Brookfield Real Estate Services

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

Royalties increased 9.8% and distributable cash rose 10.6% with unusually strong year-end market conditions

Toronto, ON – March 10, 2010 – Brookfield Real Estate Services Fund (the "Fund") (TSX – BRE.UN) today announced that royalties for the quarter ended December 31, 2009, were $8.5 million, up 9.8% from the same period in 2008. Distributable cash[1] during the quarter increased to $5.9 million, up 10.6% from the fourth quarter of 2008 while distributable cash per unit increased 15.0% or $0.06 per unit to $0.46 per unit due in part to the a lower number of outstanding units resulting from the success of the normal course issuer bid program, which was completed in July 2009. Net earnings increased to $1.5 million ($0.16 per unit) from $0.2 million ($0.02 per unit) in the fourth quarter of 2008.

The results for the quarter represented the second consecutive quarter of year-over-year revenue increases following two quarters of declining revenues experienced earlier in the year. The year-over-year increase in royalties and corresponding increase in distributable cash in the fourth quarter reflected the marked activity increase that occurred in the Canadian residential real estate markets during that time period. Year-over-year net earnings were further increased by a decrease in amortization expense and an unrealized gain recorded on an interest rate swap, as this financial derivative is required to be valued at market value under generally accepted accounting principles.

For fiscal 2009, revenues were $34.4 million, 1.5% lower than the prior year, and distributable cash was $23.9 million, down 2.1% from fiscal 2008. Net earnings of $5.6 million were 5.9% greater than 2008 as the decrease in royalties was more than offset by the unrealized gain recorded on the interest rate swap and income tax recovery.

Fixed fees, which are related primarily to the size of the Fund's REALTOR® network, were stable throughout the year, while variable franchise fees for the year decreased by 5.0% from the same period in 2008 as compared to the 13% increase in Canadian market activity. The change in the Fund's variable franchise fees did not follow the increase in the Canadian market due primarily to the approximately 45 to 60 day lag between market activity which is reported when a home is sold and the Fund's variable fees which are recorded when a home sale closes. Due to this lag effect a significant portion of the Fund network's participation in the 90% year-over-year increase in transactional dollar volume in the fourth quarter of 2009 is expected to materialize as variable fees in the first quarter of 2010. The change in variable fees is further mitigated by agents that attained the royalty cap of $1,300 per annum as an increase in the market does not increase fees earned from these agents once they have reached the cap. In 2009, 17% of the Agents in the network reached the royalty cap.

A summary of our fourth quarter and year-end results

	Fourth Quarter				**Year ended December 31**			
	2009		2008		**2009**		2008	
	(thousands)	**(per unit)**	(thousands)	(per unit)	**(thousands)**	**(per unit)**	(thousands)	(per unit)
Royalties	**$ 8,495**	**$ 0.66**	$ 7,740	$ 0.58	**$ 34,359**	**$ 2.65**	$ 34,883	$ 2.62
Net earnings	**$ 1,511**	**$ 0.16**	$ 200	$ 0.02	**$ 5,579**	**$ 0.58**	$ 5,270	$ 0.53
Distributable cash	**$ 5,873**	**$ 0.46**	$ 5,310	$ 0.40	**$ 23,926**	**$ 1.85**	$ 24,437	$ 1.84
Distributions	**$ 4,969**	**$ 0.39**	$ 4,647	$ 0.35	**$ 18,633**	**$ 1.44**	$ 17,452	$ 1.31
Payout [4]	**85%**		87%		**78%**		71%	

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

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

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

[4] Payout represents distributions as a percentage of distributable cash.

"Our brands weathered the market downturn well, and as a company we were prepared to capitalize on the subsequent rebound," said Phil Soper, President and Chief Executive. "The Fund's structure is weighted towards fees that are fixed in nature, a structure that has proven effective in moderating the sharp swings that occasionally occur in our industry. This feature, together with initiatives we took to prepare our REALTORS® for declining housing markets, resulted in very satisfactory performance during the first overall market retraction in some 15 years, and excellent results during the strong rebound that followed. As the year began, we correctly anticipated that first time buyers would lead the rebound, and our marketing efforts helped our agent network target this group early in the recovery, before demand spread to other market sectors."

The Fund's network experienced Agent attrition for the first three quarters of 2009, but regained organic growth in the latest quarter with the addition of 64 REALTORS®. With the acquisition of 21 franchise agreements with 417 REALTORS® effective January 1, 2010, the Fund network has increased by 138 REALTORS® since January 1, 2009."

