



March 20, 2006

Management's Discussion and Analysis of Consolidated Financial Position and Results of Operations for the quarter and year ended December 31, 2005.

The information in this Management's Discussion and Analysis ("MD&A") is supplemental to, and should be read in conjunction with the audited consolidated financial statements and the Annual Information Form of The Brick Group Income Fund for the year ended December 31, 2005. These financial statements and the Annual Information Form can be found at www.sedar.com or www.thebrickgroup.ca. The Brick Group Income Fund's financial statements are prepared in accordance with accounting principles generally accepted in Canada (GAAP). The Brick Group Income Fund's reporting currency is the Canadian dollar. Per unit amounts are calculated using the weighted average number of units outstanding for the applicable period. Additional information about The Brick Group Income Fund, including its Annual Information Form, can also be found on at www.sedar.com and at www.thebrickgroup.ca.

Franchise sales figures and franchise same store sales figures as discussed in this MD&A refer to results that have not been audited. Sales at franchise stores are not included in The Brick Group Income Fund's consolidated sales figures or corporate same store sales figures.

In previous MD&A reports, the net contribution attributable to our consumer credit department, which arranges purchase financing primarily through third party credit providers, was allocated to the financial services segment. Beginning in 2005, management views and manages the consumer credit department as a support function within retail operations. Consequently, net contribution attributable to this function is included in the retail segment and all comparative figures for the retail and financial services segments presented in the tables in this MD&A have been restated accordingly.

This MD&A contains forward-looking statements. Please see "Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements. This discussion also makes reference to certain non-GAAP measures to assist in assessing The Brick Group Income Fund's financial performance. Non-GAAP earnings measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

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The Brick Group Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Brick Group Income Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Alberta. The Brick Group Income Fund was created to invest in the retail furniture, mattress, appliance, and electronics industry initially through the indirect acquisition of the limited partnership units of The Brick Warehouse LP (together with its general partner, the "Brick LP"). The Brick LP owns among other things, 100% of the outstanding limited partnership units of United Furniture Warehouse LP ("United Furniture"). United Furniture owns Trans Global Warranty Corp. ("TGW") and its subsidiaries Trans Global Insurance Company ("TGI") and Trans Global Life Insurance Company ("TGLI"). The Brick Group Income Fund and all of its subsidiaries and partnerships will collectively be referred to as the "Brick Group" in this MD&A.

OUR VISION AND BUSINESS STRATEGY

The Brick Group's goal is to provide long-term balanced growth of distributable cash through demographic and geographic diversity.

The Brick Group's strategy, as a dominant force in the furniture, mattress, home electronics, and appliance business throughout Canada, is to grow same store sales and continue to enhance profitability with the introduction of new products and initiatives. In combination with its core strategy, The Brick Group also leverages its customer base by offering warranty and insurance coverage made available through the Brick Group's financial services segment.

The Brick Group plans to increase profitability by optimizing existing synergies and controlling costs. Growth is also expected to arise from penetrating different channels and markets, and strategic acquisitions.

Retail Operations

The Brick Group is one of Canada's largest volume retailers of household furniture, mattresses, appliances and home electronics. As at December 31, 2005, the Brick Group's strategy was centered on strengthening its competitive position and increasing its market share through organic growth within its retail banners, The Brick, United Furniture, HomeShow Canada ("HomeShow"), and Sleep Better. The Brick Group, through its first three banners listed above, targeted the following three principal markets: the middle-income consumer, the lower-income consumer, and the mid-to-high price-point consumer respectively. The Sleep Better banner, which was designed to compete with independent national bedding chains, featured mid to high end product lines including national brands and exclusive specialty products.

In January 2006, the Brick Group announced that it would be expanding its principal banner, The Brick, by converting a number of its existing United Furniture locations to Brick stores. In addition, the Brick Group also announced that its three HomeShow locations would be rebannered as The Brick Superstore, and that each of its Sleep Better specialty mattress stores would be rebannered as The Brick Mattress Store. The Brick and United Furniture banners will

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continue to offer the same product lines and target the same core customers as before. The Brick Superstore will target a broader base of middle to upper middle income customers. The store design and specialty concept introduced under the Sleep Better banner will remain the same under The Brick Mattress Store. While these specialty mattress locations will continue to carry extended product lines over and above those typically carried at locations under The Brick banner, there will be a realignment of product offerings in order to optimize inventory management and well as existing vendor programs. These changes are being made in an effort to increase sales at these locations by leveraging the strength of our core business and most recognized and profitable brand, The Brick. Management believes these changes should also result in certain costs savings, and in particular reduce our advertising and operating expenses. Management anticipates the majority of these changes will be implemented by the end of the first half of 2006.

In addition, through its corporate sales division, the Brick Group services the subdivision, condominium and high-rise builder market. The Brick Group operates 194 retail stores (including its 20 franchise locations) in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Prince Edward Island, Nova Scotia and the Yukon Territory.

Financial Services

The Brick Group also operates a financial services segment that offers extended product warranties, credit insurance on balances that arise from retail purchase financing made available to retail customers through third party credit providers, and credit and property insurance policies to third parties. Financial services are a stable and significant contributor to EBITDA, and a solid and growing source of cash flow. This segment should continue to grow as the underlying retail operations expand across Canada and third party clients are developed.

In previous MD&A reports the net contribution attributable to our consumer credit department, which arranges purchase financing primarily through third party credit providers, was allocated to the financial services segment. Beginning in 2005, management views and manages the consumer credit department as a support function within retail operations. Consequently, net contribution attributable to this function is included in the retail segment and all comparative figures for the retail and financial services segments presented in the tables in this MD&A have been restated accordingly.

REPORTED AND ADJUSTED RESULTS

The July 20, 2004 indirect acquisition of the Brick LP by The Brick Group Income Fund was accounted for using the purchase method of accounting which requires that assets and liabilities acquired be measured at their fair values at the acquisition date. The purchase accounting adjustments required to measure the assets and liabilities acquired at their fair values have no impact on the cash position or cash flow generated by the Brick Group and therefore have no impact on the ability of the Brick Group to distribute cash to the unitholders of the Brick Group. The purchase accounting adjustments are described in detail under the heading Purchase Accounting Adjustments.

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This MD&A includes discussions of adjusted results which are derived by excluding the impact of purchase accounting adjustments from the amounts reported under Canadian GAAP. This MD&A provides a reconciliation of the results reported under Canadian GAAP to the adjusted results discussed in this MD&A. The impact of these purchase accounting adjustments reduces non-cash related revenues and increases non-cash related expenses recorded on the income statement.

In this MD&A, discussions under the heading "Reported" are referring to a comparison of current period figures reported under Canadian GAAP with adjusted figures of the comparative period. Discussions under the heading "Adjusted" are referring to a comparison of current period adjusted figures with adjusted figures of the comparative period.

Management believes the adjusted results to be important measures as they facilitate comparison to past performance of the business acquired by the Brick Group. The adjusted results do not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other issuers.

Beginning with the first quarter of 2006, the Analysis of Operating and Financial Results presented in the MD&A will no longer refer to adjusted results and will refer only to results as reported in our annual and interim financial statements. This change in presentation was not possible prior to the first quarter of 2006 as this is the first quarter for which prior year quarterly and year-to-date comparative results include the effects of purchase accounting.

The calculation of distributable cash will not change and will continue to exclude the effects of purchase accounting.

In "The Summary of Quarterly Results", results for periods after July 20, 2004 will continue to be presented as adjusted until eight quarters of reported results have passed which will occur in the third quarter of 2006.

FOURTH QUARTER HIGHLIGHTS

- Consolidated adjusted sales and operating revenue of \$347.4 million was up 0.1% over 2004. Fourth quarter consolidated adjusted sales and operating revenue was impacted by two key factors:
 - An increase in financial services revenue of \$2.7 million.
 - A decline in retail sales of \$2.3 million.
 - Overall retail sales declined due to negative same store sales growth in this quarter versus the same quarter a year ago.

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- The addition of our third HomeShow location, new Sleep Better stores, and the Quebec market's newest addition in 2005, the Brick Marche Central store, generated an increase to retail sales partially offsetting the negative same store sales growth.
- Same store sales were down 1.8% over the same period last year (down 1.2% excluding the impact of eliminating computers from our product line), due predominantly to softer sales in the East (Ontario & Quebec) as a result of increased competition and strong grand opening sales from the Quebec market entry in 2004.
- There was a 49.9% or \$20.3 million increase in customer deposits as at December 31, 2005 compared to December 31, 2004. Customer deposits represent written sales to be delivered in the future. While there is no guarantee on the profitability of these written sales, or that written sales will become delivered sales in the future, it is typical that a large increase in customer deposits will have a positive effect in the subsequent quarter.
- The Brick Group's consolidated adjusted EBITDA was \$24.8 million for the fourth quarter of 2005 compared to \$26.4 million for the same quarter in 2004. Consolidated EBITDA, as a percentage of sales and operating revenue, at 7.1% was down from 7.6% in 2004.
- Five new Sleep Better stores were opened in the fourth quarter bringing the total to eleven at December 31, 2005.
- United Furniture opened two new stores in the Greater Toronto Area during the fourth quarter.
- Adjusted financial services sales and operating revenue of \$11.4 million increased 30.5% when compared with the same quarter a year ago.
- Adjusted financial services EBITDA increased by 23.2% to \$7.3 million over the same quarter in 2004.

ANNUAL HIGHLIGHTS

Distributions

- Distribution targets of \$0.10 per unit per month were met throughout 2005. The Brick Group's distributable cash payout ratio for the year was 99.5%.

Consolidated Sales

- Consolidated adjusted sales and operating revenue of \$1.23 billion was up \$47.3 million compared to 2004, driven by an improvement in retail sales of \$40.3 million and an increase in financial services revenue increase of \$7.0 million. The retail operations growth was attributable to a full year of operations in the Quebec market, the addition of the Brick Marche Central store, the opening of our third HomeShow location, the launch of our Sleep

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Better specialty mattress stores, as well as the strength of our furniture, mattress, appliance and home theatre businesses.

- Same store sales were down 1.7% over the prior year. When the effect of discontinuing computer sales is factored into the same store sales calculation, the decrease from the prior year is 0.9%.
- Same store sales in Eastern Canada (stores located in Ontario and Quebec) were down as a result of increased competition and a decline in the Quebec market. This decline in the Quebec market was primarily in light of 2004 sales levels that were influenced by significant grand opening promotions and events associated with the opening of seven new stores in this region in 2004.
- Franchise same stores sales increased by 5.8% for the year as compared to 2004. Sales revenues at franchise stores increased by 50% in 2005 versus 2004 driven by an increase in the number of franchise locations from 15 at December 31, 2004 to 20 at December 31, 2005. Sales at franchise stores are not included in the Brick Group's consolidated sales or corporate same store sales figures.

Consolidated Profitability

- Adjusted consolidated gross margin of 39.6% improved from 38.0% last year, a 1.6 pts improvement, reflecting higher margin pricing strategies.
- The Brick Group's consolidated adjusted EBITDA of \$75.9 million for the year ended December 31, 2005 was \$3.7 million less than the \$79.6 million earned in 2004. Consolidated EBITDA as a percentage of sales and operating revenue at 6.2% was down by 0.5 pts from 6.7% in 2004.

Retail Operations

The Brick, HomeShow and Sleep Better

- The Brick, HomeShow and Sleep Better banners had total sales growth of 2.2% over the prior year.
- HomeShow sales volumes did not meet management expectations. As a result, the three Greater Toronto HomeShow locations have been rebannered as The Brick Superstore effective March 1, 2006, with a focus on driving total sales and optimizing costs at these locations by enhancing the product selection with the best sellers from Brick stores and capitalizing on advertising synergies in the Greater Toronto Area.
- Sleep Better, in its startup phase, is meeting management expectations. To increase operational efficiency and capitalize on the strength and brand recognition of The Brick, the Sleep Better specialty mattress chain was rebannered as The Brick Mattress Store in 2006.

