Brookfield Real Estate Services

For Immediate Release

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

Royalties increased 3.8%

Toronto, ON – November 5, 2008 – Brookfield Real Estate Services Fund (the "Fund") (TSX – BRE.UN), today announced that royalties for the quarter ended September 30, 2008 were up 3.8% over the third quarter of 2007 to $9.6 million. Distributable cash[1] for the third quarter increased 1.4% to $6.9 million ($0.52 per unit), up from $6.8 million ($0.51 per unit) in the third 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 18.2% over the third quarter of 2007, exceeding the overall increase in the underlying agents as a result of the introduction of La Capitale REALTORS® who operate with a proportionally higher mix of fixed to variable fees. The growth in distributable cash reflects the increase in overall 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 20.6% lower at $1.8 million ($0.18 per unit) compared with $2.3 million ($0.23 per unit) in the same quarter of last year due primarily to increased amortization of intangible assets associated with the franchise agreements acquired in January 2008, increased interest expense due to financing of the acquired franchise agreements and increased management fees associated with the higher royalties.

"Demand cooled in the third quarter and as a result, Canada's resale housing market experienced declining unit sales compared with a year ago," said Philip Soper, President and Chief Executive. "Based on data released in October 2008 by the Canadian Real Estate Association, the average national home price was down 4.5% in the third quarter when compared to the same period last year. Our research shows low single digit gains in most regions of the country, double digit gains fuelled by low average home prices in the resource-based economies of Regina, St. John's and Winnipeg, and the largest declines in Edmonton and Calgary, where three years of unsustainable escalating prices had significantly impacted affordability. Transactional dollar volume of $34.1 million in the quarter was 16% below the record setting level of a year ago. Broad concerns about the global economic outlook have accelerated this shift from sellers' to balanced markets in most regions."

Financial and Operating Highlights

For the three and nine months ended September 30, 2008 and 2007

	Three months ended September 30				**Nine months ended September 30**			
	2008		2007		**2008**		2007	
	(thousands)	**(per unit)**	(thousands)	(per unit)	**(thousands)**	**(per unit)**	(thousands)	(per unit)
Royalties	**$ 9,647**	**$ 0.72**	$ 9,295	$ 0.70	**$ 27,143**	**$ 2.04**	$ 25,043	$ 1.88
Earnings before non-controlling interest	**$ 2,463**	**$ 0.19**	$ 3,093	$ 0.23	**$ 6,916**	**$ 0.52**	$ 9,212	$ 0.69
Net earnings	**$ 1,811**	**$ 0.18**	$ 2,282	$ 0.23	**$ 5,070**	**$ 0.51**	$ 6,801	$ 0.68
Distributable cash[1]	**$ 6,939**	**$ 0.52**	$ 6,846	$ 0.51	**$ 19,327**	**$ 1.45**	$ 18,279	$ 1.37
Distributions	**$ 4,500**	**$ 0.34**	$ 3,993	$ 0.30	**$ 12,805**	**$ 0.96**	$ 11,856	$ 0.89

[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.

Soper continued: “The Fund performed well in the third 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.”

While fixed franchise fees increased 18.2% in the quarter, variable franchise fees decreased by 6.1%, and premium franchise fees which are derived from 24 franchise locations serving the Greater Toronto Area declined 20.3%. These latter two fees are related to transaction dollar volume and reflect transaction closings that lag sale contracts by 45 to 60 days.

Nine Month Results

For the nine months ended September 30, 2008, royalties increased 8.4% from the same period a year ago to $27.1 million, reflecting a 19.2% increase in fixed franchise fees resulting from the expanded REALTOR® network and higher fixed monthly fee plan for La Capitale REALTORS®. Distributable cash increased 5.7% to $19.3 million, resulting from the higher royalties, moderated by increased interest expenses and higher management fees, in line with the increased royalties. Net earnings of $5.1 million ($0.51 per unit) were 25.5% lower than the first nine months of 2007, largely reflecting the $2.1 million tax recovery, recorded in accordance with new tax legislation in the second quarter of 2007, increased amortization of intangible assets associated with the franchise agreements acquired in January 2008, partially offset by increases in royalties in excess of increases in management fees and debt servicing costs.

