Brookfield
Real Estate Services Inc.

Building on Success

INTERIM REPORT TO SHAREHOLDERS
Q1 2014

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, 2014, the Company network consisted of 15,685 REALTORS®.

The Company network has an approximate one-fifth share of the Canadian residential resale real estate market based on 2013 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 2014 INTERIM REPORT TO SHAREHOLDERS
FINANCIAL AND OPERATING HIGHLIGHTS
MARCH 31, 2014 AND 2013

Unaudited (In thousands of Canadian dollars)		**Three months ended March 31, 2014**		Three months ended March 31, 2013
Royalties	**$**	**8,148**	$	8,064
CFFO	**$**	**5,698**	$	5,592
Dividends	**$**	**2,845**	$	2,618
Interest on Exchangeable Units	**$**	**1,270**	$	1,168
Current income tax expense	**$**	**829**	$	841
Per Share basis				
Royalties	**$**	**0.64**	$	0.63
CFFO	**$**	**0.44**	$	0.44
Dividends	**$**	**0.30**	$	0.28
Interest on Exchangeable Units	**$**	**0.38**	$	0.35
Current income tax expense	**$**	**0.09**	$	0.09

For the three months ended March 31, 2014 (the "Quarter"), the Company generated net and comprehensive loss of $4.8 million, or $0.51 per share, compared to a net and comprehensive loss of $0.5 million, or $0.06 per share, for the same period in 2013. Cash flow from operations ("CFFO") was $5.7 million, or $0.44 per share, as compared to $5.6 million, or $0.44 per share, for the same period in 2013. Royalties were $8.15 million, as compared to $8.06 million for the same period in 2013, while administration costs were $0.3 million, little changed from the same period in 2013.

Market transactional dollar volume for the rolling twelve months ended March 31, 2014 was $179.0 billion, up 11.7% from March 31, 2013, driven by a 6.7% increase in selling price and a 4.8% increase in home sales activity.

"The company began 2014 on solid footing," said Phil Soper, President and Chief Executive Officer, Brookfield Real Estate Services Inc. "Royalties edged up, year over year, against a backdrop of weather-stifled housing activity. It is common for winter to negatively impact home sales somewhere in Canada during the first quarter of any given year. What made the first months of 2014 stand out was the wide geographic span and staying power of the severe cold and snowstorms across the country."

"As the worst of the inclement weather subsided in the final weeks of the quarter, the market came to life, listing inventory began to grow and buyer demand was strong, particularly in the largest metropolitan markets in British Columbia, Alberta and Ontario," continued Soper. "The combination of pent-up demand, reasonable inventory levels and sound underlying economic fundamentals has set the stage for a robust 2014 spring market."

THE COMPANY NETWORK

As at March 31, 2014, the Company Network consisted of 15,685 REALTORS®, operating under 313 Franchise Agreements providing services from 646 locations, with an approximate one-fifth share of the Market, based on 2013 transactional dollar volume. During the Quarter, the Company Network increased by 375 Agents, as a result of the acquisition of Franchise Agreements on January 1, 2014 represented by 493 REALTORS® operating under the Royal LePage and Via Capitale brands, which was partially offset by the net attrition of 118 Agents.

MONTHLY CASH DIVIDEND

The Company declared a cash dividend of $0.10 per share for the month of May 2014, payable on June 30, 2014, to shareholders of record on May 30, 2014.

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

"The Company has made significant enhancements to our operating platforms during the past year," said Soper. "We are encouraged by the adoption of new mobile and web technologies by home buyers and sellers, which should increase our ability to increase our network of Brokers and Agents."

"We believe that the underlying fundamentals of the Canadian housing market remain sound. With the continuation of solid economic performance coupled with persistently low interest rates, we expect to see growth in both sales volumes and price appreciation for the remainder of 2014," concluded Soper.

Philip Soper
President and Chief Executive Officer

Kevin Cash
Chief Financial Officer

May 5, 2014

2014

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Introduction

This section of Brookfield Real Estate Services Inc.'s (the "Company" or "our") interim report includes management's discussion and analysis ("MD&A") of our results and financial condition for the three months ended March 31, 2014 (the "Quarter") and has been prepared as at May 5, 2014. The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS") 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 32.

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, 2013, 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 Agents, Sales Representatives
and per share amounts

	2014	2013
Royalties	$ 8,148	$ 8,064
Less:		
Administration	254	271
Management fee	1,425	1,482
Interest expense	771	719
Cash flow from operations	$ 5,698	$ 5,592
Amortization of intangible assets	(2,942)	(3,331)
Impairment of intangible assets	(69)	(388)
Interest on Exchangeable Units	(1,270)	(1,168)
Loss on fair value of Exchangeable Units	(4,792)	(699)
(Loss) gain on fair value of purchase obligation	(897)	212
Current income tax expense	(829)	(841)
Deferred income tax recovery	293	80
Net and comprehensive loss	$ (4,808)	$ (543)
Basic loss per share	$ (0.51)	$ (0.06)
Diluted loss per share	$ (0.51)	$ (0.06)
Cash flow from operations per share	$ 0.44	$ 0.44
Total assets	$ 94,688	$ 100,547
Total financial liabilities	$ 109,827	$ 101,611
Number of Agents and Sales Representatives	15,685	15,558

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, 2013.

As at March 31, 2014, the Company consisted of 15,685 Canadian REALTORS® operating under 313 Franchise Agreements and from 646 locations, providing services under the Royal LePage, Via Capitale and Johnston & Daniel brand names collectively as the Company Network, with an approximate one-fifth share of the Canadian residential resale real estate Market based on 2013 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 practise 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 resale 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% – 2013) of the Company's royalties during 2013 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 Agents 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 gross commission income, subject to a cap of $1,300 per year.

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 Agents' 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% – 2013) 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 2013); a variable fee equal to 1% of the fees generated by the Agent, capped at $1,300 per Agent; and a Premium Franchise Fee, as described above.

Due to the variable fee-capping feature, approximately 70% (70% – 2013) 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 Quarter (8% – 2013). These fees are primarily made up of a fixed monthly fee per Agent of $170 ($2,040 per annum) and fees generated from APEC. Approximately 78% (78% – 2013) of Via Capitale's royalties for the Quarter were fixed in nature.

FRANCHISE AGREEMENTS

Franchise Agreements are defined as the agreements pursuant to which brokerage offices offer residential brokerage services. These Franchise Agreements consist of a standard contract that 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 that 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.

In the past, these addendums have been reported by the Company as separate Franchise Agreements. However, effective December 31, 2013, the Company redefined a Franchise Agreement as being inclusive of the addendums to the original Franchise Agreement. This change in reporting was undertaken as the addendums form part of the standard contract and the standard

contract is what governs the contractual arrangements with our Franchise Broker/owners. As at March 31, 2014, the Company owns 313 Franchise Agreements.

Monthly Dividends

The targeted annual cash dividend payable to public shareholders for 2014 is $1.20 per share, to be paid monthly. This represents a $0.10 per share, or 9.1%, increase from 2013. Management and the Board of Directors periodically review the Company's targeted dividends and distributions.

Overview of First Quarter 2014 Operating Results

For the rolling twelve months ended March 31, 2014, the Canadian Market, as defined by Market transactional dollar volume, closed up 11.7%, at $179.0 billion, compared to the same period of 2013, driven by an increase of 6.7% in selling price and 4.8% increase in units sold.

During the Quarter, the Canadian Market closed up 11.1%, at $38.7 billion, as compared to the same period of 2013, driven by an 8.2% and 2.7% increase in price and units sold, respectively. The modest increase in units sold across the country is attributable to increases in a number of large urban markets in British Columbia, Alberta and Ontario as the markets begin to recover from the exceptionally harsh winter that was experienced across the country. The overall 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 three months ended March 31, 2014, the Company generated CFFO of $5.7 million (2013 – $5.6 million), or $0.44 per Restricted Voting Share, up 1.9%, or $0.1 million, from $0.44 per Restricted Voting Share for the same period of 2013. This $0.1 million increase was primarily driven by an increase in royalties resulting from an increase in the number of Agents in the Network, the implementation of the previously announced $2 increase in the monthly Royal LePage fixed franchise fee and a modest increase in Market activity. Partially offsetting this increase in royalties was the non-recognition of $0.2 million of fees associated with non-performing Franchisees that are experiencing financial challenges. Operating costs were flat year over year as the reduction in the Via Capitale management fee from 30% to 20% under the New MSA was offset by interest attributable to the January 1, 2014 purchase obligation.

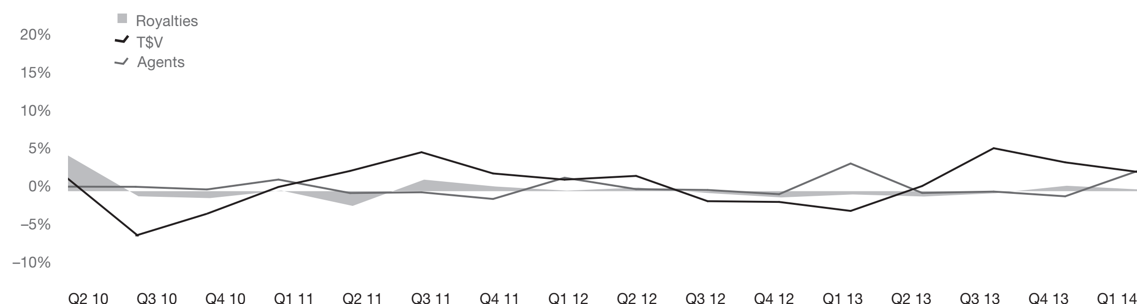
The Company Network experienced a net increase of 375 Agents during the Quarter, compared to a net increase of 472 Agents in the same period in 2013. This increase consisted of a net organic attrition of 118 Agents for the Quarter, compared to 44 for the same period in 2013, offset by the acquisition of Franchise Agreements represented by 493 Agents at the beginning of the year (2013 – 516 Agents).

During the Quarter, three Franchise Agreements representing less than 20 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, the vend-in of Franchise Agreements 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

MSA

Commencing on January 1, 2014, as previously announced, the Company is operating under a New MSA. From a financial perspective, the three significant aspects of the New MSA were the standardization of the management fee paid to the Manager, compensating the Manager for net Agent organic growth and standardizing the valuation, process and payment for Franchise Agreements acquired by the Company.

