



Brookfield Real Estate Services Fund Announces Third Quarter Results and Monthly Cash Distribution

Royalties increase 3.9%, distributable cash rises 4.2% and distribution payout was 63% of distributable cash amidst strengthening real estate markets

Toronto, ON – November 6, 2009 – Brookfield Real Estate Services Fund (the “Fund”) (TSX – BRE.UN) today announced that royalties for the quarter ended September 30, 2009, were \$10.0 million, 3.9% higher than royalties of \$9.6 million in the third quarter of 2008. Distributable cash¹ increased 4.2% to \$7.1 million, from \$6.9 million in the third quarter of 2008 while distributable cash per unit increased 9.8% or \$0.05 per unit to \$0.56 per unit based on a lower number of outstanding units due to the success of the normal course issuer bid program, which was completed in July 2009. Net earnings increased 23.2% to \$2.2 million (\$0.23 per unit) from \$1.8 million (\$0.18 per unit) in the third quarter of 2008.

The increase in royalties reflected the strong rebound in the Canadian real estate market experienced during the third quarter, when transactional dollar volume was ahead 30% nationally and 37% in the Greater Toronto Area year over year. However, as the Fund recognizes variable fees when home sales close, which typically is 45 to 60 days after the sales date used for Canadian market data, the improved market activity is expected to materialize as increased variable and premium fees in the fourth quarter. The Fund’s fees that are fixed in nature, based on the number of REALTORS®² in the network, were essentially unchanged. The increase in distributable cash and net earnings results mainly from the higher variable royalty fees.

“Early in the year, we predicted that first-time buyers, who did not bear the psychological burden of a home that may have decreased in value, would be attracted into the market by improved affordability and that the activity that they triggered would kick-start the Canadian market again. Through the second and third quarters, this phenomenon did play itself out, as the widespread availability of affordable mortgage financing and improving consumer confidence drove sharply increased demand across all housing types. Listing supply has been slower to respond to the increasing buyer interest, which has caused supply shortages in many areas of the country, causing average Canadian home prices to rise sharply in the quarter,” said Phil Soper, President and Chief Executive.

The Canadian Real Estate Association (CREA) reported that the average price of a Canadian home increased by 11% year over year in the third quarter and that unit sales volumes increased by 18%. According to Canada Mortgage and Housing Corporation (CMHC) the strong pace of MLS®³ sales seen in the second and third quarters of this year reflects, in part, activity that was delayed in the previous two quarters and is not likely to be sustained. The level of sales is expected to move back closer in line with anticipated economic conditions. As a result, CMHC is forecasting home sales to increase by 1.7% and average prices to rise by 3.1% for the calendar year 2009 when compared to 2008.

Financial and Operating Highlights

For the three and nine months ended September 30, 2009 and 2008

	Three months ended September 30				Nine months ended September 30			
	2009		2008		2009		2008	
	(thousands)	(per unit)	(thousands)	(per unit)	(thousands)	(per unit)	(thousands)	(per unit)
Royalties	\$10,028	\$ 0.78	\$ 9,647	\$ 0.72	\$ 25,864	\$ 2.00	\$ 27,143	\$ 2.04
Net earnings	\$ 2,232	\$ 0.23	\$ 1,811	\$ 0.18	\$ 4,068	\$ 0.42	\$ 5,070	\$ 0.51
Distributable cash	\$ 7,142	\$ 0.56	\$ 6,851	\$ 0.51	\$ 18,053	\$ 1.39	\$ 19,127	\$ 1.44
Distributions	\$ 4,517	\$ 0.35	\$ 4,500	\$ 0.34	\$ 13,664	\$ 1.05	\$ 12,805	\$ 0.96
Payout ⁴	63%		66%		76%		67%	

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

² REALTOR® is a trademark identifying real estate licensees in Canada who are members of the Canadian Real Estate Association.

³ The term MLS® stands for Multiple Listing Service and is a registered trademark of the CREA.

⁴ Payout represents distributions as a percentage of distributable cash.