Fund Growth

During the third quarter of 2008, the Fund had a net decrease of five REALTORS® from January 1, 2008 resulting in total organic growth of 322 REALTORS® for the first nine 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 1,594 REALTORS® for the nine months ended September 30, 2008, up 12.1% from December 31, 2007. At September 30, 2008, the Fund Network was comprised of 338 independently owned and operated franchises operating from 644 locations serviced by 14,766 REALTORS®.

Monthly Cash Distribution

The Brookfield Real Estate Services Fund today declared a cash distribution of $0.117 per unit for the month of November 2008, payable December 30, 2008, to unitholders of record on November 28, 2008.

Outlook

Real estate resale markets in Canada are being affected by a drop in consumer confidence resulting from widespread economic concerns, originating largely from the U.S. credit market crisis that has spread globally, diminishing the value of a range of asset classes. The sharp drop in commodity prices has affected Canada’s resource-based regional economies, as have layoffs in manufacturing-based regions. While we anticipate further softening of Canadian real estate markets until consumer confidence improves, we do not foresee a U.S.-type correction as our markets are supported by markedly different and stronger economic fundamentals than those that American homeowners have been wrestling with since late 2005.

The reduction in unit sales from record levels and decline in transaction dollar volume in Canada in recent quarters may reduce the number of agents entering the industry. When markets slow, established brands can gain market share as their reputation and support services make them a preferred franchisor or employer. The Fund’s three leading brands are well positioned for a market slowdown.

With an approximate 65% fixed and 35% variable royalty fee mix, changes in overall market activity impacts distributable cash by approximately 35% of the change in the market. For example, a 10% decrease in the market would reduce distributable cash by approximately 3.5%. Accordingly, with a potential further softening of the market, the Fund’s distributable cash is well positioned to withstand a significant reduction in the market. Factors of note within the royalty fee mix which could result in a more substantive change in distributable cash include, changes in the GTA market from which the Fund currently derives approximately 50% of its variable fees and a loss of agents resulting in a $1,500 to $2,000 fixed fee per agent per annum reduction and associated variable fees.

Agent loss may occur with less productive agents who are unable to generate sufficient income to meet their needs during a market correction. The Fund’s agents on average as at December 2007 were 67% more productive than the rest of the industry and therefore management believes are better able to withstand a significant reduction in the market.

In addition, many new REALTORS® have entered the market over the past two years, a significant number of whom have joined the Fund network. Typically these agents need two years to build a sufficient book of business and as such are more vulnerable to exiting the market.

Lastly, the impact on distributable cash may not follow the overall change in the national market. For example, the Fund is proportionately over represented in the province of Quebec and under represented in the western provinces.

”Early in the year, we set an objective to grow Fund revenue by 10% in 2008,” said Soper. “While we had anticipated and planned for a softening in the market, the reduction in industry transactional dollar volume has been greater than expected. When considered with the potential for a further market softening through to year end, we expect final revenue growth to be lower than the target. On a positive note, we have already exceeded our objective of adding 300 to 500 REALTORS® during the year, having increased the network of the Fund by approximately 642 REALTORS®, with 322 through organic recruiting and 320 through franchising activities. The 320 REALTORS® added through franchising activities are expected to be acquired by the Fund on January 1, 2009.”

“Further, our current planned annual cash distribution this year of $1.31 per unit on a blended basis, including an increase to an annual rate of $1.40 per unit announced August 7, 2008, exceeds our earlier annual target of $1.25 per unit.”

Normal Course Issuer Bid

On October 3, 2008, the Toronto Stock Exchange approved the Fund’s notice of intention to make a normal course issuer bid for up to 499,150 of its units, representing 5% of its 9,983,000 units outstanding 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 to be made at market prices and to be effected through the facilities of the TSX, with daily limits of 1,995 units other than block purchase exceptions. During the fourth quarter, the Fund began to buyback its shares under a normal course issuer bid as an appropriate use of available funds in the best interests of the Fund and its unitholders. As of November 4th, the Fund had acquired 9,920 units at an average cost of $8.27 per unit.

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.

