $10 million non-revolving acquisition facility and $ 5 million Revolver as the interest rate on these facilities are tied to prime and Banker Acceptance rates. Both of these facilities were undrawn as at December 31, 2014.

In January 2015, $8 million was drawn on the acquisition facility to finance the purchase of Franchise Agreements on January 1, 2015.

Disclosure Controls and Internal Controls

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

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

The evaluation of the effectiveness of DC&P, as defined in National Instrument 52-109 *Certification of Disclosures in Issuers' Annual and Interim Filings*, was performed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. They conclude that these DC&P were adequate and effective as at March 31, 2015. The Company's management can therefore provide reasonable assurance that it receives material information relating to the Company in a timely manner so that it can provide investors with complete and reliable information.

INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management has designed ICFR to provide reasonable assurance that our financial reporting is reliable and that our consolidated financial statements were prepared in accordance with IFRS. The design and effectiveness of ICFR were evaluated as defined in National Instrument 52-109 under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. Based on the evaluations, they conclude that ICFR is adequate and effective to provide such assurance as at March 31, 2015. The design of ICFR is undertaken in accordance with the 1992 COSO framework. During 2015 it is management's intention to undertake the assessment, planning and implementation of the 2013 COSO framework as it relates to the Company's ICFR.

Management's Discussion and Analysis of Results and Financial Condition

Outstanding Restricted Voting Shares

The Company is authorized to issue an unlimited number of Restricted Voting Shares, an unlimited number of preferred shares and one Special Voting Share. Effective December 31, 2010, 9,483,850 Restricted Voting Shares were issued in exchange for 9,483,850 Partnership units outstanding, and one special voting share was issued in exchange for all special Trust units outstanding before the Company's Conversion from an Income Trust. These Restricted Voting Shares and special voting share remain unchanged at March 31, 2015.

The Restricted Voting Shares were issued to replace the Fund units outstanding before the Conversion. Each Restricted Voting Share represents a proportionate voting right in the Company, and holders of the Company's Restricted Voting Shares are entitled to dividends declared and distributed by the Company.

The special voting share was issued to replace all of the special Fund units outstanding prior to the Conversion. Special Partnership units represent the proportionate voting rights of Exchangeable Unitholders in the Company. The holders can redeem them at $0.01 per share; they are not entitled to dividends declared by the Company. No additional restricted voting shares were issued during the Quarter.

Company Structure

The Company is governed by a Board of Directors (the "Board") and consists of a corporation General Partner and Limited Partnership ("LP") structure.

Substantially all Company activity is transacted through the LP, which in turn flows distributions to public shareholders through the Corporation and to the Exchangeable Unitholders through the LP structure. Through this structure, public shareholders hold a 74% interest in the economics of the Company's underlying assets, and the remaining non-controlling interests are held by the subsidiaries of BAM.

Risk Factors

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

Market Outlook

"It is an interesting period in the Canadian residential real estate market, where different territories have markedly mixed prospects for the year ahead. We expect that Toronto, Vancouver and some surrounding areas will remain hot as many eager buyers chase the limited inventory available. Provinces where energy is a major component of the economy, including Alberta, Saskatchewan and Newfoundland and Labrador, are likely to see less activity and potentially softer prices if oil prices remained depressed, although we are encouraged by the bounce back in the price per barrel of oil we saw in April," said Soper.

Forward-Looking Statements

This MD&A and other content of this Financial Review report contain 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 Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set out in the forward-looking statements include a change in general economic conditions; interest rates; consumer confidence; the level of residential resale transaction; the average rate of commissions charged; competition from other traditional real estate Brokers or from discount and/or Internet-based real estate alternatives; the availability of acquisition opportunities and/or the closing of existing real estate offices; other developments in the residential real estate brokerage industry or the Company

that reduce the number of and/or royalty revenue from the Company'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 Company's Annual Information Form, which is filed with securities commissions and posted on SEDAR at www.sedar.com. The Company 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 Cash Flow From Operations for the Period

Three months ended ($ 000's, unaudited)	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	March 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	**March 31, 2015**
Royalties	$ 9,739	$ 10,133	$ 8,332	$ 8,148	$ 9,865	$ 10,795	$ 8,584	**$ 8,454**
Less:								
Administration	638	393	40	254	431	602	339	**352**
Management fee	1,741	1,868	1,586	1,425	1,730	1,883	1,431	**1,504**
Interest expense	807	764	750	771	782	777	1,089	**580**
Cash flow from operations	6,553	7,108	5,956	5,698	6,922	7,533	5,725	**6,018**
Interest on Exchangeable Units	1,168	1,168	1,168	1,270	1,950	1,318	1,318	**1,318**
Loss (gain) on fair value of Exchangeable Units	(2,096)	4,325	(499)	4,792	(2,629)	(399)	(2,928)	**3,827**
Loss on interest rate swap							482	**1,561**
Loss (gain) on fair value of purchase obligation	(138)	(203)	343	897	(420)	218	260	**17**
Amortization of intangible assets	3,259	3,211	2,882	2,942	2,743	2,633	2,510	**2,465**
Impairment of intangible assets	–	94	909	69	681	538	1,096	**46**
Earnings (loss) before taxes	4,360	(1,487)	1,153	(4,272)	4,597	3,225	2,987	**(3,216)**
Current income tax expense	(1,096)	(1,134)	(887)	(829)	(794)	(1,198)	(836)	**(894)**
Deferred income tax recovery	110	109	303	293	210	190	298	**584**
Net income	3,374	(2,512)	569	(4,808)	4,013	2,217	2,449	**(3,526)**
Add:								
Amortization of intangible assets	3,259	3,211	2,882	2,942	2,743	2,633	2,510	**2,465**
Impairment of intangible assets	–	94	909	69	681	538	1,096	**46**
Current income tax expense	1,096	1,134	887	829	794	1,198	836	**894**
Deferred income tax recovery	(110)	(109)	(303)	(293)	(210)	(190)	(298)	**(584)**
Interest on Exchangeable Units	1,168	1,168	1,168	1,270	1,950	1,318	1,318	**1,318**
Loss on interest rate swap	–	–	–	–	–	–	482	**1,561**
Loss (gain) on fair value of Exchangeable Units	(2,096)	4,325	(499)	4,792	(2,629)	(399)	(2,928)	**3,827**
Loss (gain) on fair value of purchase obligation	(138)	(203)	343	897	(420)	218	260	**17**
Cash flow from operations	6,553	7,108	5,956	5,698	6,922	7,533	5,725	**6,018**
Less change in:								
Unutilized cash	(2,767)	(3,322)	(2,170)	(1,583)	(2,127)	(3,370)	(1,561)	**(1,855)**
Cash required for dividends	$ 3,786	$ 3,786	$ 3,786	$ 4,115	$ 4,795	$ 4,163	$ 4,164	**$ 4,163**
Cash flow from operations available to:								
Public shareholders	$ 2,618	$ 2,618	$ 2,618	$ 2,845	$ 2,845	$ 2,845	$ 2,846	**$ 2,845**
Non-controlling interest	1,168	1,168	1,168	1,270	1,950	1,318	1,318	**1,318**
	$ 3,786	$ 3,786	$ 3,786	$ 4,115	$ 4,795	$ 4,163	$ 4,164	**$ 4,163**