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United Furniture

- United Furniture same store sales increased 1.2% in 2005 over the prior year and overall sales increased by 4.1%. Profitability was challenged in the year by the ongoing transition of systems, including implementation across all 86 stores of The Brick's Warehouse Management Systems and Point of Sale systems. Management believes these system upgrades will improve back office efficiency and help expedite the conversion of the stores that are being rebannered as Brick stores in 2006.

Rebanning Initiative

- We are on track with our timing and expectations of this rebanning initiative. Our objective remains to maximize sales and synergies using the Brick banner to optimize our financial results.
- Specifically for those locations impacted by this initiative, management is targeting a net incremental EBITDA of approximately \$4 million in 2006. We will measure the success of this rebanning initiative against this target. Of the \$4 million, we expect to generate approximately \$3 million alone through the reduction of controllable costs, mainly in our advertising line.

Financial Services

- Adjusted financial services sales and operating revenue of \$41.0 million increased 20.4% compared to last year.
- Adjusted financial services EBITDA increased by 10.1% to \$27.0 million compared to last year.
- Earned warranty revenues increased by 12.4% to \$24.6 million in 2005 from \$21.9 million in 2004.
- Earned insurance premiums increased by 35.0% to \$16.4 million from \$12.2 million in 2004, primarily as a result of the new third party clients.
- When compared to other retailers in its segment, management believes the Brick Group enjoys above-average warranty penetration rates and credit insurance penetration rates. Warranty penetration rates reflect the portion of eligible product sales upon which a warranty is sold. Credit insurance penetration rates reflect the portion of Brick Card balances that are covered by insurance.
- In 2005, the financial services segment was successful in driving improved warranty attachment rates among its Brick franchisees, and within the Brick's commercial sales division.

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Credit Facilities

- We secured a number of amendments to our credit facilities, which will provide the Brick Group with the flexibility to fund both its future growth and to meet its short term cash needs which fluctuate due to the inherent seasonality of the business. In addition to providing more favourable pricing, these amendments included replacing the \$65 million Revolving Credit Facility with a \$50 million Operating Facility (subject to margin requirements) and a \$50 million Acquisition Facility. As well, certain financial covenants were amended to provide enhanced flexibility. An additional Canadian chartered bank joined our banking syndicate.

ANALYSIS OF OPERATING AND FINANCIAL RESULTS

The results of operations in the following discussion encompass the consolidated results of the Brick Group for the fourth quarter and for the year ended December 31, 2005.

The Brick Group commenced operations on July 20, 2004. The comparative figures representing the operations of the Brick Group in the 2005 audited consolidated financial statements of the Brick Group are for the period July 20, 2004 through December 31, 2004 only.

However, unaudited comparative figures for the twelve months ended December 31, 2004 have been presented in this MD&A in order to represent the Brick Group's underlying businesses for the entire comparable period including the period preceding the July 20, 2004 acquisition by the Brick Group of the Brick LP and its subsidiary companies.

The full year comparative figures include results from the acquisition of certain retail operating assets of United Furniture Warehouse Ltd. only for the period subsequent to the date of acquisition, March 16, 2004.

In addition, the comparative results provided in this MD&A for the year ended December 31, 2004, do not include \$41.3 million in payments to employees and \$8.8 million paid to the Vendor in conjunction with the Initial Public Offering of the Brick Group units and the concurrent acquisition of the Brick LP. Due to the unique nature of these pre-acquisition payments, recorded by the Brick LP during the period July 1 to July 19, 2004, they have been excluded from the comparative results.

Management in some cases has had to estimate the appropriate amounts to be included in the comparative period.

REVIEW OF FOURTH QUARTER RESULTS

The sections below outline key operating information on a consolidated basis, followed by a look at operating segment details for the retail segment and the financial services segment.

In this MD&A, where results presented in tables included in this MD&A are discussed, discussions under the heading "Reported" are referring to a comparison of current period

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figures reported under Canadian GAAP with adjusted figures of the comparative period. Discussions under the heading "Adjusted" are referring to a comparison of current period adjusted figures with adjusted figures of the comparative period.

Consolidated Fourth Quarter Results

(000's of \$ except %, per unit and store amounts)	Three months ended December 31, 2005			Three months ended December 31, 2004 Adjusted
	As Reported	Elimination of Purchase Accounting Impact	Adjusted	
Sales and operating revenue	\$ 343,547	\$ 3,809	\$ 347,356	\$ 347,008
Cost of sales	<u>(207,586)</u>	<u>(954)</u>	<u>(208,540)</u>	<u>(207,436)</u>
Gross margin	135,961	2,855	138,816	139,572
<i>Gross margin as a percentage of sales and operating revenue</i>			40.0%	40.2%
Selling, general and administrative expenses (SG&A)	(114,762)	459	(114,303)	(113,545)
Investment and other income	246	60	306	350
Interest expense on long-term and other debt	(1,316)	(21)	(1,337)	(1,207)
Income tax recovery (expense)	901	(1,112)	(211)	(361)
Amortization	<u>(7,577)</u>	<u>2,289</u>	<u>(5,288)</u>	<u>(3,215)</u>
Net income	<u>\$ 13,453</u>	<u>\$ 4,530</u>	<u>\$ 17,983</u>	<u>\$ 21,594</u>
EBITDA ⁽¹⁾	\$ 21,445	\$ 3,374	\$ 24,819	\$ 26,377
<i>EBITDA as a percentage of sales and operating revenue (1)</i>			7.1%	7.6%
Basic and diluted net (loss) income per unit	\$ 0.25		\$ 0.33	\$ 0.40

Notes:

(1) See definition of EBITDA under "Non-GAAP Financial Measures"

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Financial Position

(000's of \$)	As at December 31, 2005			As at December 31, 2004 Adjusted
	As Reported	Elimination of Purchase Accounting Impact	Adjusted	
Total assets	\$ 923,900	\$ (488,398)	\$ 435,502	\$ 368,573
Total long-term liabilities	167,298	34,203	201,501	176,745

Sales

Reported

Reported sales of \$343.5 million were down \$3.5 million or 1.0% from the same quarter a year ago. This change in results is attributable to the impact of deferred warranty purchase price adjustments, as described in the section “Purchase Accounting Adjustments”, which reduced sales and operating revenue of the financial services segment by \$3.8 million this quarter.

Adjusted

Consolidated adjusted sales and operating revenue of \$347.4 million was up 0.1% over 2004. Fourth quarter consolidated adjusted sales and operating revenue was impacted by two key factors:

- An increase in financial services revenue of \$2.7 million.
- A decline in retail sales of \$2.3 million.
- ✓ Overall retail sales declined due to negative same store sales growth in this quarter versus the same quarter a year ago.
- ✓ The addition of our third HomeShow location, new Sleep Better stores and the Quebec market’s newest addition in 2005, the Brick Marche Central store, generated an increase to retail sales partially offsetting the negative same store sales growth.

Gross Margin

Reported

Reported gross margin decreased by \$3.6 million from the same quarter a year ago. The effects of purchase accounting adjustments made up \$2.9 million of this decrease.

Adjusted

Adjusted consolidated gross margin of 40.0% was relatively flat compared to the 40.2% recorded in the same quarter last year.

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Selling, General and Administrative Costs

Reported

Selling, General and Administrative expenses ("SG&A") were \$1.2 million higher than in the fourth quarter of 2004. The effects of purchase accounting were responsible for \$0.5 million of this variance.

Adjusted

Adjusted consolidated SG&A expenses were \$0.8 million higher than in the same quarter a year ago. The fourth quarter 2005 SG&A included a provision of \$1.0 million related to a judgment on a landlord dispute originating in 2000. This \$1.0 million represents the full amount of damages and estimated costs related to the judgment which was received subsequent to year end. Management intends to appeal the court's decision. Any gain resulting from the appeal will be recorded as a reduction in SG&A expenses in the period in which it occurs.

EBITDA

Reported

EBITDA decreased by \$4.9 million or 18.7% quarter over quarter. Purchase accounting adjustments were responsible for \$3.4 million of the reduction in reported EBITDA.

Adjusted

The Brick Group's consolidated adjusted EBITDA was \$24.8 million for the fourth quarter of 2005 compared to \$26.4 million in for the same quarter in 2004. Consolidated EBITDA as a percentage of sales and operating revenue at 7.1% was down from 7.6% in 2004.

An increase in EBITDA earned from financial services of \$1.4 million was offset by EBITDA from retail coming in \$2.9 million less than in the same quarter a year ago.

Net Income

Reported

Net income in the fourth quarter was \$8.1 million lower than in the same quarter a year ago. Of this total decline, \$4.5 million is attributable to the effects of purchase accounting.

Adjusted

Adjusted net income decreased from the same quarter last year by \$3.6 million. This was due to \$0.7 million in reduced gross margin, a \$0.8 million increase in SG&A and a \$2.1 million increase in amortization expense.

Amortization expense included write-offs of capital assets of \$0.6 million and unamortized pre-opening expenses of \$0.7 million for stores that will be rebannered in 2006.

Assets

Reported

Total assets increased by \$555 million to \$924 million at December 31, 2005 versus \$369 million at December 31, 2004. The effects of purchase accounting comprise \$488 million of this increase.

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Adjusted

Adjusted total assets increased \$67 million to \$436 at December 31, 2005 versus \$369 million at December 31, 2004.

The majority of this increase is comprised of increases in net capital assets of \$12 million and inventory of \$25 million as the number of stores in operation increased from 168 at December 31, 2004 to 194 at December 31, 2005. During this same period, an increase in accounts receivable of \$17 million was related primarily to the addition of new third party insurance business and an increase in rebates receivable from vendors. As well, cash improved by \$12 million.

Liabilities

Reported

The decrease in long term liabilities of \$9.4 million is the result of a \$34.2 million reduction due to the effects of purchase accounting, and an increase of \$24.8 million as discussed below.

Adjusted

Adjusted long term liabilities increased from \$176.7 million at December 31, 2004 to \$201.5 at December 31, 2005, an increase of \$24.8 million. The main components of this increase are an increase in deferred warranty revenue and unearned insurance revenue of \$17 million and an increase in deferred lease inducements of \$8 million. Increases in these balances are due to the receipt of cash which will be recognized as revenue or a reduction of expense in future periods.

Retail Segment Fourth Quarter Results

The Brick, HomeShow, Sleep Better and United Furniture Banners

(000's of \$)	Three Months Ended December 31, 2005			Three months ended December 31, 2004 Adjusted
	As Reported	Elimination of Purchase Accounting Impact	Adjusted	
Sales and operating revenue	\$ 335,927	\$ -	\$ 335,927	\$ 338,251
EBITDA ⁽¹⁾	17,091	404	17,496	20,436

Notes:

⁽¹⁾ See definition of EBITDA under “Non-GAAP Financial Measures”

Retail sales and operating revenue

Sales and operating revenue of the retail segment are not impacted by purchase price adjustments.

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Our sales and operating revenue from the retail segment decreased by \$2.3 million or 0.7% when compared to the same quarter a year ago. Total same store sales were down 1.7% over the same period last year (down 1.2% excluding the impact of eliminating computers from our product line). We experienced softer sales in the East (Ontario & Quebec) as a result of increased competition and strong grand opening sales from the Quebec market entry in 2004.

