Brookfield Real Estate Services

For Immediate Release

Brookfield Real Estate Services Fund Announces a $0.15 Increase in Annual Distributions, Second Quarter Results and Monthly Cash Distribution

Royalties increased 6.4%

Toronto, ON – August 8, 2008 – Brookfield Real Estate Services Fund (the "Fund") (TSX – BRE.UN), today announced that royalties for the quarter ended June 30, 2008 were up 6.4% over the second quarter of 2007 to $9.4 million. Distributable cash[1] for the second quarter increased 3.8% to $6.7 million ($0.51 per unit), up from $6.5 million ($0.49 per unit) in the second quarter of 2007.

The year-over-year increase in royalties resulted from the growth in the Fund's underlying REALTOR®[2] network which includes the acquisition of La Capitale Real Estate Network ("La Capitale") with effect from January 1, 2008. Fixed franchise fees for the quarter were up 19.5% over the second quarter of 2007, exceeding the overall increase in the underlying agents as a result of the introduction of La Capitale REALTORS® who operate under a higher fixed monthly fee plan.

The growth in distributable cash reflected the increase in royalties, moderated by an increase in interest expense associated with the funding of the La Capitale acquisition and an increase in management fees associated with the higher royalties. Net earnings were 45.2% lower at $2.0 million ($0.20 per unit) compared with $3.6 million ($0.36 per unit) in the same quarter of last year due primarily to a $2.1 million income tax recovery recorded during 2007, in accordance with new tax legislation and increased amortization of intangible assets associated with the franchise agreements acquired in January 2008.

"During the second quarter, Canada's resale housing market experienced declining unit sales and an increase in new listings, as demand cooled. House prices, however, continued to appreciate, albeit at a more moderate pace," said Phil Soper, President and Chief Executive. "In most regions of Canada, price increases have moderated to the lower single digits typical of a balanced market. The notable exceptions are in the natural-resource-rich west and Newfoundland. In Alberta, house prices have actually retreated slightly from 2007's record levels as demand fell and some buyers were unwilling or unable to contend with recent price spikes. In Saskatchewan, Manitoba and Newfoundland, the strong economies and relatively low average home prices have allowed double digit price increases to continue."

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

Financial and Operating Highlights

For the three and six months ended June 30, 2008 and 2007

	Three months ended June 30				**Six months ended June 30**			
	2008		**2007**		**2008**		**2007**	
	(thousands)	**(per unit)**	(thousands)	(per unit)	**(thousands)**	**(per unit)**	(thousands)	(per unit)
Royalties	**$ 9,404**	**$ 0.71**	$ 8,838	$ 0.66	**$ 17,496**	**$ 1.31**	$ 15,748	$ 1.18
Earnings before non-controlling interest	**$ 2,696**	**$ 0.20**	$ 4,856	$ 0.36	**$ 4,453**	**$ 0.33**	$ 6,119	$ 0.46
Net earnings	**$ 1,978**	**$ 0.20**	$ 3,607	$ 0.36	**$ 3,259**	**$ 0.33**	$ 4,519	$ 0.45
Distributable cash[1]	**$ 6,728**	**$ 0.51**	$ 6,479	$ 0.49	**$ 12,389**	**$ 0.93**	$ 11,433	$ 0.86
Distributions	**$ 4,150**	**$ 0.31**	$ 3,993	$ 0.30	**$ 8,305**	**$ 0.62**	$ 7,903	$ 0.59

[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.

Six Month Results

For the six months ended June 30, 2008, royalties increased 11.1% from the same period a year ago to $17.5 million, reflecting a 19.6% increase in fixed franchise fees resulting from the expanded REALTOR® network and higher fixed monthly fee plan for La Capitale REALTORS®. Distributable cash increased 8.4% to $12.4 million, resulting from the higher royalties, moderated by increased interest expenses and higher management fees, in line with the increased royalties. Net earnings of $3.3 million ($0.33 per unit) were 27.9% lower than the first six months of 2007, largely reflecting the $2.1 million tax recovery, recorded in accordance with new tax legislation in the second quarter of 2007 and increased amortization of intangible assets associated with the franchise agreements acquired in January 2008.

