

**Royal LePage Franchise Services Fund Announces First Quarter 2006 Results  
and Monthly Cash Distribution**  
[www.rsfund.ca](http://www.rsfund.ca)

**Toronto, ON – May 8, 2006** – (TSX – RSF.UN) Royal LePage Franchise Services Fund (the “Fund”) today announced results for the first quarter of 2006. Royalty revenue for the first quarter totaled \$6.5 million, a 16% increase over the same period in 2005. This reflects growth in the Fund’s underlying network of Realtors, and continued strength in the Canadian residential resale housing market.

Since inception, the Fund accumulated and retained cash of \$9.4 million as a reserve, which in the event of the release of this reserve would result in a 20% management fee payable to the manager and the remaining 80% would be distributable to unitholders. This cash was invested in short-term investments.

During the quarter, the trustees determined that the cash should be permanently invested to fund the 2005 and 2006 franchise agreements acquired and released the reserve to fund these acquisitions. In addition, consistent with past practice, the trustees intend to prudently withhold cash that would otherwise be distributed as a non-working capital reserve: to provide for seasonal fluctuations in the business; to fund acquisitions; and/or to service any indebtedness or fund debt repayment. As a result, the Fund anticipates paying all management fees as earned.

As a consequence of these acquisition and reserve decisions a management fee of \$1.9 million relating to the \$9.4 million in reserves was incurred and reduced distributable cash in the first quarter accordingly.

Primarily as a result of the payment of the \$1.9 million management fee the Fund experienced a first quarter loss of \$762,000 the equivalent of \$0.08 per unit, compared to earnings of \$431,000 last year or \$0.04 per unit.

**Financial and Operating Highlights**  
**For the three months ended March 31, 2006 and 2005**

	Q1 2006		Q1 2005	
	<u>(thousands)</u>	<u>(per unit)</u>	<u>(thousands)</u>	<u>(per unit)</u>
Royalties	\$6,492	\$0.49	\$5,596	\$0.42
Operating earnings before management fees <sup>1</sup>	\$5,742	\$0.43	\$4,992	\$0.38
Net Earnings (Loss)	(\$762)	(\$0.08)	\$431	\$0.04
Distributable cash before reserves	\$2,631	\$0.20	\$4,077	\$0.31
Distributions	\$3,827	\$0.29	\$3,661	\$0.28

<sup>1</sup> Defined as royalties less administration expense and interest expense

## **Fund Growth**

The Fund's growth objective for 2006 is to add between 300 to 500 Realtors to the Fund Network during the year, with approximately one half achieved through organic growth and one half achieved through acquisitions. During the quarter, the Fund Network grew organically by 97 Realtors, or 1% from January 4, 2006

## **Monthly Cash Distribution**

The Royal LePage Franchise Services Fund today declared a cash distribution of \$0.0958 per unit for the month of May 2006, payable June 30, 2006, to unitholders of record on May 31, 2006.

## **Outlook**

"Nationally, we expect that the resale housing market will enjoy solid but more moderate growth in 2006, with unit sales at approximately the same level as the record highs set in 2005. The pace of market growth should continue to slow slightly in the second half of 2006 as latent demand is satisfied and listing inventories rise, moving us from a seller's market into more balanced conditions in most of the country. Markets in the resource-rich west will experience significantly higher price appreciation throughout the year than those in central and Atlantic Canada," commented Philip Soper, President and Chief Executive.

## **Fund Structure**

The fund generates both fixed and variable fee components. Variable fees are primarily driven from 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 65% of the fund's revenue is based on fixed fees from a large number of long-term franchisee contracts, which stabilizes revenue and keeps the fund insulated from market fluctuations.

## **Q1 Conference Call**

A conference call for investors, analysts and media to review the first quarter results will be held on Tuesday, May 9, 2006, at 2:00 p.m. (EST). To participate in the conference call, please dial toll free 1-866-296-6505 at approximately 1:50 p.m. EST. The pass code for this call is 53439. 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.rsfund.ca](http://www.rsfund.ca) under "Financial Reports" which can be found under "Investment Info."

