



Date: August 4, 2010

Management's Discussion and Analysis of Consolidated Financial Position and Results of Operations for the three and six month periods ended June 30, 2010.

The Brick Group Income Fund assumes the reader of this document has access to and has read The Brick Group Income Fund's 2009 Annual Management's Discussion and Analysis (the "2009 Annual MD&A"). Additional information about The Brick Group Income Fund can also be found in The Brick Group Income Fund's Annual Information Form dated March 25, 2010 (the "March 2010 AIF"). The 2009 Annual MD&A and the March 2010 AIF can be downloaded in portable document format ("PDF") from the SEDAR web site for Canadian regulatory filings at www.sedar.com or from www.thebrickgroup.ca. To request a printed copy, you may contact The Brick Group Income Fund at investor@thebrick.com.

The information in this Management's Discussion and Analysis ("MD&A") is supplemental to, and should be read in conjunction with, the unaudited interim consolidated financial statements of The Brick Group Income Fund for the three and six month periods ended June 30, 2010. These financial statements can be found at www.sedar.com or www.thebrickgroup.ca. The Brick Group Income Fund's interim consolidated 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 can also be found on SEDAR at www.sedar.com and at www.thebrickgroup.ca.

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. See "Non-GAAP Financial Measures".

TABLE OF CONTENTS

This MD&A is divided into the following sections:	Page
BUSINESS OVERVIEW	3
NON-GAAP FINANCIAL MEASURES	4
SECOND QUARTER AND YEAR-TO-DATE OPERATING RESULTS	6
SEGMENTED INFORMATION – RETAIL OPERATIONS	18
FINANCIAL POSITION	20
LIQUIDITY AND CAPITAL RESOURCES	21
OUTLOOK	30
ADJUSTED RESULTS OF OPERATIONS	32
DISTRIBUTIONS	33
OUTSTANDING UNIT DATA	34
CRITICAL ASSUMPTIONS	37
RISK FACTORS	45
CONTROLS AND PROCEDURES	46
NOTE REGARDING FORWARD-LOOKING STATEMENTS	46

1. 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”) and all of the outstanding shares of First Oceans Trading Corporation. United Furniture owns Trans Global Warranty Corp. and its subsidiaries Trans Global Insurance Company and Trans Global Life Insurance Company. 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.

Retail Operations

The Brick Group is one of Canada's largest volume retailers of household furniture, mattresses, appliances and home electronics. The Brick Group's strategy is centered on strengthening its competitive position and increasing its market share through organic growth within its retail banners: The Brick, United Furniture, The Brick Superstore, The Brick Mattress Store, and Urban Brick.

The Brick Group, through its first three banners listed above, targets the following three principal markets: the middle-income consumer, the lower-income consumer, and the middle to upper middle-income consumer, respectively.

The Brick Mattress Store banner, which was designed to compete with independent national bedding chains, features mid to high-end product lines including national brands and exclusive specialty products.

The Brick Group launched Urban Brick in the fourth quarter of 2008. Urban Brick provides condo dwellers and other metro market consumers with unique, stylish, high quality home furnishings at competitive prices.

Through its commercial sales division, which operates as both The Brick and Midnorthern Appliance, the Brick Group is a significant supplier in Canada of home appliances to builders, developers, renovators, property management companies, hotel and extended care industries, landlords, insurance companies, schools, and government bodies.

The Brick Group's repair service division provides household furniture, electronics and mechanical repair services to its customers. The repair services division also performs work in respect of warranties for products sourced without manufacturer warranties, for products sold with extended warranties and for products sent to the repair services division by manufacturers who need to repair a product under their manufacturer's warranty.

The Brick Group has foreign assets or operations in Hong Kong and China, through its wholly owned subsidiaries, First Oceans Trading Corporation and First Oceans Hong Kong Limited (collectively called “First Oceans”). These operations relate to the Brick Group's import program for sourcing products from Asia for resale in Canada through its retail operations.

As at June 30, 2010, the Brick Group operated 236 retail stores (including 52 franchise locations) in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Prince Edward Island, Nova Scotia, New Brunswick and Yukon.

Financial Services

The Brick Group operates a financial services segment that is primarily engaged in providing customers of the retail segment with extended warranty services on their product purchases, and credit insurance on balances that arise from retail purchase financing made available to retail customers through third party credit providers. Accordingly, the financial services segment is economically dependant on the retail segment as the majority of its revenues are derived from sales to customers of the retail segment. The financial services segment also provides credit and property insurance policies to third parties. Financial services are a stable and significant contributor to EBITDA (see “Non-GAAP Financial Measures”) and cash flow.

Our Warranty Business

The Brick Group commenced providing warranties to its customers in 1985. These warranties, underwritten by the Brick Group’s wholly-owned subsidiary, Trans Global Warranty Corp. (“TGW”), are offered on all appliances, electronics and upholstered and leather furniture to provide coverage that extends beyond the manufacturer’s warranty period by up to four years. Warranties are sold to customers when they are making their original purchase and take effect upon expiration of the manufacturer’s warranty period, which is typically one year. The warranty contracts provide both repair and replacement service depending upon the nature of the warranty claim.

Our Insurance Business

The Brick Group offers holders of the Brick and United Furniture credit cards (collectively, the “Brick Card”), credit insurance on their Brick Card balances with coverage that includes life, dismemberment, disability, critical illness, involuntary unemployment, property, and family leave of absence.

These credit insurance policies are underwritten by Trans Global Insurance Company (“TGI”) and its sister company, Trans Global Life Insurance Company (“TGLI”), both subsidiaries of TGW. TGI and TGLI commenced operations in November of 1999, and are licensed as insurance companies in all provinces and territories. TGI and TGLI also commenced providing credit insurance to third parties in the first quarter of 2005. Our insurance business is regulated and is subject to oversight by the various insurance regulatory bodies across Canada, its own separate board of directors, and undergoes actuarial reviews of its claims provisions.

2. NON-GAAP FINANCIAL MEASURES

Adjusted results, EBITDA, reported EBITDA, and adjusted EBITDA

Adjusted results, EBITDA, reported EBITDA and adjusted EBITDA are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, adjusted results, EBITDA, reported EBITDA and adjusted EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that adjusted results, EBITDA, reported EBITDA and adjusted EBITDA should not be construed as alternatives to net income 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.

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. The impact of the purchase accounting adjustments diminishes with each passing period subsequent to 2004. The purchase accounting adjustments are described in detail under the heading Purchase Accounting Adjustments in the 2009 Annual MD&A.

Management believes the adjusted results to be relevant measures as they facilitate comparison to past performance of the business acquired by the Brick Group. To provide continuity, management will continue to provide adjusted results as supplementary information throughout this MD&A where management believes adjusted results provide additional useful information. As well, a complete table of results on an adjusted basis is provided as supplementary information under the section heading "Adjusted Results of Operations". The adjusted results do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other issuers.

EBITDA, reported EBITDA, and adjusted EBITDA

References to "EBITDA" or "reported EBITDA" are to earnings before interest, income taxes, amortization and non-cash asset impairment charges. References to "adjusted EBITDA" are to earnings before interest, income taxes, amortization, and non-cash asset impairment charges, adjusted to remove the impact of purchase accounting.

Other Non-GAAP Financial Measures

Same Store Sales

Comparable same store sales are calculated to include merchandise sales for new stores open 14 full calendar months and sales from all relocated and rebannered stores. No stores have been excluded due to cannibalization. Accordingly, on this basis, second quarter and year to date same store sales as discussed in this MD&A reflect 95.7% and 94.9% respectively, of the total sales occurring at all stores.

In MD&As prior to the third quarter 2009, same store sales were calculated to exclude stores where significant cannibalization had occurred. Comparative same store sales figures presented in this MD&A have been adjusted to conform to the new presentation.

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.

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

Franchise Sales

In this MD&A, franchise sales figures refer to sales occurring at franchise stores which are not included in the sales and operating revenue figures presented in The Brick Group Income Fund's consolidated financial statements, or in the corporate same store sales figures presented in this MD&A.

3. SECOND QUARTER AND YEAR-TO-DATE OPERATING RESULTS

The following table provides consolidated operating results and other financial information for the three and six month periods ended June 30, 2010 and June 30, 2009.