Supplemental Information – Selected Financial and Operating Information

Three months ended ($000's, unaudited)	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	March 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	**March 31, 2015**
Revenue								
Fixed Franchise fees	$ 4,726	$ 4,725	$ 4,719	$ 4,739	$ 4,913	$ 4,813	$ 4,814	**$ 4,931**
Variable Franchise fees	2,594	2,469	1,399	1,728	2,582	2,793	1,457	**$ 1,759**
Premium Franchise Fees	1,314	1,913	1,285	791	1,268	2,153	1,364	**$ 829**
Other fee revenue and services	1,105	1,026	929	890	1,102	1,036	949	**$ 935**
	$ 9,739	$ 10,133	$ 8,332	$ 8,148	$ 9,865	$ 10,795	$ 8,584	**$ 8,454**
% Revenue by region								
British Columbia	10	11	10	10	10	10	10	**10**
Prairies	10	10	10	10	11	11	11	**10**
Ontario	60	59	59	59	59	59	59	**61**
Quebec	17	17	18	17	16	16	16	**16**
Maritimes	3	3	3	4	4	4	4	**3**
	100	100	100	100	100	100	100	**100**

Three months ended **Changes during the period**	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	March 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	**March 31, 2015**
Number of REALTORS®	(59)	(48)	(141)	375	12	(104)	(216)	**829**
Number of Agents and Sales Representatives	(59)	(49)	(135)	369	25	(100)	(219)	**820**
Number of locations	(6)	(4)	(42)	19	(10)	(2)	3	**31**
At end of period								
Number of REALTORS®	15,499	15,451	15,310	15,685	15,697	15,593	15,377	**16,206**
Number of Agents and Sales Representatives	15,252	15,203	15,068	15,437	15,462	15,362	15,143	**15,963**
Number of locations	673	669	627	646	636	634	637	**668**
Number of Franchise Agreements			307	313	308	306	302	**312**

Supplemental Information – Distributions/Dividends History

	Dividends Declared per Share												
Month	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
January		$ 0.0917	$ 0.0917	$ 0.0958	$ 0.1000	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.10	**$ 0.10**
February		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	**0.10**
March		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	**0.10**
April		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	
May		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	
June		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	
July		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	
August		0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	
September	$ 0.1789[1]	0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	
October	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	
November	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	0.1170	0.0920	0.0920	0.0920	0.10	
December	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1570	0.3170	0.0920	0.0920	0.0920	0.10	
	$ 0.45	$ 1.10	$ 1.10	$ 1.15	$ 1.20	$ 1.31	$ 1.44	$ 1.60	$ 1.10	$ 1.10	$ 1.10	$ 1.20	**$ 0.30**

[1] September 2003 is based on a 55-day period

Supplemental Information – Share and Exchangeable Unit Performance

Three months ended	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	March 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	**March 31, 2015**
Trading price range of units (TSX: "BRE")								
High	$ 13.10	$ 13.92	$ 14.03	$ 14.99	$ 14.95	$ 14.26	$ 14.08	**$ 14.68**
Low	$ 12.02	$ 12.40	$ 13.10	$ 13.25	$ 13.95	$ 13.65	$ 12.90	**$ 14.02**
Close	$ 12.20	$ 13.50	$ 13.35	$ 14.79	$ 14.00	$ 13.88	$ 13.00	**$ 14.15**
Average daily volume	11,156	8,939	9,441	5,964	7,735	13,254	14,139	**20,818**
Number of units outstanding at period end	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	**9,483,850**
Net enterprise value at period end (thousands)								
Market capitalization	$ 156,301	$ 172,955	$ 171,034	$ 189,482	$ 179,361	$ 177,824	$ 166,550	**$ 181,283**
Debt facilities	52,691	52,736	52,782	52,829	52,877	52,925	52,760	**60,751**
Less:								
Cash on hand	2,317	2,939	3,633	674	537	2,266	3,052	**4,228**
	$ 206,675	$ 222,752	$ 220,183	$ 241,637	$ 231,701	$ 228,483	$ 216,258	**$ 237,806**

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Canadian Residential Resale Real Estate Market

Three months ended	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	March 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	**March 31, 2015**
Canada								
Transaction dollar volume[1]	$ 56,229	$ 47,104	$ 36,988	$ 38,682	$ 63,396	$ 52,913	$ 41,356	**$ 43,233**
Average selling price	$ 385,444	$ 382,262	$ 390,988	$ 399,921	$ 413,394	$ 403,306	$ 414,040	**$ 428,178**
Number of units sold	145,881	123,224	94,601	96,725	153,355	131,199	99,883	**100,970**
Number of REALTORS® at period end	107,812	108,196	108,278	108,706	109,378	109,965	110,821	**111,424**
Housing starts	44,026	46,899	45,732	32,042	48,784	47,653	43,436	**33,599**
Greater Toronto Area								
Transaction dollar volume1	$ 15,499	$ 12,149	$ 9,879	$ 9,854	$ 17,884	$ 13,836	$ 11,267	**$ 11,674**
Average selling price	$ 533,455	$ 516,451	$ 534,896	$ 549,061	$ 577,555	$ 556,803	$ 577,292	**$ 594,586**
Number of units sold	29,054	23,524	18,469	17,947	30,965	24,849	19,517	**19,633**
Housing starts	8,583	8,233	10,036	7,090	8,558	6,621	11,278	**8,236**

Twelve months ended	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	March 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	**March 31, 2015**
Canada								
Transaction dollar volume[1]	$ 160,765	$ 169,296	$ 175,129	$ 179,003	$ 186,170	$ 191,979	$ 196,347	**$ 200,898**
Average selling price	$ 368,355	$ 375,901	$ 382,466	$ 388,773	$ 397,879	$ 403,420	$ 408,068	**$ 413,875**
Number of units sold	436,440	450,374	457,893	460,431	467,905	475,880	481,162	**485,407**
Housing starts	190,403	176,964	170,134	168,699	173,457	174,211	171,915	**173,472**
Seasonally adjusted housing starts	199,586	193,637	189,672	156,823	198,185	197,343	180,560	**189,709**
Greater Toronto Area								
Transaction dollar volume[1]	$ 42,129	$ 44,787	$ 46,616	$ 47,381	$ 49,766	$ 51,453	$ 52,841	**$ 54,661**
Average selling price	$ 508,981	$ 516,394	$ 524,092	$ 532,407	$ 547,451	$ 557,877	$ 566,489	**$ 575,597**
Number of units sold	82,771	86,730	88,946	88,994	90,905	92,230	93,278	**94,964**
Housing starts	41,677	36,711	33,547	33,942	33,917	32,305	33,547	**34,693**