The standardization of the management fee resulted in a reduction of the Via Capitale management fee from 30% to 20% and is reflected in lower year-over-year management fees for the Quarter. As the Company experienced a net organic loss of Agents in the Quarter, there are no amounts earned to date by the Manager in respect of Agent net organic growth. Standardizing the valuation, process and payment for Franchise Agreements acquired by the Company takes effect with the January 1, 2015 Franchise Agreements acquisitions, with a 7.5% accretion factor applied to the underlying royalty stream, a one-year period to determine the value of the Franchise Agreements, with 80% of the estimated amount paid on the date of acquisition and the remainder a year later subject to adjustment for the audit of the actual amounts received under these agreements.

ROYAL LEPAGE FIXED FRANCHISE FEE INCREASE

The $2 per Agent per month fixed franchise fee increase for the Royal LePage Network, as previously announced, commenced on January 1, 2014. Franchise Agreements representing approximately 93% of the Royal LePage Agents and fixed-fee-paying Sales Representatives were subject to these fees during the Quarter, with the overall rate of participation expected to increase to approximately 100% over time as the related agreements come up for renewal.

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.

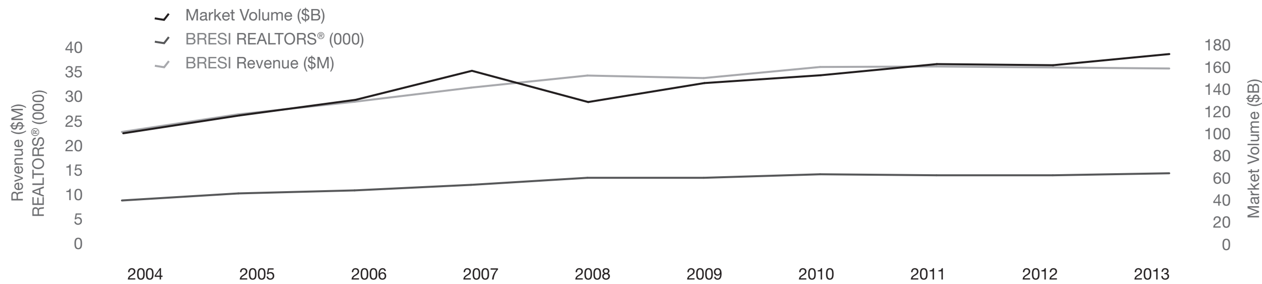
FIXED-FEE STRUCTURE

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.

Management's Discussion and Analysis of Results and Financial Condition

REVENUE, MARKET AND REALTOR® TRENDS



Note: In 2008, the Company acquired Via Capitale Franchise Agreements represented by 1,492 Agents operating from 68 locations.

NETWORK DIVERSITY AND GEOGRAPHIC DISTRIBUTION

As at March 31, 2014, the diverse Company Network of 15,685 REALTORS® operates through 281 Broker/owners providing services across the country through 646 locations operating under 313 Franchise Agreements.

With diverse Market requirements, our Broker/owners' operations are as diverse, varying in size and scope, with 22% of the Company Network of Agents represented by 71% of our Broker/owners, who operate with less than 50 REALTORS®, and 78% 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 dispersed across Canada. As compared to the distribution of REALTORS® across Canada, the Company Network is very strong in Ontario, over-represented in the province of Quebec as a result of the acquisition of the Via Capitale Network in 2007, underrepresented in the western provinces and on par in the Maritimes.

	Canadian[1] REALTOR® Population	Company[2] Network REALTORS®
Ontario	54%	59%
Prairies	13%	10%
BC	17%	10%
Quebec	13%	17%
Maritimes	3%	4%
Total	100%	100%

Source: CREA

[1] As at December 31, 2013.

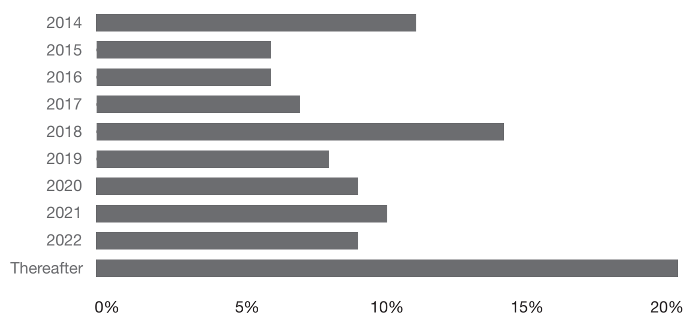
[2] As at March 31, 2014.

FRANCHISE AGREEMENT TERMS

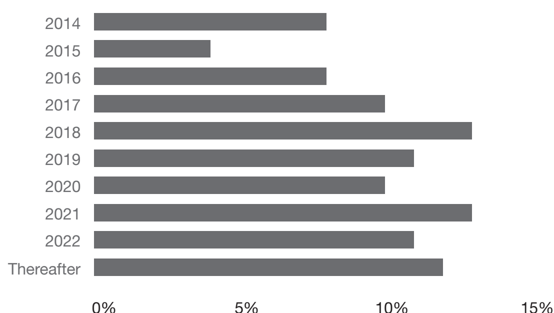
The Royal LePage Franchise Agreements, which are represented by 93% of the Company's REALTORS®, are 10 to 20 years in duration, significantly exceeding the industry norm of five years and thereby reducing agreement renewal risk. At the time of the initial public offering ("IPO"), the Company's Royal 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, 2013 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 less than 20 Agents that were subject to renewal, renewed.

Number of REALTORS® in the Company

As at March 31, 2014, the Company Network of 15,685 REALTORS® increased by 375, compared to a net increase of 472 REALTORS® during the same period in 2013. The net increase of 375 REALTORS® consisted of the acquisition of Franchise Agreements on January 1, 2014 representing 493 Agents less a net decrease of 118 Agents, of which three were attributable to one Franchisee whose contract was terminated.

As noted in the table below, the number of REALTORS® in Canada during 2013 increased by 2.0% to 109,032, while the Company Network increased by 1.5% during the same period. 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. This increase in REALTORS® has resulted in a lower number of homes sold per REALTOR®. The chart below shows 2013 and 2012 closing out at 4.2 units per REALTOR®, down from 4.4 in 2011 and 4.5 in 2010.

Management's Discussion and Analysis of Results and Financial Condition

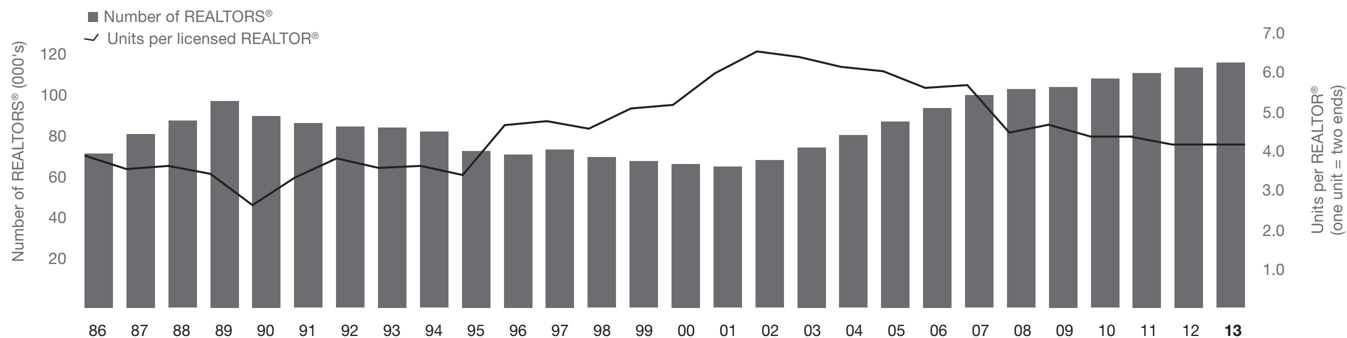
SUMMARY OF CANADIAN AND COMPANY GROWTH IN REALTORS®

	Canada*		The Company Network	
	Number of Licensed Members	% Change	Number of Licensed Members	% Change
Opening	**106,944**		**15,086**	
2013 Q1	133	0.1	472	3.1
2013 Q2	735	0.7	(59)	(0.4)
2013 Q3	384	0.4	(48)	(0.3)
2013 Q4	836	0.8	(141)	(0.9)
Opening	**109,032**	**2.0**	**15,310**	**1.5**
2014 Q1	N/A	–	375	2.4
Closing	**109,032**	**–**	**15,685**	**2.4**

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

CANADIAN REAL ESTATE REALTORS®

(Year ended December 31)



Transaction Volumes

For the rolling twelve months ended March 31, 2014, the Canadian Market closed up 11.7%, at $179 billion, as compared to the same period of 2013, driven by a 6.7% and 4.8% increase in price and units sold, respectively. The increase in average selling price of a home was primarily due to reduced housing starts and the ongoing low interest rate environment, which is expected to continue for the foreseeable future.

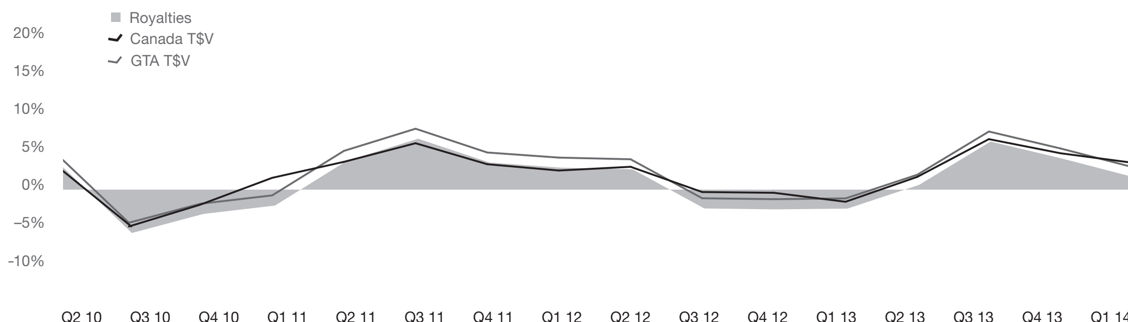
During the Quarter, the Canadian Market closed up 11.1%, at $38.7 billion, as compared to the same period of 2013, driven by an 8.2% and 2.7% increase in price and units sold, respectively. The modest increase in units sold across the country is attributable to increases in a number of large urban markets In British Columbia, Alberta and Ontario as the markets begin to recover from the exceptionally harsh winter that was experienced across the country. The overall 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 rolling twelve months ended March 31, 2014, the GTA Market closed up 13.2%, at $47.4 billion, as compared to the same period of 2013, driven by a 6.1% and 6.7% increase in price and units sold, respectively, for the reasons noted above.