(000's of \$ except % and per unit amounts)	For the three months ended June 30				For the six months ended June 30			
	2010	2009	\$ Increase (Decrease)	% Increase (Decrease)	2010	2009	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 326,274	\$ 255,674	70,600	27.6%	\$ 632,522	\$ 527,273	105,249	20.0%
Cost of sales	(190,351)	(151,094)	39,257	26.0%	(363,682)	(312,682)	51,000	16.3%
Gross margin	135,923	104,580	31,343	30.0%	268,840	214,591	54,249	25.3%
<i>Gross margin as a percentage of sales and operating revenue</i>	41.7%	40.9%	0.8%		42.5%	40.7%	1.8%	
Selling, general and administrative expenses	(119,770)	(112,540)	7,230	6.4%	(238,961)	(225,024)	13,937	6.2%
Investment and other income	121	306	(185)	-60.5%	333	349	(16)	-4.6%
EBITDA	16,274	(7,654)	23,928	312.6%	30,212	(10,084)	40,296	399.6%
<i>EBITDA as a percentage of sales and operating revenue</i>	5.0%	-3.0%			4.8%	-1.9%		
Interest on long-term debt and other interest	(4,106)	(3,816)	290	7.6%	(8,375)	(6,048)	2,327	38.5%
Amortization of deferred issuance costs	-	-	-	N/A	(1,654)	-	1,654	100.0%
Amortization	(6,531)	(9,026)	(2,495)	-27.6%	(12,642)	(15,747)	(3,105)	-19.7%
Net income (loss) before undernoted items	5,637	(20,496)	26,133	127.5%	7,541	(31,879)	39,420	123.7%
Income tax recovery	583	10,634	(10,051)	-94.5%	1,237	17,667	(16,430)	-93.0%
Loss on extinguishment of debt	-	(3,046)	(3,046)	-100.0%	-	(3,046)	(3,046)	-100.0%
Goodwill and intangible asset impairment	-	(133,459)	(133,459)	-100.0%	-	(158,459)	(158,459)	-100.0%
Net income (loss)	\$ 6,220	\$ (146,367)	152,587	104.2%	\$ 8,778	\$ (175,717)	184,495	105.0%
Basic net income (loss) per unit	\$ 0.11	\$ (2.70)	2.81	104.1%	\$ 0.16	\$ (3.24)	3.40	104.9%
Diluted net income (loss) per unit	\$ 0.05	\$ (2.70)	2.75	101.9%	\$ 0.07	\$ (3.24)	3.31	102.2%
<u>Adjusted results (purchase accounting adjustments removed):</u>								
Sales and operating revenue	\$ 326,298	\$ 255,894	70,404	27.5%	\$ 632,573	\$ 527,982	104,591	19.8%
EBITDA	16,648	(7,047)	23,695	336.2%	31,005	(8,687)	39,692	456.9%
<i>Adjusted EBITDA as a percentage of sales and operating revenue</i>	5.1%	-2.8%			4.9%	-1.6%		
Net income (loss)	\$ 7,697	\$ (18,917)	26,614	140.7%	\$ 11,723	\$ (21,112)	32,835	155.5%

The following table provides selected operating results and other financial information by segment for the three and six month periods ended June 30, 2010 and June 30, 2009.

(000's of \$ except %, and store amounts)	For the three months ended June 30				For the six months ended June 30			
	2010	2009	\$ Increase (Decrease)	% Increase (Decrease)	2010	2009	\$ Increase (Decrease)	% Increase (Decrease)
Retail Segment - Sales and operating revenue	\$ 305,229	\$ 237,558	67,671	28.5%	\$ 591,799	\$ 491,714	100,085	20.4%
Financial Services Segment - Sales and operating revenue	21,045	18,116	2,929	16.2%	40,723	35,559	5,164	14.5%
Consolidated - Sales and operating revenue	326,274	255,674	70,600	27.6%	632,522	527,273	105,249	20.0%
Franchise sales ⁽¹⁾	37,253	27,872	9,381	33.7%	75,302	60,112	15,190	25.3%
Consolidated sales and operating revenue and franchise sales ⁽¹⁾	\$ 363,527	\$ 283,546	79,981	28.2%	\$ 707,824	\$ 587,385	120,439	20.5%
<i>Same Store Sales Growth (corporate stores)</i>	26.4%	-33.0%			17.3%	-27.6%		
<i>Same Store Sales Growth (corporate and franchise stores)</i>	26.1%	-32.4%			17.1%	-27.1%		
Retail Segment - EBITDA	\$ 6,199	\$ (16,487)	22,686	137.6%	\$ 10,297	\$ (27,980)	38,277	136.8%
Financial Services Segment - EBITDA	10,075	8,833	1,242	14.1%	19,915	17,896	2,019	11.3%
Consolidated - EBITDA	\$ 16,274	\$ (7,654)	23,928	312.6%	\$ 30,212	\$ (10,084)	40,296	399.6%
<i>EBITDA as a percentage of sales and operating revenue</i>	5.0%	-3.0%			4.8%	-1.9%		
Retail Segment - Net loss ⁽²⁾	\$ (3,645)	\$ (155,223)	151,578	97.7%	\$ (10,778)	\$ (193,598)	182,820	94.4%
Financial Services Segment - Net income	9,866	8,856	1,010	11.4%	19,556	17,881	1,675	9.4%
Consolidated - Net income (loss) ⁽²⁾	\$ 6,220	\$ (146,367)	152,587	104.2%	\$ 8,778	\$ (175,717)	184,495	105.0%
<i>Cash provided by operating activities before changes in non-cash working capital items</i>	13,028	(13,479)	26,507	196.7%	23,241	(16,057)	39,298	244.7%
<i>Stores at period end</i>	236	233			236	233		

(1) In this MD&A, franchise sales figures refer to sales occurring at franchise stores which are not included in the sales and operating revenue figures presented in The Brick Group Income Fund's consolidated financial statements, or in the corporate same store sales figures presented in this MD&A.

(2) Second quarter net income for 2009 includes goodwill and brand intangible asset impairment charges of \$133,459 recorded in the retail segment (first quarter 2009: brand intangible asset impairment charges of \$25,000 recorded in the retail segment).

For the Quarter

Sales and Operating Revenue

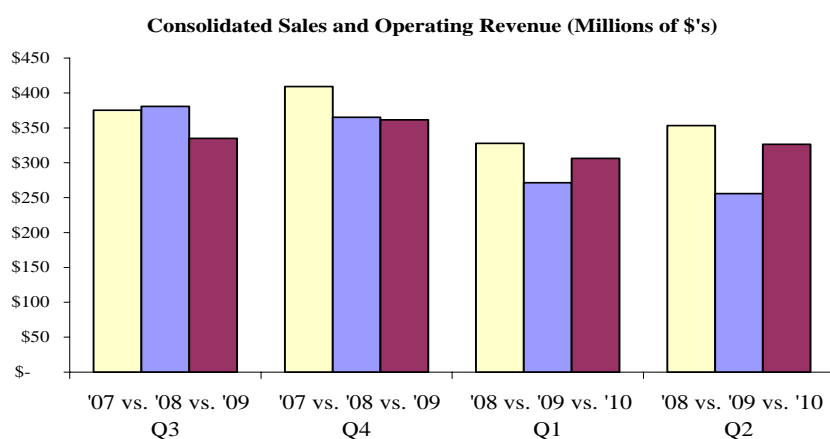
For the quarter ended June 30, 2010, consolidated sales and operating revenue of \$326.3 million increased by \$70.6 million or 27.6% as compared to the same quarter of 2009. Second quarter consolidated sales and operating revenue was supported by positive same store sales growth of 26.4%.

By segment, retail sales and operating revenue of \$305.2 million increased by \$67.7 million or 28.5%, and financial services sales and operating revenue of \$21.0 million increased by \$2.9 million or 16.2%.

Compared to the same quarter of 2009, sales in the retail segment benefited from increased consumer traffic as the recession-related impacts experienced primarily during the first half of 2009 have abated. The trend of improving retail sales results which began in the later half of 2009 also reflects the success of management's 2009 initiatives to improve inventory levels by selling off slower moving and clearance inventories, and investing the proceeds to increase levels of in-demand inventory.

In addition to increased consumer traffic and improved inventory positions, better alignment of promotions to focus on in-stock inventory also helped to drive the improvement in second quarter sales levels as compared to the same quarter of 2009. Increases to sales staffing levels which were made during the third quarter of 2009 have also helped to improve customers' shopping experience. In addition to these factors, second quarter retail sales benefited from successful promotions during the quarter such as the Tent Sale promotions held in May.