There was a 49.9% or \$20.3 million increase in customer deposits as at December 31, 2005 compared to December 31, 2004. Customer deposits represent written sales to be delivered in the future. While there is no guarantee on the profitability of these written sales, or that written sales will become delivered sales in the future, it is typical that a large increase in customer deposits will have a positive effect in the subsequent quarter.

United Furniture, when compared to the same quarter a year ago, showed a same store sales increase of 3.2% and an overall sales increase of 10.2% regaining some of the ground lost in the third quarter. With respect to bottom line performance, which was disappointing in 2005, management believes that the rebanner initiative discussed in the Outlook section of this MD&A will allow us to improve returns from this group of stores.

Comparable same store sales are calculated to include total merchandise sales for new stores open 14 full calendar months and sales from all relocated stores, but excludes stores where significant cannibalization has occurred. As a result, as at December 31, 2005, HomeShow Canada sales have been excluded, due to cannibalization from our third HomeShow location, opened in August 2005. Specific stores in Montreal have also been excluded due to cannibalization resulting from the opening of the Marche Central store in May 2005.

Same store sales is not an earnings measure recognized by GAAP, and does not have a standardized meaning prescribed by GAAP. Therefore, same store sales as discussed in this MD&A may not be comparable to similar measures presented by other issuers.

Five new Sleep Better stores were opened in the fourth quarter bringing the total to eleven at December 31, 2005.

United Furniture Warehouse opened two new stores in the Greater Toronto Area during the fourth quarter.

EBITDA – Retail Segment

Reported

EBITDA in the retail segment decreased by \$3.3 million to \$17.1 million. Included in this decrease is a downward adjustment of \$0.4 million due to the effects of purchase accounting. The purchase accounting adjustment that affects EBITDA of the retail segment is related to deferred lease inducements.

The Brick Group Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adjusted

Adjusted EBITDA of \$17.5 million compares with \$20.4 million for the same quarter in the prior year. The decrease of \$2.9 million was due in part to the lower sales in the fourth quarter of 2005 compared to fourth quarter sales in 2004.

The fourth quarter 2005 SG&A included a charge of \$1.0 million related to an unfavourable judgment on a landlord dispute originating in 2000.

Financial Services Segment Fourth Quarter Results

The financial services segment offers extended product warranties, credit insurance on balances that arise from retail purchase financing made available to retail customers through third party credit providers, and credit and property insurance policies to third parties.

The Brick Group's accounting policy for revenue and expense recognition in connection with the warranty business requires that warranty contract revenues be recorded as deferred revenues when written and recognized into income over the term of the warranty coverage provided. Warranty contracts sold by the financial services segment provide coverage for periods subsequent to expiration of the manufacturer's warranty coverage period which typically is one year. Consequently, earned warranty revenues recognized in the current period relate to warranty contracts sold in previous years.

Warranty contracts sold by United Furniture are underwritten by a third party with no recourse and as a result, commissions received by United Furniture are brought into income in the same period as the sale and are included as part of the retail sales and operating revenue rather than as part of the financial services segment.

The Brick Group's accounting policy for revenue and expense recognition in connection with insurance policies requires that premiums written in an accounting period be recognized over the term of the related coverage. The majority of insurance premiums written relate to coverage provided on a month-to-month basis. In 2005, the financial service segment also began to provide multi-year property insurance to a third party. Unearned revenues include the portion of premiums written on multi-year coverage policies that relate to the unexpired term of coverage.

The Brick Group Income Fund
MANAGEMENT’S DISCUSSION AND ANALYSIS

Financial Services Segment

(000's of \$)	Three Months Ended December 31, 2005			Three months ended December 31, 2004 Adjusted
	As Reported	Elimination of Purchase Accounting Impact	Adjusted	
Sales and operating revenue	\$ 7,620	\$ 3,809	\$ 11,429	\$ 8,757
EBITDA ⁽¹⁾	4,352	2,969	7,321	5,941

Notes:

(1) See definition of EBITDA under “Non-GAAP Financial Measures”

Financial Services sales and operating revenue

The financial services segment’s sales and operating revenues are comprised of earned revenues of its warranty business and earned premiums from its insurance operations.

Reported

The financial services segment sales and operating revenue decreased by \$1.1 million from the same quarter a year ago. This variance results from the offsetting effects of a purchase accounting adjustment which reduces reported sales and operating revenue and an increase in earned revenue. The purchase accounting adjustment reduced reported sales and operating revenue by \$3.8 million.

The purchase accounting adjustment affecting sales and operating revenue in the financial services segment is related to deferred warranty plan revenue and is discussed in this MD&A under the heading “Purchase Accounting Adjustments”.

Adjusted

Adjusted financial services sales and operating revenue of \$11.4 million increased 30.5% when compared with the same quarter a year ago.

Organic growth of the existing warranty and insurance business accounted for \$0.9 million of the increase in adjusted sales and operating revenue, while new third party insurance revenues contributed \$1.8 million to the overall increase.

EBITDA - Financial Services Segment

Reported

The financial services segment EBITDA was \$4.4 million in the quarter compared to \$5.9 million in the same quarter last year. Purchase price adjustments relating to deferred warranty revenue and deferred acquisition costs were responsible for reducing EBITDA by \$3.0 million in the quarter.

The Brick Group Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adjusted

Adjusted financial services EBITDA increased by 23.2% to \$7.3 million over the same quarter in 2004.

The slower quarter-over-quarter growth in adjusted EBITDA of \$1.4 million in comparison to growth in adjusted sales and operating revenue of \$2.7 million can be attributed to higher direct costs normally associated with the new third party insurance clients and to reduced investment income.

Overall, this segment is an important and growing source of EBITDA for the Brick Group, representing over 29% of consolidated EBITDA earned in the fourth quarter.

REVIEW OF FULL YEAR RESULTS

The sections below outline key operating information on a consolidated basis, followed by a look at operating segment details for the retail segment and the financial services segment.

In this MD&A, where results presented in tables included in this MD&A are discussed, discussions under the heading "Reported" are referring to a comparison of current period figures reported under Canadian GAAP with adjusted figures of the comparative period. Discussions under the heading "Adjusted" are referring to a comparison of current period adjusted figures with adjusted figures of the comparative period.

The Brick Group Income Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS

Consolidated Full Year Results

(000's of \$ except %, per unit and store amounts)	Year ended December 31, 2005			Year ended December 31, 2004 Adjusted
	As Reported	Elimination of Purchase Accounting Impact	Adjusted	
Sales and operating revenue	\$ 1,214,405	\$ 15,859	\$ 1,230,264	\$ 1,182,974
Cost of sales	<u>(739,505)</u>	<u>(3,976)</u>	<u>(743,481)</u>	<u>(733,440)</u>
Gross margin	474,900	11,883	486,783	449,534
<i>Gross margin as a percentage of sales and operating revenue</i>			39.6%	38.0%
Selling, general and administrative expenses (SG&A)	(413,839)	1,864	(411,975)	(372,304)
Investment and other income	1,087	1	1,088	2,385
Interest expense on long-term and other debt	(5,233)	(88)	(5,321)	(2,530)
Income tax recovery (expense)	1,453	(4,934)	(3,481)	(9,765)
Amortization	<u>(26,364)</u>	<u>10,453</u>	<u>(15,911)</u>	<u>(10,594)</u>
Net income	<u>\$ 32,004</u>	<u>\$ 19,179</u>	<u>\$ 51,183</u>	<u>\$ 56,726</u>
EBITDA ⁽¹⁾	\$ 62,148	\$ 13,748	\$ 75,896	\$ 79,615
<i>EBITDA as a percentage of sales and operating revenue (1)</i>			6.2%	6.7%
Basic and diluted net (loss) income per unit	\$ 0.59		\$ 0.94	N/A

Notes:

(1) See definition of EBITDA under "Non-GAAP Financial Measures"

Sales

Reported

Total sales and operating revenue increased by \$31.4 million over 2004.

The impact of the deferred warranty purchase price adjustment, as described in the section titled "Purchase Accounting Adjustments", reduced sales and operating revenue reported for the year by \$15.9 million.

The Brick Group Income Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS

Adjusted

Consolidated adjusted sales and operating revenue of \$1.23 billion was up \$47.3 million or 4.0% compared to 2004. Of this increase, \$40.3 million is attributable to the retail segment and \$7.0 million is attributable to the financial services segment.

The increase from the retail segment is attributable to a full year of operations in the Quebec market, the addition of the Marche Central store, the opening of our third HomeShow location, the launch of our Sleep Better specialty mattress stores, as well as the strength of our furniture, mattress, appliance and home theatre businesses.

Gross Margin

Reported

Reported gross margin increased by \$25.4 million over 2004. The effects of purchase accounting reduced the annual reported gross margin by \$11.9 million.

Adjusted

Adjusted consolidated gross margin of 39.6% improved from 38.0% last year, a 1.6 percentage point improvement, reflecting higher margin strategies.

While the mix of margin realized by our financial services segment saw an increase in warranty business margin and a decrease in insurance business margin, the overall margin from financial services remained flat when compared with 2004.

Selling, General and Administrative Expenses

Reported

SG&A expenses increased \$41.5 million or 11.2% over 2004.

The impact of the purchase accounting adjustments related to deferred lease inducements added \$1.9 million to SG&A expenses for the year ended December 31, 2005.

Adjusted

Adjusted SG&A expenses for the year were \$412.0 million compared to \$372.3 million in 2004, an increase of \$39.7 million or 10.7%. Increased infrastructure costs related to the expansion of HomeShow, Sleep Better and United Furniture, the expansion of The Brick into the Quebec region, as well as increased administration costs associated with being a public entity and organizational restructuring costs incurred throughout the year were major elements of the increase. The majority of these cost increases were realized during the first three quarters of the year. SG&A expenses in the fourth quarter were relatively flat when compared to the fourth quarter of the prior year.

EBITDA

Reported

Reported EBITDA decreased from \$79.6 million in 2004 to \$62.1 million this year, a decline of \$17.5 million. Purchase accounting adjustments accounted for \$13.7 million of this change.

The Brick Group Income Fund
MANAGEMENT’S DISCUSSION AND ANALYSIS

Adjusted

The Brick Group’s consolidated adjusted EBITDA of \$75.9 million for the year ended December 31, 2005 was 3.7 million less than the \$79.6 million earned in 2004. Consolidated EBITDA as a percentage of sales and operating revenue at 6.2% was down from 6.7% in 2004.

The decrease in adjusted EBITDA is attributable primarily to the decline in performance of HomeShow and United Furniture. Financial Services improved its contribution to adjusted EBITDA from \$24.5 million in 2004 to \$27.0 million in 2005 as it continues to be an important contributor to the Brick Group’s consolidated EBITDA.

Net Income

Reported

Net income for the year was \$32.0 million compared to \$56.7 million earned in the prior year. Purchase accounting adjustments caused a reduction in net income of \$19.2 million in 2005.

Adjusted

Adjusted net income of \$51.2 million was down \$5.5 million or 9.8% from 2004. Adjusted net income as a percentage of sales was 4.2% compared to 4.8% in 2004.

Net income was impacted by higher interest costs due to the term debt put in place in July 2004 at the time of the IPO, lower income taxes since July 2004 in the income trust structure and higher amortization on a growing fixed asset base.

As well, capital assets of \$0.6 million and unamortized pre-opening expenses of \$0.7 million for stores that will be rebannered in 2006 were written off at December 31, 2005. These write-offs were included in amortization expense.