Fund Growth

During the fourth quarter of 2009, the Fund experienced a net organic gain of 64 REALTORS®, resulting in a net organic loss of 279 REALTORS® during the fiscal year ended December 31, 2009. With the addition of 316 REALTORS® from the 21 franchise agreements acquired by the Fund on January 1, 2009, the Fund had a net increase of 37 REALTORS® since December 31, 2008. At December 31, 2009, the Fund Network was comprised of 349 independently owned and operated franchises operating from 647 locations serviced by 14,631 REALTORS® with an approximate 22% share of the Canadian residential real estate market based on transactional dollar volume.

On January 1, 2010, the Fund acquired from the Fund Manager, Brookfield Real Estate Services Limited ("the Manager"), 21 franchise agreements with 417 REALTORS®[1] under the Royal LePage and La Capitale brands. These acquisitions increased the Fund's network to 15,048 Agents, which compares with 14,910 at January 1, 2009.

Monthly Cash Distribution

The Brookfield Real Estate Services Fund today declared a cash distribution of $0.117 per unit for the month of March 2010, payable April 30, 2010 to unitholders of record on March 31, 2010.

Debt Refinancing

In February, the Fund completed the refinancing of its $53 million debt obligations through a $32.7 million private placement with a number of Canadian institutional investors, with interest fixed at 5.809%, and a $20.3 million bank facility with interest available in the form of floating rate prime plus 1.50%, or Banker's Acceptance rates plus 3% with terms up to six months. The financing is provided under a five-year term, with interest payable quarterly in arrears. There were no substantive changes to the covenants associated with the refinanced debt facilities.

Outlook

"We expect Canada's residential real estate market to remain unusually strong throughout the first half of 2010 as economic conditions across the country improve and the stimulus impact of low interest rates continues to stoke demand. A number of factors are expected to bring the market back into balance in the second half of the year, when the rate at which home prices are appreciating is expected to moderate considerably. These factors include the gradual erosion of affordability driven by higher house prices and the expected modest upward movement of interest rates, and an improvement in listings supply as more Canadians feel confident in the economy and are prepared to list their homes and move. The tighter standards for mortgage approvals and other similar measures to be implemented this spring by the federal government will contribute to moderating demand. We support these modest measures, designed to help protect consumers from becoming overleveraged," said Soper.

The Canadian Real Estate Association (CREA) has forecast that MLS activity will increase 13.3% to a record level in 2010 and that the national average home price will increase 5.4%, with average price gains forecast in all provinces. Over the second half of the year, CREA expects national activity will trend downward as pent-up demand is reduced, interest rates begin rising, and the harmonized sales tax comes into effect in Ontario and B.C. Looking to 2011, CREA expects the average price to decline by 1.5%, with modest average price gains in all provinces except B.C. and Ontario.

"Our business strategy is to continue to grow by expanding our REALTOR® network through organic agent recruitment and through acquisitions, to improve agent retention rates and by increasing REALTOR® productivity. We have a multi-brand strategy to improve our reach into different market segments, which has been very successful in Canada. With the Fund Manager's recent U.S.-based acquisitions, the Fund will have an opportunity to consider expanding its scope to include the large U.S. market and beyond," Mr. Soper added.

Fund Structure

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

Q4 Conference Call

A conference call for investors, analysts and media to review the fourth quarter and year-end results will be held on Wednesday, March 10, 2010, at 10:00 a.m. (Eastern Time). To participate in the conference call, please dial 1-800-319-4610 toll-free approximately five minutes before the call. For those unable to participate in the conference call, it will be available by webcast, and a replay will also be posted online following the conference call at www.brookfieldres.com
under "News & Events".

About the Brookfield Real Estate Services Fund

The Fund is a leading provider of services to residential real estate REALTORS®. The Fund generates cash flow from franchise royalties and service fees derived from a national network of real estate brokers and agents in Canada operating under the Royal LePage, La Capitale Real Estate Network and Johnston & Daniel brands. At January 1, 2010, the Fund Network was comprised of 15,048 agents. The Fund Network has an approximate 22% share of the Canadian residential resale real estate market based on transactional dollar volume. The Fund is a TSX-listed income trust that pays monthly distributions and trades under the symbol "BRE.UN". The Fund's website address is www.brookfieldres.com

Forward-Looking Statements

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

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Brookfield Real Estate Services Fund

Consolidated Balance Sheets

As at December 31, 2009 and 2008 (in thousands of dollars)	**2009**	2008
		Restated (See note 6)
Assets		
Current assets		
Cash	**$ 6,842**	$ 7,924
Accounts receivable	**3,267**	3,224
Prepaid expenses	**–**	145
	10,109	11,293
Intangible assets (note 5)	**114,840**	127,980
	$ 124,949	$ 139,273
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 3,079**	$ 2,551
Purchase obligation – current portion (note 4)	**2,219**	3,031
Distribution payable to unitholders	**1,489**	1,148
Financial derivative (note 8)	**101**	–
	6,888	6,730
Long-term debt (note 8)	**52,953**	51,615
Purchase obligation (note 4)	**1,924**	3,180
Financial derivative (note 8)	**–**	365
Future income tax liability (note 6)	**2,079**	2,526
Non-controlling interest (note 9)	**17,061**	19,701
	80,905	84,117
Unitholders' equity	**44,044**	55,156
	$ 124,949	$ 139,273