“Our business strategy, which emphasizes REALTOR® network growth and productivity enhancing services that are tailored to current market conditions, has helped us weather the recessionary storm and positions us to prosper in stronger markets,” concluded Soper.

Nine-Month Results

For the nine months ended September 30, 2009, royalties were \$25.9 million, 4.7% lower than the same period a year ago, reflecting a reduction in variable, premium and other fees and services that are transaction-based, which more than offset the slight increase in fixed franchise fees. Distributable cash decreased 5.6% to \$18.1 million (\$1.39 per unit) resulting from the lower royalties, which were partially offset by a reduction in management fees. Net earnings were \$4.1 million (\$0.42 per unit), 19.8% lower than a year ago, reflecting the same factors noted above as well as an increase in amortization of intangible assets and tax expense, partially offset by a decrease in non-controlling interest.

Fund Growth

During the third quarter of 2009, the Fund experienced a net organic loss of 51 REALTORS®, resulting in a net organic loss of 343 REALTORS® during the nine months ended September 30, 2009. With the addition of 316 REALTORS® from the 21 franchise agreements acquired by the Fund on January 1, 2009, the Fund has a net decrease of 27 REALTORS® or 0.2% since December 31, 2008. At September 30, 2009, the Fund Network was comprised of 351 independently owned and operated franchises operating from 652 locations serviced by 14,567 REALTORS® with an approximate 22% share of the Canadian residential real estate market based on transactional dollar volume.

From November 5, 2008, through November 4, 2009, franchise contracts representing 14 locations serviced by an estimated 330 REALTORS® were added to the network. The Fund Manager, Brookfield Real Estate Services Limited, anticipates presenting these franchise contracts to the Fund’s Trustees for purchase by the Fund on January 1, 2010, for an estimated purchase price of \$4.1 million, with \$3.3 million or 80% of the purchase price to be settled with cash on hand on January 1, 2010. The balance is to be settled during the first quarter of 2011, upon meeting certain terms and conditions of the Management Services Agreement between the Fund Manager and the Fund.

In addition, consistent with the Fund’s historical approach to acquisitions, some of the La Capitale agreements still retained by the Manager for further development may be presented to the Fund’s Trustees for acquisition in January of 2010.

Monthly Cash Distribution

The Brookfield Real Estate Services Fund today declared a cash distribution of \$0.117 per unit for the month of November 2009, payable December 30, 2009, to unitholders of record on November 30, 2009.

Outlook

“The economic recession halted the flow of the real estate cycle from the fourth quarter of 2008 through the first quarter of 2009, but the industry is now essentially back on track, albeit on a delayed basis. As the buoyant activity levels encourage more sellers to list their homes, we believe that balance will return to the market and that the rate of home price increases will fall to considerably more modest appreciation levels. Further, we believe that this increase in sales activity and the firming of house prices are the product of a cyclical market correction and not the beginning of another aggressive expansionary cycle. Finally, we would advise muted enthusiasm for what will likely be very positive year-over-year results in the fourth quarter of 2009 as the 2008 comparables were so weak,” said Mr. Soper.

“The Bank of Canada’s stated commitment to a low interest rate policy into 2010 has helped give prospective homeowners the confidence to make the substantial investment that home ownership represents. Together with numerous positive indicators seen over the course of the summer, we believe that a healthy real estate market is sustainable through 2010.

“Looking ahead, increasing market activity supports the Fund’s strategy to grow its network both organically and through acquisition and to provide leading services that increase REALTOR® productivity.”

Fund Structure

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

Q3 Conference Call

A conference call for investors, analysts and media to review the third-quarter results will be held on Friday, November 6, 2009, at 10:00 a.m. (Eastern Time). To participate in the conference call, please dial 1-800-319-4610 toll-free approximately five minutes before the call. For those unable to participate in the conference call, it will be available by webcast, and a replay will also be posted online following the conference call at www.brookfieldres.com under "News & Events".