During the Quarter, the GTA Market closed up 8.4%, at $9.9 billion, as compared to the same period of 2013, driven by an 8.1% and 0.3% 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



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

From CMHC[1]: Existing home sales are expected to rise moderately along with economic conditions in 2014 and 2015. On an annual basis, sales through the Multiple Listing Service® (MLS®) are expected to reach 466,500 units in 2014 and 474,700 units in 2015.

From CREA[2]: Sales are forecast to reach 463,700 units in 2014, representing an increase of 1.3 percent from 2013. This would place sales in line with their 10-year average and hold national activity to within fairly short reach of the 450,000 mark for the seventh straight year.

From TREB[3]: GTA home sales activity for the first quarter of 2014 amounted to 17,947 units, with an average price of $549,061; this activity has increased by 0.3% and 8.1%, respectively, compared to the same period in 2013. Sales and price have recovered after a period of low activity impacted by the tighter mortgage-lending restrictions initiated in the second half of 2013.

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 2014 in light of the economy and Market conditions is to modestly increase the year-over-year Company Network of REALTORS®.

Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network to March 31, 2014 has increased by 69.8% (6,447 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.

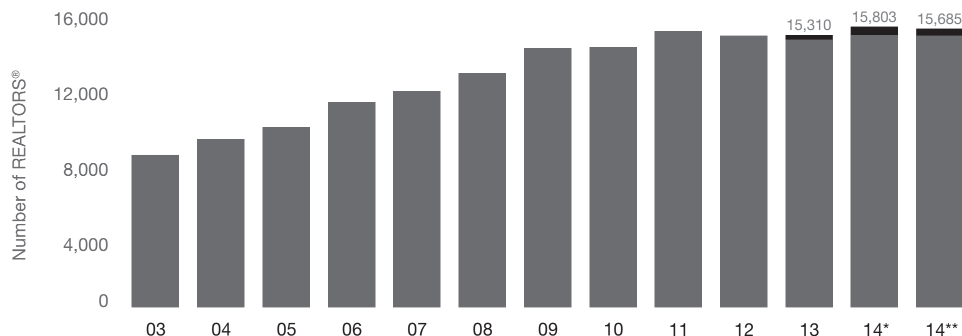
On January 1, 2014, the Company purchased Franchise Agreements representing 20 locations, serviced by an estimated 493 Agents operating under the Royal LePage and Via Capitale brands. The estimated purchase price of these agreements is $6.3 million, with an estimated annual royalty stream of $1 million. (See Transactions with Related Parties.)

[1] Source: CMHC Housing Market Outlook – First Quarter 2014.
[2] Source: CREA Updates and Extends Resale Housing Forecast, published March 17, 2014.
[3] Source: TREB Market Watch data for 2014.

Management's Discussion and Analysis of Results and Financial Condition

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

COMPANY GROWTH



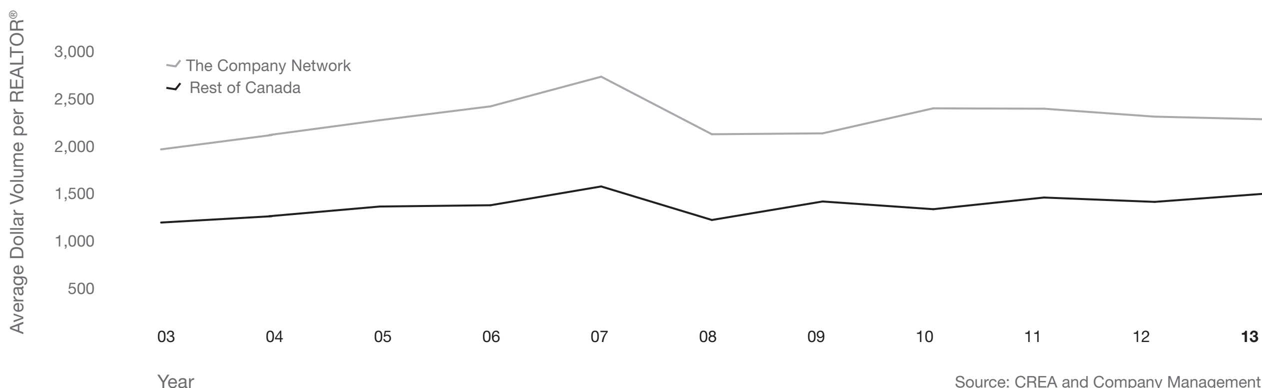
Year ended December 31, except 2014
* As at January 1, 2014
** As at March 31, 2014

REALTOR® Productivity

The average Company Network REALTOR® generated approximately $2.3 million in transactional dollar volume for the twelve months ended December 31, 2013, which is little changed from 2012. This productivity was 50% greater than the estimated average of $1.5 million for all other Canadian REALTORS®, up from $1.4 million in 2012. 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 2013 is shown below.

CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET REALTOR® PRODUCTIVITY

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



Source: CREA and Company Management

PRODUCTS AND SERVICES

The Manager recently relaunched the Company's consumer website 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 website.

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.

The Canadian Residential Resale Real Estate Market

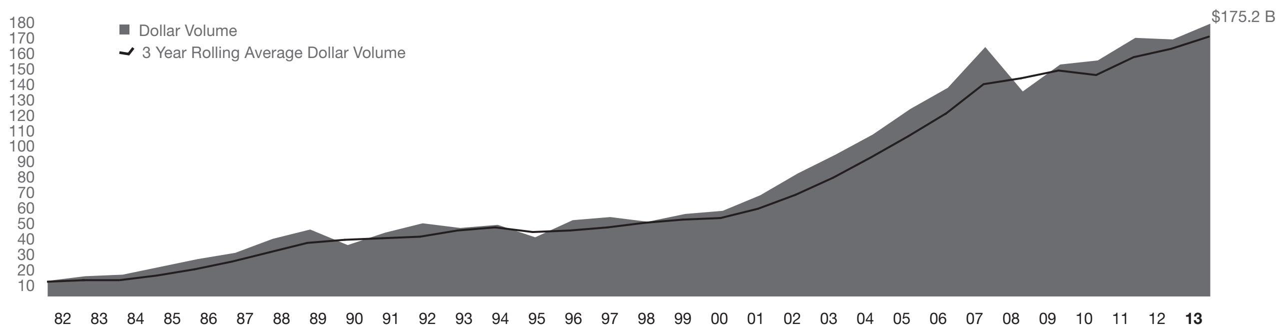
Since 1980, the Market has grown at a compound annual growth rate ("CAGR") of 9.7%. Over the last three years, the Market has been relatively stable, with a CAGR of 5% driven by a 1% increase in units and a 4% increase in selling price, due in part to a combination of a low interest rate environment and government-mandated mortgage-tightening rules. Over the last quarter century, there have 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 the most recent 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 the HST on July 1, 2010. The latter half of 2010 levelled 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.

During the 1990 downturn, interest rates were relatively high, and there was significant speculation in the form of building multiple home ownerships. Since that time, lenders have required builders to pre-sell a significant portion of their developments before advancing funds, and under new mortgage-lending rules, a number of Market controls have been put in place, including non-owner-occupied property purchases that qualify for mortgage insurance, which have increased down payment requirements, and minimum debt service tests regardless of the fixed or variable nature of the underlying mortgage for those home purchasers who qualify for mortgage insurance.

MARKET DOLLAR VOLUME – CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET

(1982–2013) (in $ billions)



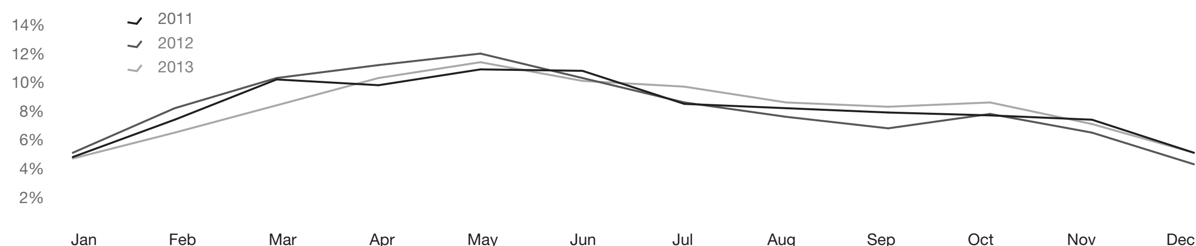
Source: CREA

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 who have capped out under the 1%/$1,300 per annum variable fee.

Management's Discussion and Analysis of Results and Financial Condition

CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET

(% transactional dollar volume by month)



Source: CREA and Company Management

Operating Results

Three months ended March 31, ($ 000's) except Agents, Sales Representatives and per share amounts		2014		2013
Royalties				
Fixed franchise fees	$	4,739	$	4,771
Variable franchise fees		1,728		1,654
Premium Franchise Fees		791		724
Other revenue and services		890		915
		8,148		8,064
Less:				
Administration		254		271
Management fee		1,425		1,482
Interest expense		771		719
		2,450		2,472
Cash flow from operations		5,698		5,592
Amortization of intangible assets		2,942		3,331
Impairment of intangible assets		69		388
Interest on Exchangeable Units		1,270		1,168
Loss on fair value of Exchangeable Units		4,792		699
Loss (gain) on fair value of purchase obligation		897		(212)
(Loss) earnings before income tax		(4,272)		218
Current income tax expense		(829)		(841)
Deferred income tax recovery		293		80
Net and comprehensive loss	$	(4,808)	$	(543)
Basic loss per share	$	(0.51)	$	(0.06)
Diluted loss per share	$	(0.51)	$	(0.06)
Number of Agents		14,648		14,608
Number of fixed-fee-paying Sales Representatives		789		703

As summarized in the table above, during the Quarter, the Company generated net and comprehensive loss before income taxes of $4.3 million and CFFO of $5.7 million, compared to net and comprehensive earnings before income taxes of $0.2 million and CFFO of $5.6 million for the same period in 2013.

The Company Network as at March 31, 2014 consisted of 14,648 Agents and 1,037 Sales Representatives, 789 of whom operate under the $102 per month fixed-fee plan and 248 of whom are primarily Brokers and managers who do not pay fees. Primarily all of our Franchisees operated under the per Agent combined flat fee of $102 per month and 1% of gross earnings option (the "$102/1% option") or the approximate $170 per month flat fee.