See accompanying notes to the consolidated financial statements

Consolidated Statements of Earnings and Comprehensive Earnings

Years ended December 31 (in thousands of dollars, except unit and per unit amounts)	2009	2008
Royalties		
Fixed franchise fees	**$ 17,842**	$ 17,698
Variable franchise fees	**7,875**	8,291
Premium franchise fees	**4,355**	4,450
Other revenue and services	**4,287**	4,444
	34,359	34,883
Expenses		
Administration	**866**	817
Management fee (note 3)	**6,365**	6,455
Interest expense	**3,202**	3,174
Other (income) loss (note 8)	**(264)**	365
Amortization of intangible assets (note 5)	**16,997**	16,886
	27,166	27,697
Earnings before income tax and non-controlling interest	**7,193**	7,186
Future income tax recovery (note 6)	**551**	48
Earnings before non-controlling interest	**7,744**	7,234
Non-controlling interest (note 9)	**(2,165)**	(1,964)
Net and comprehensive earnings	**$ 5,579**	$ 5,270
Basic and diluted earnings per unit (9,594,500 weighted average units) (2008 – 9,974,391 units) (note 11)	**$ 0.58**	$ 0.53

See accompanying notes to the consolidated financial statements

Consolidated Statements of Unitholders' Equity

(in thousands of dollars)	Unitholders' Contribution	Contributed Surplus	Net Earnings	Distributions	Deficit	Total
Balance, January 1, 2008	$ 92,938	$ –	$ 21,224	$ (49,960)	$ (28,736)	$ 64,202
Changes during the year:						
Issuer repurchases (note 10)	(1,637)	404	–	–	–	(1,233)
Net earnings	–	–	5,270	–	5,270	5,270
Unit distributions	–	–	–	(13,083)	(13,083)	(13,083)
Balance, December 31, 2008	$ 91,301	$ 404	$ 26,494	$ (63,043)	$ (36,549)	$ 55,156
Balance, January 1, 2009	$ 91,301	$ 404	$ 26,494	$ (63,043)	$ (36,549)	$ 55,156
Changes during the year:						
Issuer repurchases (note 10)	(3,354)	491	–	–	–	(2,863)
Net earnings	–	–	5,579	–	5,579	5,579
Unit distributions	–	–	–	(13,828)	(13,828)	(13,828)
Balance, December 31, 2009	**$ 87,947**	**$ 895**	**$ 32,073**	**$ (76,871)**	**$ (44,798)**	**$ 44,044**

There is no accumulated other comprehensive income or loss to the Fund.

See accompanying notes to the consolidated financial statements

Brookfield Real Estate Services Fund

Consolidated Statements of Cash Flows

Years ended December 31 (in thousands of dollars)	2009	2008
Cash provided by (used for):		
Operating activities		
Net earnings for the year	**$ 5,579**	$ 5,270
Items not affecting cash		
Non-controlling interest	**2,165**	1,964
Future income tax	**(551)**	(48)
Non-cash interest expense (note 8)	**344**	283
Change in value of derivative	**(264)**	365
Amortization of intangible assets	**16,997**	16,886
	24,270	24,720
Changes in non-cash working capital (note 13)	**1,440**	(546)
	25,710	24,174
Investing activities		
Purchase of intangible assets (note 4)	**(2,770)**	(16,984)
Payment of purchase price obligation (note 4)	**(3,051)**	(2,295)
	(5,821)	(19,279)
Financing activities		
Repurchase of Fund units (note 10)	**(3,805)**	(291)
Proceeds from Term Facility (note 8)	**994**	13,715
Distributions paid to unitholders	**(13,487)**	(12,933)
Distributions paid to non-controlling interest	**(4,673)**	(4,978)
	(20,971)	(4,487)
(Decrease) increase in cash during the year	**(1,082)**	408
Cash, beginning of year	**7,924**	7,516
Cash, end of year	**$ 6,842**	$ 7,924
Supplemental Cash Flow Information		
Interest paid	**$ 2,858**	$ 2,942

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008 (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.