Fund Growth

During the second quarter of 2008, the Fund grew organically by 181 REALTORS® or 1.3% from January 1, 2008 resulting in total organic growth of 327 REALTORS® for the first six months of 2008. This growth along with the 1,272 REALTORS® servicing the 60 franchise agreements acquired by the Fund on January 1, 2008, combined for a total increase of 1,599 REALTORS® for the six months ended June 30, 2008, up 12.1% from December 31, 2007. At June 30, 2008, the Fund Network was comprised of 338 independently owned and operated franchises operating from 644 locations serviced by 14,771 REALTORS®.

Monthly Cash Distribution

The Board of Trustees today increased the annual distribution target from $1.25 to $1.40 per unit.

The Brookfield Real Estate Services Fund today declared a cash distribution of $0.117 per unit for the month of August 2008, payable September 30, 2008, to unitholders of record on August 29, 2008.

Outlook

“Canada’s real estate market is poised to maintain the momentum gained from a solid second quarter through to the end of 2008. While home prices are expected to appreciate in all but two major markets during the year, activity levels across the country are expected to decline from 2007’s record-setting pace, as pent-up demand is satisfied and some buyers retreat to the sidelines in the face of increasing economic uncertainty,” said Mr. Soper. “We are encouraged that strong fundamentals such as positive employment numbers and reasonable mortgage rates, have countered increasingly pessimistic consumer sentiment based primarily on the American housing recession.

“Our research indicates that from an historical perspective the Canadian real estate market, as measured by transactional dollar volume, will continue to perform at near record levels, albeit at a tempered pace compared with recent years. We forecast that the national average house price will rise by 3.5% by the end of 2008 while we expect home sale transactions will decrease by 11.5% by year end.

“Reduced resale market activity in the second quarter is expected to reduce the Fund’s variable and premium fees in the third quarter, as there is a 45 to 60 day lag from house sale to transaction closing. However, as approximately two thirds of the Fund’s fees are fixed, the Fund is insulated from the full effect of market fluctuations as these fees are not directly driven by transaction volumes.

“In 2008, our growth will reflect the addition of La Capitale as well as continued expansion of the Royal LePage network. We will continue to focus on improving REALTOR® productivity while growing our network organically and through acquisitions.”

Based on the Fund’s existing brands, it continues to target increasing revenue by 10% over 2007, and its total network by a range of 300 to 500 REALTORS® through organic growth and acquisitions. This target is based on the Fund’s current market outlook and continuing successful implementation of its growth strategy and is subject to a number of risks including those outlined under Forward-Looking Statements below and in the Fund’s Annual Information Form available at www.sedar.com and on the Fund’s website.

Financing the La Capitale Acquisition

As previously reported, on April 4, 2008, the Fund completed a $15 million Term Facility with a single Canadian financial institution to finance obligations arising from the acquisition of the La Capitale brand, trademarks and trademark license. Interest on the Term Facility is fixed at 4.29% over the term of the facility which matures on February 17, 2010, the same date as the Fund’s existing $38 million long-term debt obligations.

Other Business

Management is evaluating the merits of a normal course issuer bid to repurchase units in the market in light of the current unit price.

Fund Structure

The Fund generates both fixed and variable fee components. Variable fees are primarily driven by the total transactional-dollar volume from agent sales commissions, while fixed franchise fees are based on the number of agents and sales representatives in the network. Approximately 66% of the Fund's revenue in fiscal 2007 was based on fixed fees from a large number of long-term franchisee contracts, and the percentage is expected to increase in 2008, as 77% of La Capitale's royalties are expected to fall into the fixed category. Fixed fees provide revenue stability and help insulate the Fund from market fluctuations.