About the Brookfield Real Estate Services Fund

The Fund is a leading provider of services to residential real estate REALTORS®. The Fund generates cash flow from franchise royalties and service fees derived from a national network of real estate brokers and agents in Canada operating under the Royal LePage, La Capitale Real Estate Network and Johnston & Daniel brands. At September 30, 2009, the Fund Network was comprised of 14,567 REALTORS®. The Fund Network has an approximate 22% share of the Canadian residential resale real estate market based on transactional dollar volume. The Fund is a TSX-listed income trust that pays monthly distributions and trades under the symbol "BRE.UN". The Fund's website address is www.brookfieldres.com

Forward-Looking Statements

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

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Interim Consolidated Balance Sheets

As at (in thousands of dollars)	September 30, 2009	December 31, 2008
	(unaudited)	
Assets		
Current assets		
Cash	\$ 3,902	\$ 7,924
Accounts receivable	3,584	3,224
Prepaid expenses	23	145
	7,509	11,293
Intangible assets (note 6)	117,166	126,647
	\$ 124,675	\$ 137,940
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,813	\$ 2,551
Purchase obligation – current portion (note 5)	1,676	3,031
Distribution payable to unitholders	1,108	1,148
Long-term debt – current portion (note 8)	52,864	–
Financial derivative (note 8)	201	–
	57,662	6,730
Long-term debt (note 8)	–	51,615
Purchase obligation (note 5)	1,739	3,180
Financial derivative (note 8)	–	365
Future income tax liability (note 4)	1,270	1,193
Non-controlling interest	17,763	19,701
	78,434	82,784
Unitholders' equity	46,241	55,156
	\$ 124,675	\$ 137,940

See accompanying notes to the interim consolidated financial statements.

Interim Consolidated Statements of Earnings and Comprehensive Earnings

(unaudited) (in thousands of dollars, except unit and per unit amounts)	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Royalties				
Fixed franchise fees	\$ 4,459	\$ 4,431	\$ 13,371	\$ 13,207
Variable franchise fees	2,738	2,499	6,244	7,048
Premium franchise fees	1,674	1,514	3,014	3,513
Other fee revenue and services	1,157	1,203	3,235	3,375
	10,028	9,647	25,864	27,143
Expenses				
Administration	189	188	614	593
Management fee	1,887	1,805	4,805	5,043
Interest expense	810	803	2,392	2,380
Other loss (income) (note 8)	(99)	92	(164)	30
Amortization of intangible assets (note 6)	4,198	4,297	12,506	12,228
	6,985	7,185	20,153	20,274
Earnings before income taxes and non-controlling interest				
	3,043	2,462	5,711	6,869
Income tax recovery (expense) (note 4)	16	1	(77)	47
Earnings before non-controlling interest				
	3,059	2,463	5,634	6,916
Non-controlling interest	(827)	(652)	(1,566)	(1,846)
Net earnings and comprehensive earnings				
	\$ 2,232	\$ 1,811	\$ 4,068	\$ 5,070
Basic and diluted earnings per unit				
(9,520,717 and 9,631,788 weighted average units for three and nine months ended September 30, 2009)				
(2008 – 9,983,000 units) (note 10)	\$ 0.23	\$ 0.18	\$ 0.42	\$ 0.51

See accompanying notes to the interim consolidated financial statements.

Interim Consolidated Statements of Unitholders' Equity

(unaudited) (in thousands of dollars)	Unitholders' Contribution	Contributed Surplus	Net Earnings	Distributions	Deficit	Total
Balance, January 1, 2008	\$ 92,938	\$ —	\$ 21,224	\$ (49,960)	\$ (28,736)	\$ 64,202
Changes during the period:						
Net earnings	—	—	5,070	—	5,070	5,070
Unit distributions	—	—	—	(9,604)	(9,604)	(9,604)
Balance, September 30, 2008	\$ 92,938	\$ —	\$ 26,294	\$ (59,564)	\$ (33,270)	\$ 59,668
Balance, January 1, 2009	\$ 91,301	\$ 404	\$ 26,494	\$ (63,043)	\$ (36,549)	\$ 55,156
Changes during the period:						
Issuer repurchases (note 9)	(3,354)	491	—	—	—	(2,863)
Net earnings	—	—	4,068	—	4,068	4,068
Unit distributions	—	—	—	(10,120)	(10,120)	(10,120)
Balance, September 30, 2009	\$ 87,947	\$ 895	\$ 30,562	\$ (73,163)	\$ (42,601)	\$ 46,241

See accompanying notes to the interim consolidated financial statements.