Retail Segment Results for 2005

The Brick, HomeShow, Sleep Better and United Furniture Banners

(000's of \$)	Twelve Months Ended December 31, 2005			Twelve months ended December 31, 2004
	As Reported	Elimination of Purchase Accounting Impact	Adjusted	
Sales and operating revenue	\$ 1,189,224	\$ -	\$ 1,189,224	\$ 1,148,896
EBITDA ⁽¹⁾	47,010	1,864	48,875	55,072

Notes:

⁽¹⁾ See definition of EBITDA under “Non-GAAP Financial Measures”

The Brick Group Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

Retail sales and operating revenue

Sales and operating revenue of the retail segment are not impacted by purchase price adjustments.

Same store sales were down 1.7% over the prior year. When the effect of discontinuing computer sales is factored into the same store sales calculation, the decrease from the prior year is 0.9%.

Same store sales in Eastern Canada (stores located in Ontario and Quebec) were down as a result of increased competition and a decline in the Quebec market. This decline in the Quebec market was primarily in light of 2004 sales levels that were influenced by significant grand opening promotions and events associated with the opening of seven new stores in this region in 2004.

Franchise same store sales increased by 5.8% for the year as compared to 2004. Sale revenues at franchise stores increased by 50% in 2005 versus 2004 driven by an increase in the number of franchise locations from fifteen at December 31, 2004 to twenty at December 31, 2005. Sales at franchise stores are not included in the Brick Group's sales or corporate same store sales figures.

The Brick, HomeShow and Sleep Better Banners

- The Brick, HomeShow and Sleep Better banners had total sales growth of 2.2% over the prior year.
- HomeShow sales volumes did not meet management expectations. As a result, the three Greater Toronto HomeShow locations have been rebannered as The Brick Superstore effective March 1, 2006, with a focus on driving total sales and optimizing costs at these locations by enhancing the product selection with the best sellers from Brick stores and capitalizing on advertising synergies in the Greater Toronto Area.
- Sleep Better, in its startup phase, is meeting management expectations. To increase operational efficiency and capitalize on the strength and brand recognition of The Brick, the Sleep Better specialty mattress chain was rebannered as The Brick Mattress Store in 2006.

United Furniture Warehouse

- United Furniture same store sales increased 1.2% in 2005 over the prior year and overall sales increased by 4.1%. Profitability was challenged in the year by the ongoing transition of systems, including implementation across all 86 stores of our Warehouse Management Systems and Point of Sale systems. Management believes these system upgrades will improve back office efficiency and help expedite the conversion of the stores that are being rebannered as Brick stores in 2006.

Rebanning Initiative

- We are on track with our timing and expectations of this rebanning initiative. Our objective remains to maximize sales and synergies using the Brick banner to optimize our financial results.

The Brick Group Income Fund
MANAGEMENT’S DISCUSSION AND ANALYSIS

- Specifically for those locations impacted by this initiative, management is targeting a net incremental EBITDA of approximately \$4 million in 2006. We will measure the success of this rebanner initiative against this target. Of the \$4 million, we expect to generate approximately \$3 million alone through the reduction of controllable costs, mainly in our advertising line.

Comparable same store sales are calculated to include total merchandise sales for new stores open 14 full calendar months and sales from all relocated stores, but excludes stores where significant cannibalization has occurred. As a result, as at December 31, 2005, HomeShow Canada sales have been excluded, due to cannibalization from our third HomeShow location, opened in August 2005. Specific stores in Montreal have also been excluded due to cannibalization resulting from the opening of the Marche Central store in May 2005.

Same store sales is not an earnings measure recognized by GAAP, and does not have a standardized meaning prescribed by GAAP. Therefore, same store sales as discussed in this MD&A may not be comparable to similar measures presented by other issuers.

The following is a summary of the Brick Group’s same store sales performance for the fourth quarter and the full year.

Same Store Sales		
Change versus prior year		
	Fourth Quarter	Full Year
The Brick Banner		
Western Canada	0.9%	1.0%
Eastern Canada	-5.3%	-4.6%
Eastern and Western Canada Combined	-2.3%	-2.0%
United Furniture	3.2%	1.2%
Total Corporate Stores	-1.8%	-1.7%
Franchise Stores	3.5%	5.8%
Total Corporate & Franchise Stores	-1.6%	-1.4%

In this MD&A, references to same store sales in Western Canada include corporate stores situated in Manitoba, Saskatchewan, Alberta and British Columbia. References to same store sales in Eastern Canada include corporate stores located in Ontario and Quebec.

EBITDA – Retail Segment

Reported

EBITDA was \$47.0 million in 2005, compared to \$55.1 million in the previous year. The purchase accounting adjustment that relates to deferred lease inducements caused a reduction of \$1.9 million to reported EBITDA in 2005.

The Brick Group Income Fund
MANAGEMENT’S DISCUSSION AND ANALYSIS

Adjusted

Adjusted EBITDA of \$48.9 million, was \$6.2 million or 11.3% lower than the \$55.1 million achieved in the prior year. The decrease is primarily due to increased operating expenses attributable to the expansion of HomeShow, Sleep Better and United Furniture as well as the expansion of The Brick into Quebec.

Financial Services Segment Results for 2005

(000's of \$)	Twelve Months Ended December 31, 2005			Twelve months ended December 31, 2004
	As Reported	Elimination of Purchase Accounting Impact	Adjusted	
Sales and operating revenue	\$ 25,181	\$ 15,859	\$ 41,040	\$ 34,078
EBITDA ⁽¹⁾	15,136	11,884	27,020	24,543

Notes:

⁽¹⁾ See definition of EBITDA under “Non-GAAP Financial Measures”

Financial Services Sales and Operating Revenue

The financial services segment’s sales and operating revenues are comprised of earned revenues from its warranty business and earned premiums from its insurance operations.

Reported

Financial services segment sales and operating revenue decreased by \$8.9 million to \$25.2 million for the year ended December 31, 2005. A purchase accounting adjustment reduced reported sales and operating revenue by \$15.9 million but was offset by an increase in earned revenue.

The purchase accounting adjustment affecting sales and operating revenue in the financial services segment is related to deferred warranty plan revenue and is discussed in this MD&A under the heading “Purchase Accounting Adjustments”.

Adjusted

Adjusted financial services sales and operating revenue of \$41.0 million increased 20.4% compared to last year.

Organic growth of the existing warranty and insurance business accounted for 8.3% of the increase in adjusted sales and operating revenues while new third party insurance revenues accounted for 12.1% of the overall increase.

The Brick Group Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

Earned warranty revenues recognized in 2005 increased by 12.4% to \$24.6 million from \$21.9 million in 2004 as a result of growth in the volume of contracts written over the last five years.

Earned insurance premiums increased by 35.0% to \$16.4 million from \$12.2 million in 2004 primarily as a result of the new third party clients.

In 2005, the volume of warranty contracts written benefited from strong growth in flat panel television product sales. These new flat panel technologies attract higher warranty attachment rates as well as higher warranty prices. As well, mid-way through 2005, the financial services segment launched a successful re-designed furniture warranty program which resulted in higher attachment rates in the latter half of the year.

When compared to other retailers in its segment, management believes the Brick Group enjoys above-average warranty penetration rates and credit insurance penetration rates. Warranty penetration rates reflect the portion of eligible product sales upon which a warranty is sold. Credit insurance penetration rates reflect the portion of Brick Card balances that are covered by insurance.

As well, in 2005, the financial services segment was successful in driving improved warranty attachment rates among its Brick franchisees, and within the Brick's commercial sales division.

EBITDA – Financial Services Segment

Reported

EBITDA earned in 2005 by the financial services segment was \$15.1 million or \$9.4 million less than in 2004. Purchase accounting adjustments, relating to deferred warranty revenues, deferred acquisition costs and marketable securities resulted in a decrease of \$11.9 million to reported EBITDA in 2005.

Adjusted

Adjusted EBITDA from the financial services segment of \$27.0 million represented an increase of \$2.5 million or 10.1% compared to 2004. The slower growth in EBITDA (10.1%) in comparison to growth in sales and operating revenue (20.4%) can be attributed to higher direct costs normally associated with the new third party insurance clients and to reduced investment income.

NON-GAAP FINANCIAL MEASURES

EBITDA, adjusted EBITDA and Distributable Cash are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, adjusted EBITDA and Distributable Cash may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA, adjusted EBITDA and Distributable Cash should not be construed as alternatives to net earnings as determined in accordance with GAAP as indicators of performance, or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

The Brick Group Income Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS

EBITDA

References to "EBITDA" are to earnings before interest, income taxes and amortization. References to "adjusted EBITDA" are to earnings before interest, income taxes and amortization, adjusted to remove the effects of purchase accounting.

Management of the Brick Group believes that adjusted EBITDA is a useful financial measure as it represents a starting point in the determination of cash available for distribution to unitholders.

The following table reconciles adjusted EBITDA to adjusted net income for the three months and twelve months ended December 31, 2005 and 2004.

(000's of \$)	Three months ended December 31, 2005	Three months ended December 31, 2004
Adjusted EBITDA	\$ 24,819	\$ 26,377
Interest expense	(1,337)	(1,207)
Depreciation and amortization	(5,288)	(3,215)
Provision for income taxes	(211)	(361)
Adjusted net income	\$ 17,983	\$ 21,594

(000's of \$)	Year ended December 31, 2005	Year ended December 31, 2004
Adjusted EBITDA	\$ 75,896	\$ 79,615
Interest expense	(5,321)	(2,530)
Depreciation and amortization	(15,911)	(10,594)
Provision for income taxes	(3,481)	(9,765)
Adjusted net income	\$ 51,183	\$ 56,726

Distributable Cash and Distributable Cash per unit

Distributable Cash represents adjusted EBITDA, adjusted for debt service obligations, maintenance capital expenditures, and income taxes.

Fourth Quarter Distributable Cash

For the three months ended December 31, 2005, the Brick Group distributed \$0.30 per unit. During this same period the Brick Group generated Distributable Cash of \$0.42 per unit as calculated below.

The Brick Group Income Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS

(000's of \$ except per unit amounts)	Three months ended December 31, 2005, Adjusted
Adjusted EBITDA	\$ 24,819
Less:	
Debt service obligation	(1,497)
Maintenance capital expenditures	(396)
Corporate income taxes - current	(186)
Cash available for distributions	22,740
Cash available for distributions per unit	0.42
Cash distributions declared	16,253
Cash distributions declared per unit	0.30
Weighted average units outstanding during the period	54,171,133

Full Year Distributable Cash

For the year ended December 31, 2005, the Brick Group distributed \$1.20 per unit. During this same period the Brick Group generated Distributable Cash of \$1.21 per unit as calculated below.

(000's of \$ except per unit amounts)	Twelve months ended December 31, 2005, Adjusted
Adjusted EBITDA	\$ 75,896
Less:	
Debt service obligation	(5,948)
Maintenance capital expenditures	(1,766)
Corporate income taxes - current	(2,865)
Cash available for distributions	65,317
Cash available for distributions per unit	1.21
Cash distributions declared	65,006
Cash distributions declared per unit	1.20
Payout ratio	99.5%
Weighted average units outstanding during the period	54,171,133

In 2005, Class "A" unitholders received 78.9% of our distributable cash. The subordinated Class "B" unitholders received 20.6% of our distributable cash. The following table outlines the relative payout of distributable cash between Class "A" and Class "B" unitholders:

The Brick Group Income Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS

Breakdown of Payout Ratio by Unit Class					
	Distributable Cash		Distributions		Payout Ratio
Class "A" Units	\$	65,317	\$	51,505	78.9%
Class "B" Units	\$	65,317		13,501	20.6%
Total	\$	65,317	\$	65,006	99.5%

Distributions on the Class A and Class B units are cumulative, such that the amount of any deficiency from the \$0.10 per unit monthly distribution target will accumulate for 15 months. Payments of deficiencies, if any, on Class A units will be made in priority to distributions on the Class B units. Any deficiency in respect of a distribution on any units not satisfied within 15 months of the date it arose will cease to be payable. To date, no such deficiencies exist.