2. Significant Accounting Policies

BASIS OF PRESENTATION

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

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Fund's significant accounting policies are as follows:

ADOPTION OF NEW ACCOUNTING POLICIES

The following standards were adopted effective January 1, 2009:

a) ***Section 3064, Goodwill and intangible assets,*** replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. This Section, effective January 1, 2009, establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including intangible assets developed internally. The provisions of this Section were adopted retrospectively. The adoption of this Section did not have a significant impact on the consolidated financial statements of the Fund or on the carrying value of the intangible assets.

b) ***Emerging Issues Committee ("EIC") EIC 173, Credit risk and the fair value of financial assets and financial liabilities.*** This Abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities including derivative instruments. This Abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this Abstract did not have a significant impact to the Fund's consolidated financial statements.

c) ***Section 3862, Financial Instruments – Disclosures.*** In June 2009, the CICA amended Section 3862 to improve fair value and liquidity risk disclosures. Section 3862 now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The Fund has also enhanced the liquidity disclosures by including the sources of funding. The additional disclosures required as a result of the adoption of these standards are included in Note 14 of the consolidated financial statements.

REVENUE RECOGNITION

Franchise fees are generally based on a percentage of an agent's gross revenue ("Variable Franchise Fees") to a specified maximum plus a dollar amount per agent ("Fixed Franchise Fees"). Gross revenue is the gross commission income (net of outside broker payments) paid in respect of the closings of residential resale real estate transactions. Variable Franchise Fees are recognized as income at the time a residential resale real estate transaction closes or lease is signed by the vendor or lessor. Fixed Franchise Fees are recognized as income as earned.

Premium franchise fees are calculated as a percentage ranging from 1% to 5% of an agent's gross commission income for a select number of franchise locations. These fees are recognized as income at the time a residential resale real estate transaction closes or lease is signed by the vendor or lessor.

Other fee-based revenues are generally recognized as income when the related services have been provided. Any prepayment for future service is recorded as deferred revenue. Deferred revenue as at December 31, 2009 was $111 (2008 – $140).

INTANGIBLE ASSETS

Intangible assets, consisting of franchise agreements, relationships and trademark rights are recorded at cost less accumulated amortization. The franchise agreements are being amortized over the term of the agreements using the effective rate method.

Relationships are amortized over one renewal period, at the commencement of that period, using the effective rate method. The trademarks are amortized on a straight-line basis over the term of the agreement plus one renewal period, if applicable. The Fund reviews the carrying value of the intangible assets for impairment whenever events or circumstances indicate the carrying value exceed the undiscounted cash flows expected from the life of the franchise agreements, relationships and trademarks. If impairment is determined to exist, the intangible assets are written down to their fair value.

EARNINGS PER UNIT

The earnings per unit are based on the weighted average number of units outstanding during the year. Diluted earnings per unit are calculated to reflect the dilutive effect, if any, of the non-controlling interest exercising its right to exchange its Subordinated LP Units of the Partnership into units of the Fund after August 7, 2008.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the carrying value of intangible assets, determination of the future tax balances, useful lives for amortization of intangible assets and provisions for contingencies. Actual results could differ from those estimates.

FINANCIAL INSTRUMENTS

All financial instruments are classified into one of the following five categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale or other financial liabilities. All financial instruments, including derivatives, are measured at fair value, except for loans and receivables, held-to-maturity instruments and other financial liabilities, which are measured at amortized cost. Transaction costs for financial liabilities are applied against these liabilities and amortized using the effective interest method, the resulting amortization being recorded as financial expenses. Gains and losses on held-for-trading financial instruments are included in net income in the period in which they arise.

The Fund made the following classifications:

Cash or cash equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Purchase obligation	Other financial liabilities
Distributions payable to unitholders	Other financial liabilities
Long-term debt	Other financial liabilities

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 consolidated statement of earnings and are classified as other income or loss in the period the change occurs.

The Fund did not have any financial instruments at December 31, 2009 that would result in Other Comprehensive Earnings to the Fund.

FUTURE ACCOUNTING AND REPORTING CHANGES

The CICA has issued the following new accounting standards:

a) ***International Financial Reporting Standards.*** The Accounting Standards Board of Canada ("AcSB") will converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards ("IFRS") over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. As a result, the Fund has established a changeover plan to convert to these new standards according to the timetable set with these new rules. An implementation team has been created and third-party advisors have been engaged to provide training to our staff. The Fund completed the scoping and diagnostic phase and is now in the implementation and review phase. At this time, other than additional disclosure and presentation requirements, management has determined that the most significant changes to the financial statements as a result of IFRS are the estimation and recognition of future purchase obligations and the associated deferred income tax impact on the balance sheet and statement of comprehensive earnings, which differs from our deposit accounting for these acquisitions as described in note 4.

b) ***Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements, Section 1602 Non-controlling Interests.*** These Sections are based on the IASB's International Financial Reporting Standard 3, "Business Combinations". These new standards replace the existing guidance on business combinations and consolidated financial statements. The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. These new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards shall not be adjusted upon application of these new standards. The Non-controlling Interests standard should be applied retrospectively except for certain items. These amendments are not expected to have significant impact on the Fund's accounting for business combinations, consolidation of financial statements, and non-controlling interests.

c) ***Section 3855, Financial Instruments – Recognition and Measurement.*** This Section adds more guidance on the application of the effective interest rate method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The amendments are not expected to have significant impact on the Fund's accounting of its financial instruments.