Source: CREA
[1] ($ millions)

Supplemental Information – Cash Flow From Operations

					IFRS			Canadian GAAP
Cash flow from operations and its utilization since Company inception ($ 000's)	**Total**	**Three months ended March 31, 2015**	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011	Year ended Dec. 31, 2010	Aug.7, 2003 to Dec. 31, 2009
Royalties	**$ 383,113**	**$ 8,454**	$ 37,392	$ 36,268	$ 36,519	$ 36,720	$ 36,630	$ 191,130
Less:								
Administration	**12,511**	**352**	1,626	1,342	1,361	1,667	1,771	4,392
Interest expense	**32,298**	**1,504**	3,419	3,040	2,961	3,042	2,900	15,432
Management fee	**68,802**	**580**	6,469	6,677	6,772	6,747	6,713	34,844
Cash flow from operations	**269,502**	**6,018**	25,878	25,209	25,425	25,264	25,246	136,462
Less:								
Dividends to shareholders	**139,780**	**2,845**	11,305	10,471	10,471	12,605	15,212	76,871
Interest/dividends to Exchangeable Unitholder/ non-controlling interest	**52,954**	**1,318**	5,856	4,672	5,272	4,672	5,337	25,827
Total dividends	**192,734**	**4,163**	17,161	15,143	15,743	17,277	20,549	102,698
Cash flow from operations less total dividends	**76,768**	**1,855**	8,717	10,066	9,682	7,987	4,697	33,764
Less: Funding of acquisitions	**60,583**	**8,145**	5,998	5,854	2,965	6,062	6,415	25,144
Less: Purchase of units under NCIB	**4,096**	**–**	–	–	–	–	–	4,096
Net change in the Period	**$ 12,089**	**$ (6,290)**	$ 2,719	$ 4,212	$ 6,717	$ 1,925	$ (1,718)	$ 4,524
Taxes and working capital	**(9,037)**	**7,466**	(3,300)	(5,682)	(7,207)	(2,004)	548	2,318
Change in period	**$ 3,052**	**$ 1,176**	$ (581)	$ (1,470)	$ (490)	$ (79)	$ (1,170)	$ 6,842
Cash balance, beginning of Period	**–**	**$ 3,052**	$ 3,633	$ 5,103	$ 5,593	$ 5,672	$ 6,842	–
Cash balance, end of Period	**$ 3,052**	**$ 4,228**	$ 3,052	$ 3,633	$ 5,103	$ 5,593	$ 5,672	$ 6,842
Dividends percentage payout[1]	**72%**	**69%**	66%	60%	62%	68%	81%	75%

[1] This represents the total dividends paid as a percentage of cash flow from operations.

					IFRS			Canadian GAAP
Cash flow from operations Reconciled to cash flow from operating activities ($ 000's)	**Total**	**Three months ended March 31, 2015**	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011	Year ended Dec. 31, 2010	Aug.7, 2003 to Dec. 31, 2009
Cash flow from operating activities	**$ 210,658**	**$ 4,166**	$ 17,104	$ 14,855	$ 12,946	$ 18,588	$ 6,100	$ 136,789
Add (deduct):								
Changes in non-cash working capital items	**2,504**	**286**	127	1,216	(49)	1,490	(1,224)	768
Interest on Exchangeable Units	**27,127**	**1,318**	5,856	4,672	5,272	4,672	5,337	–
Income taxes paid	**15,584**	**308**	3,201	4,046	8,029	–	–	–
Interest on Trust units	**15,212**	**–**	–	–	–	–	15,212	–
Non-cash interest expense	**(1,583)**	**(60)**	(410)	420	(773)	514	(179)	(1,095)
Cash flow from operations	**$ 269,502**	**$ 6,018**	$ 25,878	$ 25,209	$ 25,425	$ 25,264	$ 25,246	$ 136,462

Supplemental Information – Acquisitions

Date acquired by the Company, January 1, ($ millions unless stated otherwise)	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Purchase price							
Estimated	10.26	7.21	6.74	2.88	3.48	5.24	3.44
Actual (a) (c)	(a)	(a)	6.60	2.70	3.34	5.70	3.31
Payments							
Initial	8.14	5.00	5.40	2.30	2.78	4.20	2.78
Final (b) (c)	(a)	(a)	1.20	0.40	0.56	1.50	0.53
Estimated							
Annual royalty stream	1.50	0.95	1.05	0.49	0.55	0.89	0.70
Number of REALTORS®	858	493	516	217	247	417	316
Number of agreements	40	46	44	25	23	21	21
Actual							
Annual royalty stream (b)	(a)	(a)	0.98	0.45	0.52	0.95	0.66
Number of REALTORS®	(a)	(a)	487	217	231	417	316
Number of agreements	40	46	44	25	23	21	21

a) To be determined at the end of the reporting period in accordance with the MSA and appropriate purchase agreement
b) Audited
c) Purchase price obligation and actual values for Via Capitale is calculated over three years for acquistions made prior to 2015

Glossary of Terms

"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.

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

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

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

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

"Brookfield Private Equity Direct Investments Holdings LP" or **"BPEDIH LP"** is a wholly-owned subsidiary of Brookfield Asset Management operating in Canada.

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

"Cash Flow from Operations" or **"CFFO"** is defined as net income before fair value changes, amortization, interest on Exchangeable Units, income taxes, items related to other income and interests of Exchangeable Unitholders. CFFO is used by the Company to measure the amount of cash generated from operations, which is available to the Company's shareholders on a diluted basis, where such dilution represents the total number of shares of the Company that would be outstanding if Exchangeable Unitholders converted Class B LP units into shares of the Company. The Company uses CFFO to assess its operating results and the value of its business and believes that many of its shareholders and analysts also find this measure of value to them. CFFO does not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

"Class A LP Units" is defined as the Class A ordinary limited partnership units of the Partnership.

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

"Canada Mortgage and Housing Corporation" or **"CMHC"** is Canada's national housing agency, established as a government-owned corporation. CMHC is Canada's premier provider of mortgage loan insurance, mortgage-backed securities, housing policy and programs, and housing research.

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

"Company Network" is defined as the collective network of Franchisees providing services under the Royal LePage, Johnston & Daniel and Via Capitale brand names.

"Conversion" represents the Company's change from an Income Trust to a corporate structure on December 31, 2010.

"COSO" stands for the Committee of Sponsoring Organization for the Treadway Commission. The committee establishes a common framework on enterprise management, internal control and fraud deterrence.