After the subordination in respect of Class B units has ended, cash available to make such distributions will be paid monthly to the holders of Class A units and Class B units pro rata, subject to any adjustments in the exchange ratio or the termination of the subordination arrangements. Readers of this MD&A are encouraged to refer to the Brick Group's Annual Information Form which provides further information on the Distribution Policy of the Brick Group and the subordination provisions of the Class B units.

An Alternative View of Distributable Cash

Distributable cash is used by income trusts as a measure of the cash generated and available for distribution to Unitholders. As this calculation is not prescribed by GAAP, different income trusts calculate this measure in different ways.

The Brick Group's current calculation for distributable cash and payout ratio starts with EBITDA and does not capture the full impact of our Financial Services segment, specifically our warranty and certain insurance cash flows. Under GAAP, these cash flows are deferred and taken into income on a straight-line basis over the term of the extended warranty or insurance period, even though they are received in the current period. In addition, the current EBITDA based calculation includes revenue recognized from the amortization of lease inducements. Management views lease inducements and their corresponding revenue recognition as a financing activity as opposed to a source of cash available for distribution.

Management has not changed its calculation of reported distributable cash and associated payout ratio at this time. However, through this alternative view, we are providing our unitholders a parallel view of our distributable cash that management believes is better aligned with the cash flows generated by the underlying business.

The Brick Group Income Fund
MANAGEMENT’S DISCUSSION AND ANALYSIS

The impact of applying this alternative view results in a payout ratio of 90.5%, or 9.0 ppts lower than our reported payout ratio of 99.5%. Management will continue to provide this alternative view of our Distributable Cash throughout the coming year.

Alternative View	2005
Funds flow from operations	\$ 90,631
Cash received for leasehold inducements	(10,432)
Increase in claims exposure	(5,921)
Principal payments	(715)
Maintenance capital expenditures	<u>(1,766)</u>
Distributable Cash	71,979
Distributions	<u>65,006</u>
Excess	6,791
Payout ratio	90.5%

Funds Flow From Operations

Funds flow from operations is equal to cash from operating activities before changes in non-cash operating working capital items as presented in our audited consolidated financial statements.

Cash Received for Leasehold Inducements

Management considers cash received for leasehold inducements to be a source of financing for growth capital expenditures as opposed to a source of cash available for distribution. Therefore, in the alternative view, cash received for leasehold inducements is deducted in calculating Distributable Cash.

Increase in Claims Exposure

The alternate view calculation deducts an amount from Distributable Cash to address the increase in claims exposure (i.e. future warranty and certain insurance claims) of the warranty and insurance portfolios. This is driven by two factors, including the change in the size of the portfolios as well as the changes in estimated future claims rates.

Principal Payments

As interest expense is already deducted in deriving funds flow from operations, principal payments are deducted in the alternative view to ensure all debt servicing is considered.

Maintenance Capital Expenditures

This amount is the same as that which is currently deducted in the reported calculation of Distributable Cash.

The Brick Group Income Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS

Distributions for the Period

Distributions remained unchanged in the fourth quarter of 2005. The Brick Group utilizes cash flow from operations in addition to its Revolving Credit Facility to fund unit holder distributions.

Management believes that the Brick Group has sufficient liquidity to meet all its working capital, distributions, and capital needs for the next twelve months.

2005 Distributions

The Brick Group's goal is to provide a long-term and stable base of distributable cash growth. During 2005, the Brick Group met all distribution targets of \$0.10 per unit per month for Class A and Class B units. Total cash distributions for the period were \$65 million. Details are shown in the tables below:

Period	Record Date	Payment Date	Per Unit	Amount
Class A units				
January 2005	January 31, 2005	February 15, 2005	0.1000	\$ 4,292
February 2005	February 28, 2005	March 15, 2005	0.1000	4,292
March 2005	March 31, 2005	April 15, 2005	0.1000	4,292
April 2005	April 29, 2005	May 16, 2005	0.1000	4,292
May 2005	May 31, 2005	June 15, 2005	0.1000	4,292
June 2005	June 30, 2005	July 15, 2005	0.1000	4,292
July 2005	July 29, 2005	August 15, 2005	0.1000	4,292
August 2005	August 31, 2005	September 15, 2005	0.1000	4,292
September 2005	September 30, 2005	October 17, 2005	0.1000	4,292
October 2005	October 31, 2005	November 15, 2005	0.1000	4,292
November 2005	November 30, 2005	December 15, 2005	0.1000	4,292
December 2005	December 30, 2005	January 16, 2006	0.1000	4,293
Class B units				
January 1 - March 31, 2005	March 31, 2005	April 15, 2005	0.3000	3,375
April 1 - June 30, 2005	June 30, 2005	July 15, 2005	0.3000	3,375
July 1 - September 30, 2005	September 30, 2005	October 17, 2005	0.3000	3,375
October 1 - December 31, 2005	December 30, 2005	January 16, 2006	0.3000	3,376
				\$ 65,006

Distributions are declared monthly to the Class A unitholders of record on the last business day of each month, and quarterly to the Class B unitholders of record on the last business day of each fiscal quarter. Distributions are expected to exceed distributable cash during slower periods of the year.

The Distribution Committee of the Board of Trustees reviews and approves cash distributions on a monthly basis, taking into account the Brick Group's current and prospective performance. The factors considered in making decisions relating to distributions include cash amounts to service debt obligations, maintenance and growth capital expenditures, seasonality, and other items considered to be prudent.

The Brick Group Income Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS

Based on the Brick Group's financial performance for the year ended December 31, 2005, the distributable cash payout ratio was 99.5% in 2005. As previously disclosed, the Brick Group may from time to time finance its cash distributions from drawings upon its existing cash flow or its Operating Facility in order to permit the payment of equal monthly distributions on units of the Brick Group.

OUTSTANDING UNIT DATA

At December 31, 2005 and March 20, 2006, the Brick Group had 42,924,016 Class A and 11,247,117 Class B units outstanding. William H. Comrie holds a 39.80% interest in the Brick Group through 10,314,866 Class A trust units (19.04%) and 11,247,117 Class B units (20.76%).

LIQUIDITY AND CAPITAL RESOURCES

The following table shows the statement of cash flows for three months and the year ended December 31, 2005:

Liquidity

Source (Use) of Cash (000's of \$)	Three months ended December 31, 2005, Adjusted	Twelve months ended December 31, 2005, Adjusted
Operating activities		
Retail	\$ 22,971	\$ 50,470
Financial	<u>11,716</u>	<u>40,161</u>
Funds Flow from Operations	34,687	90,631
Change in working capital	<u>4,810</u>	<u>22,497</u>
	39,497	113,128
Financing	(248)	(2,961)
Distributions	(16,251)	(69,989)
Investing	(8,563)	(27,730)
Increase in cash	\$ 14,433	\$ 12,448

Cash Flow from Operations

Cash generated from operating activities was \$34.7 million in the fourth quarter, reflecting the seasonal strength typical of the fourth quarter. For the year ended December 31, 2005, the Brick Group generated \$90.6 million from operating activities.

Changes in non-cash working capital generated \$4.8 million during the fourth quarter and \$22.5 million for the year. Working capital fluctuates seasonally, largely driven by changes in inventory and accounts payable. Working capital needs are the highest in the first quarter of the year, with the position typically strengthening throughout the year.

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The Brick Group will utilize cash flow from operating activities in addition to its Credit Facilities to fund unit holder distributions, seasonal fluctuations in working capital requirements, capital expenditures, acquisitions and investments, and to fund debt service requirements. Please refer to our discussion entitled “Financing Resources” in this MD&A for further information regarding the Brick Group’s Credit Facilities.

As previously indicated, management believes that the Brick Group has sufficient liquidity to meet all its working capital, distributions, and capital needs for the next twelve months.

Financing Activities

During the fourth quarter, the Brick Group declared cash distributions to unitholders of \$16.3 million, bringing cash distributions to \$65 million (\$1.20 per unit) for the year ended December 31, 2005 of which \$7.7 million was paid in cash subsequent to December 31, 2005. Unpaid December 2004 distributions of \$12.7 million were paid in January 2005, resulting in a net cash payment of \$70 million for the year. The Brick Group also made promissory note payments of \$2.2 million in the first quarter related to the United Furniture purchase, and made mortgage principal payments of \$0.7 million during 2005.

Investing Activities

The Brick Group invested \$25.8 million in store renovations, system improvements and store expansion in 2005. Tenant inducements of \$10.4 million reduced the expenditures in this area to a net amount of \$15.4 million. Investments in intangible assets of \$0.8 million related primarily to Sleep Better banner development costs. During the year, expenditures to acquire marketable securities exceeded proceeds from the sales of marketable securities by \$1.1 million.

Contractual Commitments

The following table provides an overview of the Brick Group’s contractual commitments as at December 31, 2005.

(thousands of dollars)	Total	1 - 3 years	4 - 5 years	After 5 years
Long-term debt	\$ 81,470	\$ 81,470	\$ -	\$ -
Purchase obligations				
Commercial letters of credit	801	801	-	-
Outstanding purchase orders	93,500	93,500	-	-
Operating leases	511,443	164,335	92,466	254,642
Total contractual obligations	\$ 687,214	\$ 340,106	\$ 92,466	\$ 254,642

Capital Expenditures

The Brick Group’s maintenance capital expenditures during the year ended December 31, 2005 totaled \$1.8 million. Upon review of the maintenance capital plan, it was determined that the

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number of new stores and major renovations completed in the last few years and stores scheduled for major upgrades or relocation in the near term has dramatically reduced the necessity for major maintenance expenditures this fiscal year.

Maintenance capital expenditures include those required to maintain and upgrade existing facilities, information systems, distribution infrastructure and equipment. In general, maintenance capital expenditures are undertaken to maintain existing levels of EBITDA. Growth capital expenditures for the year reached \$13.6 million, net of tenant inducements, primarily for new and relocated stores and the Mississauga distribution centre.

Growth capital expenditures are those related to the opening of new locations and substantial renovations and expansions of existing locations. Growth capital expenditures are undertaken with the expectation that they will generate incremental EBITDA.

Financing Resources

At the end of the year, \$7.6 million was drawn under the \$65.0 million Revolving Credit Facility leaving \$57.4 million available undrawn credit, the full \$70.0 million was drawn under the Term Credit Facility, and \$0.8 million was drawn under the Commercial Letter of Credit Facility leaving \$14.2 million undrawn credit. The existing credit facilities are explained in more detail in the Notes to the Financial Statements.

The bank syndicate requires the Brick Group to maintain a maximum ratio of total debt to EBITDA, a minimum fixed charge coverage ratio, and a maximum ratio of adjusted total debt to EBITDAR (defined as EBITDA plus rent), as set out in the credit agreement between the Brick Group and the banking syndicate. Distributable cash must remain above certain targets set by the Bank Syndicate. As at December 31, 2005, the Brick Group was in compliance with all covenants contained in the credit facilities.