Royalties for the Quarter totalled $8.15 million, compared to $8.06 million for the same period in 2013. Fixed, variable and Premium Franchise Fees together represented 89% of royalties (2013 – 89%). Royalties increased due to the larger Agent base, implementation of the $2 increase in the Royal LePage monthly fixed fee and increased Market activity. These increases were partially offset by the non-recognition of $0.2 million of fees associated with non-performing Franchisees that are experiencing financial challenges.

Fixed franchise fees for the Quarter declined by 0.7% as compared to the same period of 2013, as increased fees from the larger Agent base and the implementation of the $2 increase in the Royal LePage monthly fixed fee were offset by the non-recognition of $0.1 million of fees associated with non-performing Franchisees that are experiencing financial challenges. The increase in the Agent base was due primarily to the acquisition of Franchise Agreements representing 493 Agents at the beginning of the year, partially offset by the attrition of 118 Agents. The attrition of Agents experienced during the Quarter was largely concentrated in the province of Ontario, with the competitive loss of individual Agents, retiring Agents and the exit of non-productive Agents driving the decrease.

Variable franchise fees for the Quarter increased by 4.5% as compared to the same period of 2013, due primarily to the increase in Agents and the home sale activity in the individual markets they serve.

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 increased by 9.3% over the same period in 2013, due primarily to fluctuations in the individual markets served by locations that pay these fees as well as a change in the number of Agents and the higher gross commission income for locations paying the higher premium fee.

Other fees and services include home warranty fees, technology fees and other fees, which accounted for approximately 9% of total royalties for the Quarter. Other fees were relatively flat compared to the same period in 2013.

Administration expenses of $0.3 million for the Quarter were at the same level as 2013 and in line with management's expectations.

Management fee expense of $1.4 million for the Quarter, calculated in accordance with the MSA, decreased by 3.8% compared to the same period in 2013, due primarily to the standardization of the Via Capitale management fee from 30% to 20%.

Interest expense consists primarily of interest on the Company's fixed-rate, $32.7 million private debt placement; a variable-rate, $20.3 million credit facility; and interest on the Company's purchase obligation. During the Quarter, the Company's interest expense totalled $0.8 million, up slightly from the same period in 2013, due primarily to interest attributable to the Franchise Agreement purchase obligation. The Company continues to maintain its floating interest rate position.

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 totalled $2.9 million, a decrease of 11.7% from 2013 as older Franchise Agreements expire.

IMPAIRMENT OF INTANGIBLE ASSETS

During the Quarter, an impairment of $0.1 million was recorded to write down the carrying value of the terminated or impaired contracts. Terminated Franchisees are no longer with the Network, and impaired contracts represent Franchisees that have experienced ongoing cash flow difficulties or collectibility issues.

Interest on Exchangeable Units represents the targeted pre-tax distribution of $1.20 per annum, $0.30 per quarter paid to the Exchangeable Unitholders.

LOSS ON FAIR VALUE OF PURCHASE OBLIGATION

The Company recorded a $0.9 million increase in purchase obligation during the Quarter, due primarily to the greater than anticipated retention and growth in Agents and level of Agents' Gross Revenue attributed to the acquisition of Franchise Agreements on January 1, 2014.

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 $4.8 million, for the resulting increase in the fair value of the underlying Exchangeable Unit obligations.

CURRENT INCOME TAX

In calculating current income taxes, earnings before income tax for the year is 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, 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% (2013 – 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 $0.5 million, consisting of a $0.8 million current income tax expense (2013 – $0.8 million) and a $0.3 million deferred income tax recovery (2013 – $0.1 million).

Throughout the Quarter, the Company made regular tax instalment payments totalling $1.0 million in respect of the final 2014 income tax expense; this has resulted in an income tax receivable balance of $0.3 million as at March 31, 2014.

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, 2014, the Company's deferred tax asset was $5.2 million (December 31, 2013 – $4.9 million) and was calculated using an effective tax rate of 26.5% (2013 – 26.5%). During the Quarter, the Company recorded a $0.3 million deferred income tax recovery (2013 – $0.1 million). 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 is as follows:

COMPANY TAX POOLS

($ millions) Future Deduction Basis	Balance December 31, 2013	Estimated Addition for 2014	Estimated Deduction for 2014	Estimated Balance December 31, 2014
7% of Balance	$ 68.5	$ 6.3	$ 5.1[1]	$ 69.7
Five-Year Straight-Line	0.2	–	0.2	–
	$ 68.7	$ 6.3	$ 5.3	$ 69.7

[1] This estimated deduction for 2014 is calculated as 7% of the sum of the remaining balance as of December 31, 2013 and 75% of the estimated addition for 2014.

CASH FLOW FROM OPERATIONS

During the Quarter, the Company generated CFFO of $0.45 per Restricted Voting Share, as compared to $0.44 of CFFO generated during the same period of 2013 (see Overview of 2014 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

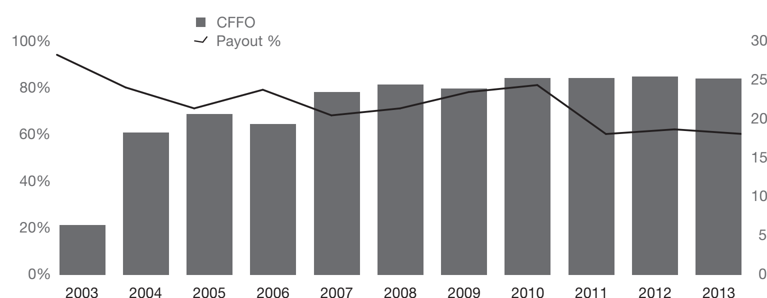
Twelve months ended	**2014**	2013				2012		
($ 000's) except per share amounts	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Royalties	**$ 36,352**	$ 36,268	$ 36,014	$ 36,110	$ 36,363	$ 36,519	$ 36,821	$ 36,916
Less:								
Administration	**1,325**	1,342	1,786	1,912	1,180	1,361	1,645	1,396
Interest expense	**3,092**	3,040	3,014	2,987	2,955	2,961	2,974	3,003
Management fee	**6,620**	6,677	6,553	6,564	6,772	6,772	6,774	6,836
	25,315	25,209	24,661	24,647	25,456	25,425	25,428	25,681
Cash flow from operations per share	**$ 1.98**	$ 1.97	$ 1.92	$ 1.92	$ 1.99	$ 1.98	$ 1.98	$ 2.00

The Company's operations have been a significant source of capital, with $243.3 million of CFFO generated since inception, of which $175.5 million has been paid to the public shareholders and Exchangeable Unitholders. Of the remaining $67.8 million retained by the Company, $49.9 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. Also see Supplemental Information – Cash Flow From 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.

CASH FLOW FROM OPERATIONS

Years ended December 31 (in $ millions)



The tables below present 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 operating activities, as presented in the Interim Condensed 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 Interim Condensed Consolidated Statements of Cash Flows.

CASH FLOW FROM OPERATIONS AND ITS UTILIZATION

Three months ended March 31, ($ 000's)	2014	2013
Royalties	$ 8,148	$ 8,064
Less:		
Administration	254	271
Management fee	1,425	1,482
Interest expense	771	719
Cash flow from operations	5,698	5,592
Less:		
Dividends to shareholders	2,845	2,618
Interest on Exchangeable Units	1,270	1,168
Total dividends and interest	4,115	3,786
Cash flow from operations less total dividends	1,583	1,806
Less: funding of acquisitions	3,501	3,171
Net change in the period	$ (1,918)	$ (1,365)

CASH FLOW FROM OPERATIONS RECONCILED TO CASH FLOW FROM OPERATING ACTIVITIES

Three months ended March 31, ($ 000's)	2014	2013
Cash flow from operating activities	$ 3,311	$ 1,146
Add (deduct):		
Interest on Exchangeable Units	1,270	1,168
Income taxes paid	1,008	1,204
Changes in non-cash working capital items	191	1,517
Interest expense	(2,041)	(1,887)
Interest paid	1,959	2,444
Cash flow from operations	$ 5,698	$ 5,592

CFFO to Restricted Voting Shareholders represents net and comprehensive earnings adjusted for interest on Exchangeable Units, fair value of Exchangeable Units, 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

The Company's long-term debt comprises a $32.7 million private debt placement with a number of Canadian institutional investors, with fixed interest of 5.809%, and a $20.3 million term facility with a Canadian financial institution, with interest available at a floating rate of prime plus 1.5%, payable quarterly, or at Banker's Acceptance rates plus 3%, with terms of up to six months.

The Company has a $2 million operating line provided by a single Canadian financial institution. As of the date of this MD&A, this operating line remains undrawn and in force.

The covenants of the long-term debt 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 2.25 to 1. Consolidated EBITDA is defined as earnings (loss) before tax, interest, interest on Exchangeable Units, gain (loss) on fair value of Exchangeable Units and gain (loss) on purchase obligation adjustment. As at March 31, 2014, the Company is compliant with its financial covenants.

Senior Indebtedness is defined as the Company's long-term debt, disclosed under Note 10 of the Interim Condensed Consolidated Financial Statements, and consists of a $32,700 private debt placement and a $20,300 term facility. Senior Interest Expense includes interest expenses generated on the Company's Senior Indebtedness.

The Company's $53 million of long-term debt is due in February 2015. As a result, it has been classified as short-term debt on the financial statements as it matures within 365 days of the Quarter. Management is currently carrying out activities to refinance these obligations.