"EBITDA" stands for Earnings Before Interest, Tax, Depreciation and Amortization. It is a useful indicator of the Company's profitability and a key metric used to assess compliance with the debt covenants.

"Exchangeable Units" represent the 3,327,667 Class B LP Units the Partnership issued to TBI (a predecessor of Brookfield Holdings) in partial consideration for the Partnership's acquisition of the Partnership Assets from TBI. The Class B LP Units, except as otherwise noted, have economic and voting rights equivalent in all material respects to the Class A LP Units. The Class B LP Units are indirectly exchangeable, on a one-for-one basis, subject to adjustment, for restricted voting shares of the Company.

"Franchise" is defined as a residential real estate brokerage Franchise operated pursuant to a Franchise Agreement with the Manager's comprehensive systems consisting of proprietary technological, marketing, promotional, communication and support systems.

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

"Franchisees" is defined as the Franchisees operating under the Franchise Agreements.

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

"General Partner" is defined as Residential Income Fund General Partner Limited, a corporation incorporated under the laws of the Province of Ontario to be the general partner of the Partnership.

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

"International Accounting Standards" or **"IAS"** is an older set of standards for providing guidance on the preparation and disclosure of financial statements. Since 2001, a new set of standards known as the International Financial Reporting Standards (IFRS) has been issued to supplement and update IAS in an effort to globalize the standards.

"International Accounting Standards Board" or **"IASB"** is an independent, not-for-profit organization responsible for developing International Financial Reporting Standards, and promoting the use and application of these standards.

"International Financial Reporting Standards" or **"IFRS"** is a set of accounting standards developed by an independent, not-for-profit organization called the International Accounting Standards Board (IASB). IFRS is a global framework that provides general guidance for the preparation of financial statements and its disclosure to the public to convey measureable and comparable financial information.

"Lag Effect" represents the timing differences between the time the Market reports a home sale and 45 to 60 days later when the Company records the related variable and premium fee revenue upon the close of the home sale.

"Management Services Agreement" is defined as the second amended and restated management services agreement made effective December 31, 2012, among the Partnership, the Company, the General Partner, Via Capitale L.P. and the Manager pursuant to which, among other things, the Manager provides management and administrative services to the Partnership, the Company, the General Partner and Via Capitale L.P. including management of the Partnership Assets on behalf of the Partnership and Via Capitale L.P.

"Manager" is defined as Brookfield Real Estate Services Manager Limited, a corporation incorporated under the laws of the Province of Ontario to provide management and administrative services to the Company, the Fund, the General Partner and the Partnership.

"Market" is defined as the dollar value of residential resale units sold (transactional dollar volume) over a twelve-month period in a particular geographic area.

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

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

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

"Partnership" is defined as Residential Income Fund L.P., a limited partnership established under the laws of the Province of Ontario.

"Partnership Agreement" is defined as the second amended and restated limited partnership agreement dated the 31st day of December, 2012, among the General Partner and the Company, pursuant to which the Partnership is governed as the same may be amended from time to time.

"Partnership Assets" is defined as, collectively, the Trademarks, all rights under the Franchise Agreements (other than the Franchise Agreements in respect of Incremental Franchises), and all rights to receive the royalties.

"Premium Franchise Fees" are collected on certain Franchise locations to reflect the premier locations (principally the Greater Toronto Area) in which such Franchises operate. The premium fee is payable is in addition to the basic fixed fee and the basic variable fee as an uncapped amount ranging from 1% to 5% (based on location, with an average of 3%) of the Agents' Gross Revenue.

"Quarter" is defined as the three months ending March 31, 2015.

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

"Residential Income Fund L.P." or **"RIFLP"** is a limited partnership established under the laws of the Province of Ontario.

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

"Revolver" is an operating loan in the principal amount of $5 million (2014 – $2 million)provided by a Canadian Financial Institution which is used by the Partnership for working capital purposes and to normalize distributions to holders of Class B LP Units and Class A LP Units having regard to seasonality inherent within the Business;

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

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

"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.

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

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

"System for Electronic Document Analysis and Retrieval" or **"SEDAR"** is a Canadian mandatory document filing and retrieval system for all Canadian public companies where documents such as prospectuses, financial statements and material change reports are filed and are accessible by the public to further the goal of transparency and full disclosure.

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

"Team" is defined as a group of Agents and/or Sales Representatives in the Royal LePage Network who work, represent and market themselves as part of a team rather than as individual Agents. Each member of the Team pays the $102/month fixed fee and the collective gross income generated by the Team is subject to 1% variable fee cap of $1,300 per year, rather than $1,300 cap per Agent or Sales Representative.

"Toronto Real Estate Board" or **"TREB"** is Canada's largest not-for-profit real estate board. TREB serves more than 36,000 licensed real estate Brokers and Salespersons in and about the Greater Toronto Area. The organization offers its members services that range from professional development, arbitration services to releasing a variety of residential and commercial market related reports.

"Trademarks" is defined as the trade-mark rights related to the Business held by or licensed to Brookfield Holdings, the Manager or Via Capitale including, without limitation, the Royal LePage Trademarks and the La Capitale Trademarks.

"TSX" is defined as the Toronto Stock Exchange.

"Unitholders" is defined as the holders of Units and a "Unitholder" means any one of them.

"Units" is defined as the units of the Partnership, other than Special Fund Units, each representing an equal undivided beneficial interest in the Partnership.

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

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

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

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

Brookfield Real Estate Services Inc.

Interim Condensed Consolidated Balance Sheets

Unaudited (In thousands of Canadian dollars)	Note	March 31, 2015	December 31, 2014
Assets			
Current assets			
Cash		$ 4,228	$ 3,052
Accounts receivable	4	4,904	4,758
Current portion of notes receivable	5	441	276
Prepaid expenses		179	119
		9,752	8,205
Non-current assets			
Notes receivable	5	206	230
Deferred tax asset	8	6,499	5,915
Intangible assets	6, 7	79,964	72,212
		$ 96,421	$ 86,562
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,231	$ 1,100
Purchase obligation – current portion	6	4,404	2,150
Current income tax liability		894	308
Interest payable to Exchangeable Unitholders		423	423
Dividends payable to shareholders		948	948
		7,900	4,929
Non-current liabilities			
Debt facilities	9	60,751	52,760
Purchase obligation	6	8	127
Interest rate swap liability		2,043	482
Exchangeable Units	10	47,086	43,260
		117,788	101,558
Shareholders' deficit			
Restricted voting shares	11	140,076	140,076
Deficit		(161,443)	(155,072)
		(21,367)	(14,996)
		$ 96,421	$ 86,562

See accompanying notes to the interim condensed consolidated financial statements.