The Fund has no accumulated other comprehensive income at September 30, 2009 (September 30, 2008 – \$Nil).

Interim Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars, except unit and per unit amounts)	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
Cash provided by (used for):				
Operating activities				
Net earnings for the period	\$ 2,232	\$ 1,811	\$ 4,068	\$ 5,070
Items not affecting cash				
Non-controlling interest	827	652	1,566	1,846
Future income tax	(16)	(1)	77	(47)
Non-cash interest expense	88	88	255	200
Change in value of derivative	(99)	92	(164)	30
Amortization of intangible assets	4,198	4,297	12,506	12,228
	7,230	6,939	18,308	19,327
Changes in non-cash working capital	631	68	(34)	(729)
	7,861	7,007	18,274	18,598
Investing activities				
Deposit on acquisitions (note 5)	-	-	(2,748)	(16,914)
Purchase of intangible assets (note 5)	-	(1)	(22)	(69)
Purchase price obligation payment (note 5)	-	-	(3,051)	(2,295)
	-	(1)	(5,821)	(19,278)
Financing activities				
Repurchase of Fund units (note 9)	(1,404)	-	(3,805)	-
Proceeds from Term Facility	-	(67)	994	13,715
Distributions paid to unitholders	(3,349)	(3,375)	(10,160)	(9,604)
Distributions paid to non-controlling interest	(1,168)	(1,125)	(3,504)	(3,201)
	(5,921)	(4,567)	(16,475)	910
Increase (decrease) in cash during the period	1,940	2,439	(4,022)	230
Cash, beginning of period	1,962	5,307	7,924	7,516
Cash, end of period	\$ 3,902	\$ 7,746	\$ 3,902	\$ 7,746
Supplementary cash flow information				
Interest paid	\$ 713	\$ 663	\$ 2,064	\$ 2,258

See accompanying notes to the interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

September 30, 2009 and 2008 (unaudited) (in thousands of dollars)

1. Organization

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

These consolidated financial statements include the accounts of Brookfield Real Estate Services Fund, its wholly-owned subsidiary RL RES Holding Trust ("RLHT"), and its 75% owned subsidiaries, Residential Income Fund General Partner Limited ("RIFGP"), Residential Income Fund L.P. (the "Partnership"), 9120 Real Estate Network, L.P. ("LCLP"), a wholly owned subsidiary of the Partnership, and 9188-5517 Quebec Inc., the "General Partner of LCLP". RIFGP is the managing general partner of the Partnership. Trilon Bancorp Inc. (the "non-controlling interest") owns the remaining 25% interest in the Partnership and RIFGP. The Fund receives certain management, administrative and support services from Brookfield Real Estate Services Ltd. ("BRESL"), a party related to the non-controlling interest via common control.

Seasonality

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

2. Summary of Accounting Policies

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements except as noted below. They do not include all the information and disclosure required by GAAP for annual audited financial statements, and should be read in conjunction with the December 31, 2008 annual consolidated financial statements.

On January 1, 2009, the Fund adopted CICA Handbook Section 3064 – Goodwill and Intangible Assets. Section 3064 replaces Section 3062 – Goodwill and Other Intangible Assets and Section 3450 – Research and Development Costs. Section 3064 established standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Fund has evaluated this standard and determined that there is no impact to the consolidated financial statements.

During the second quarter, the CICA issued Emerging Issue Committee Abstract 173 ("EIC 173") *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. EIC 173 requires that a company take into account its own credit risk and the credit risk of its counterparties in determining the fair value of financial assets and liabilities. EIC 173 must be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The Fund has evaluated this standard and determined there is no impact to the consolidated financial statements.

3. Future Accounting and Reporting Changes

Section 3855, Financial Instruments – Recognition and Measurement

On April 29, 2009, the CICA amended this section to add more guidance on the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The amendments are not expected to have a significant impact on the Fund's accounting of its financial instruments.