Q2 Conference Call

A conference call for investors, analysts and media to review the second quarter results will be held on Friday, August 8, 2008, at 10:00 a.m. (Eastern Time). To participate in the conference call, please dial toll free 1-866-296-6505 approximately five minutes before the call. 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.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 brand names. At June 30, 2008, the Fund Network was comprised of 14,771 REALTORS®. As at December 31, 2007, the Fund Network had an approximate 21% share of the Canadian residential resale real estate market based on transactional dollar volume. The Fund is a TSX listed income trust, which pays monthly distributions and trades under the symbol "BRE.UN". The Fund's website address is www.brookfieldres.com

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

For more information contact
Gurinder Sandhu
Vice President Finance
Brookfield Real Estate Services Limited
(416) 510-5701
gsandhu@brookfieldres.com
www.brookfieldres.com

Brookfield Real Estate Services Fund

Interim Consolidated Balance Sheets

As at (in thousands of dollars)	June 30, 2008	December 31, 2007
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	**$ 5,307**	$ 7,516
Accounts receivable	**3,801**	2,752
Prepaid expenses	**62**	84
	9,170	10,352
Deposit on acquisition (note 4)	**5,545**	–
Financial derivative (note 7)	**62**	–
Future income tax asset (note 3)	**333**	1,819
Intangible assets (note 5)	**122,317**	117,279
	$ 137,427	$ 129,450
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 2,422**	$ 2,232
Purchase obligation (note 4(i))	**–**	2,295
Distribution payable to unitholders	**1,038**	998
	3,460	5,525
Long-term debt (note 7)	**51,511**	37,617
Non-controlling interest	**21,224**	22,106
	76,195	65,248
Unitholders' equity	**61,232**	64,202
	$ 137,427	$ 129,450

See accompanying notes to the interim consolidated financial statements

Brookfield Real Estate Services Fund

Interim Consolidated Statements of Earnings and Comprehensive Earnings

(unaudited) (in thousands of dollars, except unit and per unit amounts)	**Three months ended June 30, 2008**	Three months ended June 30, 2007	**Six months ended June 30, 2008**	Six months ended June 30, 2007
Royalties				
Fixed franchise fees	**$ 4,440**	$ 3,714	**$ 8,776**	$ 7,335
Variable franchise fees	**2,628**	2,870	**4,549**	4,590
Premium franchise fees	**1,106**	1,306	**1,999**	2,043
Other fee revenue and services	**1,230**	948	**2,172**	1,780
	9,404	8,838	**17,496**	15,748
Expenses				
Administration	**215**	175	**405**	349
Management fee	**1,765**	1,610	**3,238**	2,839
Interest expense	**766**	615	**1,577**	1,207
Other income (note 7)	**(62)**	–	**(62)**	–
Amortization of intangible assets	**4,035**	3,683	**7,931**	7,335
	6,719	6,083	**13,089**	11,730
Earnings before undernoted	**2,685**	2,755	**4,407**	4,018
Future income tax recovery (note 3)	**11**	2,101	**46**	2,101
Earnings before non-controlling interest	**2,696**	4,856	**4,453**	6,119
Non-controlling interest	**(718)**	(1,249)	**(1,194)**	(1,600)
Net and comprehensive earnings	**$ 1,978**	$ 3,607	**$ 3,259**	$ 4,519
Basic and diluted earnings per unit (9,983,000 units) (note 8)	**$ 0.20**	$ 0.36	**$ 0.33**	$ 0.45

See accompanying notes to the interim consolidated financial statements

Brookfield Real Estate Services Fund

Interim Consolidated Statements of Unitholders' Equity

(unaudited) (in thousands of dollars)	**Unitholders' Contribution**	**Net Earnings**	**Distributions**	**Deficit**	**Total**
Balance, January 1, 2007	$ 92,938	$ 13,506	$ (37,980)	$ (24,474)	$ 68,464
Changes during the period:					
Net income	–	4,519	–	4,519	4,519
Unit distributions	–	–	(5,990)	(5,990)	(5,990)
Balance, June 30, 2007	$ 92,938	$ 18,025	$ (43,970)	$ (25,945)	$ 66,993
Balance, January 1, 2008	$ 92,938	$ 21,224	$ (49,960)	$ (28,736)	$ 64,202
Changes during the period:					
Net income	**–**	**3,259**	**–**	**3,259**	**3,259**
Unit distributions	**–**	**–**	**(6,229)**	**(6,229)**	**(6,229)**
Balance, June 30, 2008	**$ 92,938**	**$ 24,483**	**$ (56,189)**	**$ (31,706)**	**$ 61,232**