Approved on behalf of the Board

Simon Dean
Director

Lorraine Bell
Director

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

Unaudited (In thousands of Canadian dollars, except share and per share amounts)	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Royalties			
Fixed Franchise fees		**$ 4,931**	$ 4,739
Variable Franchise fees		**1,759**	1,728
Premium Franchise Fees		**829**	791
Other revenue and services		**935**	890
		8,454	8,148
Expenses			
Administration		**352**	254
Management fee	13	**1,504**	1,425
Interest expense		**580**	771
Impairment of intangible assets	7	**46**	69
Amortization of intangible assets	7	**2,465**	2,942
		4,947	5,461
Operating income		**3,507**	2,687
Interest on Exchangeable Units		**(1,318)**	(1,270)
Loss on fair value of Exchangeable Units	10	**(3,827)**	(4,792)
Loss on interest rate swap	9	**(1,561)**	–
Loss on fair value of purchase obligation	6	**(17)**	(897)
Loss before income tax		**(3,216)**	(4,272)
Current income tax expense		**(894)**	(829)
Deferred income tax recovery		**584**	293
Income tax expense	8	**(310)**	(536)
Net and comprehensive loss		**$ (3,526)**	$ (4,808)
Basic loss per share	12	**$ (0.37)**	$ (0.51)
Weighted average number of shares outstanding used in computing basic earnings per share		**9,483,850**	9,483,850
Diluted loss per share	12	**$ (0.37)**	$ (0.51)
Weighted average number of shares outstanding used in computing diluted earnings per share		**12,811,517**	12,811,517

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Shareholders' Deficit

Unaudited (In thousands of Canadian dollars)	Common Equity	Deficit	Total Deficit
Balance, December 31, 2014	$ 140,076	$ (155,072)	$ (14,996)
Net loss	–	(3,526)	(3,526)
Dividends declared	–	(2,845)	(2,845)
Balance, March 31, 2015	**$ 140,076**	**$ (161,443)**	**$ (21,367)**

Unaudited (In thousands of Canadian dollars)	Common Equity	Deficit	Total Deficit
Balance, December 31, 2013	$ 140,076	$ (147,562)	$(7,486)
Net loss	–	(4,808)	(4,808)
Dividends declared	–	(2,845)	(2,845)
Balance, March 31, 2014	$ 140,076	$ (155,215)	$ (15,139)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

Unaudited (In thousands of Canadian dollars)	Note	Three months ended March 31, 2014	Three months ended March 31, 2014
Cash provided by (used for):			
Operating activities			
Net loss for the period		$ (3,526)	$ (4,808)
Adjusted for			
Loss on fair value of Exchangeable Units	10	3,827	4,792
Loss on fair value of purchase obligation	6	17	897
Loss on interest rate swap	9	1,561	–
Interest expense		1,898	2,041
Interest paid		(1,838)	(1,959)
Current income tax expense	8	894	829
Income taxes paid		(308)	(1,008)
Deferred income tax recovery	8	(584)	(293)
Impairment of intangible assets	7	46	69
Amortization of intangible assets	7	2,465	2,942
Changes in non-cash working capital		(286)	(191)
		4,166	3,311
Investing activity			
Purchase of intangible assets	6	(8,145)	(3,501)
Financing activity			
Proceeds from acquisition facility	9	8,000	–
Dividends paid to shareholders		(2,845)	(2,769)
		5,155	(2,769)
Decrease in cash during the period		1,176	(2,959)
Cash, beginning of the period		3,052	3,633
Cash, end of the period		$ 4,228	$ 674

See accompanying notes to the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

Three months ended March 31, 2015 and 2014 (unaudited)
(Expressed in thousands of Canadian dollars, unless stated otherwise)

1. Organization

Brookfield Real Estate Services Inc. (the "Company"), is incorporated under the *Ontario Business Corporations Act*. The Company's registered office is located at 39 Wynford Drive, Toronto, Canada, M3C 3K5, and is listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". Through its limited partnership holdings, the Company owns certain Franchise Agreements and trademark rights of residential real estate brands in Canada.

The Company directly holds a 75% common share interest in Residential Income Fund General Partner Limited ("RIFGP") and its subsidiaries, Residential Income Fund L.P. (the "Partnership") and 9120 Real Estate Network, L.P. ("VCLP"), a wholly-owned subsidiary of the Partnership, both of which own and operate the assets from which the Company derives its sole source of revenue.

Brookfield Private Equity Direct Investments Holdings LP ("BPEDIH"), a wholly-owned subsidiary of Brookfield Asset Management ("BAM") operating in Canada, owns the remaining 25% common share interest in RIFGP.

2. Significant Accounting Policies

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on May 5, 2015.

BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2014. These interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014.

These interim condensed consolidated financial statements have been prepared on a going concern basis and include the accounts of the Company, its 75%-owned subsidiaries RIFGP, VCLP and the Partnership. RIFGP is the managing general partner of the Partnership. The Company receives certain management, administrative and support services from Brookfield Real Estate Services Manager Ltd. ("BRESML"), a party related to BPEDIH via common control. Royal LePage Real Estate Services Limited ("RES"), a wholly owned subsidiary of BRESML, pays royalties to the Company under a Franchise Agreement.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries. The financial results of controlled subsidiaries are consolidated with the results of the Company from the date that control is acquired through to the date that control ceases. For the purpose of consolidating the financial results of the Company, control of an entity is deemed to exist when an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

3. Management Services Agreement

On January 1, 2011, the Company entered into the Amended and Restated Management Services Agreement ("MSA") with BRESML. The MSA had been in effect since 2003, had an initial term of 10 years and an automatic renewal for successive 10-year periods subject to approval of the Company and BRESML.

Under the MSA, BRESML provided certain management, administrative and support services to the Company and its subsidiaries and in return paid a monthly fee equal to 20% and 30% of the distributable cash of the Partnership and VCLP, respectively.

The MSA also prescribed the conditions under which the Company purchases Franchise Agreements from BRESML and the formula for calculating the purchase price.

On June 28, 2013 the Company entered into a new Management Services Agreement ('New MSA") with BRESML. The New MSA was effective January 1, 2014 with an initial five year term and a provision for the automatic renewal of successive five year terms.

Under the New MSA, management fees have been standardized to 20% across all brands and the accretion factor was standardized to 7.5%. The final purchase price for existing brands is based on the average annual royalties earned over one year, with 80% of the purchase price payable upon acquisition and the remaining balance to be paid one year later subject to adjustment, if any, for the audit of the actual annual royalties earned. The New MSA also provides BRESML with the ability to sell other Canadian branded Franchises to the Company based on a predetermined formula and payment structure. Further, an incentive fee is to be paid to BRESML for net organic growth, with the fee being calculated in accordance with the terms noted above based on the average annual royalty fees per agent. All other provisions under the New MSA remain substantially unchanged from the previous MSA.