In the financial services segment, the majority of revenue growth was attributable to third-party insurance business with approximately a third of the revenue growth in this segment attributable to the warranty business. In the warranty business, warranty sales are recorded as deferred revenue and recognized as earned revenue over the warranty coverage period. The warranty coverage period is generally the four-year period subsequent to expiration of the manufacturer's first-year warranty coverage period. Consequently, earned warranty revenue recognized in the current period relates to warranties sold in the previous two to five years. Over this period, annual warranty sales have generally increased.



Franchise Sales

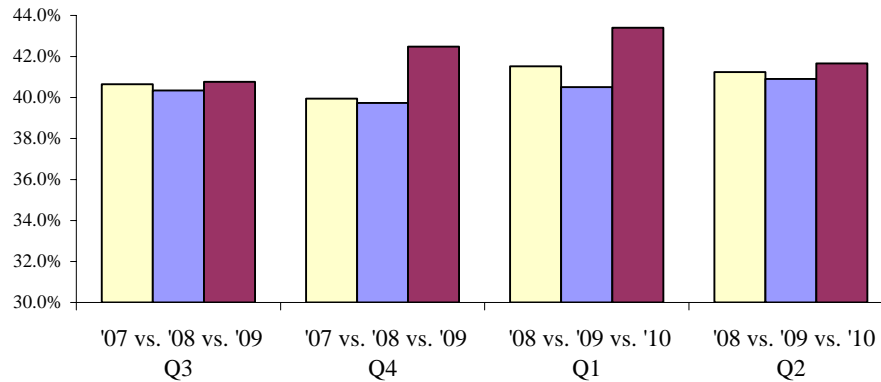
Compared to the same quarter a year ago, sales at franchise stores increased by 33.7% to \$37.3 million, and same store sales growth was 23.2%. We began and ended the quarter with 52 franchise stores, while in 2009, we began the quarter with 47 and ended with 49 franchise stores.

Gross Margin

Compared to the same quarter a year ago, consolidated gross margin percentage improved from 40.9% to 41.7%. Consolidated gross margin increased by \$31.3 million with \$30.6 million of this increase attributable to the retail segment, and \$0.7 million attributable to the financial services segment. Fluctuations in our consolidated gross margin are driven primarily by the retail segment.

In the retail segment, the \$30.6 million increase in gross margin was driven by sales that were 28.5% higher than in the same quarter of 2009. In addition, improvement in retail gross margin percentage was driven by improved gross margin percentage for the furniture category which has benefited from the strength of the Canadian dollar as the majority of our furniture inventory purchases are priced in U.S. dollars, and improved gross margin percentage for the appliance category which has benefited from the Brick Group's increased ability to benefit from early payment discounts. With no borrowings and available cash on hand, the Brick Group is maximizing its use of early payment discount opportunities. During the same quarter of 2009, due to limitations on credit terms imposed by the Brick Group's suppliers and also due to limited borrowing capacity under the Brick Group's asset-based credit facility at the time, the Brick Group's ability to take early payment discounts was restricted. Retail segment gross margin and gross margin percentage also benefited from continued easing in the credit markets which has resulted in reduced Brick Card retail financing fees as compared to the same quarter of 2009. Further, gross margin percentage also benefited from increased delivery revenue compared to the same quarter of 2009.

Consolidated Gross Margin
(As % of Consolidated Sales and Operating Revenue)

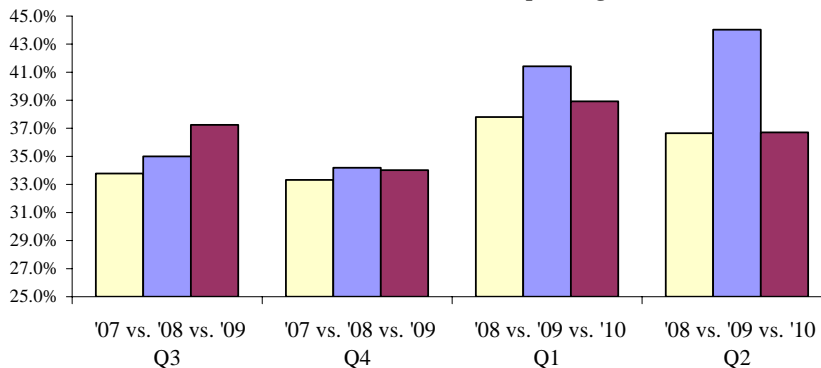


In the financial services segment, the \$0.7 million gross margin improvement was attributable to revenue growth of 16.2% which more than offset decreased gross margin percentage in the third-party insurance business as compared to the same quarter of 2009. In the insurance business, gross margin percentage has decreased due to a shift in the mix of revenue towards the lower margin third-party business.

Selling, General and Administrative Expenses (“SG&A”)

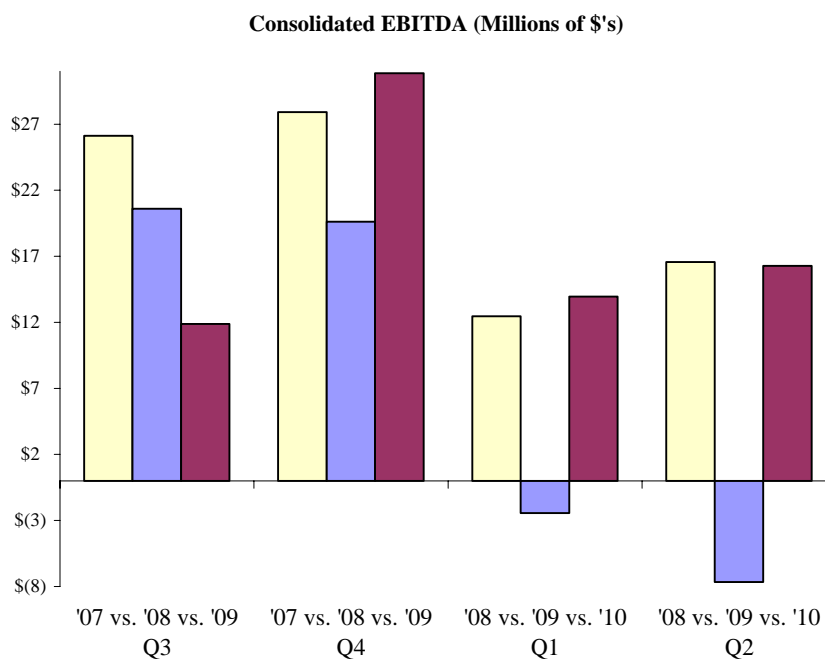
Second-quarter consolidated SG&A, while higher by \$7.2 million or 6.4%, decreased as a percentage of sales from 44.0% to 36.7% as compared to the same quarter of 2009. Compared to the same quarter of 2009, second quarter SG&A included approximately \$8.1 of increased semi-fixed and variable costs which vary primarily with the level of retail segment sales. As well, due to deteriorating and uncertain economic conditions and the financial distress of the Brick Group in the first quarter of 2009, these costs had been reduced to levels below that which was required to adequately support and maintain the retail segment’s operations. Fixed occupancy and compensation costs have increased by \$2.2 million compared to the same quarter of 2009, due primarily to a \$1.2 million non-cash expense related to the Brick Group’s stock-based compensation plans. The Brick Group’s stock-based compensation plans are discussed further in this MD&A under the heading Outstanding Unit Data. Essentially all of the Brick Group’s SG&A expenses are incurred in the retail segment.

Consolidated SG&A
(As % of Consolidated Sales and Operating Revenue)



EBITDA

Management is pleased to report strong EBITDA performance and continued improvement in operating results for the quarter ended June 30, 2010. Consolidated EBITDA for the second quarter, which included a \$1.2 million non-cash expense related to the Brick Group's newly introduced stock-based compensation plans, was \$16.3 reflecting an improvement of \$24.0 million over the EBITDA loss of \$7.7 million reported for the same quarter of 2009. Excluding the impact of these stock-based compensation plans, the Brick Group's second-quarter EBITDA would have been \$17.5 million, surpassing by \$0.8 million the highest ever reported second-quarter EBITDA of \$16.7 million from 2008. The stock-based compensation plans are discussed further in this MD&A under the heading Outstanding Unit Data. By segment and compared to the same quarter of 2009, retail segment EBITDA improved by \$22.7 million to \$6.2 million, and financial services segment EBITDA improved by \$1.2 million or 14.1% to \$10.1 million. In the retail segment, the improvement in second quarter EBITDA was driven by strong sales growth and gross margin improvement together with effective control of SG&A expenses, which were lower as a percentage of sales. In the financial services segment, improvement in second quarter EBITDA was driven by revenue growth. As a percentage of sales and operating revenue, EBITDA in the financial services segment was 47.9% compared to 48.8% for the same quarter of 2009. The decrease in EBITDA as a percentage of sales and operating revenue was driven by lower gross margin percentage in the insurance business compared to the same quarter of 2009. Insurance business gross margin percentage decreased due to a shift in the mix of revenue towards the lower margin third-party business.