Section 3862, Financial Instruments – Disclosures

In June 2009, the CICA amended this section to adopt the amendments recently issued by the IASB to International Financial Reporting Standard 7, Financial Instruments: Disclosures ("IFRS 7"), in March 2009. These amendments are applicable to publicly accountable enterprises that have applied Section 3862. The amendments were made to enhance disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements, and about the liquidity risk of financial instruments. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009, with early adoption permitted. To provide relief for preparers, and consistent with IFRS 7, the CICA decided that an entity need not provide comparative information for the disclosures

required by the amendments in the first year of application. The Fund will apply these amendments for its 2009 annual consolidated financial statements. The impact of the amendments to the fair value measurement and liquidity risk disclosure requirements of the Fund is not expected to be significant.

4. Future Income Taxes

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

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

Due to the enactment of trust legislation, while the Fund is expected to not be liable for current taxes until January 1, 2011, beginning June 12, 2007, the Fund recognized future income taxes arising from temporary tax differences expected to reverse after January 1, 2011 at the tax rates of 30.5% applicable to the Fund in 2011 and 29% applicable after January 1, 2012.

The Fund had a future income tax asset of \$1,867 at December 31, 2008. During the nine months ended September 30, 2009, the Fund recorded an additional non-cash future tax asset of \$76. The resulting total future income tax asset was \$1,943 at September 30, 2009.

The assets of LCLP acquired by the Partnership as described in Note 5 were obtained on a tax-deferred basis with the related tax value attributed to the partnership units of LCLP held by the Partnership. Accordingly, the individual franchise agreements and trademarks of the partnership at the time of acquisition by the Fund did not have a tax basis. The temporary difference between the carrying value of these agreements and zero tax basis resulted in a future income tax liability. Under GAAP, the Fund is required to adjust the carrying value of the acquired assets by an amount equal to the income tax liability.

The Fund had future income tax liabilities of \$3,060 at December 31, 2008. During the nine months ended September 30, 2009, the Fund recorded an additional income tax liability of \$153, in response to a 1% increase in the corporate taxation rate enacted on March 12, 2009. The total income tax liability at September 30, 2009 was \$3,213. When the future income tax liabilities are net against the future income tax assets described above, the results are a net future income tax liability of \$1,270 and \$1,193 at September 30, 2009 and December 31, 2008, respectively.

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

5. Asset Acquisitions

On January 1, 2009, the Partnership acquired 18 new Royal LePage franchise agreements from BRESL. The estimated purchase price of \$2,532 is based on an estimated annual royalty stream of \$481 and has been calculated in accordance with a formula set out in the Amended and Restated Management Services Agreement (the “MSA”). A deposit of \$2,025, equal to 80% of the estimated purchase price, was paid from cash on hand on January 2, 2009 and the remainder is to be paid a year later, when the final purchase price is determined in accordance with the terms set out in the MSA. The Partnership used cash reserves to acquire these agreements.

On January 1, 2009, LCLP acquired three new La Capitale franchise agreements from BRESL. The estimated purchase price of \$903 is based on an estimated annual royalty stream of \$201 and has been calculated in accordance with a formula set out in the MSA. A deposit of \$723, equal to 80% of the estimated purchase price, was paid from cash on hand on January 6, 2009. The estimated price is to be revised at the end of each of the next three years based on the average annual royalty stream earned over the three-year period from November 1, 2008 to October 31, 2011. The Partnership used cash reserves to acquire these agreements.

During the first year, each quarter the purchase price obligation is recalculated based on the actual royalties received. Correspondingly, the deposit on acquisition is reduced by the calculated amount and transferred to intangible assets. The intangible assets are then amortized in accordance with the Fund’s policy on a prospective basis. The recalculated purchase price obligation in excess of the deposit on acquisition is recorded as a purchase obligation and the corresponding amount added to the intangible assets and amortized as described above. For La Capitale acquisitions, at the end of each of the subsequent two years, the purchase obligation is recalculated based on the average annual royalties received.