For the three months ended March 31, 2015, the Company incurred management fees of $1,504 (March 31, 2014 – $1,425) for these services.

4. Accounts Receivable

Accounts receivable are related to fees due from the Company's Franchise network and are valued initially at fair value, then subsequently measured at amortized cost less any provision for doubtful accounts. As at March 31, 2015 the Company had accounts receivable of $4,904 (December 31, 2014 – $4,758) net of $869 (December 31, 2014 – $810) allowance for doubtful accounts. During the three months ended March 31, 2015, $122 of net bad debt expense was included in administration expense (March 31, 2014 – $29). Management conducts an analysis to determine the allowance for doubtful accounts by assessing the collectability of receivables on a Franchisee by Franchisee basis. This assessment takes into consideration factors such as the aging of outstanding fees, Franchisee operating performance, historical payment patterns, current collection efforts and the Company's security interests.

The table below summarizes the aging of accounts receivable. Management considers amounts owed for longer than 90 days as overdue.

	90+ Days	60 Days	30 Days	Current	Total
Accounts receivable	$ 947	$ 301	$ 532	$ 3,124	$ 4,904

5. Notes Receivable

The Company has certain Franchisees with which it has entered into a payment plan in respect of Franchise fees currently due to the Company, which are in arrears. Generally, these payment plans extend more than one year from the financial statement date as at March 31, 2015 and as a result have been classified as non-current. The terms stipulated in the payment plan agreement require the Franchisees to repay the total outstanding balance in equal monthly payments based on a spread above prime rate. As at March 31, 2015, the Company had notes receivable of $647, of which $441 was due within 12 months and $206 was considered non-current (December 31, 2014 – $276 current and $230 non-current).

6. Asset Acquisitions

The Company's purchase of Franchise Agreements is governed by the terms set out in the New MSA.

On January 1, 2015, the Partnership and VCLP acquired 35 and five Franchise Agreements and addendums from BRESML and 9120-5583 Québec Inc., a subsidiary of BRESML, respectively, at an estimated purchase price of $10,263. A payment of $8,145, approximates to 80% of the estimated purchase price, was due on January 1, 2015 and the remainder is to be paid when the final purchase price is determined on October 31, 2015, the determination date. Until the determination date, the estimated price is revised over the determination period, the one-year period starting November 1st of the year immediately preceding the purchase date through to October 31st of the following year, based on the annual royalty stream earned. Any subsequent changes to the value of the estimated purchase price during the determination period are recognized in the interim condensed consolidated statements of earnings and comprehensive earnings and are classified as a gain or loss on fair value of purchase obligation in the period in which the change occurs. The unpaid balance due as of January 1, 2015 is subject to interest at the rate prescribed in the MSA at the rate of prime plus 1%.

During the determination period, the Company records changes in the purchase obligation to reflect the fair value of outstanding purchase obligation. Actual cash flows generated from the Franchise Agreements during the determination period are used to estimate and forecast the annual royalty fees to be earned during the determination period. The estimated yield expected to be generated from the royalty streams is determined by dividing the per share amount distributed in cash by the Company in the 52 week period ending the day preceding the purchase date by the current market price per share of the Company. Each reporting period until the determination date the estimated royalty stream is updated with actual cash flows generated for each Franchise Agreement for which an outstanding purchase obligation exists. The estimated yield is updated to reflect actual royalty fees generated and is used to calculate the fair value of outstanding purchase obligation.

For the three months ended March 31, 2015, a loss of $17 on the fair value of purchase obligation was recorded (March 31, 2014 – $897).

For the three months ended March 31, 2015, the Company incurred $43 of interest expense related to outstanding purchase obligation payments (March 31, 2014 – $43).

On January 1, 2014, the Partnership acquired 45 new Royal LePage Franchise Agreements from BRESML at an estimated purchase price of $6,059. A payment of $4,847, equal to 80% of the estimated purchase price, was paid from cash on hand in 2014 and the remainder is to be paid within 2015.

On January 1, 2014, VCLP acquired one Via Capitale Franchise Agreements from BRESML at an estimated purchase price of $193. A payment of $155, equal to 80% of the estimated purchase price was paid from cash on hand in 2014 and the remainder to be paid by January 31, 2017, under the terms of the previous MSA.

The additions to intangible assets during the three months ended March 31, 2015 and full year 2014 are summarized as follows:

	Royal LePage	Via Capitale	March 31, 2015	December 31, 2014
Franchise Agreements	$ 9,544	$ 719	$ 10,263	$ 6,252

The purchase obligation consists of the following:

	Royal LePage	Via Capitale	March 31, 2015	December 31, 2014
Purchase obligation at beginning of period	$ 2,202	$ 75	$ 2,277	$ 1,068
Current period's purchase obligation	9,544	719	10,263	6,252
Price adjustment on current period purchases	(15)	32	17	955
Payment on current period purchases	(7,570)	(575)	(8,145)	(5,002)
Payment of obligations on prior years' purchases	–	–	–	(996)
Purchase obligation at end of period	$ 4,161	$ 251	$ 4,412	$ 2,277
Current portion of purchase obligation	$ 4,161	$ 243	$ 4,404	$ 2,150
Long-term portion of purchase obligation	–	8	8	127
Purchase obligation at end of period	$ 4,161	$ 251	$ 4,412	$ 2,277

7. Intangible Assets

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

	Franchise Agreements	Trademarks	Total
Cost			
At December 31, 2014	$ 197,582	$ 5,427	$ 203,009
Purchases	10,263	–	10,263
Impairment	–	–	–
Amounts written-off	(170)	–	(170)
At March 31, 2015	**$ 207,675**	**$ 5,427**	**$ 213,102**
Accumulated amortization			
At December 31, 2014	$ 128,691	$ 2,106	$ 130,797
Amortization expense	2,419	46	2,465
Amounts written-off	(124)	–	(124)
At March 31, 2015	**$ 130,986**	**$ 2,152**	**$ 133,138**
Carrying value			
At December 31, 2014	$ 68,891	$ 3,321	$ 72,212
At March 31, 2015	**$ 76,689**	**$ 3,275**	**$ 79,964**

For the three months ended March 31, 2015, the Company recognized net impairment charges and write-offs of $46 (March 31, 2014 – $69). Impairment charges relate to Franchisees where the carrying amount on the Franchise agreement exceeds the recoverable amount (higher of fair value less costs of disposal and the value-in-use) or when the recovery of the capitalized value is no longer reasonably assured. Write-offs relate to the early termination, expiry and non-renewal of Franchise Agreements in the Royal LePage and Via Capitale networks. For the three months ended March 31, 2015, the Company recorded $2,465 (March 31, 2014 – $2,942) intangible asset amortization expense.