On November 9, 2005, the Brick Group secured a number of amendments to its credit facilities. The documentation for these amendments was finalized on February 13, 2006. These amendments will provide the Brick Group the flexibility to fund both its future growth and to meet its short term cash needs. In addition to providing more favourable pricing, these amendments included replacing the \$65 million Revolving Credit Facility with a \$50 million Operating Facility (subject to margin requirements) to be used for general corporate purposes, including investments, acquisitions and growth capital expenditures; and a \$50 million Acquisition Facility to be used for investments, acquisitions, and growth capital expenditures. The Brick Group's Commercial Letter of Credit Facility was reduced to \$5 million from \$15 million, to reflect the lower level of drawing requirements needed under this facility. The Operating Facility and the Acquisition Facility are repayable in full on July 2, 2008. The \$70 million Term Facility and Commercial Letter of Credit Facility continue to be repayable in full on July 20, 2007. In addition, amendments were made to its Adjusted Total Debt to EBITDAR covenant, its Fixed Charge coverage covenant, and the Distribution covenant, which provide enhanced flexibility. An additional Canadian chartered bank also joined the Brick Group's banking syndicate.

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SUMMARY OF QUARTERLY RESULTS

Adjusted for the periods after July 20, 2004 to maintain comparability

The table below highlights the variability of quarterly results and the impact of seasonality on quarterly results. The first quarter of the year is typically the slowest period for the Brick Group, with results improving throughout the year. The third and fourth quarters are traditionally the Brick Group's strongest quarters due to seasonality.

	October 1 to December 31, 2005	July 1 to September 30, 2005	April 1 to June 30, 2005	January 1 to March 31, 2005
Sales and operating revenue:				
As Reported	\$ 343,547	\$ 323,356	\$ 293,269	\$ 254,233
Elimination of Purchase Accounting Impact	3,809	4,056	4,059	3,934
Adjusted	347,356	327,412	297,328	258,167
Net earnings:				
As Reported	13,453	11,713	9,175	(2,337)
Elimination of Purchase Accounting Impact	4,530	4,659	5,440	4,549
Adjusted	17,983	16,372	14,615	2,212
Basic and diluted net earnings per unit	0.33	0.30	0.27	0.04
Adjusted EBITDA	24,819	23,057	19,243	8,776
Distributable cash	22,740	20,543	16,182	5,851
Cash distributions declared	16,253	16,251	16,251	16,251

(000's of \$)	October 1 to December 31, 2004	July 1 to September 30, 2004	April 1 to June 30, 2004	January 1 to March 31, 2004
Sales and operating revenue				
As Reported	\$ 343,341	\$ 331,153	\$ 283,343	\$ 218,314
Elimination of Purchase Accounting Impact	3,667	3,156	<i>n/a</i>	<i>n/a</i>
Adjusted	347,008	334,309	283,343	218,314
Net earnings				
As Reported	16,503	8,934	9,578	6,753
Elimination of Purchase Accounting Impact	5,091	9,867	<i>n/a</i>	<i>n/a</i>
Adjusted	21,594	18,801	9,578	6,753
Basic and diluted net earnings per unit	0.40	0.35	<i>n/a</i>	<i>n/a</i>
Adjusted EBITDA	26,377	23,277	16,153	17,352
Distributable cash (July 20, 2004 to December 31, 2004)	20,981	17,988	<i>n/a</i>	<i>n/a</i>
Special non-cash distributions	4,984	-	<i>n/a</i>	<i>n/a</i>

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OFF-BALANCE SHEET ARRANGEMENTS

The Brick Group is exposed to risks of default on certain Brick Card balances owned and underwritten by one of its unrelated external service providers. This limited recourse liability relates only to the unique situation whereby the service provider initially declines to accept the customer's credit application but subsequently accepts the application upon the Brick Group's authorization. The customer account balances outstanding related to this arrangement totaled \$7.4 million as at December 31, 2005. Based on historical collection experience, the Brick Group estimates the total collection defaults on these outstanding balances to be \$ 0.7 million and, therefore, has accrued a liability in respect of this obligation in the financial statements for the period ending December 31, 2005. For further information on off-balance sheet arrangements, see notes 19 and 20 of the audited consolidated financial statements of The Brick Group Income Fund for the year ended December 31, 2005.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements, in conformity with Canadian GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Allowance for doubtful accounts

The Brick Group expects that a certain portion of required customer payments will not be made and maintains an allowance for these doubtful accounts. This requires an assessment and estimation of the credit worthiness of customers, the timing of collections, and the amounts that will be received. This allowance is based on management's estimation of the likelihood of recovering the accounts receivable.

Unpaid claims reserve

The unpaid claims reserve consists of a reserve for unpaid warranty and unpaid insurance claims as at the balance sheet date.

For warranty claims, the unpaid claims reserve includes an estimate of all reported claims that remain unsettled as at the balance sheet date. The unpaid claims reserve for warranty claims is based on assumptions and estimates of the cost of repairs and expected expenses associated with the payment of such claims.

For insurance claims, the unpaid claims reserve includes an estimate of both reported and unreported claims that remain unsettled as at the balance sheet date. The unpaid claims reserve for insurance claims is based on assumptions and estimates of loss emergence, payment rates, interest and expected expenses associated with the payment of such claims.

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Management believes that the unpaid claims reserve includes appropriate provisions for risk that arises from the uncertainty inherent in the aforementioned assumptions and estimates.

Sales revenue

The Brick Group records a provision for sales returns and price guarantees based on historical experience and actual experience subsequent to year-end.

Vendor Rebates

Certain vendor rebates and other supplier discounts are included in income as a reduction in cost of goods sold. Volume rebates are recorded based on annualized expected purchase volumes where applicable. All other rebates and discounts are recorded when the related expense is incurred.

Capital assets

Capital assets are recorded at cost. Capital assets are amortization using the straight-line method over their estimated useful lives. The carrying value of capital assets is evaluated whenever significant circumstances indicate impairment in value may have occurred. An impairment in value is considered to exist when the carrying value of a capital asset exceeds its net recoverable amount.

Goodwill and indefinite life intangible assets

Goodwill and intangible assets with indefinite lives are recorded at cost and are not amortized. Management reviews assets for impairment in the fourth quarter of every year, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Indefinite life intangible assets are written down if their carrying value exceeds their fair value.

Definite life intangible assets

Intangible assets with definite lives are recorded at cost and are amortized over their estimated useful lives using the straight-line method. Individual definite life intangible assets are tested for recoverability whenever events or changes in circumstances indicate that a carrying amount may not be recoverable. An impairment is recognized when the carrying amount is not recoverable and exceeds its fair value.

Income Tax

Income tax provisions, including current and future income tax assets and liabilities, may require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to the Brick Group's specific situation. Current and future income taxes are only provided for the taxable entities owned by the Brick Group. Any changes in future income tax assets and liabilities are charged to income in the period.

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Valuation on acquisition date

Valuation of acquired assets and liabilities on the acquisition date required the use of estimates to determine the purchase price allocation. Estimates were made of the fair values of capital assets, intangible assets, goodwill and other assets and liabilities acquired. In certain circumstances, such as the valuation of intangible assets and capital assets, management also relied on independent third party estimates.

RECENTLY ADOPTED AND PENDING ACCOUNTING POLICIES

Accounting Standards Adopted in the Current Year

AcG-15 - Consolidation of Variable Interest Entities

Effective January 1, 2005 the Brick Group adopted the recommendations of CICA Handbook Accounting Guideline 15 (AcG-15), Consolidation of Variable Interest Entities, effective for annual and interim periods beginning on or after November 1, 2004. Variable interest entities (“VIE”) are entities that are subject to control on a basis other than ownership of voting interests. Under generally accepted accounting principles (“GAAP”), the Brick Group consolidates variable interest entities in circumstances where the Brick Group absorbs the majority of the variable interest entities’ variability. The Brick Group currently does not have any variable interest entities.

Financial Instruments – Disclosure and Presentation

Effective January 1, 2005 the Brick Group adopted the amended recommendations of the CICA Handbook Section 3860, Financial Instruments – Disclosure and Presentation, effective for fiscal years beginning on or after November 1, 2004. Section 3860 requires that certain obligations that may be settled at the issuer’s option in cash or the equivalent value by a variable number of the issuer’s own equity instruments be presented as a liability. The Brick Group determined that there is no impact on the financial statements resulting from the adoption of the amendments to Section 3860.

Accounting Standards to be Adopted in Future Years

Sections 1530 & 3251 – Comprehensive Income and Equity

In January 2005, the Accounting Standards Board (“AcSB”) of the Canadian Institute of Chartered Accountants (“CICA”) issued new Handbook Section 1530, Comprehensive Income, and Section 3251, Equity. Section 1530 establishes standards for reporting and display of comprehensive income. It defines other comprehensive income to include revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. The section does not address issues of recognition or measurement for comprehensive income and its components.

Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in this section are in addition to those of Section 1530 and recommend that an enterprise should present separately the following components of equity:

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retained earnings, accumulated and other comprehensive income, the total for retained earnings and accumulated other comprehensive income, contributed surplus, share capital and reserves.

Section 3855 – Financial Instruments, Recognition and Measurement

In January 2005, the AcSB of the CICA issued Handbook Section 3855, Financial Instruments – Recognition and Measurement. The new accounting standard requires that all financial instruments, including derivatives are to be included on a company's balance sheet and measured, either at their fair value or, in limited circumstances where fair value may not be considered most relevant, at cost or amortized cost. The standard also specifies when gains and losses that result from changes in fair values are to be recognized in the income statement.

Section 3865 – Hedges

In January 2005, the AcSB of the CICA issued Handbook Section 3865, Hedges. The new accounting standard extends existing requirements for hedge accounting and comprehensively specifies how hedge accounting should be performed.

The mandatory effective date for the new Sections 1530, 3251, 3855 and 3865 is for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Earlier adoption is permitted only as of the beginning of a fiscal year ending on or after December 31, 2004. The Brick Group is in the process of evaluating the impact of these recently issued standards.

Section 3831 – Non-Monetary Transactions

In June 2005, the AcSB issued Handbook Section 3831, Non-Monetary Transactions, replacing Section 3830 of the same title. The new accounting standard, effective for non-monetary transactions initiated in periods beginning on or after January 1, 2006, requires all non-monetary transactions be measured at fair value unless certain conditions are satisfied. The Brick Group is in the process of evaluating the impact of this recently issued standard, but does not expect that the new standard will have a material impact on its financial position or results of operations.

Implicit Variable Interests Under AcG-15

In October 2005, the Emerging Issues Committee of the CICA (the "EIC") issued Abstract No. 157, Implicit Variable Interests under AcG-15 (EIC-157), to address whether a company has an implicit variable interest in a VIE or potential VIE when specific conditions exist. An implicit variable interest acts the same as an explicit variable interest except it involves the absorbing and/or receiving of variability indirectly from the entity (rather than directly). The identification of an implicit variable interest is a matter of judgment that depends on the relevant facts and circumstances. EIC-157 will be effective in the first quarter of 2006. The Brick Group does not expect the impact of this abstract to be material.

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PURCHASE ACCOUNTING ADJUSTMENTS

Deferred Warranty Plan Revenue

Warranty contract revenues are recorded as unearned revenues at the time of sale and are recognized into income over the term of the warranty contract which commences upon the expiration of the manufacturer's warranty period. Unamortized proceeds from contracts in force at the acquisition date would normally have been recognized into income over the remaining term of the contract life. At the acquisition date, the fair value of the liability associated with those existing warranty contracts was \$49.9 million less than the book value of deferred warranty revenue.

The approach used to determine the fair value of the liability was to assess the amount a third party would require as consideration in exchange for assuming the existing warranty liabilities at the acquisition date. This involved estimating the anticipated cost of future claims associated with the existing book of business at the acquisition date and allowing for a reasonable profit for the third party in addition to those claims costs the third party would expect to incur. The difference between the two values is deferred profit that would have been recognized over the remaining life of the warranty contracts.