See accompanying notes to the interim consolidated financial statements

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

Interim Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars)	**Three months ended June 30, 2008**	Three months ended June 30, 2007	**Six months ended June 30, 2008**	Six months ended June 30, 2007
Cash provided by (used for):				
Operating activities				
Net earnings for the period	**$ 1,978**	$ 3,607	**$ 3,259**	$ 4,519
Items not affecting cash				
Non-controlling interest	**718**	1,249	**1,194**	1,600
Future income tax recovery (note 3)	**(11)**	(2,101)	**(46)**	(2,101)
Non-cash interest expense (note 7)	**69**	41	**112**	80
Non-cash other income (note 7)	**(62)**	–	**(62)**	–
Amortization of intangible assets	**4,035**	3,683	**7,931**	7,335
	6,727	6,479	**12,388**	11,433
Changes in non-cash working capital	**(403)**	(564)	**(796)**	(1,714)
	6,324	5,915	**11,592**	9,719
Investing activities				
Deposit on acquisition (note 4)	**(12,965)**	–	**(16,914)**	(5,743)
Purchase of intangible assets (note 5)	**(49)**	–	**(69)**	(14)
Payment of purchase price obligation (note 4)	**–**	–	**(2,295)**	(576)
	(13,014)	–	**(19,278)**	(6,333)
Financing activities				
Proceeds of Term Facility (note 7)	**13,782**	–	**13,782**	–
Distributions paid to unitholders	**(3,114)**	(2,995)	**(6,229)**	(5,948)
Distributions paid to non-controlling interest	**(1,036)**	(998)	**(2,076)**	(1,955)
	9,632	(3,993)	**5,477**	(7,903)
Increase (decrease) in cash and cash equivalents during the period	**2,942**	1,922	**(2,209)**	(4,517)
Cash and cash equivalents, beginning of period	**2,365**	512	**7,516**	6,951
Cash and cash equivalents, end of period	**$ 5,307**	$ 2,434	**$ 5,307**	$ 2,434
Supplementary cash flow information				
Cash paid for interest	**$ 827**	$ 559	**$ 1,595**	$ 1,118
Cash and cash equivalents are comprised of:				
Cash	**$ 1,306**	$ 434	**$ 1,306**	$ 434
Commercial paper	**$ 4,001**	$ 2,000	**$ 4,001**	$ 2,000
	$ 5,307	$ 2,434	**$ 5,307**	$ 2,434

See accompanying notes to the interim consolidated financial statements

Notes to the Interim Consolidated Financial Statements

June 30, 2008 and 2007 (unaudited) (in thousands of dollars)

1. ORGANIZATION

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

These consolidated financial statements include the accounts of Brookfield Real Estate Services Fund, its wholly-owned subsidiary RL RES Holding Trust (“RLHT”), and its 75% owned subsidiaries, Residential Income Fund General Partner Limited (“RIFGP”) and Residential Income Fund L.P. (the “Partnership”) and its wholly-owned subsidiaries 9120 Real Estate Network, L.P. (“LCLP”) and 9188-5517 Quebec Inc. (the “General Partner of LCLP”). RIFGP is the managing general partner of the Partnership. Trilon Bancorp Inc. (the “non-controlling interest”) owns the remaining 25% interest in the Partnership and RIFGP. The Fund receives certain management, administrative and support services from Brookfield Real Estate Services Limited (“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. They do not include all the information and disclosure required by GAAP for annual audited financial statements, and should be read in conjunction with the December 31, 2007 annual consolidated financial statements.