Interest on Long-Term Debt and Other Interest

Interest expense on long-term and other debt of \$4.1 million was higher by \$0.3 million or 7.6% due to the Debentures, which are discussed further in this MD&A under the heading, Financing Resources. Interest expense was higher by \$0.9 million for the Debentures and lower by \$0.6 million for the Brick Group's operating credit facilities as the Brick Group had no significant borrowings on its Asset-Based Credit Facility during the second quarter of 2010. The effective annual interest rate for the \$120.0 million Debentures issued in conjunction with the May 28, 2009 recapitalization transaction is 14.68%. The Debentures replaced the \$83.0 million Senior Secured Notes which had an annual effective interest rate of 8.18%.

Amortization

Amortization expense decreased by \$2.5 million, or 27.6%, to \$6.5 million. Amortization expense in the second quarter of 2009 included \$1.7 million of impairment charges related to leasehold improvements and equipment in certain stores that were no longer providing an economic benefit to the Brick Group.

Income Tax Recovery

The second quarter income tax recovery was \$0.6 million compared to an income tax recovery of \$10.6 million in the same quarter of 2009. The income tax recovery in the second quarter of 2009 included a recovery of future income taxes of \$10.0 million that arose in conjunction with impairment charges of \$25.0 million related to the Brick Group's brand intangible assets and \$108.5 million related to the Brick Group's goodwill.

Net Income

Second quarter consolidated net income was \$6.2 million compared to a net loss of \$146.4 million in the same quarter of 2009. The 2009 second quarter consolidated net loss included \$133.5 million of non-cash impairment charges related to the Brick Group's goodwill and brand intangible assets, a related future income tax recovery of \$10.0 million, a non-cash impairment charge of \$1.7 million related to leasehold improvements and equipment, and a \$3.0 million loss on extinguishment of debt incurred in conjunction with the Brick Group's May 28, 2009 recapitalization transaction. Excluding these items, the 2009 second quarter net loss would have been \$18.2 million. Second quarter consolidated net income in 2010 benefited from quarter-over-quarter sales growth of 27.6%, improved gross margin percentage, and continued improvement in our control over SG&A expenses which were lower as a percentage of sales.

Cash Position

The Brick Group's cash and cash equivalents on hand at June 30, 2010 were \$24.1 million compared to \$19.5 million at December 31, 2009. At June 30, 2010 and at December 31, 2009, the Brick Group had no borrowings under the Asset-Based Credit Facility and borrowing capacity of \$71.0 million and \$69.2 million respectively, available to fund operations and working capital requirements. The Brick Group's cash position at the end of this second quarter reflects great improvement compared to the same point in time a year ago when cash and cash equivalents on hand were \$6.3 million, borrowings on the Asset-Based Credit Facility were \$43.4 million, and borrowing capacity was \$26.0 million.

The Asset-Based Credit Facility is discussed further in this MD&A under the heading Financing Resources.

Distributions

On February 18, 2009, as a result of the continued deterioration in economic conditions and the uncertain outlook for 2009, the Brick Group announced that it was suspending monthly distribution payments for all trust units. The terms and conditions of the May 28, 2009 recapitalization transaction restrict the Brick Group's ability to make cash distributions; however, the Brick Group may make in-kind distributions of Class A Trust Units to reduce its taxable income.

Year to Date

Sales and Operating Revenue

For the six months ended June 30, 2010, consolidated sales and operating revenue of \$632.5 million increased by \$105.2 million or 20.0% as compared to the same period in 2009. Year-to-date consolidated sales and operating revenue was supported by positive same store sales growth of 17.3%. By segment, retail sales and operating revenue of \$591.8 million increased by \$100.0 million or 20.4%, and financial services sales and operating revenue of \$40.7 million increased by \$5.2 million or 14.5%. Factors supporting the year-to-date improvement in retail segment sales are substantially the same as those discussed for the quarter. In the financial services segment, year-to-date revenue growth is attributable equally to the warranty business and the insurance business. Revenue growth in the insurance business is attributable primarily to growth in third-party insurance business, and in the warranty business to annually increasing warranty sales.

Franchise Sales

Compared to the same period in 2009, year-to-date sales at franchise stores increased by 25.3% to \$75.3 million, and same store sales growth was 15.4%. We began and ended the period with 52 franchise stores, while in 2009, we began the period with 47 and ended with 49 franchise stores.

Gross Margin

Compared to the same period in 2009, year-to-date consolidated gross margin percentage improved from 40.7% to 42.5%. Consolidated gross margin increased by \$54.2 million with \$52.4 million of this increase attributable to the retail segment, and \$1.8 million attributable to the financial services segment. Fluctuations in our consolidated gross margin are driven primarily by the retail segment. In the retail segment, the \$52.4 million increase in gross margin was driven by sales that were 20.4% higher than in the same period of 2009. In addition, year-to-date improvement in retail gross margin percentage was driven by those same factors as discussed above for the quarter. In the financial services segment, the \$1.8 million gross margin improvement was attributable to revenue growth of 14.5% which more than offset decreased gross margin percentage in the insurance businesses as discussed above for the quarter.

Selling, General and Administrative Expenses (“SG&A”)

Year-to-date consolidated SG&A, while higher by \$13.9 million or 6.2%, decreased as a percentage of sales from 42.7% to 37.8% as compared to the same period in 2009. Compared to the same period of 2009, year-to-date SG&A included approximately \$11.2 of increased semi-fixed and variable costs which vary primarily with the level of retail segment sales. As well, due to deteriorating and uncertain economic conditions and the financial distress of the Brick Group in the half of 2009, these costs had been reduced to levels below that which was required to adequately support and maintain the retail segment’s operations. Fixed occupancy and compensation costs have increased by \$2.7 million compared to the same period in 2009, due primarily to a \$1.2 million non-cash expense related to Brick Group’s stock-based compensation plans. The Brick Group’s stock-based compensation plans are discussed further in this MD&A under the heading Outstanding Unit Data. Essentially all of the Brick Group’s SG&A expenses are incurred in the retail segment.

EBITDA

Management is pleased to report record EBITDA performance and continued improvement in operating results for the six months ended June 30, 2010. Year-to-date consolidated EBITDA of \$30.2 million was the highest ever reported by the Brick Group for the first half of a fiscal year, and reflected an improvement of \$40.3 million over the EBITDA loss of \$10.1 million reported for the same period of 2009. On a year-to-date basis and compared to the same period in 2009, retail segment EBITDA improved by \$38.3 million to \$10.3 million, and financial services segment EBITDA improved by \$2.0 million or 11.3% to \$19.9 million. In the retail segment, the improvement in year-to-date EBITDA was driven by strong sales growth and gross margin performance together with effective control of SG&A expenses, which were lower as a percentage of sales. In the financial services segment, improvement in second quarter EBITDA was driven by revenue growth. As a percentage of sales and operating revenue, EBITDA in the financial services segment was 48.9% compared to 50.3% for the same period in 2009. The decrease in EBITDA as a percentage of sales and operating revenue was driven by lower gross margin percentage in the insurance business compared to the same period in 2009 as discussed above for the quarter.

Interest on Long-Term Debt and Other Interest

On a year-to-date basis and compared to the same period in 2009, interest expense on long-term and other debt was higher by \$2.3 million or 38.5% due to the Debentures, which are discussed further in this MD&A under the heading, Financing Resources. Interest expense was higher by \$3.4 million for the Debentures and lower by \$1.1 million for the Brick Group's operating credit facilities as the Brick Group had no borrowings on its asset-based credit facility during the majority of first half of 2010. The effective annual interest rate for the \$120.0 million Debentures issued in conjunction with the May 28, 2009 recapitalization transaction is 14.68%. The Debentures replaced the \$83.0 million Senior Secured Notes which had an annual effective interest rate of 8.18%.