Management determined the recoverable amount using a value-in-use amount. The discount rate used was the pre-tax rate, which reflects current market assessment of the risks specific to the asset. In calculating the discounted future cash flow for each Franchisee, management performed a net present value of annuity calculation using forecasted cash flow based on agent count, historical data, market condition, company factors, the pre-tax discount rate and the life of the agreements plus one renewal term as the assumptions.

8. Income Taxes

The Company uses the liability method of tax allocation in accounting for income taxes. Under this method, temporary differences between the carrying amount of balance sheet items and their corresponding tax basis result in either deferred income tax assets or liabilities, except to the extent a temporary difference was present on the initial recognition of the asset outside of a business combination. Deferred income taxes are computed using substantively enacted tax rates applicable to the years in which the temporary differences are expected to reverse.

A reconciliation of income taxes at Canadian statutory rates with reported income taxes is as follows:

Three months ended		March 31, 2015		March 31, 2014
Loss before income tax for the period:	$	(3,216)	$	(4,272)
Expected income tax (recovery) expense at statutory rate of 26.5% (2014 – 26.5%)		(852)		(1,132)
Increase (decrease) in income tax expense (recovery) due to the following:				
Non-deductible amortization		270		339
Non-deductible loss on fair value of Exchangeable Units		1,014		1,270
Non-deductible interest on Exchangeable Units		349		336
Non-deductible impairment and write-off on intangible assets		3		5
Non-deductible purchase obligation		1		59
Income allocated to Exchangeable Unitholders		(347)		(328)
Recognition of deferred tax assets		(128)		(13)
Total income tax expense	$	310	$	536

The major components of income tax expense include the following:

Three months ended		March 31, 2015		March 31, 2014
Current tax expense	$	894	$	829
Deferred tax recovery		(584)		(293)
Total income tax expense	$	310	$	536

Deferred income taxes arise from temporary differences in the recognition of income and expense for financial and tax purposes. The significant components of the Company's deferred tax assets are as follows:

As at		March 31, 2015		December 31, 2014
Intangible assets	$	6,499	$	5,915
Total deferred tax asset	$	6,499	$	5,915

9. Debt Facilities

The Company's debt is comprised of the following debt facilities:

As at		March 31, 2015		December 31, 2014
Term facility	$	53,000	$	53,000
Acquisition facility		8,000		–
	$	61,000	$	53,000
Financing Fees		(249)		(240)
	$	60,751	$	52,760

On October 27, 2014 the Company entered into a five-year $68 million financing comprising the following three arrangements, maturing February 17, 2020:

A $53 million non-revolving term variable rate facility, replacing the former $53 million debt facility which was to mature on February 17, 2015. The new facility bears variable interest rate of Banker's Acceptances (BAs) +1.70% or Prime + 0.5%, which the Company has swapped to a fixed rate of 3.64%, payable monthly. Repayment of principal outstanding is due on maturity;

A $10 million non-revolving acquisition facility to support acquisitions pursued by the Company, bearing a variable interest rate of BAs +1.70% or Prime + 0.5%. A standby fee of 0.15% applies on undrawn amounts under this facility, payable monthly. In January 2015, $8 million was drawn on this facility to finance the purchase of Franchise Agreements on January 1, 2015. Repayment of principal outstanding is due on maturity, and

A $5 million revolving operating facility to meet the Company's day-to-day operating requirements, bearing a variable interest rate of BAs +1.70% or Prime + 0.5%. No amounts have been drawn on this facility at March 31, 2015.

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

On October 27, 2014 the Company entered into a five year interest swap agreement to swap the variable interest obligation on the $53 million term debt to a fixed rate of 3.64%. The swap is a financial instrument and is fair valued and classified as FVTPL. The fair value is determined using a discounted cash flow model using observable yield curves and applicable credit spread at a credit adjusted rate. At March 31, 2015 the Company determined that the interest rate swap was in a loss position and recorded a liability of $2,043 (December 31, 2014 – $482) and recognized a fair value loss of $1,561 for three months ended March 31, 2015 (March 31, 2014 – nil).

10. Exchangeable Units

BPEDIH owns 315,000 restricted voting shares of the Company, 25 common shares in RIFGP, 3,327,667 Exchangeable Units of the Partnership and one special voting share of the Company, which accompanies the Exchangeable Units; this reflects an effective 28.4% interest in the Partnership. The special voting share entitles the holder to a number of votes at any meeting of the restricted voting shareholders equal to the number of restricted voting shares that may be obtained upon the exchange of all the Exchangeable Units held by the holder and/or its affiliates. The Company indirectly holds the remaining 71.6% interest in the Partnership through Class A limited partnership units of the Partnership. The Exchangeable Unitholders are entitled to indirectly exchange, on a one-for-one basis, subject to adjustment, the Exchangeable Units for restricted voting shares of the Company.

The Company measures the Exchangeable Units at their fair value using the closing price of the Company's actively traded shares listed on the TSX, as of the last date of market trading for the period. As at March 31, 2015, the closing market price of the Company's shares was $14.15 (December 31, 2014 – $13.00). During the three months ended March 31, 2015, the Company recorded a loss of $3,827 related to the fair value of the Exchangeable Units (March 31, 2014 – loss of $4,792).

The Exchangeable Unitholders are entitled to cash distributions from the Partnership in respect of their economic interest in the Partnership as and when declared by the Board of Directors of RIFGP. Such distributions are made on a before tax basis and are directly taxable in the hands of the Exchangeable Unitholders. Distributions are also made from the Partnership to the Company. These distributions are subject to taxation at the Company level and as such reduce the amount of cash available for dividends to the restricted voting shareholders. For three months ended March 31, 2015 the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of $1.32 million (March 31, 2014 – $1.27 million).

11. Share Capital

The Company is authorized to issue an unlimited number of restricted voting shares, an unlimited number of preferred shares and one special voting share.

Each restricted voting share represents a proportionate voting right in the Company, and holders of the Company's restricted voting shares are entitled to dividends declared and distributed by the Company.

The special voting share represents the proportionate voting rights of the Exchangeable Unitholders of the Partnership. The special voting share is redeemable by the holder at $0.01 per share, and the holder is not entitled to dividends declared by the Company.

No additional restricted voting shares were issued during three months ended March 31, 2015.

No preferred shares were issued or outstanding as at March 31, 2015.