3. Management Services Agreement

On January 1, 2008, the Fund entered into an Amended and Restated Management Services Agreement ("MSA") with BRESL, a party related to the non-controlling interest via common control. This agreement replaced the original Management Services Agreement which commenced August 7, 2003 with an initial term of 10 years and automatically renewable for successive 10-year periods subject to approval of the Fund and BRESL. The termination date and renewal periods of the MSA remain consistent with the original agreement. Under the MSA, BRESL is to provide certain management, administrative and support services to the Fund and its subsidiaries and in return is paid a monthly fee equal to 20% and 30% of the distributable cash of the Partnership and LCLP, respectively. For the year ended December 31, 2009, BRESL earned $6,365 for these services (2008 – $6,455). The MSA also prescribes the conditions under which the Fund purchases contracts from BRESL and the formula for calculating the purchase price.

4. Asset Acquisitions

The Fund's purchase of franchise agreements are governed by terms set out in the MSA. On January 1, 2009, the Partnership acquired 18 new Royal LePage franchise agreements from BRESL at a purchase price of $2,264 and $24 of related legal and other acquisition costs. On January 1, 2009, LCLP acquired three new La Capitale franchise agreements from BRESL for an estimated purchase price of $1,050 and $2 of related costs. The estimated price is to be revised at the end of each of the next two years based on the average annual royalty stream earned over the three-year period from November 1, 2008 to October 31, 2011. The Partnership used cash on hand to acquire these agreements.

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

On January 1, 2008, the Partnership acquired 100% of the partnership units of LCLP, which holds franchise agreements operating under the La Capitale brand in Quebec and associated trademarks, and 100% of the shares of the General Partner of LCLP for an estimated purchase price of $18,907, including $151 of acquisition costs, from Trilon Bancorp Inc., the parent company of BRESL. On December 31, 2009, as a result of greater than anticipated royalties, the estimated purchase price was increased to $19,320, including $186 of related acquisition costs. The price is to be revised at the end of 2010 based on the average annual royalty stream earned over the three-year period from November 1, 2007 to October 31, 2010.

The acquisitions during 2009 are summarized as follows:

	Royal LePage	LCLP	Adjustments to prior year purchase price	2009 Total	2008 Total Restated
Franchise agreements	$ 1,741	$ 460	$ 255	$ 2,456	$ 14,448
Relationships and trademarks	547	592	262	1,401	13,139
	2,288	1,052	517	3,857	27,587
Future income tax liability	–	–	(104)	(104)	(4,393)
	$ 2,288	$ 1,052	$ 413	$ 3,753	$ 23,194

The considerations paid, including transaction costs, are funded by the following:

	Royal LePage	LCLP	Adjustments to prior year purchase price	2009 Total	2008 Total
Cash on hand	$ 2,047	$ 723	$ –	$ 2,770	$ 4,018
Proceeds of term facility	–	–	–	–	12,965
Purchase obligations, current	241	210	286	637	3,031
Purchase obligations, long-term	–	219	127	346	3,180
	$ 2,288	$ 1,052	$ 413	$ 3,753	$ 23,194

The purchase obligations consist of the following:

	Royal LePage	LCLP	2009 Total	2008 Total
Purchase obligations, current	$ 241	$ 1,978	$ 2,219	$ 3,031
Purchase obligations, long-term	–	$ 1,924	1,924	3,180
	$ 241	$ 3,902	$ 4,143	$ 6,211

5. Intangible Assets

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

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	$ 150,297	$ 91,844	$ 58,453
Relationships and trademarks	59,368	2,981	56,387
	$ 209,665	$ 94,825	$ 114,840

	December 31, 2008		
	Cost Restated	Accumulated Amortization	Net Book Value Restated
Franchise agreements	$ 147,841	$ 76,279	$ 71,562
Relationships and trademarks	57,967	1,549	56,418
	$ 205,808	$ 77,828	$ 127,980

The additions to intangible assets during the years ended December 31, 2009 and 2008 are summarized as follows:

	Royal LePage	**LCLP**	**Year ended Dec. 31, 2009**	Year ended Dec. 31, 2008 Restated
Franchise agreements	**$ 1,741**	**$ 715**	**$ 2,456**	$ 14,448
Relationships and trademarks	**547**	**854**	**1,401**	13,139
	$ 2,288	**$ 1,569**	**$ 3,857**	$ 27,587

Amortization for the year ended December 31, 2009 was $16,997 (2008 – $16,886).