## **Annual General Meeting**

**The annual general meeting for unitholders will be held on May 9, 2006 at 10:00 a.m. at the Hockey Hall of Fame, Toronto, Ontario.**

## **About Royal LePage Franchise Services Fund**

The Royal LePage Franchise Services Fund is a leading provider of services to residential real estate brokers and their Realtors. The Fund generates cash flow from franchise royalties and service fees derived from a national network of real estate brokers and agents in Canada operating under the Royal LePage and Johnston & Daniel brand names. As at March 31, 2006, the Fund Network is comprised of 278 franchise agreements, operating from 582 locations serviced by 11,985 Realtors. The Fund has approximately 20% market share of the Canadian residential resale real estate market based on transactional dollar volume. Royal LePage Franchise Services Fund is a TSX listed income trust, which pays monthly distributions and trades under the symbol "RSF.UN".

# ROYAL LEPAGE FRANCHISE SERVICES FUND

## Interim Consolidated Balance Sheets

(in thousands of dollars)

<b>Assets</b>	<b>March 31, 2006</b>	<b>December 31, 2005</b>
	(unaudited)	
Current assets		
Cash and cash equivalents	\$ 1,278	\$ 9,941
Accounts receivable	2,614	2,434
Prepaid expenses	95	84
	<u>3,987</u>	<u>12,459</u>
Deferred charges	640	684
Deposit on acquisition (note 3)	2,979	-
Intangible assets (note 3)	131,417	133,022
	<u>\$ 139,023</u>	<u>\$ 146,165</u>
 <b>Liabilities and Unitholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,573	\$ 2,064
Purchase obligation (note 3)	-	2,893
Distribution payable to unitholders	957	915
	<u>3,530</u>	<u>5,872</u>
Long-term debt (note 5)	38,000	38,000
Non-controlling interest	24,656	25,824
	<u>66,186</u>	<u>69,696</u>
Unitholders' equity	72,837	76,469
	<u>\$ 139,023</u>	<u>\$ 146,165</u>

See accompanying notes to the interim consolidated financial statements

# ROYAL LEPAGE FRANCHISE SERVICES FUND

## Interim Consolidated Statement of (Loss) Earnings

(unaudited)

(in thousands of dollars, except unit and per unit amounts)

	Three months ended March 31, 2006	Three months ended March 31, 2005
<b>Royalties</b>		
Fixed franchise fees	\$ 3,380	\$ 2,945
Variable franchise fees	1,610	1,335
Premium franchise fees	688	576
Other fee revenue and services	814	740
	<u>6,492</u>	<u>5,596</u>
<b>Expenses</b>		
Administration	160	123
Management fee (note 7 (ii))	3,111	915
Interest expense	590	481
Amortization of intangible assets	3,604	3,471
	<u>7,465</u>	<u>4,990</u>
<b>(Loss) earnings before undernoted</b>	(973)	606
Non-controlling interest	211	(175)
<b>Net (loss) earnings</b>	<u>\$ (762)</u>	<u>\$ 431</u>
<b>Basic and diluted (loss) earnings per unit (9,983,000 units)</b> (note 6)	<u>\$ (0.08)</u>	<u>\$ 0.04</u>

See accompanying notes to the interim consolidated financial statements

# ROYAL LEPAGE FRANCHISE SERVICES FUND

## Interim Consolidated Statements of Unitholders' Equity

(unaudited)

(in thousands of dollars)

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	<u>Units</u>	<u>Net Earnings</u>	<u>Distributions</u>	<u>Total</u>
<b>Balance, December 31, 2004</b>	\$ 92,938	\$ 5,278	\$ (15,518)	\$ 82,698
Net earnings	-	431	-	431
Unit distributions	-	-	(2,746)	(2,746)
<b>Balance, March 31, 2005</b>	<u>\$ 92,938</u>	<u>\$5,709</u>	<u>\$ (18,264)</u>	<u>\$ 80,383</u>
<b>Balance, December 31, 2005</b>	\$ 92,938	\$ 10,034	\$ (26,503)	\$ 76,469
Net loss	-	(762)	-	(762)
Unit distributions	-	-	(2,870)	(2,870)
<b>Balance, March 31, 2006</b>	<u>\$ 92,938</u>	<u>\$ 9,272</u>	<u>\$ (29,373)</u>	<u>\$ 72,837</u>

See accompanying notes to the interim consolidated financial statements

# ROYAL LEPAGE FRANCHISE SERVICES FUND

## Interim Consolidated Statements of Cash Flows

(unaudited)

(in thousands of dollars)