During the three and nine months ended September 30, 2009, \$936 and \$2,985 respectively were transferred from deposit on acquisition to intangible assets.

On January 1, 2008, the Partnership acquired 16 new Royal LePage franchise agreements from BRESL at a purchase price of \$3,984 and \$303 of related legal and other acquisition costs, in accordance with the terms set out in the MSA.

On January 1, 2008, the Partnership acquired 100% of the partnership units of LCLP, which holds franchise agreements operating under the La Capitale brand in Quebec and associated trademarks, and 100% of the shares of the General Partner of LCLP for an estimated purchase price of \$18,907, including \$151 of related legal and other acquisition costs, from Trilon Bancorp Inc., the parent company of BRESL. The estimated purchase price is calculated in accordance with the terms of the Fund's MSA and the Unit and Share Purchase Agreement negotiated by the Fund's Trustees and is based on an estimated annual royalty stream of \$2,718. The estimated price is to be revised at the end of each of the next two years based on the average annual royalty stream earned over the three-year period from November 1, 2007 to October 31, 2010.

The purchase obligations consist of the following:

	September 30, 2009			December 31, 2008	
	Royal LePage	LCLP	Total	Total	
Obligation at beginning of period	\$ 1,319	\$ 4,892	\$ 6,211	\$ 2,295	
Payment of prior year's obligations	(1,319)	(1,732)	(3,051)	(2,295)	
	–	3,160	3,160	–	
80% deposit paid on current period's additions	\$ (2,025)	\$ (723)	\$ (2,748)	\$ (16,914)	
Earned asset value during the period	2,023	962	2,985	22,740	
Legal and other acquisition costs	25	15	40	454	
Payment of acquisition costs	(22)	–	(22)	(69)	
Net purchase obligation	\$ 1	\$ 3,414	\$ 3,415	\$ 6,211	
Purchase obligation, short term	\$ 1	\$ 1,675	\$ 1,676	\$ 3,031	
Purchase obligation, long-term	–	1,739	1,739	3,180	
Net purchase obligation	\$ 1	\$ 3,414	\$ 3,415	\$ 6,211	

6. Intangible Assets

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

	September 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	\$ 149,170	\$ 87,720	\$ 61,450
Relationships and trademarks	58,330	2,614	55,716
	\$ 207,500	\$ 90,334	\$ 117,166
	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	\$ 147,176	\$ 76,279	\$ 70,897
Relationships and trademarks	57,299	1,549	55,750
	\$ 204,475	\$ 77,828	\$ 126,647

The additions to intangible assets during the nine months ended September 30, 2009 and 2008 are summarized as follows:

	Royal LePage	LCLP	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Franchise agreements	\$ 1,559	\$ 435	\$ 1,994	\$ 11,054
Relationships and trademarks	489	542	1,031	9,816
	\$ 2,048	\$ 977	\$ 3,025	\$ 20,870

7. Operating Credit Facility

On February 16, 2005, the Partnership obtained a credit facility (the “revolver”) of up to \$2,000 from a Canadian financial institution. This revolver may be used to provide working capital to the Partnership from time to time. The revolver is subject to annual renewal with outstanding principal under the revolver subject to interest at the lender’s prime rate plus 1% to 1.5% or the Bankers’ Acceptance rate plus 2% to 2.5%, based on the ratio of total debt to Adjusted EBITDA of the Partnership as defined in the credit agreement. As at September 30, 2009, the operating credit facility had not been drawn upon.

The operating credit facility expires February 17, 2010.

8. Long-Term Debt

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

As at	September 30, 2009	December 31, 2008
Private debt placement	\$ 37,928	\$ 37,791
Term Facility	14,936	13,824
	\$ 52,864	\$ 51,615

a) Private Placement

On February 18, 2005, the Partnership completed the issuance of a \$38,000 private debt placement, net of \$822 in issue costs (the “private placement”) provided by Canadian institutional investors. The private placement is for a five-year term with interest fixed at 5.882%, and interest only payable quarterly in arrears.

The private placement had a fair value of \$38,001 at September 30, 2009 (2008 – \$37,732).