6. Future Income Taxes

During the audit of the 2009 financial statements, the Fund identified an error with respect to its 2008 future income tax liability balance. During 2008, the Fund acquired certain intangible assets on a tax deferred basis and an error of $1,333 was made in calculating the corresponding future tax liability and the related cost of the intangible assets purchased. This error has been corrected and the 2008 balance sheet has been restated to reflect an increase in the future income tax liability balance from $1,193 to $2,526 and an increase in the carrying value of the intangible assets from $126,647 to $127,980. This error did not impact net earnings and comprehensive earnings, earnings per share or cash flows as previously presented.

On October 31, 2006, the Minister of Finance announced proposed tax legislation ("SIFT rules") that will change the income tax rules applicable to publicly traded trusts rendering income trusts taxable in 2011. The SIFT rules were substantively enacted 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.

While the Fund is not expected to be liable for current income taxes until January 1, 2011, the enactment of the SIFT rules lead to the Fund recognizing future income taxes in respect of temporary tax expected to reverse after December 31, 2010. These temporary differences arise from differences between the tax basis and the carrying amount of the Fund's intangible assets. These differences arose primarily due to the Fund's acquisition of certain intangible assets on a tax-deferred basis (meaning that the tax basis of the assets was lower than cost recorded for accounting), but are also affected by relative amounts of amortization deducted for tax and accounting purposes each year.

A reconciliation of income taxes at Canadian statutory rates with reported income taxes is as follows:

For the year ended December 31		**2009**		2008
Expected income tax expense at a statutory tax rate of 33% (2008 – 33.5%)	**$**	**2,374**	$	2,407
Effect of current year's income allocated to non-controlling interest		**(714)**		(658)
Effect of current year's income being distributed to unitholders		**(1,660)**		(1,749)
Future income tax recovery due to tax rate reductions and rescheduling of temporary differences		**(551)**		(48)
Future income tax recovery	**$**	**(551)**	$	(48)
Future income tax liability due to purchase price adjustment	**$**	**104**	$	–
Change to future income tax liability	**$**	**(447)**	$	(48)

The tax effect of the estimated temporary differences as at December 31, 2010 that give rise to the net future tax liability is as follows:

		2009		2008 Restated
Future tax liability				
Intangible assets	**$**	**2,079**	$	2,526
Net future tax liability	**$**	**2,079**	$	2,526

7. Operating Credit facility

On February 16, 2005, the Partnership obtained a credit facility (the "revolver") of up to $2,000 from a Canadian financial institution. This revolver may be used to provide working capital to the Partnership from time to time. The revolver is subject to annual renewal with outstanding principal under the revolver subject to interest at the lender's prime rate plus 1% to 1.5% or the Bankers' Acceptance rate plus 2% to 2.5%, based on the ratio of total debt to Adjusted EBITDA of the Partnership as defined in the credit agreement. As at December 31, 2009, the operating credit facility had not been drawn upon.

The operating credit facility expired February 17, 2010. Subsequent to year-end, the Fund renewed its operating credit facility for a five year term. (See Note 16)

8. Long-Term Debt

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

As at December 31		**2009**		2008
Private debt placement	**$**	**37,975**	$	37,791
Term Facility		**14,978**		13,824
	$	**52,953**	$	51,615

A) PRIVATE PLACEMENT

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

The private placement had a fair value of $37,950 at December 31, 2009 (2008 – $37,406).

During the year ended December 31, 2009, $184 of amortization of the issue costs was recorded as interest expense (2008 – $173).

B) TERM FACILITY

On April 4, 2008, in connection with the LCLP acquisition, the Partnership completed a $15,000 Term Facility with a single Canadian financial institution from which the Fund drew down $14,000 on closing. Interest on the Term Facility is

available in the form of a floating prime rate payable quarterly, or a Bankers' Acceptance rate plus 1% with terms of up to six months. The Fund paid $285 in issue costs for the Term Facility.

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

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

During the year ended December 31, 2009, $160 of amortization of issue costs was recorded as interest expense (2008 – $110).

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 December 31, 2009 was in an unrealized loss position of $101. Changes in the value of the swap agreement are recorded as other income or loss. During the year ended December 31, 2009, $264 was recorded as other income (2008 – ($365)).

The Term Facility had a fair value of $15,000 on December 31, 2009.

Subsequent to year-end, the Fund refinanced its long-term debt for a five-year term (see Note 16).