The following table summarizes the outstanding shares of the Company:

As at	March 31, 2015	December 31, 2014
Restricted voting shares	9,483,850	9,483,850
Special voting share	1	1

12. Earnings Per Share

Basic and diluted earnings per share has been determined as follows:

Three months ended (In thousands of Canadian dollars, except share and per share amounts)	March 31, 2015	March 31, 2014
Net loss available to restricted voting shareholders – basic	$ (3,526)	$ (4,808)
Interest on Exchangeable Units	1,318	1,270
Loss on fair value of Exchangeable Units	3,827	4,792
Net income available to restricted voting shareholders – diluted	$ 1,619	$ 1,254
Weighted average number of shares outstanding used in computing basic loss per share	9,483,850	9,483,850
Total outstanding Exchangeable Units	3,327,667	3,327,667
Weighted average number of shares outstanding used in computing diluted loss per share	12,811,517	12,811,517
Basic loss per share	$ (0.37)	$ (0.51)
Diluted loss per share	$ (0.37)	$ (0.51)
Dividends declared	$ 2,845	$ 2,845
Restricted voting shares	9,483,850	9,483,850
Dividends per restricted voting share	$ 0.30	$ 0.30

Notes to the Interim Condensed Consolidated Financial Statements

13. Related Party Transactions

Unless disclosed elsewhere, the Company had the following transactions with parties related to the Exchangeable Unitholders for the three months ended March 31, 2015 and 2014. These transactions have been recorded at the exchange amount agreed to between the parties.

Three months ended		**March 31, 2015**		March 31, 2014
a) Royalties				
Fixed, variable and other Franchise fees	**$**	**787**	$	770
Premium Franchise Fees	**$**	**717**	$	687
b) Expenses				
Management fees	**$**	**1,504**	$	1,425
Insurance and other	**$**	**22**	$	22
Interest on purchase obligations	**$**	**43**	$	43
c) Interest paid				
Interest paid to Exchangeable Unitholders	**$**	**1,318**	$	1,270

Insurance expense, as disclosed above, was incurred through an affiliate of BRESML and the Exchangeable Unitholder.

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

As at		**March 31, 2015**		December 31, 2014
d) Accounts receivable				
Franchise fees receivable and other	**$**	**499**	$	696
e) Accounts payable and accrued liabilities				
Management fees	**$**	**538**	$	582
Interest on purchase obligations	**$**	**43**	$	20
Administrative shared service liability and other	**$**	**–**	$	205
f) Interest payable to Exchangeable Unitholders	**$**	**423**	$	423
g) Purchase obligation payable	**$**	**4,412**	$	2,277

As at March 31, 2015, BRESML provided $900 in funding, in the form of a line of credit for certain Franchisee operations.

The Company is governed by an independent Board of Directors, who is required to participate in scheduled and special Board and committee meetings. During the three months ended March 31, 2015 $48 (March 31, 2014 – $53) of director fee compensation was included in administration expense.

14. Financial Instruments

In the normal course of business, the Company 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 Company's credit risk is limited to the recorded amount of accounts and notes receivable. Management reviews the financial position of all Franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis. As at March 31, 2015, the Company has an allowance for doubtful accounts of $869 (December 31, 2014 – $810).

B) LIQUIDITY RISK

The Company is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs, including paying ongoing future dividends to shareholders and interest to Exchangeable Unitholders. Management reduces liquidity risk by maintaining more conservative debt covenant ratios compared with those required by the covenants associated with the debt facilities. Also, the Company has a $10,000 acquisition line of which $8,000 was drawn in January 2015 and a $5,000 unutilized operating facility, as described in Note 9.

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

	2015	2016	2017	Beyond 2017	Total
Accounts payable and accrued liabilities	$ 1,231	$ –	$ –	–	$ 1,231
Purchase obligation	4,404	8	–	–	4,412
Interest payable to Exchangeable Unitholders	423	–	–	–	423
Dividends payable to shareholders	948	–	–	–	948
Interest on long-term debt	1,581	2,109	2,109	4,569	10,368
Interest rate swap liability	–	–	–	2,043	2,043
Debt facilities	–	–	–	61,000	61,000
Exchangeable Units	–	–	–	47,086	47,086
Total	$ 8,587	$ 2,117	$ 2,109	$ 114,698	$ 127,511

C) INTEREST RATE RISK

The Company is exposed to the risk of interest rate fluctuations on its Debt facilities as the interest rates on these facilities are tied to the prime and Banker's Acceptance rates.

As described in Note 9, on October 27, 2014 the Company entered into a five year interest rate swap to fix the interest on the Company's $53 million term facility at 3.64% to the October 28, 2019 maturity date of the swap. The Company's $53 million term facility has a maturity date of February 17, 2020.

In January 2015 the Company made an $8 million draw on its $10 million non-revolving acquisition facility. The acquisition facility bears a variable interest rate of BAs + 1.70% or Prime + 0.5%. Management has elected to continue with the variable rate position on this acquisition facility and monitors this position on an ongoing basis. An increase of 1% in the Company's effective interest rate on its variable rate acquisition facility would result in an interest expense increase of approximately $80.

D) FAIR VALUE

The fair value of the Company's financial instruments, comprising cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, purchase obligation, interest payable to Exchangeable Unitholders and dividends payable to shareholders, are estimated by management to approximate their carrying values due to their short-term nature. The fair value of the Company's $61 million debt facilities approximates their carrying value of $60.7 million as a result of its floating rate terms.

E) FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheet as at March 31, 2015 and December 31, 2014, classified using the fair value hierarchy:

As at March 31, 2015	Level 1	Level 2	Level 3	Total
Financial asset or liability:				
Purchase obligation, net	$ –	$ –	$ 4,412	$ 4,412
Interest rate swap liability	–	2,043	–	2,043
Exchangeable Units	47,086	–	–	47,086
Total	**$ 47,086**	**$ 2,043**	**$ 4,412**	**$ 53,541**

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Financial asset or liability:				
Purchase obligation, net	$ –	$ –	$ 2,277	$ 2,277
Interest rate swap liability	–	482	–	482
Exchangeable Units	43,260	–	–	43,260
Total	$ 43,260	$ 482	$ 2,277	$ 46,019

See Note 6 for a reconciliation of the Level 3 fair values, Note 9 for disclosure related to Level 2 fair values and Note 10 for disclosures related to the Level 1 fair values. There were no transfers between fair value hierarchy levels during the period. The Level 3 fair values are calculated according to a predetermined formula specified in the MSA based on cash flow estimated from newly acquired Franchise Agreements during their determination period. As such, the fair value is sensitive to the cash flow amounts and all other inputs are observable.

15. Management of Capital

The Company's capital is made up of its cash on hand, debt facilities, Exchangeable Units and shareholders' equity.

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

The Company'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 debt facilities prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.50 to 1.

Senior Indebtedness is defined as the Company's debt facilities, disclosed under Note 9, which is made up of a $53,000 term facility, a $10 million acquisition facility and a $5 million operating facility. Senior Interest Expense includes interest expenses generated on the Company's Senior Indebtedness.

The Company is compliant with all financial covenants. There were no changes in the Company's approach to capital management during the period.

16. Segmented Information

The Company has only one business segment which is the ownership and generation of residential brokerage Franchise Agreements.

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