During the three and nine months ended September 30, 2009, \$46 and \$137, respectively of amortization of the issue costs was recorded as interest expense (2008 – \$43 and \$129).

b) Term Facility

On April 4, 2008, in connection with the LCLP acquisition, the Partnership completed a \$15,000 Term Facility with a single Canadian financial institution from which the Fund drew down \$14,000 on closing. Interest on the Term Facility is available in the form of a floating prime rate payable quarterly, or a Bankers’ Acceptance rate plus 1% with terms of up to six months. The Fund paid \$285 in issue costs for the Term Facility.

On April 7, 2008, the Partnership entered into an interest rate swap agreement, which fixed the variable portion of the term facility’s interest at 3.29%, which when added to the 1% stamp fee, results in an annual interest rate of 4.29%, excluding legal and associated costs, over the term of the facility. The Term Facility and interest rate swap mature on February 17, 2010.

On April 2, 2009 the Fund drew down the remaining \$1,000 of the Term Facility at the floating prime rate.

During the three and nine months ended September 30, 2009, \$42 and \$118, respectively of amortization of issue costs was recorded as interest expense (2008 – \$45 and \$71).

The interest rate swap is a financial derivative valued separately from the Term Facility. The Fund values the swap agreement at its market value, which as at September 30, 2009 was in an unrealized loss position of \$201. Changes in the value of the swap agreement are recorded as other income or loss. During the three and nine months ended September 30, 2009, \$99 and \$164, respectively was recorded as other income (2008 – (\$92) and (\$30)).

The Term Facility had a fair value of \$15,000 on September 30, 2009.

c) Refinancing

The Fund is currently in the process of refinancing the private placement debt, Term facility and its operating credit facility which are currently outstanding and either mature or expire on February 17, 2010, and expects to have reached substantial agreement on the relevant terms and conditions prior to December 31, 2009.

9. Fund Units

On October 3, 2008, the Toronto Stock Exchange (“TSX”) approved the Fund’s notice of intention to make a normal course issuer bid (“NCIB”) for up to 499,150 of its units, representing 5% of its 9,983,000 outstanding units as of September 30, 2008. The Fund may purchase units at prevailing market prices during the period from October 7, 2008, to October 6, 2009. Purchases are made at market prices in accordance with the rules and policies of the TSX. Daily purchases are effected through the facilities of the TSX and limited to 3,800 units, other than block purchase exceptions.

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

The Fund finances these purchases with a special distribution from the Partnership. Units purchased are cancelled at the end of each month.

During the three months ended September 30, 2009, the Fund purchased and cancelled 167,030 units at a total cost of \$1,404. During the nine months ended September 30, 2009, the Fund purchased and cancelled 335,430 units at a total cost of \$2,863. The repurchased units had an issued value of \$3,354, resulting in a contributed surplus of \$491. On January 8, 2009, the Fund paid the \$942 NCIB settlement payable at December 31, 2008. A summary of the unitholders’ contribution activity for the nine months ended September 30, 2009 with the comparative 2008 information is presented in the table below.

Fund Units	Nine months ended September 30, 2009		Nine months ended September 30, 2008	
	Units	Amount	Units	Amount
Beginning of period	9,819,280	\$ 91,301	9,983,000	\$ 92,938
NCIB purchases	(335,430)	(3,354)	–	–
End of period	9,483,850	\$ 87,947	9,983,000	\$ 92,938

10. Earnings per Unit

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

11. Related Party Transactions

Unless disclosed elsewhere, the Fund had the following transactions with parties related to the non-controlling interest during the three and nine months ended September 30, 2009 and 2008. These transactions have been recorded at the exchange amount agreed to between the parties.