The application of purchase accounting at July 20, 2004 results in a \$49.9 million reduction of the deferred warranty contract revenue credit on the balance sheet. The reduced amount is not reflective of the on-going warranty operations as the terms of the contracts in force at July 20, 2004 did not change due to the application of purchase price accounting. The purchase accounting adjustment will decrease sales and operating revenue over the terms of the contracts to which the deferred warranty contract revenue on the balance sheet at July 20, 2004 relates. It is estimated this adjustment will no longer have a significant impact after 2009.

In order to present comparative and informative information for the warranty operations, the effect of this purchase accounting adjustment has been presented and an adjusted sales and operating revenue number calculated. This allows the current period to be compared to the prior period, in which there was no purchase accounting adjustment impact.

Deferred Acquisition Costs

Deferred acquisition costs are direct costs associated with the sale of a warranty contract, such as commissions paid to sales staff. GAAP requires that costs directly related to the acquisition of a contract and that would have not been incurred but for the acquisition of that contract be deferred and charged to expense in proportion to the revenue recognized. The deferral of such acquisition costs allows for the matching of expenses with the associated revenues. Deferred acquisition costs are amortized over the term of the warranty period on the same basis as the associated revenues are recognized.

As purchase accounting requires all items to be measured at fair value, the deferred acquisition costs on the balance sheet had to be reduced by \$12.5 million on the acquisition date. This

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purchase accounting adjustment will decrease cost of sales over the terms of the contracts to which the deferred acquisition costs on the balance sheet at July 20, 2004 were associated. The decrease in cost of sales due to this purchase price adjustment will affect net income until approximately 2009.

Deferred Lease Inducements

Lease inducements applicable to real estate leases are recorded initially as deferred credits on the balance sheet of the Brick Group. The benefits of these lease inducements are recognized as a reduction of selling, general and administrative ("SG&A") expense over the term of the lease. At acquisition date, purchase accounting adjustments reduced the carrying value of these deferred lease inducements by \$17.8 million.

The effect of reducing this deferred credit balance is that SG&A expense recognized in post-acquisition periods will be higher over the life of these lease agreements by the amount of this purchase accounting adjustment. Thus, it becomes difficult to compare SG&A expense from the current period with periods prior to acquisition that is not affected by this purchase accounting adjustment. To facilitate a comparison between periods, an adjusted amount has been calculated to exclude the effects of purchase accounting from post-acquisition periods.

Marketable Securities

Purchase accounting required that the carrying values of marketable securities on hand at July 20, 2004 be adjusted to their fair values. This resulted in a net increase in the carrying value of these marketable securities of \$365,000. As the marketable securities held at July 20, 2004 are sold this purchase accounting adjustment is decreased. The decrease in this purchase accounting adjustment is recognized as a reduction (increase) in the gain (loss) recognized on disposal of these marketable securities and is included as part of other income on the income statement.

Long-term Debt

The carrying value of long-term debt also had to be adjusted to fair value at the acquisition date. This resulted in an increase of \$703,000 in the carrying value of the debt. As the term of the debt decreases, the purchase accounting adjustment diminishes. This is reflected through a reduction of interest expense on long-term debt on the income statement.

Future Income Taxes

The organizational structure of the Brick Group includes various legal entities including partnerships, trusts and corporations. Partnerships are not considered to be taxpayers in Canada, therefore, partnerships do not record a tax expense in their financial statements. The trusts within the organizational structure of the Brick Group are mandated to distribute all of their taxable income to their beneficiaries and, as a result, will also not record a tax expense in their financial statements. Therefore, differences between the book value of assets and liabilities of the partnerships and trusts and their underlying tax basis do not give rise to future income tax assets and liabilities in the consolidated financial statements of the Brick Group. Only such

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differences related to assets and liabilities of the corporations within the structure give rise to future income tax assets, liabilities and expenses. The significant operations of the Brick Group that are carried on through corporate structures are the warranty and insurance businesses.

At the acquisition date the assets and liabilities owned by the warranty and insurance businesses were adjusted to their fair value. Deferred acquisition costs and customer contracts were the assets, and deferred warranty revenue was the liability, which were revalued at amounts that were different than their carrying values. The re-valuation of these items had the effect of creating an additional future tax liability of \$15.7 million, which will be recognized as a recovery of future income tax in the income statement over the next five years.

Capital and Intangible Assets

The carrying value of capital assets was increased by \$46.8 million at the acquisition date to reflect the fair value of those assets, and intangible assets subject to amortization, were increased by \$39.1 million. These increases in value cause amortization expense to be significantly higher in the current and future periods as compared to periods prior to the acquisition.

As discussed above, as a result of purchase accounting adjustments, revenues and expenses reported in the Brick Group's financial statements for periods subsequent to July 20, 2004 are not comparable to revenues and expenses presented for periods prior to July 20, 2004 in this MD&A.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Brick Group is exposed to financial risks that arise from fluctuation in interest rates and foreign exchange rates and the degree of volatility of these rates.

The Brick Group is exposed to foreign currency fluctuations to the extent that approximately 15% of inventory purchases are made in U.S. dollar prices. In 2005, the Brick Group began entering into foreign exchange contracts in U.S. dollars. These contracts are used to minimize a portion of the risk associated with future purchases of foreign currency denominated goods and services with an emphasis on those purchases that are expected to be completed the following month. These derivative contracts are not accounted for as hedges, are marked to market, and any changes in the market value are recorded in income or expense when the changes occur. The fair values of these instruments are recorded in accounts payable or accounts receivable.

As at December 31, 2005, foreign exchange contracts with a notional maturity amount of \$11,541 CDN were outstanding with a weighted average term to maturity of 26 days and an unrealized gain of \$81 CDN.

RISK FACTORS

Careful consideration should be given to the following risk factors. These descriptions of risks are not the only ones facing the Brick Group. Additional risks and uncertainties not presently known to the Brick Group, or that the Brick Group deems immaterial, may also impair the

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operations of the Brick Group. If any of such risks actually occur, the business, financial condition, liquidity, and results of operations of the Brick Group could be materially adversely affected and the ability of the Brick Group to make distribution its Class A and Class B units could be adversely affected.

Readers of this MD&A are also encouraged to refer to the Brick Group's Annual Information Form which provides further information on the risk factors facing the Brick Group.

General Economic Conditions

The health of the Canadian economy as a whole, and the regional markets in which the Brick Group operates, has represented, and is currently expected to continue to represent, the principal determinant of the Brick Group's profitability and cash flows from operations. Accordingly, the Brick Group's financial results are sensitive to interest rates, domestic product growth, consumer confidence, housing starts, availability of consumer credit and the level of unemployment.

Expansion through Acquisition

As part of the Brick Group's business strategy, The Brick Group may acquire additional businesses, assets or services that are complementary to the business of the Brick Group in the future. The acquisition and development of existing businesses to be operated by the Brick Group are dependent on the ability of the Brick Group to identify, acquire and develop suitable acquisition targets in both new and existing markets. While the Brick Group is careful in selecting businesses to acquire, acquisitions involve a number of risks, including the possibility that the Brick Group pays more than the acquired company or assets are worth; the additional expense associated with completing an acquisition and amortizing any acquired intangible assets; the difficulty of assimilating the operations and personnel of the acquired business; the challenge of implementing uniform standards, controls procedures and policies throughout the acquired business; the inability to integrate, train, retain and motivate key personnel of the acquired business; the potential disruption of the Brick Group's ongoing business and the distraction of management from its day-to-day operations; the inability to incorporate acquired businesses successfully into the Brick Group's operations; and the potential impairment of relationships with the Brick Group's employees, customers and strategic partners. Such risks, if they materialize, could have a material adverse effect on the Brick Group's business, financial condition, liquidity and results of operations.

In addition, the Brick Group may not be able to maintain the levels of operating efficiency that any acquired companies had achieved or might have achieved separately. Successful integration of each of their operations would depend upon the Brick Group's ability to manage those operations and to eliminate redundant and excess costs. As a result of difficulties associated with combining operations, the Brick Group may not be able to achieve the cost savings and other benefits that it would hope to achieve with these acquisitions. Any difficulties in this process could disrupt the Brick Group's ongoing business, distract its management, result in the loss of key personnel or customers, increase its expenses and otherwise materially adversely affect its business, financial condition, liquidity and operating results.

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In the event of any future acquisitions, the Brick Group could issue additional units, which would dilute its existing unitholders' interests, incur debt or assume liabilities. The Brick Group cannot assure investors that this will not have a material adverse effect on the Brick Group's business, financial condition, liquidity and operating results.

Additional indebtedness would make the Brick Group more vulnerable to economic downturns and may limit its ability to withstand competitive pressures. The terms of any additional indebtedness may include restrictive financial and operating covenants, which would limit the Brick Group's ability to compete and expand.

Rebranding Plan

The success of the rebranding initiative is dependent on a number of risk factors, including the Brick Group's ability to realize cost reductions and operational efficiencies. Cannibalization may impact Brick stores as a result of similar promotions and product offerings for The Brick Superstore and The Brick Mattress Store.

Competition

The Brick Group faces competition in all regions in which its operations are located and in each of its product categories. This competition may restrict the Brick Group's ability to maintain or raise prices and margins or result in the loss of market share.

Third Party Credit Providers

The success of the Brick Group depends, in part, on its relationship with its third party credit providers. The Brick Group relies on two third party credit suppliers in supplying financing alternatives to its customers. There can be no assurance that the Brick Group will be able to continue to secure financing products for its customers on terms similar to current terms or at all. Significant changes in the financing terms offered to the Brick Group's customers, the unavailability of such products, the deterioration in the Brick Group's relationships with either of its two third party credit providers, or the loss of one or both of these providers could have a material adverse effect on the Brick Group's business, financial condition, liquidity and results of operations.

Tariffs on Imports from Asia

A group of Canadian furniture manufacturers have recently asked the federal government for a surtax to be placed on goods coming in from China (70% for the first year, 50% for the second year and 25% for the third year). The Canadian International Trade Tribunal (CITT) is anticipated to make its decision in the spring of 2006, as to whether or not it will move forward to formally hear this case. If the Canadian manufacturers are successful, this will increase the costs of these products to the Brick Group. Management believes the Brick Group's offshore sourcing subsidiary will be in a position to source products from alternative countries, should this surtax be imposed.

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Extended Warranty Programs

The Brick Group offers self-insured extended warranty contracts on certain of the products it sells. The liability for these contracts is based on a number of factors, including historical trends in product failure rates, expected material and labour costs necessary to provide the services, and the frequency and severity of repair costs. The Brick Group's warranty contract portfolio is exposed to the risk that a particular underlying technology is inherently flawed, which would result in the failure of multiple models produced by various manufacturers. As well, the cost of the Brick Group's warranty business could increase if manufacturers reduce the availability of parts necessary to repair products, raise part prices or significantly increase their own warranty periods. The accounting for self-insured extended warranty contracts requires the Brick Group to make assumptions and apply judgment when estimating these factors. If actual results are not consistent with the assumptions and judgments used to calculate the Brick Group's extended service contract liability, the Brick Group may be exposed to losses that could have a material adverse effect on the Brick Group's financial condition, liquidity and results of operations.

Premium Tax Contingency

Trans Global Warranty Corp., a subsidiary of The Brick Group Income Fund, does not remit provincial premium tax related to the sale of protection plans in any province other than Ontario. In the opinion of management, the relevant provincial legislation supports this filing position. The Alberta tax authorities have assessed Trans Global Warranty Corp. for premium taxes related to sales from 1987 to 2004. The estimated total liability related to this period is \$5,504 (\$4,664 - net of income taxes). Trans Global Warranty Corp. is disputing these assessments and is defending its position with the Alberta tax authorities. No other provinces have assessed the Trans Global Warranty Corp. for premium taxes. If Trans Global Warranty Corp. is required to remit premium taxes related to the sale of protection plans in Alberta and/or any of the other provinces, the estimated total liability due to non-remittance of premium taxes as at December 31, 2005 is \$8,187 (\$6,530 net of income taxes). No provision has been made in the consolidated financial statements for such taxes.