9. Non-Controlling Interest

The non-controlling interest owns 25 common shares in RIFGP and 3,327,667 Class B limited partnership units of the Partnership, which reflects an effective 25% interest in the partnership. An equivalent amount of Special Fund Units, which represent voting rights in the Fund, also accompanied the Class B LP Units. The Fund indirectly holds the remaining 75% interest in the Partnership through Class A limited partnership units of the Partnership ("Ordinary LP Units").

Prior to August 7, 2008 ("Conversion Date"), distributions to holders of the Class B 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 is 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. After August 7, 2008, there are no longer any restrictions to the non-controlling interest in disposing of its Class B units.

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 December 31, 2009, the non-controlling interest had not elected to exchange the Class B LP Units for Fund Units.

A summary of the non-controlling interest is as follows:

	2009	2008
Non-controlling interest, beginning of year	**$ 19,701**	$ 22,106
Share of earnings for the year	**2,165**	1,964
Distributions during the year	**(4,805)**	(4,369)
Non-controlling interest, end of year	**$ 17,061**	$ 19,701

10. Fund Units

The Fund is authorized to issue an unlimited number of units, each of which represents an equal undivided beneficial interest in any distributions from the Fund. All units are of the same class with equal rights and privileges.

Pursuant to the Amended and Restated Declaration of Trust, the holder of the Special Fund Units, which accompanied the Class B LP Units (see Note 9), will be entitled to vote in all votes of Fund unitholders, as if they were holders of the number of units of the Fund they would receive if Class B LP Units were exchanged into units of the Fund as of the record date of such votes, and will be treated in all respects as unitholders of the Fund for the purpose of any such votes. The Special Fund Units are not entitled to receive distributions.

Units are redeemable at the option of the holder at a price based on the market value as defined in the Declaration of Trust, subject to a maximum of $50,000 in cash redemptions by the Fund in any one month. The limitation may be waived at the discretion of the Trustees of the Fund.

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

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

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

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

Fund Units	**2009**		2008	
	Units	**Amount**	Units	Amount
Beginning of year	**9,819,280**	**$ 91,301**	9,983,000	$ 92,938
NCIB purchases	**(335,430)**	**(3,354)**	(163,720)	(1,637)
End of year	**9,483,850**	**$ 87,947**	9,819,280	$ 91,301

11. Earnings Per Unit

The Special Fund Units referred to in Notes 9 and 10 were not included in the diluted per unit calculations as the effect would have been anti-dilutive.

12. Related Party Transactions

Unless disclosed elsewhere, the Fund had the following transactions with parties related to the non-controlling interest during the years ended December 31, 2009 and 2008. These transactions have been recorded at the exchange amount agreed to between the parties.

	2009	2008
a) Royalties		
Fixed, variable and other franchise fees	**$ 2,351**	$ 2,359
Premium franchise fees	**$ 3,700**	$ 3,943
b) Expenses		
Management fees	**$ 6,365**	$ 6,455
Insurance and other	**$ 109**	$ 102
Interest on purchase obligation	**$ –**	$ 210
c) Distributions		
Distributions paid to non-controlling interest	**$ 4,673**	$ 4,978

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

		2009		2008
d) Accounts receivable				
Franchise fees receivable and other	**$**	**585**	$	394
e) Accounts payable and accrued liabilities				
Distributions payable to non-controlling interest	**$**	**521**	$	389
Management fees	**$**	**1,656**	$	417
NCIB settlement payable	**$**	**–**	$	942
f) Purchase obligation payable	**$**	**4,143**	$	6,211

13. Supplemental Cash Flow Information

		2009		2008
Changes in non-cash working capital				
Accounts receivable	**$**	**(43)**	$	(472)
Prepaid expenses	**$**	**145**	$	(61)
Accounts payable and accrued liabilities	**$**	**1,338**	$	(13)
	$	**1,440**	$	(546)

14. 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. Subsequent to year-end, the Fund refinanced its debt (see Note 16). Management reduces liquidity risk by maintaining more conservative debt covenant ratios compared with those required by the covenants associated with the long-term debt. Also, the Fund has $2,000 unutilized credit under the Operating Credit Facility described in Note 7.