Amortization of Deferred Issuance Costs

Cash costs of \$0.6 million and non-cash costs of \$5.0 million incurred to arrange the \$25.0 million Fairfax LC facility on August 24, 2009 were deferred and amortized over the initial six-month term, which expired on February 24, 2010. The non-cash costs relate to warrants issued in conjunction with the Fairfax LC. The Fairfax LC was extended, at the Brick Group's option, for a further six month term to August 24, 2010 at a reduced amount of \$4.0 million. The Brick Group paid fees of \$0.2 million to Fairfax in conjunction with the extension of the Fairfax LC. These fees were recovered from an inventory supplier of the Brick Group. The Fairfax LC is discussed further in this MD&A under the heading Financing Resources.

Amortization

Year-to-date amortization expense decreased by \$3.1 million, or 19.7%, to \$12.6 million compared to the same period in 2009. Amortization expense in the first half of 2009 included \$1.7 million of impairment charges related to leasehold improvements and equipment in certain stores that were no longer providing an economic benefit to the Brick Group.

Income Tax Recovery

The year-to-date income tax recovery was \$1.2 million compared to an income tax recovery of \$17.7 million for the same period in 2009. The income tax recovery in the first half of 2009 included a recovery of future income taxes of \$14.8 million that arose in conjunction with impairment charges of \$50.0 million related to the Brick Group's brand intangible assets and \$108.5 million related to the Brick Group's goodwill.

Net Income

Year-to-date consolidated net income was \$8.8 million compared to a net loss of \$175.7 million for the same period in 2009. Year-to-date consolidated net income in 2010 benefited from sales growth of 20.0%, improved gross margin percentage, and continued improvement in our control over SG&A expenses which were lower as a percentage of sales. The 2009 first half consolidated net loss included \$158.5 million of non-cash impairment charges related to the Brick Group's goodwill and brand intangible assets, a related future income tax recovery of \$14.8 million, a non-cash impairment charge of \$1.7 million related to leasehold improvements and equipment, and a \$3.0 million loss on extinguishment of debt incurred in conjunction with the Brick Group's May 28, 2009 recapitalization transaction. Excluding these items, the 2009 year-to-date net loss at June 30, 2009 would have been \$27.3 million.

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4. SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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. The most significant impacts to the Brick Group's operating results from the 2009 recession were in the first and second quarters of 2009 (see also note 1 below).

(000's of \$ except per unit amounts)	April 1 to June 30, 2010 Q2	January 1 to March 31, 2010 Q1	September 1 to December 31, 2009 Q4	July 1 to September 30, 2009 Q3
Sales and operating revenue	\$ 326,274	\$ 306,248	\$ 361,442	\$ 334,880
EBITDA	\$ 16,274	\$ 13,938	\$ 30,848	\$ 12,065
Net income (loss)	\$ 6,220	\$ 2,558	\$ 12,235	\$ 465
Basic net income (loss) per unit	\$ 0.11	\$ 0.05	\$ 0.22	\$ 0.01
Diluted net income (loss) per unit	\$ 0.05	\$ 0.02	\$ 0.13	\$ 0.00
Cash distributions declared ⁽³⁾	\$ -	\$ -	\$ -	\$ -

(000's of \$ except per unit amounts)	April 1 to June 30, 2009 Q2	January 1 to March 31, 2009 Q1	September 1 to December 31, 2008 Q4	July 1 to September 30, 2008 Q3
Sales and operating revenue	\$ 255,674	\$ 271,599	\$ 365,213	\$ 380,761
EBITDA	\$ (7,654)	\$ (2,430)	\$ 18,483	\$ 20,607
Net (loss) income ⁽¹⁾				
As previously reported	\$ (146,367)	\$ (29,350)	\$ (223,649)	\$ 12,442
Adoption of new accounting standards ⁽²⁾	N/A	N/A	(479)	660
	\$ (146,367)	\$ (29,350)	\$ (224,128)	\$ 13,102
Basic and diluted net (loss) income per unit ⁽¹⁾				
As previously reported	\$ (2.70)	\$ (0.54)	\$ (4.13)	\$ 0.23
Adoption of new accounting standards ⁽²⁾	\$ -	\$ -	\$ (0.01)	\$ 0.01
	\$ (2.70)	\$ (0.54)	\$ (4.14)	\$ 0.24
Distributable cash	\$ (11,281)	\$ (4,223)	\$ 17,658	\$ 16,961
Distributable cash per unit	\$ (0.21)	\$ (0.08)	\$ 0.33	\$ 0.31
Cash distributions declared ⁽³⁾	\$ -	\$ 2,710	\$ 10,834	\$ 16,251

(1) The 2009 second quarter net loss includes goodwill and brand intangible asset impairment charges of \$133,459, the 2009 first quarter net loss includes brand intangible asset impairment charges of \$25,000, and the 2008 fourth quarter net loss includes goodwill and brand intangible asset impairment charges of \$241,471.

(2) On January 1, 2009, the Brick Group adopted new accounting standards related to the capitalization of pre-opening costs. Under the new standards, store and distribution centre pre-opening costs are no longer deferred and amortized, and must be charged to income as incurred. These new standards require retroactive application and therefore, retail segment net income for 2008 has been restated. Previously recorded amortization of pre-opening costs and prepaid expenses and deposits have been reclassified from net income to the opening deficit on the 2008 consolidated balance sheet.

(3) The Debentures and the Asset-Based Credit Facility issued in conjunction with the May 28, 2009 recapitalization transaction include negative covenants that restrict the Fund's ability to make cash distributions.

5. SEGMENTED INFORMATION – RETAIL OPERATIONS

The following table provides selected financial information for the retail segment for the three and six month periods ended June 30, 2010 and June 30, 2009.

(000's of \$)	Three months ended June 30				Six months ended June 30			
	2010	2009	\$ Increase (Decrease)	% Increase (Decrease)	2010	2009	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 305,229	\$ 237,558	\$ 67,671	28.5%	\$ 591,799	\$ 491,714	\$ 100,085	20.4%
EBITDA	6,199	(16,487)	22,686	137.6%	10,297	(27,980)	38,277	-136.8%
<u>Adjusted results (purchase accounting adjustments removed):</u>								
Sales and operating revenue	\$ 305,229	\$ 237,558	\$ 67,671	28.5%	\$ 591,799	\$ 491,714	\$ 100,085	20.4%
EBITDA	6,552	(18,883)	25,435	134.7%	11,050	(32,423)	43,473	-134.1%

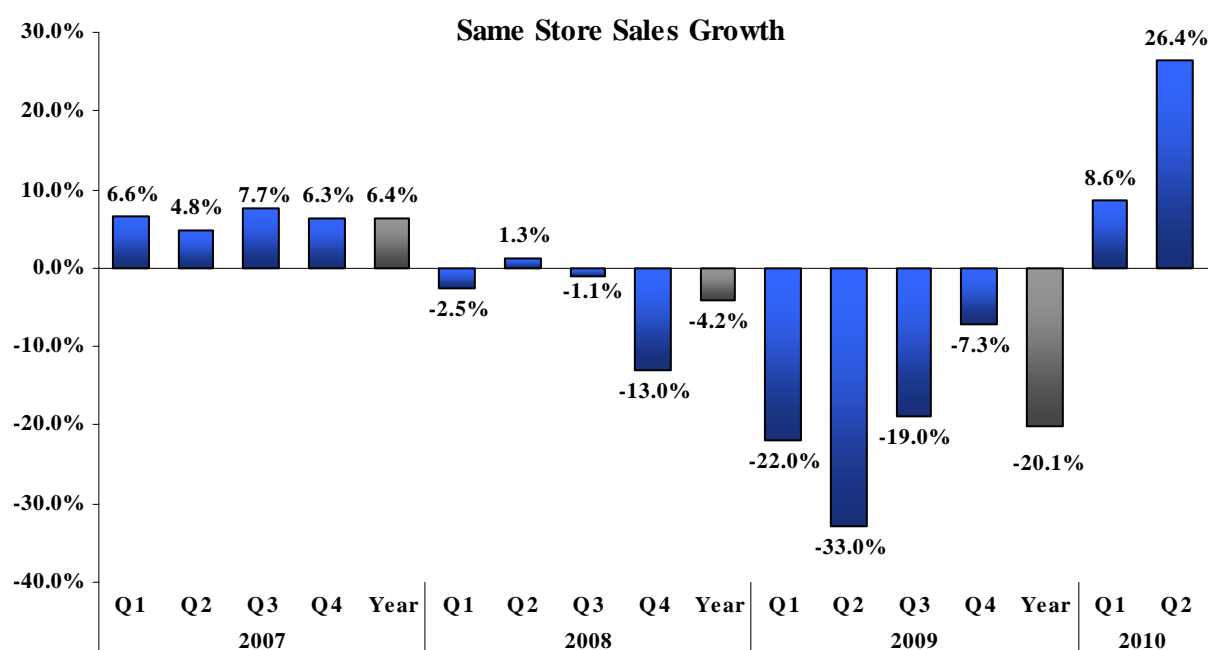
The following table provides quarterly and year to date figures for same store sales growth for the periods ended June 30, 2010 and June 30, 2009.