Taxes

Entities within the Brick Group, and their predecessor entities, are subject to audit by various tax authorities. These audits may give rise to assessments related to tax filing positions the Brick Group or its predecessors have taken. The Brick Group assumed certain tax liabilities of its predecessor entities as part of the restructuring that took place prior to the Brick Group's initial public offering in July, 2004. If management believes it is likely that the Brick Group will incur a liability for any filing position, or any assessment received as part of a tax audit, an adequate provision is made in the financial statements of the Brick Group.

In situations where an assessment has been received and management assesses that the original filing position is likely to be upheld, any significant exposure to the Brick Group is disclosed as a contingent liability in the notes to the Brick Group's financial statements. The Brick Group actively appeals any such assessments, engaging professional advisors, as required, to assist in

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defending its filing positions. If management is unsuccessful, an adequate provision is made in the financial statements in the period of final resolution.

Key Personnel

The success of the Brick Group depends, in part, on the retention of senior management. There can be no assurance that the Brick Group would be able to find qualified replacements for the individuals who make up its senior management team if their services were no longer available. The loss of services of one or more members of the senior management team could adversely affect the Brick Group's ability to effectively pursue its business strategy. The Brick Group does not maintain key-man life insurance for any of its employees.

Management Information Systems

Management relies heavily on management information systems to analyze operating performance on a regular basis. Additionally, the Brick Group depends on its management information systems in all areas of its operations, including supply chain management, inventory control, point of sales systems and after-sales service. If these systems fail or become obsolete, the Brick Group may be adversely affected.

Litigation

In the normal course of business, the Brick Group is subject to a number of claims and legal actions that may be made by customers, suppliers and others in respect of which either an adequate provision has been made in the Brick Group's financial statements (in the event management believes the Brick Group will incur liability for such claim or legal action), or for which no material liability is expected. If management's assessment of its liability for any such claim is incorrect and the Brick Group is unsuccessful in defending its position, the amount of the judgment or penalty would become an expense in the period such claim was resolved.

Cash Distributions

Although the Brick Group intends to distribute the interest and cash distributions received less expenses and amounts, if any, paid by the Brick Group in connection with the redemption of the units, there can be no assurance regarding the amounts of income to be generated by the Brick Group's businesses or ultimately distributed to the Brick Group. The ability of the Brick Group to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the Brick LP, and will be subject to various factors including each of its subsidiaries financial performance, its obligations under applicable credit facilities, fluctuations in its working capital, the sustainability of its margins and its capital expenditure requirements. The market value of the Units may deteriorate if the Brick Group is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

The Brick Group Income Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS

OUTLOOK

Rebanning Initiative

Management believes the Brick Group is well positioned to endure potential economic and competitive challenges in 2006. Our strategy to expand our principal banner through the rebanning of HomeShow, Sleep Better and certain United Furniture locations should optimize the significant value of The Brick brand, which has a 35 year presence in Canada. The Brick Group will convert approximately 22 of its 86 United Furniture locations to The Brick, taking advantage of locations where The Brick does not have a market presence. This initiative, which requires modest amounts of capital, should result in considerable operating efficiencies by allowing management to leverage the strength of our core business and most recognized and profitable brand, The Brick.

Specifically for those locations impacted by this initiative, management is targeting a net incremental EBITDA of approximately \$4 million in 2006. We will measure the success of this rebanning initiative against this target. Of the \$4 million, we expect to generate approximately \$3 million alone through the reduction of controllable costs, mainly in our advertising line.

The benefits of this rebanning plan include the following:

United Furniture Warehouse – 22 Locations Being Rebanned to The Brick

- ✓ Anticipated increased sales and profitability in the 22 United Furniture locations being rebanned as Brick locations, driven by a combination of factors:
 - Addition of appliances and home electronics to those United Furniture locations which traditionally have not carried appliances and electronics; While United Furniture's retail selling space is typically smaller than a traditional Brick location, in some locations we will be converting backroom warehousing space into retail space, allowing for the incremental product lines.
 - Increased linehaul efficiency from having more Brick stores along our existing delivery routes.
 - Increased brand awareness and exposure to the public, leveraging off The Brick banner's existing advertising dollars across the country.
 - Access to over 6,000 items through The Brick's online shopping at www.thebrick.com.
- ✓ Anticipated increased sales and profitability at the remaining 61 United Furniture locations, as a result of leveraging United Furniture's recent integration with the Brick Group's newly centralized distribution systems and warehouses, and management's increased focus on those mostly major urban centre locations remaining under the United Furniture banner.

The Brick Group Income Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS

HomeShow Canada – All 3 Locations Rebannered to The Brick Superstore

- ✓ Reduced operating costs, leveraging The Brick's existing Greater Toronto advertising dollars, while at the same time optimizing and streamlining HomeShow and The Brick's existing operations' infrastructure.
- ✓ As with United Furniture, consumers will also gain access to over 6,000 items through The Brick's online shopping at www.thebrick.com.
- ✓ Increased leverage of the existing consumer credit cardholder base under The Brick banner, which remains a real asset within the Brick Group.

Sleep Better – All Locations Rebannered to The Brick Mattress Store

- ✓ Management believes this rebannered initiative will yield many of the same benefits noted above for United Furniture and HomeShow.
- ✓ In addition, we should see benefits to inventory management, vendor programs within The Brick, and working capital as there will be a realignment of product offerings.
- ✓ The anticipated savings from leveraging The Brick's existing advertising dollars, and the anticipated increase in consumer awareness, will support management's intention to continue with the expansion of its specialty sleep shop concept.

One benefit that will span the United Furniture, The Brick Superstore, and The Brick Mattress Store brands will be the rollout of a co-branded Brick Platinum Card at these locations, making it easier for our existing and new customers to shop at any of our stores and provide them with extended financing offers while also bolstering our credit insurance revenue. As mentioned earlier, the great majority of our purchase financing is provided by third party credit providers, with no recourse to The Brick.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For 2006, after rebannered, we anticipate adding 17 corporate locations and closing 5 for a net increase of 12 locations across the country. The following is a summary of the Brick Group's projected store count, after the rebannered initiative is complete.

Store Count			
	At December 31, 2005	After Rebannered	2006 Projection
Corporate Stores			
Brick	65	83	86
Brick Clearance Centres	9	10	10
HomeShow (Rebannered as The Brick Superstore)	3	3	3
SleepBetter (Rebannered as The Brick Mattress Store)	11	14	27
United Furniture	86	61	57
Corporate Store Subtotal	174	171	183
Franchise Stores			
Brick Franchise	19	22	28
UFW Franchise	1	1	1
Franchise Subtotal	20	23	29
Total Corporate and Franchise Stores	194	194	212

Franchised Locations

In addition to our corporate locations, our franchise business has experienced significant growth over the past year. With our new additions in 2005, we saw a 50% year over year increase in total sales by franchise stores. We anticipate adding another 9 franchise locations in 2006, three of which will be United Furniture conversions. Typically, franchises enable expansion in tertiary markets where we currently do not have a presence. Management is committed to grow this segment of the business, which requires no capital investment from the Brick Group.

Distribution, Delivery, and Repair Services

Consolidation of our distribution and delivery services and the construction of our new distribution center in Calgary, which is slated to open mid-summer of 2006, are well under way. The Brick Group is also expanding its distribution centre in Burnaby, British Columbia, which is also scheduled to open mid-summer, 2006. Our new distribution centre in Mississauga (859,000 sq.ft.) opened in February 2006. Pre-opening expenses related to the Mississauga distribution centre will be incurred in the first quarter of 2006.

These initiatives coincide well with our rebannered initiative as we move towards simplifying the way we do business and increasing efficiencies. As a result of our rebannered initiative, the Brick Group is not proceeding with rebannered its distribution centres and fleet to Trans Global Distribution. However, the Brick Group did rebanner its repair services division in 2005 to Trans Global Services, as it began to provide repair services to third parties.

The Brick Group Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Service Segment

The Financial Services segment continues to be a growing part of our business and provides stable cash flows through sales of credit insurance and product warranties. In 2006, warranty contract volume will continue to benefit from expanding sales of flat screen technologies driven by lower product price points and expanding availability of high-definition broadcasting. Consumers are unfamiliar with the reliability of these new technologies and look to protect their investment with warranty plans.

The expansion of the Brick brand through the rebannered of certain United Furniture locations should in itself increase warranty contract sales. Firstly, the addition of appliances and home electronics will create an opportunity to sell product warranties. Secondly, warranties on furniture which are currently provided to United Furniture's customers by a third party will be brought in-house to our financial services segment, Trans Global Warranty.

Economic Factors and Competition

The economic and competitive environment is changing rapidly, with increased uncertainty over the pace of economic growth in 2006. Housing starts and resales, unemployment, interest rates, energy costs, are all anticipated to weaken somewhat from levels in 2005. Management believes the absolute numbers associated with these leading indicators remain at levels that should not significantly impact consumers' buying decisions in the coming year. In management's opinion, the overall economy remains strong.

Within the competitive environment, competitors are taking advantage of lower priced import goods from Asia and it is possible that import duties may increase on goods imported from China. With our offshore sourcing subsidiary, we believe we are better positioned to source products from other countries.

These risks have all been factored into our business plan to prevent margin erosion while also providing customers with competitive prices. We believe that we can provide the best customer service by offering complete customer solutions including a full range of products from appliances and electronics to furniture and mattresses, offering long term, instant, flexible financing alternatives, offering same day delivery, and by providing long term customer service and support.

We also have a significant presence across Canada which we believe allows us to withstand regional economic disparity. At the end of 2005, the Brick Group had 194 store locations.

Management remains focused on our mission to drive sales, grow profitability, and to ultimately maintain sustainable and stable levels of distributions. We believe our rebannered initiative, the build out of our distribution centre infrastructure, our support of the Financial Services segment, our ongoing development of the franchise business, and our ongoing focus on our cost structure, are all aligned with the interests of our unitholders and our mission.

The Brick Group Income Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at December 31, 2005, the Brick Group's management has evaluated the effectiveness of the Brick Group's disclosure controls and procedures as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators and has concluded that such controls and procedures are effective.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements, within the meaning of applicable securities laws, including (but not limited to) statements about the Brick Group's profitability, the Brick Group's objectives and strategies, outlook for the Brick Group's business or the Canadian economy, the Brick Group's rebannered initiatives, targeted and expected financial results, and new products and services, and similar statements concerning anticipated future events, results, circumstances, performance or expectations, which reflect the Brick Group's current expectations and are based on information currently available to management. The words "may", "will", "should", "believe", "expect", "plan", "anticipate", "intend", "estimate", "predict", "potential", "target", "continue" or the negative of these terms, or other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking matters. . These statements speak only as of the date of this MD&A. In particular, this MD&A contains forward-looking statements pertaining to Distributable Cash and distributions per unit. The actual results could differ materially from those anticipated in these 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 Brick Group 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 forth in the forward-looking statements include, but are not limited to, fluctuations in interest rates and currency values, changes in economic and political conditions, legislative and regulatory developments, legal developments, the level of competition in the Brick Group's markets, the occurrence of weather related and other natural catastrophes, the ability to attract and retain key personnel, the ability to complete and integrate acquisitions, changes in tax laws, and those risks and uncertainties detailed in the section entitled "Risk Factors". The preceding list is not an exhaustive list of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Brick Group undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.