Q3 Conference Call

A conference call for investors, analysts and media to review the third quarter results will be held on Wednesday, November 5, 2008, at 10:00 a.m. (Eastern Time). To participate in the conference call, please dial toll free 1-800-319-4610 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 brand names. At September 30, 2008, the Fund Network was comprised of 14,766 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.

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Brookfield Real Estate Services Fund

Interim Consolidated Balance Sheets

As at (in thousands of dollars)	**September 30, 2008**	December 31, 2007
	(unaudited)	
Assets		
Current assets		
Cash	**$ 7,746**	$ 7,516
Accounts receivable	**3,322**	2,752
Prepaid expenses	**23**	84
	11,091	10,352
Future income tax asset (note 3)	**–**	1,819
Intangible assets (note 5)	**125,921**	117,279
	$ 137,012	$ 129,450
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 1,842**	$ 2,232
Purchase obligation (note 4(iii))	**1,386**	2,295
Distribution payable to unitholders	**1,168**	998
	4,396	5,525
Long-term debt (note 7)	**51,532**	37,617
Financial derivative (note 7)	**30**	–
Future income tax liability (note 3)	**635**	–
Non-controlling interest	**20,751**	22,106
	77,344	65,248
Unitholders' equity	**59,668**	64,202
	$ 137,012	$ 129,450

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, 2008**	Three months ended Sept. 30, 2007	**Nine months ended Sept. 30, 2008**	Nine months ended Sept. 30, 2007
Royalties				
Fixed franchise fees	**$ 4,431**	$ 3,749	**$ 13,207**	$ 11,084
Variable franchise fees	**2,499**	2,661	**7,048**	7,251
Premium franchise fees	**1,514**	1,899	**3,513**	3,942
Other fee revenue and services	**1,203**	986	**3,375**	2,766
	9,647	9,295	**27,143**	25,043
Expenses				
Administration	**188**	184	**593**	533
Management fee	**1,805**	1,700	**5,043**	4,539
Interest expense	**803**	606	**2,380**	1,813
Other loss (income) (note 7)	**92**	–	**30**	–
Amortization of intangible assets	**4,297**	3,723	**12,228**	11,058
	7,185	6,213	**20,274**	17,943
Earnings before undernoted	**2,462**	3,082	**6,869**	7,100
Future income tax recovery (note 3)	**1**	11	**47**	2,112
Earnings before non-controlling interest	**2,463**	3,093	**6,916**	9,212
Non-controlling interest	**(652)**	(811)	**(1,846)**	(2,411)
Net and comprehensive earnings	**$ 1,811**	$ 2,282	**$ 5,070**	$ 6,801
Basic and diluted earnings per unit (9,983,000 units) (note 9)	**$ 0.18**	$ 0.23	**$ 0.51**	$ 0.68

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	–	2,611	–	2,611	2,611
Unit distributions	–	–	(8,608)	(8,608)	(8,608)
Balance, September 30, 2007	$ 92,938	$ 16,117	$ (46,588)	$ (30,471)	$ 62,467
Balance, January 1, 2008	$ 92,938	$ 21,224	$ (49,960)	$ (28,736)	$ 64,202
Changes during the period:					
Net income	**–**	**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**

See accompanying notes to the interim consolidated financial statements

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

Brookfield Real Estate Services Fund

Interim Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars)	**Three months ended Sept. 30, 2008**	Three months ended Sept. 30, 2007	**Nine months ended Sept. 30, 2008**	Nine months ended Sept. 30, 2007
Cash provided by (used for):				
Operating activities				
Net earnings for the period	**$ 1,811**	$ 2,282	**$ 5,070**	$ 6,801
Items not affecting cash				
Non-controlling interest	**652**	811	**1,846**	2,411
Future income tax recovery (note 3)	**(1)**	(11)	**(47)**	(2,112)
Non-cash interest expense (note 7)	**88**	41	**200**	121
Unrealized loss on financial derivative (note 7)	**92**	–	**30**	–
Amortization of intangible assets	**4,297**	3,723	**12,228**	11,058
	6,939	6,846	**19,327**	18,279
Changes in non-cash working capital	**68**	1,365	**(729)**	(349)
	7,007	8,211	**18,598**	17,930
Investing activities				
Deposit on acquisition (note 4)	**–**	–	**–**	–
Purchase of intangible assets (note 5)	**(1)**	–	**(16,983)**	(5,757)
Payment of purchase price obligation (note 4)	**–**	–	**(2,295)**	(576)
	(1)	–	**(19,278)**	(6,333)
Financing activities				
Proceeds of Term Facility (note 7)	**(67)**	–	**13,715**	–
Distributions paid to unitholders	**(3,375)**	(2,995)	**(9,604)**	(8,943)
Distributions paid to non-controlling interest	**(1,125)**	(998)	**(3,201)**	(2,953)
	(4,567)	(3,993)	**910**	(11,896)
Increase (decrease) in cash during the period	**2,439**	4,218	**230**	(299)
Cash, beginning of period	**5,307**	2,434	**7,516**	6,951
Cash, end of period	**$ 7,746**	$ 6,652	**$ 7,746**	$ 6,652
Supplementary cash flow information				
Cash paid for interest	**$ 663**	$ 559	**$ 2,258**	$ 1,118