	Three months ended March 31, 2006	Three months ended March 31, 2005
<b>Cash provided by (used for):</b>		
<b>Operating activities</b>		
Net (loss) earnings for the period	\$ (762)	\$ 431
Items not affecting cash		
Non-controlling interest	(211)	175
Amortization of deferred charges	44	17
Amortization of intangible assets	3,604	3,471
	<u>2,675</u>	<u>4,094</u>
Changes in non-cash operating working capital	360	(831)
	<u>3,035</u>	<u>3,263</u>
<b>Investing activities</b>		
Deposit on acquisition (note 3)	(4,978)	(7,048)
Purchase of intangible assets (note 3)	-	26
Payment of purchase price obligation	(2,893)	-
	<u>(7,871)</u>	<u>(7,022)</u>
<b>Financing activities</b>		
Distributions paid to unitholders	(2,870)	(2,746)
Distributions paid to non-controlling interest	(957)	(915)
Proceeds from long-term debt	-	38,000
Repayment of term loan	-	(30,600)
Deferred charges	-	(766)
	<u>(3,827)</u>	<u>2,973</u>
<b>Decrease in cash and cash equivalents during the period</b>	(8,663)	(786)
<b>Cash and cash equivalents, beginning of period</b>	9,941	4,444
<b>Cash and cash equivalents, end of period</b>	<u>\$ 1,278</u>	<u>3,658</u>
<b>Cash and cash equivalents are comprised of:</b>		
Cash	\$ 1,278	\$ 161
Commercial Paper	-	3,497
	<u>\$ 1,278</u>	<u>\$ 3,658</u>
<b>Supplementary Cash Flow Information</b>		
Interest paid	\$ 559	\$ 255

See accompanying notes to the interim consolidated financial statements

# ROYAL LEPAGE FRANCHISE SERVICES FUND

## Notes to the Interim Consolidated Financial Statements

March 31, 2006

(unaudited)

(in thousands of dollars)

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### 1. ORGANIZATION

Royal LePage Franchise 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 Royal LePage Franchise Services Fund, its wholly-owned subsidiary RL RES Holding Trust ("RLHT"), and its 75% owned subsidiaries, Residential Income Fund General Partner Limited ("RIFGP") and Residential Income Fund L.P. (the "Partnership"). 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 Residential Income Fund Manager Limited ("RIFML"), a party related to the non-controlling interest via common control.

#### *Seasonality*

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

### 2. SUMMARY OF ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements. They do not include all the information and disclosure required by GAAP for annual financial statements, and should be read in conjunction with the December 31, 2005 annual consolidated financial statements.

### 3. INTANGIBLE ASSETS

On January 4, 2006, the Partnership acquired 16 franchise agreements from Residential Income Fund Manager Limited ("RIFML") at an estimated purchase price of \$6,222 in accordance with the Management Services Agreement ("MSA"). On that date, \$4,978 was paid in cash on deposit against this purchase price obligation in accordance with the MSA. The final purchase price is based on the actual audited royalties derived from these franchises for the twelve-month period ending October 31, 2006. Accordingly, the final purchase price is not determinable until that time.

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

# ROYAL LEPAGE FRANCHISE SERVICES FUND

## Notes to the Interim Consolidated Financial Statements

March 31, 2006

(unaudited)

(in thousands of dollars)

### 3. INTANGIBLE ASSETS (cont'd)

The recalculated purchase price obligation in excess of the deposit on acquisition will be recorded as a purchase obligation and the corresponding amount added to the intangible assets and amortized as described above.

As at March 31, 2006, \$1,999 was transferred from "deposit on acquisition" and recorded as "intangible assets".

On January 1, 2005, the Partnership acquired 38 franchise agreements from RIFM at a purchase price of \$9,934 calculated in accordance with the MSA. On February 18, 2005, \$7,041 was paid in cash against this purchase price obligation and the remaining \$2,893 was paid in cash on January 4, 2006.

	<b>March 31, 2006</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Franchise agreements	\$ 125,073	\$ 34,686	\$ 90,387
Relationships and trademarks	41,527	497	41,030
	<u>\$ 166,600</u>	<u>\$ 35,183</u>	<u>\$ 131,417</u>

  

	<b>December 31, 2005</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Franchise agreements	\$ 123,622	\$ 31,136	\$ 92,486
Relationships and trademarks	40,979	443	40,536
	<u>\$ 164,601</u>	<u>\$ 31,579</u>	<u>\$ 133,022</u>

### 4. 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 banker 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 March 31, 2006, the operating credit facility had not been drawn upon.

### 5. LONG-TERM DEBT

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



# ROYAL LEPAGE FRANCHISE SERVICES FUND

## Notes to the Interim Consolidated Financial Statements

March 31, 2006

(unaudited)

(in thousands of dollars)

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### 6. EARNINGS PER UNIT

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

### 7. RELATED PARTY TRANSACTIONS

i) Unless disclosed elsewhere, the Fund had the following transactions with parties related to the non-controlling interest during the three months ended March 31, 2006 and March 31, 2005. These transactions have been recorded at the exchange amount agreed to between the parties.