Summary of Quarterly Results

Three months ended	2014			2013			2012	
($ 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	**$ 4,739**	$ 4,719	$ 4,725	$ 4,726	$ 4,771	$ 4,644	$ 4,684	$ 4,716
Variable franchise fees	**1,728**	1,399	2,469	2,594	1,654	1,238	2,506	2,768
Premium Franchise Fees	**791**	1,285	1,913	1,314	724	1,193	1,972	1,455
Other revenue and services	**890**	929	1,026	1,105	915	1,003	1,067	1,053
	8,148	8,332	10,133	9,739	8,064	8,078	10,229	9,992
Less:								
Administration	**254**	40	393	638	271	484	519	(94)
Management fee	**1,425**	1,586	1,868	1,741	1,482	1,462	1,879	1,949
Interest expense	**771**	750	764	807	719	724	737	775
Cash flow from operations	**5,698**	5,956	7,108	6,553	5,592	5,408	7,094	7,362
Interest on Exchangeable Units	**1,270**	1,168	1,168	1,168	1,168	1,768	1,168	1,168
Loss (gain) on fair value of Exchangeable Units	**4,792**	(499)	4,325	(2,096)	699	(1,297)	3,494	(5,624)
Loss (gain) on fair value of purchase obligation	**897**	343	(203)	(138)	(212)	(331)	(24)	–
Amortization of intangible assets	**2,942**	2,882	3,211	3,259	3,331	3,124	3,315	3,315
Impairment of intangible assets	**69**	909	94	–	388	785	685	–
(Loss) earnings before income taxes	**(4,272)**	1,153	(1,487)	4,360	218	1,359	(1,544)	8,503
Current income tax expense	**829**	887	1,134	1,096	841	774	1,147	1,028
Deferred income tax recovery	**(293)**	(303)	(109)	(110)	(80)	(176)	(235)	(372)
Net and comprehensive (loss) earnings	**$ (4,808)**	$ 569	$ (2,512)	$ 3,374	$ (543)	$ 761	$ (2,456)	$ 7,847
Basic loss (earnings) per share	**$ (0.51)**	$ 0.06	$ (0.26)	$ 0.36	$ (0.06)	$ 0.08	$ (0.26)	$ 0.83
Diluted loss (earnings) per share	**$ (0.51)**	$ 0.06	$ (0.26)	$ 0.19	$ (0.06)	$ 0.10	$ (0.26)	$ 0.26
Cash flow from operations per share (on a diluted basis)	**$ 0.44**	$ 0.46	$ 0.55	$ 0.51	$ 0.44	$ 0.42	$ 0.55	$ 0.57
Number of Agents	**14,648**	14,322	14,468	14,525	14,608	14,141	14,245	14,270
Number of fixed-fee-paying Sales Representatives	**789**	746	735	727	703	701	685	686

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.

	2014	2015	2016	Beyond 2016	Total
Accounts payable and accrued liabilities	$ 1,695	$ –	$ –	$ –	$ 1,695
Purchase obligation	4,575	51	90	–	4,716
Interest payable to Exchangeable Unitholders	423	–	–	–	423
Dividends payable to shareholders	948	–	–	–	948
Interest on long-term debt	2,281	761	–	–	3,042
Private debt placement	–	32,700	–	–	32,700
Term facility	–	20,300	–	–	20,300
Exchangeable Units	–	–	–	49,216	49,216
Total	$ 9,922	$ 53,812	$ 90	$ 49,216	$ 113,040

Overall working capital decreased by $59.3 million from a $5.6 million positive working capital position as at December 31, 2013 to a $53.7 million working capital deficit primarily as a result of:

- The reclassification of the Company's $52.8 million of debt, which is coming due in February 2015, from long term to current;
- A net $4.5 million increase in purchase obligation and associated HST for the acquisition of Franchise Agreements on January 1, 2014;
- The use of $3 million of cash on hand along with $3.4 million of cash generated from operating activities to meet purchase obligation and shareholder dividend requirements; and
- A $0.4 million increase in receivables, due in part to what is expected to be delayed Market activity in certain areas of the country as a result of the harsh winter.

A summary of the Company's working capital position is shown below.

WORKING CAPITAL

As at ($ 000's)		March 31, 2014		Dec. 31, 2013		Sept. 30, 2013		June 30, 2013		March 31, 2013		Dec. 31, 2012		Change in Quarter		Change in Year
Current assets																
Cash and cash equivalents	**$**	**674**	$	3,633	$	2,939	$	2,317	$	460	$	5,103	$	(2,959)	$	214
Accounts receivable		**5,760**		5,321		4,440		5,545		5,539		4,247		439		221
Income tax receivable		**327**		148		274		400		423		60		179		(96)
Prepaid expenses		**89**		90		36		60		90		117		(1)		(1)
	$	**6,850**	$	9,192	$	7,689	$	8,322	$	6,512	$	9,527	$	(2,342)	$	338
Current liabilities																
Accounts payable and accrued liabilities	**$**	**1,695**	$	1,384	$	1,292	$	1,324	$	1,262	$	1,408	$	311	$	433
Debt facilities		**52,829**		–		–		–		–		–		52,829		52,829
Purchase obligation – current portion		**4,626**		974		652		3,523		3,661		463		3,652		965
Interest payable to Exchangeable Unitholders		**423**		389		389		389		389		989		34		34
Dividends payable to shareholders		**948**		872		872		872		872		872		76		76
		60,521		3,619		3,205		6,108		6,184		3,732		56,902		54,337
Net working capital	**$**	**(53,671)**	$	5,573	$	4,484	$	2,214	$	328	$	5,795	$	(59,244)	$	(53,999)

Capital Resources

The existing capital resources that the Company can draw upon consist of a $2 million operating line, which was not drawn upon during the Quarter and remains undrawn as at the date of this MD&A. Other capital resources include funds generated from operations, debt servicing, dividend and Exchangeable Unit requirements and financing for the acquisition of Franchise Agreements.

The Company's $53 million of long-term debt is due in February 2015. Management is currently carrying out activities to refinance this obligation.

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 17 corporately owned residential brokerage locations in the GTA, serviced by over 1,300 Agents, and during the fourth quarter of 2013 acquired an existing independent Royal LePage residential resale real estate operation located on the British Columbia mainland, serviced by 187 Agents operating from five locations. Of these operations, 16 operate under Franchise Agreements with the standard $102/1% option to August 2023, with an additional Premium Franchise Fee ranging from 1% to 5% of the location's gross commission income to August 2018. The remaining location, which was opened during the third quarter of 2009, was included in the Company's acquisition of Franchise Agreements on January 1, 2010.

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 existing MSA; (2) the Manager can earn a new incentive fee for organic growth, which closely aligns the Manager's 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 Agreements 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 Agreements 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; and (iii) the 20% holdback on the initial purchase price for the incremental Franchise Agreements 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 Agreement calculation noted above are as follows: (1) the Via Capitale accretion factor was 10%; (2) the final purchase price for the agreements 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 Agreements 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 are 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 14 of the Interim Condensed Consolidated Financial Statements.

On January 1, 2014, the Partnership acquired 45 new Royal LePage Franchise Agreements from the Manager at an estimated purchase price of $6,059. A payment of $4,847, equal to 80% of the estimated purchase price, was due on January 1, 2014, and the remainder is to be paid a year later, when the final purchase price is determined. Any subsequent changes to the value of the estimated purchase price 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, 2014 is subject to interest at the rate prescribed in the MSA.

On January 1, 2014, Via Capitale L.P. ("VCLP") acquired one new Via Capitale Franchise Agreement from the Manager at an estimated purchase price of $193. A payment of $154, equal to 80% of the estimated purchase price, was due on January 1, 2014, and the remainder is to be paid over the next three years. Until the final purchase price is determined, the estimated price is to be revised over a three-year period from November 1, 2013 to October 31, 2016, based on the average annual royalty stream earned. Any subsequent changes to the value of the estimated purchase price 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, 2014 is subject to interest at the rate prescribed in 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 $1.1 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 as 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 the following interim condensed 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 interim condensed 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 revenues. 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 assets 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 uses them to assist in determining impairment indicators. These factors include aging of receivables, Agent count, known financial difficulties, health concerns, non-compliance with contractual obligations and underlying Market conditions.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, purchase obligation (receivable), current income tax liability, interest payable to Exchangeable Unitholders, dividends payable to shareholders, a $32.7 million private debt placement, a $20.3 million term facility, Exchangeable Unit liability and a $2 million operating credit facility.

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.

The Company's debt consists of a $32.7 million private debt placement with a number of Canadian institutional investors, with fixed interest of 5.809%, and a $20.3 million term facility with a Canadian financial institution, with interest available at a floating rate of prime plus 1.5%, payable quarterly, or at Banker's Acceptance rates plus 3%, with terms of up to six months.

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 concluded that these DC&P were adequate and effective as at March 31, 2014. 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 interim condensed 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 concluded that ICFR is adequate and effective to provide such assurance as at March 31, 2014.

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, 2014.

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 71.6% 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

“The Company has made significant enhancements to our operating platforms during the past year,” said Phil Soper, President and Chief Executive Officer, Brookfield Real Estate Services Inc. “We are encouraged by the adoption of new mobile and web technologies by home buyers and sellers, which should increase our ability to increase our network of Brokers and Agents.”

“We believe that the underlying fundamentals of the Canadian housing market remain sound. With the continuation of solid economic performance coupled with persistently low interest rates, we expect to see growth in both sales volumes and price appreciation for the remainder of 2014,” concluded 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 resale 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, 2012	Sept. 30, 2012	Dec. 31, 2012	March 31, 2013	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	**March 31, 2014**
Royalties	$ 9,992	$ 10,229	$ 8,078	$ 8,064	$ 9,739	$ 10,133	$ 8,332	**$ 8,148**
Less:								
Administration	(94)	519	484	271	638	393	40	**254**
Management fee	1,949	1,879	1,462	1,482	1,741	1,868	1,586	**1,425**
Interest expense	775	737	724	719	807	764	750	**771**
Cash flow from operations	7,362	7,094	5,408	5,592	6,553	7,108	5,956	**5,698**
Interest on Exchangeable Units	1,168	1,168	1,768	1,168	1,168	1,168	1,168	**1,270**
Loss (gain) on fair value of Exchangeable Units	(5,624)	3,494	(1,297)	699	(2,096)	4,325	(499)	**4,792**
Loss (gain) on fair value of purchase obligation	–	(24)	(331)	(212)	(138)	(203)	343	**897**
Amortization of intangible assets	3,315	3,315	3,124	3,331	3,259	3,211	2,882	**2,942**
Impairment of intangible assets	–	685	785	388	–	94	909	**69**
Earnings (loss) before taxes	8,503	(1,544)	1,359	218	4,360	(1,487)	1,153	**(4,272)**
Current income tax expense	(1,028)	(1,147)	(774)	(841)	(1,096)	(1,134)	(887)	**(829)**
Deferred income tax recovery	372	235	176	80	110	109	303	**293**
Net and comprehensive earnings (loss) for the period	7,847	(2,456)	761	(543)	3,374	(2,512)	569	**(4,808)**
Add:								
Amortization of intangible assets	3,315	3,315	3,124	3,331	3,259	3,211	2,882	**2,942**
Impairment of intangible assets	–	685	785	388	–	94	909	**69**
Current income tax expense	1,028	1,147	774	841	1,096	1,134	887	**829**
Deferred income tax recovery	(372)	(235)	(176)	(80)	(110)	(109)	(303)	**(293)**
Interest on Exchangeable Units	1,168	1,168	1,768	1,168	1,168	1,168	1,168	**1,270**
Loss (gain) on fair value of Exchangeable Units	(5,624)	3,494	(1,297)	699	(2,096)	4,325	(499)	**4,792**
Loss (gain) on fair value of purchase obligation	–	(24)	(331)	(212)	(138)	(203)	343	**897**
Cash flow from operations	7,362	7,094	5,408	5,592	6,553	7,108	5,956	**5,698**
Less change in:								
Unutilized cash	(3,576)	(3,308)	(1,622)	(1,806)	(2,767)	(3,322)	(2,170)	**(1,583)**
Cash required for dividends	$ 3,786	$ 3,786	$ 3,786	$ 3,786	$ 3,786	$ 3,786	$ 3,786	**$ 4,115**
Cash flow from operations available to:								
Public shareholders	$ 2,618	$ 2,618	$ 2,618	$ 2,618	$ 2,618	$ 2,618	$ 2,618	**$ 2,845**
Non-controlling interest	1,168	1,168	1,168	1,168	1,168	1,168	1,168	**1,270**
	$ 3,786	$ 3,786	$ 3,786	$ 3,786	$ 3,786	$ 3,786	$ 3,786	**$ 4,115**