Financial Instruments

i) On January 1, 2008, the Fund adopted CICA Handbook Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*. These two new sections, issued by the CICA on December 1, 2006, replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing disclosure requirements and carrying forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Fund has included these disclosures in note 10.

ii) On April 4, 2008, the Partnership completed a Term Facility and interest rate swap agreement with a single Canadian financial institution (see note 7). The Fund elected to classify the Term Facility as Other Liability, consistent with the classification of its existing long-term debt.

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

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

Capital Disclosures

On January 1, 2008, the Fund adopted CICA Handbook Section 1535, *Capital Disclosures*. This section establishes standards for disclosing information about an entity’s capital and how it is managed to enable users of financial statements to evaluate the entity’s objectives, policies and procedures for managing capital. The Fund has included this disclosure in note 11.

3. FUTURE INCOME TAXES

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

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

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

The Fund had a future income tax asset of $1,819 at December 31, 2007. During the three and six months ended June 30, 2008, the Fund recorded an additional non-cash future tax asset of $11 and $46, respectively. The resulting total future income tax asset was $1,865 at June 30, 2008.

The assets of LCLP acquired by the Partnership as described in Note 4 were obtained on a tax-deferred basis with the related tax value attributed to the partnership units of LCLP held by the Partnership. Accordingly, the individual agreements and trademarks of the partnership at the time of acquisition by the Fund do not have a tax basis. The temporary difference between the carrying value of these agreements and zero tax basis results in a future income tax liability. Under GAAP the Fund is required to adjust the carrying value of the agreements by an amount equal to the income tax liability. Accordingly, during the three and six months ended June 30, 2008, the Fund recorded future income tax liabilities of $477 and $1,055, respectively. The resulting total future income tax liability was $1,532 at June 30, 2008 which net of the future income tax asset described above resulted in a net future income tax asset of $333.

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

4. ASSET ACQUISITIONS

i) Royal LePage Franchise Agreement Acquisitions

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

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

ii) La Capitale Asset Acquisition

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

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

iii) Deposit on Acquisition

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

During the three and six months ended June 30, 2008, $12,965 and $16,914, respectively were paid and recorded as deposit on acquisition in respect of the acquisitions, of which $9,327 and $11,368, respectively was transferred from deposit on acquisition to intangible assets.

5. INTANGIBLE ASSETS

A summary of intangible assets is provided in the chart below. During the six months ended June 30, 2008, the intangible asset cost base increased by $12,969 with $10,839 and $2,061 resulting from the acquisition of the La Capitale and Royal LePage assets, respectively (see note 4), and $69 of related legal expenses. The increase attributed to the Royal LePage assets was derived from the transfer from deposit on acquisition, while the increase attributed to the La Capitale assets was comprised of $9,307 transferred from deposit on acquisition and $1,532 from future income tax liabilities (see note 3).

	June 30, 2008		
	Cost	**Accumulated Amortization**	**Net Book Value**
Franchise agreements	**$ 140,299**	**$ 67,664**	**$ 72,635**
Relationships and trademarks	**50,891**	**1,209**	**49,682**
	$ 191,190	**$ 68,873**	**$ 122,317**

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

6. OPERATING CREDIT FACILITY

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

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

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

7. LONG-TERM DEBT

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

	As at June 30, 2008	As at December 31, 2007
Private debt placement	**$ 37,702**	$ 37,617
Term Facility	**13,809**	–
	$ 51,511	$ 37,617

Private Placement

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

The private placement had a fair value of $37,702 at June 30, 2008 (2007 – $37,535).

During the three and six months ended June 30, 2008, $43 and $86, respectively of amortization of the private placement was recorded as interest expense (2007 – $41 and $39).

Term Facility

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

The Term Facility had a fair value that approximates its face value of $14,000 on June 30, 2008.