	<u>Three months ended March 31, 2006</u>	<u>Three months ended March 31, 2005</u>
a) Royalties		
Fixed, variable and other franchise fees	\$ 461	\$ 442
Premium franchise fees	\$ 570	\$ 490
b) Expenses		
Management fees	\$ 3,111	\$ 915
Insurance and other	\$ 23	\$ 22
c) Distributions		
Distributions paid to non-controlling interest	\$ 957	\$ 915

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

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
d) Accounts receivable		
Franchise fees receivable and other	\$ 446	\$ 438
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	\$ 957	\$ 915
Management fees	\$ 822	\$ 325

# **ROYAL LEPAGE FRANCHISE SERVICES FUND**

## **Notes to the Interim Consolidated Financial Statements**

**March 31, 2006**

**(unaudited)**

**(in thousands of dollars)**

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### **7. RELATED PARTY TRANSACTIONS (cont'd)**

#### ii) Management Fees

Since inception, the Fund has accumulated and retained cash of \$9.4 million as a reserve, which in the event of the release of this reserve would result in a 20% management fee payable to RIFML. During the three months ended March 31, 2006, the Fund released the \$9.4 million in reserves, a portion of which was used to fund the 2005 and 2006 franchise agreements purchase obligations. As a result, a management fee of \$1.9 million relating to the \$9.4 million in reserves was incurred for the three months ended March 31, 2006.

**SUPPLEMENTAL INFORMATION - SELECTED FINANCIAL AND OPERATING INFORMATION**

	Three months ended June 30 2004	Three months ended Sept. 30 2004	Three months ended Dec. 31 2004	Three months ended March 31 2005	Three months ended June 30 2005	Three months ended Sept. 30 2005	Three months ended Dec. 31 2005	Three months ended March 31 2006
(\$000's, unaudited)								
<b>Revenue</b>								
Fixed franchise fees	\$ 2,718	\$ 2,691	\$ 2,718	\$ 2,945	\$ 2,999	\$ 3,127	\$ 3,261	\$ 3,380
Variable franchise fees	2,008	2,041	1,149	1,335	2,231	2,444	1,327	1,610
Premium franchise fees	932	1,489	1,009	576	1,103	1,497	1,065	688
Other fees and services	739	731	660	740	805	869	872	814
	\$ 6,397	\$ 6,952	\$ 5,536	\$ 5,596	\$ 7,138	\$ 7,937	\$ 6,525	\$ 6,492

	Three months ended June 30 2004	Three months ended Sept. 30 2004	Three months ended Dec. 31 2004	Three months ended March 31 2005	Three months ended June 30 2005	Three months ended Sept. 30 2005	Three months ended Dec. 31 2005	Three months ended March 31 2006
<b>Additions for the period:</b>								
Number of Agents & Sales Representatives	189	210	13	750	323	119	205	443
Number of Agents	163	175	38	726	295	138	179	448
Number of fixed fee paying Sales Representatives	-	-	-	-	-	477	89	39
Number of locations	9	-	(6)	47	-	(4)	-	21
Number of franchisees	(2)	-	(1)	38	(1)	(2)	-	16
<b>At end of period</b>								
Number of Agents & Sales Representatives	9,922	10,132	10,145	10,895	11,218	11,337	11,542	11,985
Number of Agents	9,142	9,317	9,355	10,081	10,376	10,514	10,693	11,141
Number of fixed fee paying Sales Representatives	-	-	-	-	-	477	566	605
Number of locations	524	524	518	565	565	561	561	582
Number of franchisees	228	228	227	265	264	262	262	278

## **FORWARD-LOOKING STATEMENTS**

**Any “forward-looking statements” in this release such as “plan”, “believe,” “expect,” “anticipate,” “intend,” “estimate” and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Fund to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forward in the forward-looking statements include general economic conditions, interest rates, availability of equity and debt financing and other risks detailed from time to time in the Fund’s reports filed with Securities Commissions. 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.**

For more information contact  
Pamela Kempthorne  
Investor Relations Officer  
Residential Income Fund Manager Limited  
(416) 510-5750  
[pkempthorne@royalpage.ca](mailto:pkempthorne@royalpage.ca)  
[www.rsfund.ca](http://www.rsfund.ca)