Second Quarter Same Store Sales Change Versus Prior Year			Year to Date Same Store Sales Change Versus Prior Year		
	2010	2009		2010	2009
Corporate Stores			Corporate Stores		
Western Canada	17.0%	-35.5%	Western Canada	7.5%	-29.9%
Eastern Canada	33.8%	-30.9%	Eastern Canada	25.3%	-25.7%
Total Corporate Stores	26.4%	-33.0%	Total Corporate Stores	17.3%	-27.6%
Franchise Stores	23.2%	-25.6%	Franchise Stores	15.4%	-21.5%
Total Corporate Stores & Franchise Stores	26.1%	-32.4%	Total Corporate Stores & Franchise Stores	17.1%	-27.1%

Comparable same store sales are calculated to include merchandise sales for new stores open 14 full calendar months and sales from all relocated and rebannered stores. No stores have been excluded due to cannibalization. Accordingly, on this basis, second quarter and year to date same store sales as discussed in this MD&A reflect 95.7% and 94.9% respectively, of the total sales occurring at all stores.

Prior to the third quarter 2009 MD&A, same store sales were calculated to exclude stores where significant cannibalization had occurred. Comparative same store sales figures presented in this MD&A have been adjusted to conform to the new presentation.

The following chart provides corporate same store sales growth by quarter from 2007 through the second quarter of 2010.



Store Continuity

During the second quarter, we closed a Brick Mattress store in Newmarket, Ontario.

The following chart illustrates the Brick Group's store count continuity from March 31, 2010 to June 30, 2010.

Store Count Continuity Q2 2010				
	At Mar 31, 2010	Opening	Closing	At Jun 30, 2010
Corporate Stores				
Brick	111	0	0	111
Urban Brick	2	0	0	2
Brick Clearance Centres	6	0	0	6
Superstore	3	0	0	3
Mattress Store	28	0	1	27
UFW	35	0	0	35
Corporate Subtotal	185	0	1	184
Franchise Stores	52	0	0	52
Total Corporate & Franchise Stores	237	0	1	236

The following chart illustrates the Brick Group's store count continuity from December 31, 2009 to June 30, 2010.

Store Count Continuity - Year to date Q2 2010				
	At Dec 31, 2009	Opening	Closing	At Jun 30, 2010
Corporate Stores				
Brick	110	1	0	111
Urban Brick	2	0	0	2
Brick Clearance Centres	6	0	0	6
Superstore	3	0	0	3
Mattress Store	28	0	1	27
UFW	35	0	0	35
Corporate Subtotal	184	1	1	184
Franchise Stores	52	0	0	52
Total Corporate & Franchise Stores	236	1	1	236

6. SEGMENTED INFORMATION – FINANCIAL SERVICES

The following table provides selected financial information for the financial services segment for the three and six month periods ended June 30, 2010 and June 30, 2009. Operating results for the financial services segment are discussed in this MD&A under the heading Second Quarter and Year to Date Operating Results.

(000's of \$)	Three months ended June 30				Six months ended June 30			
	2010	2009	\$ Increase (Decrease)	% Increase (Decrease)	2010	2009	\$ Increase (Decrease)	% Increase (Decrease)
Warranty and insurance premiums written	\$ 20,097	\$ 13,974	\$ 6,123	43.8%	\$ 39,061	\$ 30,551	\$ 8,510	27.9%
Sales and operating revenue	21,045	18,116	2,929	16.2%	40,723	35,559	5,164	14.5%
EBITDA	10,075	8,833	1,242	14.1%	19,915	17,896	2,019	11.3%
<u>Adjusted results (purchase accounting adjustments removed):</u>								
Sales and operating revenue	\$ 21,069	\$ 18,336	\$ 2,733	14.9%	\$ 40,774	36,268	4,506	12.4%
EBITDA	10,096	11,836	(1,740)	-14.7%	19,955	23,736	(3,781)	-15.9%

The financial services segment is primarily engaged in providing customers of the retail segment with extended warranty services on their product purchases, and credit insurance on balances that arise from their use of the Brick Card. Accordingly, the financial services segment is economically dependant on the retail segment as the majority of its revenues are derived from sales to customers of the retail segment. The financial services segment incurs a license fee payable to the retail segment which arranges for the sale of warranty and insurance products to its customers. The expense related to the license fee is not included in the EBITDA figures for the financial services segment in the table above. For the three and six month periods ended June 30, 2010, license fees payable by the financial services segment to the retail segment were \$5.5 million and \$10.8 million respectively (three and six months ended June 30, 2009: \$5.0 million and \$10.3 million respectively).

Key Performance Indicators for the Financial Services Segment

Key performance indicators for the financial services segment include the amount of premiums written for both the insurance and warranty business, and for the insurance business, the level of credit sales penetration (“CSP”). CSP is the percentage of all retail customer sales financed using the Brick Card.

Consolidated warranty and insurance premiums written by the financial services segment in the second quarter of 2010 of \$20.1 million increased by \$6.1 million or 43.8% as compared to the same quarter of 2009. Of the \$6.1 million increase, \$3.7 million was attributable to the warranty business and \$2.4 million was attributable to the insurance business. Warranty premiums written increased inline with increased sales in the retail segment as compared to the same quarter of 2009, and insurance premiums written increased primarily due to growth in our third-party insurance business.

On a year-to-date basis, warranty and insurance premiums written by the financial services segment have increased by \$8.5 million or 27.9% as compared to the same period in 2009. Of the \$8.5 million increase, \$5.2 million was attributable to the warranty business and \$3.3 million was attributable to the insurance business. As for the quarter, warranty premiums written increased inline with increased sales in the retail segment as compared to the same period of 2009, and insurance premiums written increased primarily due to growth in our third-party insurance business.

CSP for the twelve months ended June 30, 2010 was comparable to CSP for the twelve months ended June 30, 2009. Management continually works towards optimizing the CSP rate to maximize insurance premiums written and overall profitability.

Financial Services Segment Revenue Recognition

The Brick Group’s accounting policy for revenue recognition in connection with the warranty business requires that warranty contract premiums be recorded as deferred revenue 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. Consequently, earned warranty revenue recognized in the current period relates to warranty contracts sold in previous years.

The Brick Group’s accounting policy for revenue and expense recognition in connection with insurance policies requires that premiums written and policy acquisition costs incurred 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. However, in 2005, the financial services segment also began to provide multi-year property insurance to a third party. Unearned insurance revenues include the portion of premiums written on multi-year coverage policies that relate to the unexpired term of coverage.

7. FINANCIAL POSITION

(000's of \$)	June 30, 2010	December 31, 2009
Total assets	\$ 481,753	\$ 499,532
Total long-term liabilities	\$ 291,643	\$ 293,551

Assets

Total assets as at June 30, 2010 of \$481.8 million were \$17.7 million lower than the \$499.5 million reported at December 31, 2009. The principal components of the net decrease of \$17.7 million are the following:

- \$7.6 million attributable to a reduction in accounts receivable;
- \$6.2 million attributable to a reduction in inventory;
- \$8.3 million attributable to a reduction in capital assets;

partly offset by;

- \$4.6 million attributable to an increase in cash and cash equivalents.

Accounts Receivable is reduced due to seasonally lower vendor receivables for various incentive plans and continued efforts to move from annual to monthly and quarterly reimbursement of vendor incentive programs. Inventory levels at June 30, 2010 were reduced from those on hand at December 31, 2009 in line with the seasonally slower quarter of the year. Initiatives undertaken in 2009 to reduce the level of slow moving inventory on hand, to improve in-stock positions for top-selling items, and to improve the logistics of in-transit inventory are now supporting improved sales levels with lower overall inventory levels. We continue to closely monitor inventory turnover, the frequency of replenishment of key products, and alignment of inventory purchases to sales promotions and consumer demand. The decrease in capital assets is due primarily to normal amortization.