See accompanying notes to the interim consolidated financial statements

Notes to the Interim Consolidated Financial Statements

September 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 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 described 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, 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 11.

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 September 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 12.

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 nine months ended September 30, 2008, the Fund recorded an additional non-cash future tax asset of $1 and $47 respectively. The resulting total future income tax asset was $1,865 at September 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 nine months ended September 30, 2008, the Fund recorded future income tax liabilities of $968 and $2,500, respectively. The future income tax liability was $2,500 at September 30, 2008, which net of the future income tax asset described above resulted in a net future income tax liability of $635.

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 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.

On January 2 and April 4, 2008, $3,949 and $12,965, respectively, were paid and recorded as deposit on acquisition, resulting in a total deposit of $16,914 being paid in respect of the acquisitions. During the three and nine months ended September 30, 2008, $5,546 and $16,914, respectively, were transferred from deposit on acquisition to intangible assets. During the three and nine months ended September 30, 2008, $1,386 was recorded as purchase obligation and the corresponding amount was added to the intangible assets.

5. INTANGIBLE ASSETS

A summary of intangible assets is provided in the chart below. During the nine months ended September 30, 2008, the intangible asset cost base increased by $20,871 with $17,694 and $3,107 resulting from the acquisition of the La Capitale and Royal LePage assets, respectively (see note 4) and $70 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 $15,194 transferred from deposit on acquisition and $2,500 from future income tax liabilities (see note 3).

	September 30, 2008		
	Cost	**Accumulated Amortization**	**Net Book Value**
Franchise agreements	**$ 144,447**	**$ 71,832**	**$ 72,615**
Relationships and trademarks	**54,644**	**1,338**	**53,306**
	$ 199,091	**$ 73,170**	**$ 125,921**

	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 September 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 September 30, 2008	As at December 31, 2007
Private debt placement	**$ 37,745**	$ 37,617
Term Facility	**13,787**	–
	$ 51,532	$ 37,617

a) 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 $37,732 at September 30, 2008 (2007 – $37,576).

During the three and nine months ended September 30, 2008, $43 and $129, respectively, of amortization of the private placement was recorded as interest expense (2007 – $41 and $121).

b) 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 of $13,970 on September 30, 2008, the equivalent of its face value of $14,000 less the $30 liability attributed to the interest rate swap agreement at September 30, 2008.

During the three and nine months ended September 30, 2008, $45 and $71, respectively 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 September 30, 2008 was in an unrealized loss position of ($30). Changes in the value of the swap agreement are recorded as other income (loss). During the three and nine months ended September 30, 2008, ($92) and ($30), respectively, were recorded in other income.

8. NON-CONTROLLING INTEREST

Prior to August 7, 2008 ("Conversion Date"), distributions to holders of the Class B subordinated limited partnership units ("Class B LP Units") were subordinated to the distributions to the holders of Class A limited partnership units ("Class A LP Units"). The non-controlling interest was entitled to indirectly exchange, on a one-for-one basis, subject to adjustment, the Class B LP Units for Units of the Fund on or after conversion date.

Effective August 7, 2008, the subordination period ended and distributions were paid to the holders of Class B LP Units on the same monthly schedule as distributions paid to holders of Class A LP Units.