	Three months ended Sept. 30, 2009	Three months ended Sept. 30, 2008	Nine months ended Sept. 30, 2009	Nine months ended Sept. 30, 2008
a) Royalties				
Fixed, variable and other franchise fees	\$ 675	\$ 634	\$ 1,779	\$ 1,843
Premium franchise fees	\$ 1,439	\$ 1,437	\$ 2,565	\$ 3,156
b) Expenses				
Management fees	\$ 1,887	\$ 1,805	\$ 4,805	\$ 5,043
Insurance and other	\$ 27	\$ 26	\$ 81	\$ 76
Interest on purchase obligation	\$ 5	\$ –	\$ 18	\$ 210
c) Distributions				
Distributions paid to non-controlling interest	\$ 1,168	\$ 1,125	\$ 3,504	\$ 3,201

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

As at	September 30, 2009	December 31, 2008
d) Accounts receivable		
Franchise fees receivable and other	\$ 690	\$ 394
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	\$ 389	\$ 389
Management fees	\$ 595	\$ 417
NCIB settlement payable	\$ –	\$ 942
f) Purchase obligation payable	\$ 3,415	\$ 6,211

12. Financial Instruments

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

a) Credit Risk

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

b) Liquidity Risk

The Fund is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs including paying ongoing future distributions to unitholders. There is a risk that the lenders will not refinance maturing debts on terms and conditions acceptable to the Fund or on any terms at all. Management reduces liquidity risk by maintaining more conservative debt covenant ratios compared with those required by the covenants associated with the long-term debt. Also, the Fund has \$2,000 unutilized credit under the Operating Credit Facility described in Note 7.

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

	2009	2010	2011	Total
Accounts payable and accrued liabilities	\$ 1,813	\$ –	\$ –	\$ 1,813
Purchase obligations	18	1,658	1,739	3,415
Distributions payable to unitholders	1,110	–	–	1,110
Private debt placement	–	38,000	–	38,000
Term Facility	–	15,000	–	15,000
Total	\$ 2,941	\$ 54,658	\$ 1,739	\$ 59,338

c) Interest Rate Risk

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

d) Fair Value

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

13. Management of Capital

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

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

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

The covenants of the long-term debt prescribe that the Fund must maintain a ratio of Adjusted Earnings Before Income Taxes, Depreciation and Amortization ("Adjusted EBITDA") to Senior Interest Expense at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Adjusted EBITDA at a maximum 2.25 to 1. The Fund is compliant with all financial covenants.

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

Supplemental Information – Selected Financial and Operating Information

Three months ended (\$000's, unaudited)	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009
Revenue								
Fixed franchise fees	\$ 3,788	\$ 4,336	\$ 4,440	\$ 4,431	\$ 4,491	\$ 4,467	\$ 4,445	\$ 4,459
Variable franchise fees	1,315	1,921	2,628	2,499	1,243	1,194	2,312	2,738
Premium franchise fees	1,348	893	1,106	1,514	937	420	920	1,674
Other fee revenue and services	997	942	1,230	1,203	1,069	916	1,162	1,157
	\$ 7,448	\$ 8,092	\$ 9,404	\$ 9,647	\$ 7,740	\$ 6,997	\$ 8,839	\$ 10,028

% Revenue by region

British Columbia	13	14	13	11	11	13	12	12
Prairies	9	10	10	9	10	10	9	9
Ontario	63	55	54	59	53	53	54	56
Quebec	11	18	20	18	22	21	22	20
Maritimes	4	3	3	3	4	3	3	3
	100	100	100	100	100	100	100	100

Three months ended Changes during the period	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009
Number of REALTORS®	87	1,418	181	(5)	(172)	98	(74)	(51)
Number of Agents	84	1,350	164	17	(132)	96	(81)	(46)
Number of fixed fee paying Sales Representatives	19	(7)	12	(11)	(30)	–	(2)	2
Number of locations	(3)	55	(2)	–	(1)	17	(5)	(3)
Number of franchise agreements	(4)	54	(1)	–	–	15	(3)	1

At end of period

Number of REALTORS®	13,172	14,590	14,771	14,766	14,594	14,692	14,618	14,567
Number of Agents	12,201	13,551	13,715	13,732	13,600	13,696	13,615	13,569
Number of fixed fee paying Sales Representatives	735	728	740	729	699	699	697	699
Number of locations	591	646	644	644	643	660	655	652
Number of franchise agreements	285	339	338	338	338	353	350	351