Long-Term Liabilities

Long-term liabilities of \$291.6 million at June 30, 2010 were comparable to the \$293.6 million reported at December 31, 2009. The principal components of long-term liabilities are the debentures, deferred warranty plan revenue and unearned insurance revenue, and deferred lease inducements and rent liabilities. Changes in the balances of the components of long-term liabilities during the six month period ended June 30, 2010 were not significant.

8. LIQUIDITY AND CAPITAL RESOURCES

The following table provides a summarized statement of cash flows for the three and six month periods ended June 30, 2010 and June 30, 2009.

Source (Use) of Cash (000's of \$)	Three months ended June 30			Six months ended June 30		
	2010	2009	\$ Increase (Decrease)	2010	2009	\$ Increase (Decrease)
Operating activities						
Retail	\$ 1,764	\$ (22,822)	24,586	\$ 4	\$ (39,787)	39,791
Financial	11,264	8,472	2,792	23,237	19,191	4,046
Funds flow from operations	13,028	(14,350)	27,378	23,241	(20,596)	43,837
Changes in non-cash working capital items	1,421	(8,569)	9,990	(16,770)	(36,530)	19,760
Cash flow from operating activities	14,449	(22,919)	37,368	6,471	(57,126)	63,597
Financing activities						
Distributions	-	-	-	-	(5,419)	5,419
Other (Note 1)	1,382	34,516	(33,134)	1,592	72,861	(71,269)
Investing activities	(1,296)	(8,606)	7,310	(3,509)	(18,407)	14,898
Increase (decrease) in cash and cash equivalents	\$ 14,535	\$ 2,991	11,544	\$ 4,554	\$ (8,091)	12,645

Note 1: Other includes changes in asset-based credit facility or bank indebtedness and long-term debt.

Cash Flow from Operating Activities

For the quarter ended June 30, 2010, cash flow from operating activities was positive \$14.4 million compared to negative \$22.9 million for the same quarter of 2009. The Brick Group's cash flows were positively affected during the quarter by the increased retail segment sales. Funds flow from operations, which excludes the impact of changes in non-cash operating working capital items, improved by \$27.4 million as compared to the same quarter of 2009 with 90% of this improvement attributable to the retail segment. The 2010 second quarter is the third consecutive quarter to show quarter-over-quarter improvement in funds flow from operations. For the quarter, changes in non-cash working capital items resulted in a source of cash of \$1.4 million compared to a use of cash of \$8.6 million in the same quarter of 2009. Second quarter 2010 changes in non-cash working capital items were relatively balanced as increases in accounts payable and accrued liabilities together with increases in customers' deposits were \$1.4 million more than increases to inventory and prepaid expenses and deposits. In the second quarter of 2009, the change in non-cash working capital items was not balanced as management was faced with reducing accounts payable and accrued liabilities that had grown to excessive levels due to the recession driven deterioration in the Brick Group's liquidity and increased supplier restrictions to credit terms or credit limits. In the second quarter of 2009, the use of cash to reduce these outstanding and past due accounts payable and accrued liabilities was the major component of the change in non-cash working capital items.

On a year-to-date basis, cash flow from operating activities was positive \$6.5 million compared to negative \$57.1 million for the same period in 2009. This improvement is due primarily to improved funds flow from operations driven by higher sales in the retail segment. On a year to date basis, the use of cash due to changes in non-cash working capital items was \$16.8 million compared to \$36.5 million in the prior year. In 2010, the year-to-date use of cash due to changes in non-cash working capital items relates primarily a reduction in accounts payable and accrued liabilities occurring the first quarter of 2010, and in contrast to 2009, reflects a typical seasonal fluctuation in working capital balances, especially inventory levels. In 2009, the majority of the use of cash was caused by more restrictive vendor terms resulting in earlier payment of accounts payable. As well, in the later half of 2008, we had negotiated extended seasonal payment terms with both our domestic and offshore vendors and therefore, had high levels of outstanding and past due accounts payable at the start of fiscal 2009. As payments under these seasonal terms came due

in the first half of 2009, our payments related to prior year inventory purchases resulted in a significant use of cash.

Adequacy of Financial Resources

Historically, the Brick Group's working capital has been subject to seasonal fluctuations, largely driven by changes in inventory, accounts payable and customer deposits. The Brick Group's working capital requirements are typically greatest in the first half of the year. The Brick Group believes that the Asset-Based Credit Facility together with continuing improvement in its results of operations, cash flow, and liquidity provide the Brick Group with sufficient liquidity to meet its working capital requirements for 2010. At June 30, 2010, the Brick Group's current assets exceeded its current liabilities by \$64.4 million. The Brick Group's cash and cash equivalents on hand at June 30, 2010 were \$24.1 million compared to \$19.5 million at December 31, 2009. At June 30, 2010 and at December 31, 2009, the Brick Group had no borrowings under the Asset-Based Credit Facility and available borrowing capacity of \$71.0 million and \$69.2 million, respectively. The Brick Group's cash position at June 30, 2010 reflects great improvement compared to the same point in time a year ago, when cash and cash equivalents on hand at June 30, 2009 were \$6.3 million, borrowings on the Asset-Based Credit Facility were \$43.4 million, and borrowing capacity was \$26.0 million. Only one standby letter of credit in the amount of \$4.0 million remains outstanding under the Fairfax LC facility at June 30, 2010. This standby letter of credit expires on August 24, 2010 and will not be renewed. In addition to funds flow from operations, the Brick Group will use the Asset-Based Credit Facility to fund business needs including working capital requirements and debt service requirements.

As a result of improvement in the Brick Group's results and financial position, and easing in the credit markets, the Brick Group renegotiated its Asset-Based Credit Facility and completed an amendment effective July 10, 2010. As a result of the amendment, the Brick Group reduced the total credit commitment from \$130 million to \$100 million. The Asset-Based Credit Facility's margined availability, which is based on the level of the Brick Group's eligible inventory and accounts receivable less applicable reserves, has ranged from approximately \$66 million to approximately \$80 million. Accordingly, management believes the reduced commitment better reflects estimated maximum margin levels that may possibly occur during the remaining two years of the facility term. Also as a result of the amendment, standby fees and interest rates were reduced, and the amount of goods in transit that may be included in the borrowing base was increased.

Financing Activities

Financing Activities Source (Use) of Cash (000's of \$)	Three months ended June 30			Six months ended June 30		
			\$ (Increase) Decrease			\$ (Increase) Decrease
	2010	2009		2010	2009	
Net increase in bank indebtedness	\$ -	\$ (39,010)	39,010	\$ -	\$ -	-
Borrowings under asset-based credit facility	2,679	93,369	(90,690)	59,903	93,369	(33,466)
Repayments under asset-based credit facility	(2,679)	(50,000)	47,321	(59,903)	(50,000)	(9,903)
Financing fees paid	-	-	-	(200)	(665)	465
Financing fees recovered	-	-	-	200	-	200
Distributions paid	-	-	-	-	(5,419)	5,419
Repayment of senior secured notes	-	(83,000)	83,000	-	(83,000)	83,000
Issuance of debentures and warrants, net of transaction cost	-	113,157	(113,157)	-	113,157	(113,157)
Proceeds from exercise of warrants	1,382	-	1,382	1,592	-	1,592
	\$ 1,382	\$ 34,516	(33,134)	\$ 1,592	\$ 67,442	(65,850)

Under the Asset-Based Credit Facility, the Brick Group does not have overdraft banking privileges and maintains net positive balances in its bank accounts daily. All borrowings under the Asset-Based Credit Facility were repaid prior to the quarter end.

The Fairfax LC, initially issued in the amount of \$25.0 million, matured on February 24, 2010 and was extended, at the Brick Group's option, for a further six month term at a reduced amount of \$4.0 million. The Brick Group paid fees of \$0.2 million to Fairfax in conjunction with the extension of the Fairfax LC. These fees were recovered from an inventory supplier of the Brick Group. The inventory supplier has indicated that it will not require renewal of this letter of credit which expires on August 24, 2010.

On February 18, 2009, the Brick Group announced that as a result of continued deterioration in economic conditions and the uncertain outlook for 2009, it was suspending its monthly distribution payments. The Brick Group has not declared or paid any distributions to unitholders in any period subsequent to the first quarter of 2009.

For the three and six month periods ended June 30, 2010, the net source of cash from financing activities was from the exercise of Debenture Warrants issued in conjunction with the recapitalization transaction.