Supplemental Information – Selected Financial and Operating Information

Three months ended ($000's, unaudited)	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	March 31, 2013	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	**March 31, 2014**
Revenue								
Fixed franchise fees	$ 4,716	$ 4,684	$ 4,644	$ 4,771	$ 4,726	$ 4,725	$ 4,719	**$ 4,739**
Variable franchise fees	2,768	2,506	1,238	1,654	2,594	2,469	1,399	**1,728**
Premium Franchise Fees	1,455	1,972	1,193	724	1,314	1,913	1,285	**791**
Other fee revenue and services	1,053	1,067	1,003	915	1,105	1,026	929	**890**
	$ 9,992	$ 10,229	$ 8,078	$ 8,064	$ 9,739	$ 10,133	$ 8,332	**$ 8,148**
% Revenue by region								
British Columbia	10	10	9	10	10	11	10	**10**
Prairies	10	9	9	10	10	10	10	**10**
Ontario	59	60	61	59	60	59	59	**59**
Quebec	18	18	18	18	17	17	18	**17**
Maritimes	3	3	3	3	3	3	3	**4**
	100	100	100	100	100	100	100	**100**

Three months ended **Changes during the period**	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	March 31, 2013	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	**March 31, 2014**
Number of REALTORS®	(1)	(11)	(152)	472	(59)	(48)	(141)	**375**
Number of Agents	(10)	(25)	(104)	467	(83)	(57)	(146)	**326**
Number of fixed-fee-paying Sales Representatives	11	(1)	16	2	24	8	11	**43**
Number of locations	(6)	–	(6)	23	(6)	(4)	(42)	**19**
At end of period								
Number of REALTORS®	15,249	15,238	15,086	15,558	15,499	15,451	15,310	**15,685**
Number of Agents	14,270	14,245	14,141	14,608	14,525	14,468	14,322	**14,648**
Number of fixed-fee-paying Sales Representatives	686	685	701	703	727	735	746	**789**
Number of locations	662	662	656	679	673	669	627	**646**
Number of Franchise Agreements							307	**313**

Supplemental Information – Distributions/Dividends History

	Dividends Declared per Share							
Month	2007	2008	2009	2010	2011	2012	2013	**2014**
January	$ 0.1000	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	**$ 0.10**
February	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	**0.10**
March	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	**0.10**
April	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	
May	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	
June	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	
July	0.1000	0.1040	0.1170	0.1170	0.0920	0.0920	0.0920	
August	0.1000	0.1170	0.1170	0.1170	0.0920	0.0920	0.0920	
September	0.1000	0.1170	0.1170	0.1170	0.0920	0.0920	0.0920	
October	0.1000	0.1170	0.1170	0.1170	0.0920	0.0920	0.0920	
November	0.1000	0.1170	0.1170	0.1170	0.0920	0.0920	0.0920	
December	0.1000	0.1170	0.1570	0.3170	0.0920	0.0920	0.0920	
	$ 1.20	$ 1.31	$ 1.44	$ 1.60	$ 1.10	$ 1.10	$ 1.10	**$ 0.30**

Supplemental Information – Share and Exchangeable Unit Performance

Three months ended	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	March 31, 2013	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	**March 31, 2014**
Trading price range of Units (TSX: "BRE")								
High	$ 13.90	$ 13.80	$ 13.07	$ 13.30	$ 13.10	$ 13.92	$ 14.03	**$ 14.99**
Low	$ 11.46	$ 11.82	$ 11.71	$ 12.52	$ 12.02	$ 12.40	$ 13.10	**$ 13.25**
Close	$ 11.96	$ 13.01	$ 12.62	$ 12.83	$ 12.20	$ 13.50	$ 13.35	**$ 14.79**
Average daily volume	6,744	11,879	13,377	17,596	11,156	8,939	9,441	**5,964**
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	$ 153,226	$ 166,678	$ 161,681	$ 164,372	$ 156,301	$ 172,955	$ 171,034	**$ 189,482**
Long-term debt	52,517	52,559	52,602	52,645	52,691	52,736	52,782	**52,829**
Less:								
Cash on hand	1,282	3,814	5,103	460	2,317	2,939	3,633	**674**
	$ 204,461	$ 215,423	$ 209,180	$ 216,557	$ 206,675	$ 222,752	$ 220,183	**$ 241,637**

Supplemental Information – Canadian Residential Resale Real Estate Market

Three months ended	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	March 31, 2013	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	**March 31, 2014**
Canada								
Transactional dollar volume[1]	$ 55,681	$ 38,573	$ 31,155	$ 34,808	$ 56,229	$ 47,104	$ 36,988	**$ 38,682**
Average selling price	$ 373,718	$ 352,942	$ 357,766	$ 369,460	$ 385,444	$ 382,262	$ 390,988	**$ 399,921**
Number of units sold	148,992	109,290	87,082	94,187	145,881	123,224	94,601	**96,725**
Number of REALTORS® at period end	106,035	106,321	106,944	107,077	107,812	108,196	109,032	**N/A**
Housing starts	62,025	60,338	52,562	33,477	44,026	46,899	45,732	**32,042**
Greater Toronto Area								
Transactional dollar volume[1]	$ 15,240	$ 9,491	$ 8,050	$ 9,089	$ 15,499	$ 12,149	$ 9,879	**$ 9,854**
Average selling price	$ 512,872	$ 485,101	$ 495,293	$ 507,787	$ 533,455	$ 516,451	$ 534,896	**$ 549,061**
Number of units sold	29,715	19,565	16,253	17,899	29,054	23,524	18,469	**17,947**
Housing starts	12,736	13,199	13,200	6,695	8,583	8,233	10,036	**7,090**

Twelve months ended	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	March 31, 2013	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013	**March 31, 2014**
Canada								
Transactional dollar volume[1]	$ 170,814	$ 167,999	$ 165,061	$ 160,217	$ 160,765	$ 169,296	$ 175,129	**$ 179,003**
Average selling price	$ 363,714	$ 363,605	$ 363,762	$ 364,502	$ 368,355	$ 375,901	$ 382,466	**$ 388,773**
Number of units sold	469,639	462,037	453,761	439,551	436,440	450,374	457,893	**460,431**
Housing starts	209,699	214,422	214,827	208,402	190,403	176,964	170,134	**168,699**
Seasonally adjusted housing starts	229,000	222,900	197,976	175,191	199,586	193,637	189,672	**156,823**
Greater Toronto Area								
Transactional dollar volume[1]	$ 45,197	$ 44,081	$ 42,940	$ 41,870	$ 42,129	$ 44,787	$ 46,616	**$ 47,381**
Average selling price	$ 486,422	$ 493,291	$ 498,364	$ 501,844	$ 508,981	$ 516,394	$ 524,092	**$ 532,407**
Number of units sold	92,918	89,361	86,162	83,432	82,771	86,730	88,946	**88,994**
Housing starts	43,544	46,596	49,817	45,830	41,677	36,711	33,547	**33,942**

Source: CREA
[1] ($ millions).
N/A: Not available at the time of MD&A.

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, 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	**$ 345,415**	**$ 8,148**	$ 36,268	$ 36,519	$ 36,720	$ 36,630	$ 191,130
Less:							
Administration	**10,787**	**254**	1,342	1,361	1,667	1,771	4,392
Interest expense	**28,146**	**771**	3,040	2,961	3,042	2,900	15,432
Management fee	**63,178**	**1,425**	6,677	6,772	6,747	6,713	34,844
Cash flow from operations	**243,304**	**5,698**	25,209	25,425	25,264	25,246	136,462
Less:							
Dividends to shareholders	**128,475**	**2,845**	10,471	10,471	12,605	15,212	76,871
Interest/dividends to Exchangeable Unitholders/non-controlling interest	**47,050**	**1,270**	4,672	5,272	4,672	5,337	25,827
Total dividends	**175,525**	**4,115**	15,143	15,743	17,277	20,549	102,698
Cash flow from operations less total dividends	**67,779**	**1,583**	10,066	9,682	7,987	4,697	33,764
Less: Funding of acquisitions	**49,941**	**3,501**	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	**$ 13,742**	**$ (1,918)**	$ 4,212	$ 6,717	$ 1,925	$ (1,718)	$ 4,524
Cumulative change	**$ 13,742**	**$ 13,742**	$ 15,660	$ 11,448	$ 4,731	$ 2,806	$ 12,386
Dividends percentage payout[1]	**72%**	**72%**	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, 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	**$ 192,665**	**$ 3,387**	$ 14,855	$ 12,946	$ 18,588	$ 6,100	$ 136,789
Add (deduct):							
Changes in non-cash working capital items	**2,392**	**191**	1,216	(49)	1,490	(1,224)	768
Interest on Exchangeable Units	**21,223**	**1,270**	4,672	5,272	4,672	5,337	–
Income taxes paid	**13,083**	**1,008**	4,046	8,029	–	–	–
Interest on Trust Units	**15,212**	**–**	–	–	–	15,212	–
Non-cash interest expense	**(1,271)**	**(158)**	420	(773)	514	(179)	(1,095)
Cash flow from operations	**$ 243,304**	**$ 5,698**	$ 25,209	$ 25,425	$ 25,264	$ 25,246	$ 136,462

Supplemental Information – Acquisitions

Date acquired by the Company, January 1, ($ millions unless stated otherwise)	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Purchase price						
Estimated	6.25	6.74	2.88	3.48	5.24	3.44
Actual (a) (d)	(a)	6.60	2.70	3.34	5.70	3.31
Payments						
Initial	5.00	5.40	2.30	2.78	4.20	2.78
Final (b) (c) (d)	(a)	1.20	0.40	0.56	1.50	0.53
Estimated						
Annual royalty stream	0.95	1.05	0.49	0.55	0.89	0.70
Number of REALTORS®	493	516	217	247	417	316
Number of locations	20	27	12	8	17	25
Number of agreements	46	44	25	23	21	21
Actual						
Annual royalty stream (b)	(d)	0.98	0.45	0.52	0.95	0.66
Number of REALTORS®	(d)	487	217	231	417	316
Number of locations	20	27	12	8	17	25
Number of agreements	46	44	25	23	21	21

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

Management's Discussion and Analysis of Results and Financial Condition

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.