Estimated maturities of the Fund's financial liabilities taking into account the refinancing of its debt are as follows:

	2010	2011	2012	Beyond 2012	**Total**
Accounts payable and accrued liabilities	$ 3,079	$ –	$ –	$ –	$ 3,079
Purchase obligations	2,219	1,815	109	–	4,143
Distributions payable to unitholders	1,489	–	–	–	1,489
Private debt placement	–	–	–	32,700	32,700
Term facility	–	–	–	20,300	20,300
Total	$ 6,787	$ 1,815	$ 109	$ 53,000	$ 61,711

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

E) FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheet as at December 31, 2009, classified using the fair value hierarchy described in Note 2:

	Level 1	**Level 2**	**Level 3**	**Total**
Financial asset or liability				
Cash	$ 6,842	$ –	$ –	$ 6,842
Financial derivative	–	(101)	–	(101)
Total	**$ 6,842**	**$ (101)**	**$ –**	**$ 6,741**

The Fund's derivative transactions are accounted for on a fair value basis and are comprised of non-speculative interest rate swaps to manage interest rate exposures. This derivative is valued using industry standard valuation models, whereby certain market-based observable inputs, including interest-rate-yield curves, volatility of certain prices or rates and credit spreads are assumed. The Fund currently does not use unobservable inputs that are significant to the fair value measurement in its entirety.

The Fund's valuation techniques used include credit risk spreads upon adoption of EIC 173, *Credit risk and the fair value of financial assets and liabilities*. The adoption of this Abstract did not have a significant impact to the fair values established.

15. Management of Capital

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

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

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

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

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

16. Subsequent Events

ACQUISITIONS

Royal LePage franchise agreements

On January 1, 2010, the Partnership acquired 18 new Royal LePage franchise agreements from BRESL. The estimated purchase price of $4,205 is based on an estimated annual royalty stream of $681. A deposit of $3,364, equal to 80% of the estimated purchase price, was paid from cash on hand on January 4, 2010 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.

La Capitale franchise agreements

On January 1, 2010, LCLP acquired three new La Capitale franchise agreements from BRESL. The estimated purchase price of $1,040 is based on an estimated annual royalty stream of $198. A deposit of $832, equal to 80% of the estimated purchase price, was paid from cash on hand on January 4, 2010. The estimated price is to be revised over a three-year period from November 1, 2009 to October 31, 2012 based on the average annual royalty stream earned.

REFINANCING OF LONG-TERM DEBT

On February 18, 2010, the Partnership completed the refinancing of its long-term debt described in note 8 for $53,000, maturing on February 17, 2015. The refinancing is comprised of a $32,700 private debt placement with a number of Canadian institutional investors with fixed interest of 5.809% and a $20,300 term facility with interest available in the form of a floating rate at prime plus 1.5% payable quarterly, or at Banker's Acceptance rates plus 3% with terms of up to six months.

There were no substantive changes to the covenants associated with the refinanced debt facilities.

RENEWAL OF OPERATING CREDIT FACILITY

On February 18, 2010, the Partnership renewed the credit facility for a five year term. There were no substantive changes to the covenants associated with the renewed operating credit facility.

Supplemental Information – Selected Financial and Operating Information

Three months ended ($000's, unaudited)	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	**Dec. 31, 2009**
Revenue								
Fixed franchise fees	$ 4,336	$ 4,440	$ 4,431	$ 4,491	$ 4,467	$ 4,445	$ 4,459	**$ 4,471**
Variable franchise fees	1,921	2,628	2,499	1,243	1,194	2,312	2,738	**1,631**
Premium franchise fees	893	1,106	1,514	937	420	920	1,674	**1,341**
Other fee revenue and services	942	1,230	1,203	1,069	916	1,162	1,157	**1,052**
	$ 8,092	$ 9,404	$ 9,647	$ 7,740	$ 6,997	$ 8,839	$ 10,028	**$ 8,495**
% Revenue by region								
British Columbia	14	13	11	11	13	12	12	**12**
Prairies	10	10	9	10	10	9	9	**9**
Ontario	55	54	59	53	53	54	56	**56**
Quebec	18	20	18	22	21	22	20	**20**
Maritimes	3	3	3	4	3	3	3	**3**
	100	100	100	100	100	100	100	**100**

Three months ended **Changes during the period**	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sept. 30, 2009	**Dec. 31, 2009**
Number of REALTORS®	1,418	181	(5)	(172)	98	(74)	(51)	**64**
Number of Agents	1,350	164	17	(132)	96	(81)	(46)	**51**
Number of fixed fee paying Sales Representatives	(7)	12	(11)	(30)	0	(2)	2	**8**
Number of locations	55	(2)	0	(1)	17	(5)	(3)	**(2)**
Number of franchise agreements	54	(1)	0	0	15	(3)	1	**(2)**
At end of period								
Number of REALTORS®	14,590	14,771	14,766	14,594	14,692	14,618	14,567	**14,631**
Number of Agents	13,551	13,715	13,732	13,600	13,696	13,615	13,569	**13,620**
Number of fixed fee paying Sales Representatives	728	740	729	699	699	697	699	**707**
Number of locations	646	644	644	643	660	655	652	**647**
Number of franchise agreements	339	338	338	338	353	350	351	**349**