During the three and six months ended June 30, 2008, $26 of amortization of long-term debt relating to the term facility was recorded as interest expense.

The interest rate swap is a financial derivative valued separately from the Term Facility. The Fund values the swap agreement at its market value, which as at June 30, 2008 had a fair value of $62. Changes in the value of the swap agreement are recorded as other income (loss). During the three and six months ended June 30, 2008, $62 was recorded as other income.

8. EARNINGS PER UNIT

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

9. RELATED PARTY TRANSACTIONS

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

(unaudited) (in thousands of dollars)	**Three months ended June 30, 2008**	Three months ended June 30, 2007	**Six months ended June 30, 2008**	Six months ended June 30, 2007
a) Royalties				
Fixed, variable and other franchise fees	**$ 603**	$ 618	**$ 1,209**	$ 1,126
Premium franchise fees	**$ 945**	$ 1,094	**$ 1,719**	$ 1,712
b) Expenses				
Management fees	**$ 1,751**	$ 1,610	**$ 3,224**	$ 2,839
Interest on Initial Purchase Obligation	**$ 210**	$ –	**$ 210**	$ –
Insurance and other	**$ 25**	$ 25	**$ 50**	$ 50
c) Distributions				
Distributions paid to non-controlling interest	**$ 1,036**	$ 998	**$ 2,076**	$ 1,955

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

	As at June 30, 2008	As at December 31, 2007
d) Accounts receivable		
Franchise fees receivable and other	**$ 638**	$ 554
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	**$ 1,038**	$ 998
Management fees	**$ 604**	$ 429
Purchase obligation	**$ –**	$ 2,295

10. 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. Over 90% of the Fund's accounts receivable as at June 30, 2008 was less than 60 days outstanding.

b) Fair Value

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

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.

11. MANAGEMENT OF CAPITAL

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

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

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

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

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

SUPPLEMENTAL INFORMATION – SELECTED FINANCIAL AND OPERATING INFORMATION

Three months ended ($000's, unaudited)	Sept. 30, 2006	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	**June 30, 2008**
Revenue								
Fixed franchise fees	$ 3,485	$ 3,509	$ 3,621	$ 3,714	$ 3,749	$ 3,788	$ 4,336	**$ 4,440**
Variable franchise fees	2,377	1,347	1,720	2,870	2,661	1,315	1,921	**2,628**
Premium franchise fees	1,685	990	737	1,306	1,899	1,348	893	**1,106**
Other fee revenue and services	923	919	832	948	986	997	942	**1,230**
	$ 8,470	$ 6,765	$ 6,910	$ 8,838	$ 9,295	$ 7,448	$ 8,092	**$ 9,404**
% Revenue by region								
British Columbia	14	14	15	15	13	13	14	**13**
Prairies	11	11	11	11	9	9	10	**10**
Ontario	59	59	58	59	63	63	55	**54**
Quebec	12	12	12	12	11	11	18	**20**
Maritimes	4	4	4	3	4	4	3	**3**
	100	100	100	100	100	100	100	**100**

Three months ended **Changes during the period**	Sept. 30, 2006	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	**June 30, 2008**
Number of REALTORS®	39	(52)	633	178	125	87	1,418	**181**
Number of Agents	36	(49)	610	170	79	84	1,350	**164**
Number of fixed fee paying Sales Representatives	(1)	–	(1)	30	43	19	(7)	**12**
Number of locations	(1)	(1)	22	(6)	–	(3)	55	**(2)**
Number of franchise agreements	(1)	(1)	20	(6)	–	(4)	54	**(1)**
At end of period								
Number of REALTORS®	12,201	12,149	12,782	12,960	13,085	13,172	14,590	**14,771**
Number of Agents	11,307	11,258	11,868	12,038	12,117	12,201	13,551	**13,715**
Number of fixed fee paying Sales Representatives	644	644	643	673	716	735	728	**740**
Number of locations	579	578	600	594	594	591	646	**644**
Number of franchise agreements	276	275	295	289	289	285	339	**338**