"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.

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

"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.

"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, Via Capitale and Johnston & Daniel brand names.

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

"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, communications and support systems.

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

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

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

“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 its 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. IFRS is a global framework that provides general guidance for the preparation of financial statements and its disclosure to the public to convey measurable and comparable financial information.

“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 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 geographical 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.

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

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

“Partnership Assets” is defined as, collectively, 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 in addition to the basic fixed fee and the basic variable fee as an uncapped amount ranging from 1% to 5% (based on location, with an average of 3%) of the Agents’ Gross Revenues.

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

“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 $2 million provided by CIBC, 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 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 Share" is defined as the shares of the Company issued to represent voting rights in the Company that accompany securities convertible into or exchangeable for Restricted Voting Shares, including the Subordinated LP Units and Ordinary LP Units held by Brookfield Holdings or an affiliated entity of Brookfield Holdings or the Manager or an affiliated entity of the Manager.

"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.

"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 Sales Representatives in and about the Greater Toronto Area. The organization offers its members services that range from professional development and arbitration services to releasing a variety of residential and commercial market-related reports.

"Trademarks" is defined as the Trademark rights related to the business held by or licensed to Brookfield Holdings, the Manager or Via Capitale, including, without limitation, the Royal LePage Trademarks and the Via Capitale Trademarks.

"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 Fund, other than special fund units, each representing an equal undivided beneficial interest in the Fund.

"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./Réseau Immobilier 9120 S.E.C., a limited partnership established under the laws of the Province of Quebec.

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

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

Brookfield Real Estate Services Inc.

Interim Condensed Consolidated Balance Sheets

Unaudited As at (In thousands of Canadian dollars)	Note	March 31, 2014	December 31, 2013
Assets			
Current assets			
Cash		$ 674	$ 3,633
Accounts receivable	4	5,760	5,321
Income tax receivable		327	148
Prepaid expenses		89	90
		6,850	9,192
Non-current assets			
Notes receivable	5	209	145
Deferred tax asset	8	5,217	4,924
Intangible assets	6, 7	82,412	79,172
		$ 94,688	$ 93,433
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,695	$ 1,384
Debt facilities	10	52,829	–
Purchase obligation – current portion	6	4,626	974
Interest payable to Exchangeable Unitholders		423	389
Dividends payable to shareholders		948	872
		60,521	3,619
Non-current liabilities			
Long-term debt	10	–	52,782
Purchase obligation	6	90	94
Exchangeable Units	11	49,216	44,424
		109,827	100,919
Shareholders' deficit			
Restricted Voting Shares	12	140,076	140,076
Deficit		(155,215)	(147,562)
		(15,139)	(7,486)
		$ 94,688	$ 93,433

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, 2014	Three months ended March 31, 2013
Royalties			
Fixed franchise fees		$ 4,739	$ 4,771
Variable franchise fees		1,728	1,654
Premium Franchise Fees		791	724
Other revenue and services		890	915
		8,148	8,064
Expenses			
Administration		254	271
Management fee	14	1,425	1,482
Interest expense		771	719
Impairment of intangible assets	7	69	388
Amortization of intangible assets	7	2,942	3,331
		5,461	6,191
Operating income		2,687	1,873
Interest on Exchangeable Units		(1,270)	(1,168)
Loss on fair value of Exchangeable Units	11	(4,792)	(699)
(Loss) gain on fair value of purchase obligation	6	(897)	212
(Loss) earnings before income tax		(4,272)	218
Current income tax expense		(829)	(841)
Deferred income tax recovery		293	80
Income tax expense	8	(536)	(761)
Net and comprehensive loss		$ (4,808)	$ (543)
Basic loss per share	13	$ (0.51)	$ (0.06)
Weighted average number of shares outstanding used in computing basic earnings per share		9,483,850	9,483,850
Diluted loss per share	13	$ (0.51)	$ (0.06)
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, 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)**

Unaudited (In thousands of Canadian dollars)	Common Equity	Deficit	Total Deficit
Balance, December 31, 2012	$ 140,076	$ (137,979)	$ 2,097
Net loss	–	(543)	(543)
Dividends declared	–	(2,618)	(2,618)
Balance, March 31, 2013	$ 140,076	$ (141,140)	$ (1,064)

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, 2013
Cash provided by (used for):			
Operating activities			
Net loss for the period		$ (4,808)	$ (543)
Items not affecting cash			
Loss on fair value of Exchangeable Units	11	4,792	699
Loss (gain) on fair value of purchase obligation	6	897	(212)
Interest expense		2,041	1,887
Interest paid		(1,959)	(2,444)
Current income tax expense	8	829	841
Income taxes paid		(1,008)	(1,204)
Deferred income tax recovery	8	(293)	(80)
Impairment of intangible assets	7	69	388
Amortization of intangible assets		2,942	3,331
Changes in non-cash working capital		(191)	(1,517)
		3,311	1,146
Investing activity			
Purchase of intangible assets	6	(3,501)	(3,171)
Financing activity			
Dividends paid to shareholders		(2,769)	(2,618)
Decrease in cash during the period		(2,959)	(4,643)
Cash, beginning of the period		3,633	5,103
Cash, end of the period		$ 674	$ 460

See accompanying notes to the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

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. The shares were previously owned by another wholly owned subsidiary of BAM, Brookfield Holdings Canada Inc. ("BHCI") until October 2013, when BHCI transferred all of its interest in the Partnership and RIFGP to BPEDIH. The transfer did not have any impact on the net assets, financial position or results of operations of the Company.

These interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on May 5, 2014.

2. Significant Accounting Policies

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, 2013. These interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2013.

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 remaining 25% interest in RIFGP is owned by BPEDIH. 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 interim condensed 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.

ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The Company adopted the following new standards in preparing these unaudited interim condensed consolidated financial statements:

IMPAIRMENT OF ASSETS

IAS 36 *Impairment of Assets* ("IAS 36") was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The

amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard has not had any significant impact on the Company's results of operations, financial position or disclosures.

FINANCIAL INSTRUMENTS – PRESENTATION

The IASB amended IAS 32 *Financial Instruments: Presentation* ("IAS 32"), clarifying the application of the offsetting requirements of financial assets and financial liabilities. The amendments to IAS 32 must be applied retrospectively for annual periods beginning on or after January 1, 2014. The adoption of this standard has not had any significant impact on the Company's results of operations, financial position or disclosures.

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 had an automatic renewal for successive 10-year periods subject to approval of the Company and BRESML.

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

The MSA also prescribes 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 became 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 formula 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, 2014, the Company incurred management fees of $1,425 (March 31, 2013 – $1,482) 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, 2014, the Company had accounts receivable of $5,760 (December 31, 2013 – $5,321) net of $359 (December 31, 2013 – $330) allowance for doubtful accounts. During the three months ended March 31, 2014, $29 of net bad debt expense was included in administration expense (March 31, 2013 – $44). Management conducts an analysis to determine the allowance for doubtful accounts by assessing the collectiblity 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	$ 1,683	$ 246	$ 865	$ 2,966	$ 5,760

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, 2014 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, 2014, the Company had notes receivable of $209 (December 31, 2013 – $145).

6. Asset Acquisitions

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

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 due on January 1, 2014, and the remainder is to be paid when the final purchase price is determined on October 31, 2014, the determination date. Until the determination date, the estimated price is revised over the determination period, the one-year period starting on November 1 of the year immediately preceding the purchase date through to October 31 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, 2014 is subject to interest at the rate prescribed in the MSA of prime plus 1%.

On January 1, 2014, VCLP acquired one new Via Capitale franchise agreement from BRESML at an estimated purchase price of $193. A payment of $154, equal to 80% of the estimated purchase price, was due on January 1, 2014, and the remainder is to be paid over the next three years when the final purchase price is determined on October 31, 2016, the determination date. Until the determination date, the estimated price is revised over the determination period, a three-year period from November 1, 2013 to October 31, 2016, 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, 2014 is subject to interest at the rate prescribed in the MSA 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(s) 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, 2014, $897 was recorded as an increase to the purchase obligation, and the corresponding amount was recorded as a loss on the fair value of purchase obligation (March 31, 2013 – gain of $212).

For the three months ended March 31, 2014, the Company incurred $43 of interest expense related to outstanding purchased obligation payments (March 31, 2013 – nil).

On January 1, 2013, the Partnership acquired 37 new Royal LePage Franchise Agreements from BRESML at an estimated purchase price of $6,019. A payment of $4,815, equal to 80% of the estimated purchase price, was paid from cash on hand in 2013, and the remainder was paid by January 31, 2014.

On January 1, 2013, VCLP acquired seven new Via Capitale Franchise Agreements from BRESML and a subsidiary of BRESML at an estimated purchase price of $720. A payment of $576, equal to 80% of the estimated purchase price, was paid from cash on hand in 2013, with the remainder to be paid by January 31, 2016.