As at September 30, 2008, the non-controlling interest had not elected to exchange the Class B LP Units for Fund Units.

9. EARNINGS PER UNIT

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

10. 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, 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 Sept. 30, 2008**	Three months ended Sept. 30, 2007	**Nine months ended Sept. 30, 2008**	Nine months ended Sept. 30, 2007
a) Royalties				
Fixed, variable and other franchise fees	**$ 634**	$ 597	**$ 1,843**	$ 1,723
Premium franchise fees	**$ 1,437**	$ 1,615	**$ 3,156**	$ 3,327
b) Expenses				
Management fees	**$ 1,805**	$ 1,700	**$ 5,043**	$ 4,539
Interest on Initial Purchase Obligation	**$ –**	$ –	**$ 210**	$ –
Insurance and other	**$ 26**	$ 26	**$ 76**	$ 76
c) Distributions				
Distributions paid to non-controlling interest	**$ 1,125**	$ 998	**$ 3,201**	$ 2,953

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

	As at September 30, 2008	As at December 31, 2007
d) Accounts receivable		
Franchise fees receivable and other	**$ 602**	$ 554
e) Accounts payable and accrued liabilities		
Distributions payable to non-controlling interest	**$ 389**	$ 998
Management fees	**$ 482**	$ 429
Purchase obligation	**$ 1,386**	$ 2,295

11. 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.

Management reduces liquidity risk by taking a prudent, conservative approach to cash management.

The Fund has $3,000 unutilized credit under the Term Facility and the revolver described in notes 7 and 6 respectively. Management also maintains working capital ratios that are conservative compared to those required by the covenants associated with the long-term debt.

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 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 liability are disclosed in note 7.

12. 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.

13. SUBSEQUENT EVENT

On October 3, 2008, the Toronto Stock Exchange approved the Fund's notice of intention to make a normal course issuer bid 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 will be made at market prices in accordance with the rules and policies of the Toronto Stock Exchange. Daily purchases will be effected through the facilities of the TSX and will be limited to 1,995 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 intends to finance the purchases with available cash on hand. Units purchased are cancelled at the end of each month.

SUPPLEMENTAL INFORMATION – SELECTED FINANCIAL AND OPERATING INFORMATION

Three months ended ($000's, unaudited)	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	**Sept. 30, 2008**
Revenue								
Fixed franchise fees	$ 3,509	$ 3,621	$ 3,714	$ 3,749	$ 3,788	$ 4,336	$ 4,440	**$ 4,431**
Variable franchise fees	1,347	1,720	2,870	2,661	1,315	1,921	2,628	**2,499**
Premium franchise fees	990	737	1,306	1,899	1,348	893	1,106	**1,514**
Other fee revenue and services	919	832	948	986	997	942	1,230	**1,203**
	$ 6,765	$ 6,910	$ 8,838	$ 9,295	$ 7,448	$ 8,092	$ 9,404	**$ 9,647**
% Revenue by region								
British Columbia	14	15	15	13	13	14	13	**11**
Prairies	11	11	11	9	9	10	10	**9**
Ontario	59	58	59	63	63	55	54	**59**
Quebec	12	12	12	11	11	18	20	**18**
Maritimes	4	4	3	4	4	3	3	**3**
	100	100	100	100	100	100	100	**100**

Three months ended **Changes during the period**	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	**Sept. 30, 2008**
Number of REALTORS®	(52)	633	178	125	87	1,418	181	**(5)**
Number of Agents	(49)	610	170	79	84	1,350	164	**17**
Number of fixed fee paying Sales Representatives	–	(1)	30	43	19	(7)	12	**(11)**
Number of locations	(1)	22	(6)	–	(3)	55	(2)	**0**
Number of franchise agreements	(1)	20	(6)	–	(4)	54	(1)	**0**
At end of period								
Number of REALTORS®	12,149	12,782	12,960	13,085	13,172	14,590	14,771	**14,766**
Number of Agents	11,258	11,868	12,038	12,117	12,201	13,551	13,715	**13,732**
Number of fixed fee paying Sales Representatives	644	643	673	716	735	728	740	**729**
Number of locations	578	600	594	594	591	646	644	**644**
Number of franchise agreements	275	295	289	289	285	339	338	**338**