The additions to intangible assets during the three months ended March 31, 2014 and full year 2013 are summarized as follows:

	Royal LePage	Via Capitale	March 31, 2014	December 31, 2013
Franchise Agreements	$ 6,059	$ 193	$ 6,252	$ 6,739

The purchase obligations consist of the following:

	Royal LePage	Via Capitale	March 31, 2014	December 31, 2013
Purchase obligation at beginning of period	$ 985	$ 83	$ 1,068	$ 393
Current period's purchase obligation	6,059	193	6,252	6,739
Price adjustment on current period purchases	889	8	897	(210)
Payment on current period purchases	(2,350)	(155)	(2,505)	(5,391)
Payment of obligations on prior years' purchases	(985)	(11)	(996)	(463)
Purchase obligation at end of period	$ 4,598	$ 118	$ 4,716	$ 1,068
Current portion of purchase obligation	$ 4,598	$ 28	$ 4,626	$ 974
Long-term portion of purchase obligation	–	90	90	94
Purchase obligation at end of period	$ 4,598	$ 118	$ 4,716	$ 1,068

7. Intangible Assets

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

	Franchise Agreements	Trademarks	Total
Cost			
At December 31, 2013	$ 198,209	$ 5,427	$ 203,636
Purchases	6,252	–	6,252
Impairment	(27)	–	(27)
Amounts written off	(342)	–	(342)
At March 31, 2014	**$ 204,092**	**$ 5,427**	**$ 209,519**
Accumulated amortization			
At December 31, 2013	$ 122,542	$ 1,922	$ 124,464
Amortization expense	2,896	46	2,942
Amounts written off	(299)	–	(299)
At March 31, 2014	**$ 125,139**	**$ 1,968**	**$ 127,107**
Carrying value			
At December 31, 2013	$ 75,667	$ 3,505	$ 79,172
At March 31, 2014	**$ 78,953**	**$ 3,459**	**$ 82,412**

For the three months ended March 31, 2014, the Company recognized an impairment charge of $69 (March 31, 2013 – $388), relating to Franchisees where the recovery of capitalized value is no longer reasonably assured, and for the expiry and non-renewal of Franchise Agreements in the Royal LePage and Via Capitale networks.

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 actual cash flows received in 2012 and 2013, 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 that 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, 2014		March 31, 2013
(Loss) earnings before income taxes for the period:	$	(4,272)	$	218
Expected income tax (recovery) expense at statutory rate of 26.5% (2013 – 26.5%)		(1,132)		58
Increase (decrease) in income tax expense (recovery) due to the following:				
Non-deductible amortization		339		387
Non-deductible loss on fair value of Exchangeable Units		1,270		185
Non-deductible interest on Exchangeable Units		336		310
Non-deductible impairment and write-off on intangible assets		5		61
Non-deductible purchase obligation		59		(14)
Income allocated to Exchangeable Unitholders		(328)		(294)
True-up from provision to tax return		–		68
Recognition of deferred tax assets		(13)		–
Total income tax expense	$	536	$	761

The major components of income tax expense include the following:

Three months ended		March 31, 2014		March 31, 2013
Current tax expense	$	829	$	841
Deferred tax recovery		(293)		(80)
Total income tax expense	$	536	$	761

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, 2014		December 31, 2013
Intangible assets	$	5,229	$	4,938
Financing costs		(12)		(14)
Total deferred tax asset	$	5,217	$	4,924

9. Operating Credit Facility

The Partnership has a credit facility (the "Revolver") of up to $2,000 from a Canadian financial institution. This Revolver may be used to provide working capital to the Partnership from time to time. The Revolver is subject to annual renewal, with outstanding principal under the Revolver subject to interest at the lender's prime rate plus 2.5% to 3% or the Banker's Acceptance rate plus 3.5% to 4%, based on the ratio of total debt to Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization ("Consolidated EBITDA") of the Partnership, as defined in the amended credit agreement. EBITDA is defined as earnings (loss) before tax, before interest on Exchangeable Units, gain (loss) on fair value of Exchangeable Units and gain (loss) on purchase obligation. As at March 31, 2014, the Company is compliant with its financial covenants. The assets of the Company have been pledged as security against the operating facility. As at March 31, 2014 and March 31, 2013, the Revolver had not been drawn upon.

10. Debt Facilities

The Company's debt consists of the following debt facilities:

As at	March 31, 2014	December 31, 2013
Private debt placement	$ 32,594	$ 32,565
Term facility	20,235	20,217
	$ 52,829	$ 52,782

Debt facilities include a $32,700 private debt placement with a number of Canadian institutional investors, with fixed interest of 5.809%, and a $20,300 term facility provided by a Canadian financial institution, with interest available in the form of a floating rate at prime plus 1.5%, payable quarterly, or at Banker's Acceptance rates plus 3%, with terms of up to six months. Both facilities have a five-year term maturing on February 17, 2015. The assets of the Company have been pledged as security against the private debt placement, term facility and operating credit facility on a pari-passu basis.

The Company incurred $855 in issue costs associated with the debt obligations, resulting in net proceeds of $52,145.

The private placement and term facility had fair values of $33,749 and $20,300, respectively, at March 31, 2014 (December 31, 2013 – $33,911 and $20,300).

During the three months ended March 31, 2014, $47 of amortization of the issue costs was recorded as interest expense (March 31, 2013 – $43).

The debt facilities have been reclassified from long-term debt to short-term debt as of March 31, 2014 as both mature within 365 days. Management is in the process of negotiating the renewal.

11. 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 LP 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, 2014, the closing market price of the Company's shares was $14.79 (December 31, 2013 – $13.35). During the three months ended March 31, 2014, the Company recorded a loss of $4,792 related to the fair value of the Exchangeable Units (March 31, 2013 – loss of $699).

Notes to the Consolidated Financial Statements

12. 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 the three months ended March 31, 2014.

No preferred shares were issued or outstanding as at March 31, 2014.

The following table summarizes the outstanding shares of the Company:

As at	**March 31, 2014**	December 31, 2013
Restricted Voting Shares	**9,483,850**	9,483,850
Special Voting Share	**1**	1

13. Loss per Share

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

Three months ended (In thousands of Canadian dollars, except share and per share amounts)	**March 31, 2014**	March 31, 2013
Net loss available to Restricted Voting Shareholders – basic	**$ (4,808)**	$ (543)
Interest on Exchangeable Units	**1,270**	1,168
Loss on fair value of Exchangeable Units	**4,792**	699
Net loss available to Restricted Voting Shareholders – diluted	**$ 1,254**	$ 1,324
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	**$ (0.51)**	$ (0.06)
Diluted loss per share	**$ (0.51)**	$ (0.06)
Dividends declared	**$ 2,845**	$ 2,618
Restricted Voting Shares	**9,483,850**	9,483,850
Dividends per Restricted Voting Share	**$ 0.30**	$ 0.28

14. 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, 2014 and 2013. These transactions have been recorded at the exchange amount agreed to between the parties.

Three months ended		**March 31, 2014**		March 31, 2013
a) Royalties				
Fixed, variable and other franchise fees	**$**	**770**	$	706
Premium Franchise Fees	**$**	**687**	$	613
b) Expenses				
Management fees	**$**	**1,425**	$	1,482
Insurance and other	**$**	**22**	$	27
Interest on purchase obligations	**$**	**43**	$	–
c) Interest paid				
Interest paid to Exchangeable Unitholders	**$**	**1,270**	$	1,168

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, 2014**		December 31, 2013
d) Accounts receivable				
Franchise fees receivable and other	**$**	**488**	$	631
e) Accounts payable and accrued liabilities				
Management fees	**$**	**1,085**	$	580
Interest on purchase obligations	**$**	**43**	$	7
Administrative shared service liability and other	**$**	**191**	$	220
f) Interest payable to Exchangeable Unitholders	**$**	**423**	$	389
g) Purchase obligation payable	**$**	**4,716**	$	1,068

As at March 31, 2014, 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 are required to participate in scheduled and special Board and committee meetings. During the three months ended March 31, 2014, $53 (March 31, 2013 – $49) of director fee compensation was included in administration expense.

15. 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, 2014, the Company has an allowance for doubtful accounts of $359 (December 31, 2013 – $330).

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 $2,000 unutilized credit under the Revolver, as described in Note 9.

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

	2014	2015	2016	Beyond 2016	Total
Accounts payable and accrued liabilities	$ 1,695	$ –	$ –	$ –	$ 1,695
Purchase obligation	4,575	51	90	–	4,716
Interest payable to Exchangeable Unitholders	423	–	–	–	423
Dividends payable to shareholders	948	–	–	–	948
Interest on long-term debt	2,281	761	–	–	3,042
Private debt placement	–	32,700	–	–	32,700
Term facility	–	20,300	–	–	20,300
Exchangeable Units	–	–	–	49,216	49,216
Total	$ 9,922	$ 53,812	$ 90	$ 49,216	$ 113,040

C) INTEREST RATE RISK

The Company is exposed to the risk of interest rate fluctuations on its Revolver and term facilities as the interest rates on these facilities are tied to the prime and Banker's Acceptance rates. Management has elected to continue with a floating rate position on these facilities and monitors this position on an ongoing basis. The Company's $32,700 private debt placement is fixed and accordingly does not have cash flow risk of interest rate fluctuations or short-term refinancing risk. An increase of 1% in the Company's effective interest rate on its variable rate debt would result in an interest expense increase of approximately $203 (2013 – $203).

D) FAIR VALUE

The fair value of the Company's financial instruments, which consist of cash, accounts 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. Similarly, the Company's floating rate debt has a fair value that approximates its face value. The Company determines the fair value of the fixed rate debt through the use of a discounted cash flow analysis using relevant risk-free bond rates plus an applicable risk premium. The fair value of the Company's debt facilities is disclosed in Note 10.

E) FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheet as at March 31, 2014 and December 31, 2013, classified using the fair value hierarchy:

As at March 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial asset or liability				
Purchase obligation, net	$ –	$ –	$ 4,716	$ 4,716
Exchangeable Units	49,216	–	–	49,216
Total	**$ 49,216**	**$ –**	**$ 4,716**	**$ 53,932**

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Financial asset or liability				
Purchase obligation, net	$ –	$ –	$ 1,068	$ 1,068
Exchangeable Units	44,424	–	–	44,424
Total	$ 44,424	$ –	$ 1,068	$ 45,492

See Note 6 for a reconciliation of the Level 3 fair values and Note 11 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 New 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.

16. 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 2.25 to 1.

Senior Indebtedness is defined as the Company's debt facilities, disclosed under Note 10, which are made up of $32,700 in private debt placement and $20,300 in a term 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.

17. Segmented Information

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

18. Subsequent Events

INTEREST ON EXCHANGEABLE UNITS

On May 5, 2014, the Board of Directors approved a $600,000 payment to the holders of the 3,327,667 Exchangeable Units of the Partnership in respect of the undistributed amount of their proportionate share of the Partnership's 2013 earnings. In addition, the Board approved a retroactive increase in the 2014 monthly distribution to the holders of the Exchangeable Units from $1.524 to $1.583 per annum per Exchangeable Unit.

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