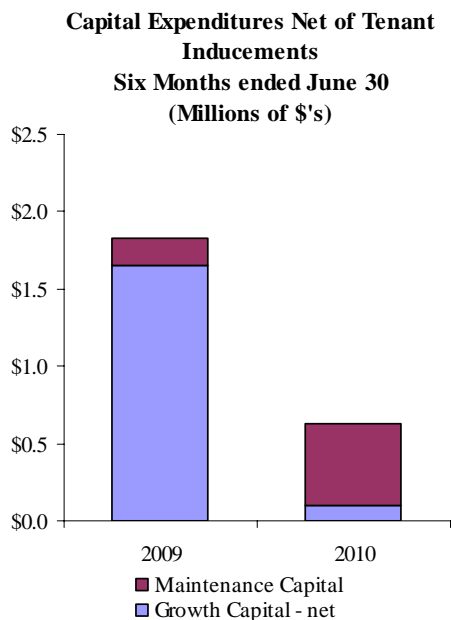
Investing Activities

The following table summarizes the Brick Group's investing activities for the three and six month periods ended June 30, 2010 and June 30, 2009.

Investing Activities Source (Use) of Cash (000's of \$)	Three months ended June 30			Six months ended June 30		
			\$ (Increase) Decrease			\$ (Increase) Decrease
	2010	2009		2010	2009	
Capital assets additions	\$ (385)	\$ (3,521)	3,136	\$ (1,127)	\$ (7,362)	6,235
Intangible asset and deferred charge additions	(959)	(6,890)	5,931	(1,374)	(8,932)	7,558
Changes in payables related to capital assets	(154)	(2,945)	2,791	(1,210)	(5,449)	4,239
Proceeds from disposal of capital assets	-	44	(44)	-	109	(109)
Marketable securities additions	(457)	(540)	83	(776)	(2,452)	1,676
Proceeds from sale of marketable securities	659	5,246	(4,587)	978	5,679	(4,701)
	\$ (1,296)	\$ (8,606)	7,310	\$ (3,509)	\$ (18,407)	14,898

Capital Expenditures

Capital asset additions for the three and six months ended June 30, 2010 of \$0.4 million and \$1.1 million respectively were \$3.1 million and \$6.2 million lower than in the same periods of 2009. In 2009, as economic conditions deteriorated, the Brick Group reduced capital expenditures to preserve cash and has continued to limit and defer capital expenditures where possible. In 2010, one corporate store has been added while in 2009, six corporate stores were added due to commitments that were in place prior to the sudden economic downturn that occurred in the latter half of 2008. Going forward in 2010, management will continue to monitor capital expenditures in light of the current trend of improving operating results and cash flow, with a view to increasing maintenance capital expenditures to ensure that the Brick Group's infrastructure remains sufficient to support on-going operations.



The Brick Group categorizes capital expenditures as either maintenance capital expenditures or as growth capital expenditures. The Brick Group incurred maintenance capital expenditures of \$0.4 million for the second quarter of 2010 compared to \$0.1 million in the same quarter of 2009. On a year-to-date basis, the Brick Group has incurred maintenance capital expenditures of \$0.5 million in 2010 compared to \$0.2 million in the same period of 2009.

Maintenance capital expenditures relate to maintaining and upgrading existing facilities, major roof replacements, information systems hardware and devices, existing distribution infrastructure and equipment. In general, maintenance capital expenditures are undertaken to maintain existing levels of EBITDA. Maintenance capital expenditures may fluctuate year to year based on the rolling life cycle of building and equipment.

No growth capital expenditures were incurred during the second quarter ended June 30, 2010. For the same quarter of 2009, growth capital expenditures were \$4.0 million mainly for new Brick stores and we received tenant inducements of \$2.2 million bringing our net expenditures for growth capital to \$1.8 million.

On a year-to-date basis we have incurred growth capital expenditures of \$0.6 million and received tenant inducements of \$0.5 million for a net growth capital expenditure of \$0.1 million related to a new store. For the same period of 2009, growth capital expenditures were \$9.3 million mainly for new Brick stores and we received tenant inducements of \$5.5 million bringing our net expenditures for growth capital to \$3.8 million. Due to reclassification of certain software assets from capital assets to intangible assets, a portion of the 2009 growth capital expenditures are presented as intangible asset additions in the table above.

Intangible Asset and Deferred Charge Additions

Intangible asset additions for the three and six months ended June 30, 2010 of \$1.0 million and \$1.4 million respectively, relate primarily to information systems replacements or enhancements.

Financing Resources

Asset Based Credit Facility Amendment

On July 10, 2010, the Brick Group's Asset-Based Credit Facility was amended as follows:

- the total credit commitment was reduced from \$130 million to \$100 million;
- the interest charge applicable to borrowings under the facility was reduced from the Canadian chartered bank prime rate plus 3.0% to the Canadian chartered bank prime rate plus a range of between 0.75% and 1.25% depending on the average level of borrowings during the previous fiscal quarter;
- the standby fee was reduced;
- the maximum amount of eligible in-transit inventory that may be included in the borrowing base has been increased from \$25 million to \$50 million; and
- the maturity date of the facility remains unchanged at May 28, 2012.

Recapitalization Transaction

On May 28, 2009, the Brick Group's long-term debt, comprised of senior secured notes ("Senior Notes"), was refinanced on a long-term basis through a recapitalization transaction which included the following:

- A \$120 million financing (the "Offering") comprised of the sale of debt units (the "Debt Units"), each Debt Unit consisting of \$1,000 principal amount of 12% senior secured debentures (the "Debentures") and 1,000 Class A Unit purchase warrants (the "Debenture Warrants");
- A new \$130 million asset-based credit facility (the "Asset-Based Credit Facility") with initial margined availability on May 28, 2009, based on the level of the Brick Group's eligible inventory and accounts receivable, of \$66.5 million (June 30, 2010 and December 31, 2009: margined availability of \$71.0 million and \$80.0 million, respectively). The Asset-Based Credit Facility has a term of 36 months, and bears interest at the Canadian chartered bank prime rate plus 3.0%.
- The repayment of all of the Brick Group's outstanding Senior Notes, together with accrued interest and an early settlement penalty, totalling approximately \$85.2 million, and bank indebtedness totalling approximately \$55.1 million; and
- The elimination of all financial covenants. Customary non-financial negative covenants are discussed below.

Debentures and Debenture Warrants

The Offering was comprised of a public offering of \$30 million pursuant to a short form prospectus (the “Public Offering”), and a \$90 million private placement to accredited investors under an exemption from the prospectus requirements of applicable securities laws (the “Private Placement”).

Fairfax Financial Holdings Limited (“Fairfax”) and William Comrie (“Comrie”), the Brick Group’s two largest existing unitholders, invested \$45 million and \$18 million under the Private Placement, respectively, and other institutional and private investors invested an additional \$27 million under the Private Placement.

Prior to the closing, Fairfax and Comrie owned 8,380,200 and 21,561,983 class A trust units (“Class A Units”), respectively, representing approximately 15% and 40% of the outstanding Class A Units, respectively, on a fully diluted basis. Following the closing of the Offering, Fairfax and Comrie now own \$45 million and \$18 million principal amount of Debentures, respectively, representing approximately 38% and 15% of the outstanding principal amount of Debentures, respectively, and assuming the exercise of all Debenture Warrants, would own 53,380,200 and 39,561,983 Class A Units, respectively, representing approximately 31% and 23% of the outstanding Class A Units, respectively, on a fully diluted basis. Accordingly, assuming the exercise of all Debenture Warrants, Fairfax and Comrie acting together, or Fairfax acting alone, may be in a position to materially impact control of the Brick Group.

The Debentures mature on May 30, 2014 and bear interest at a rate of 12% per annum, payable in cash semi-annually in arrears on December 31st and June 30th of each year commencing on December 31, 2009. The Debentures are not redeemable by the Brick Group prior to the maturity date. However, upon a change of control of the Brick Group (which is deemed to occur upon a change in ownership of 66 2/3% of the Brick Group’s Class A Units), the Brick Group will be required to make an offer to purchase the Debentures, in whole or in part, at a price equal to 110% of the principal amount of the Debentures plus accrued and unpaid interest. The Debentures are secured by a first charge on all of the real estate and equipment owned indirectly by the Brick, and a security interest, ranking subordinate to the security for the Asset-Based Credit Facility, which covers all other assets, including inventory and accounts receivable.

Each Debenture Warrant entitles the holder to purchase one Class A Unit, at any time prior to 5:00 p.m. (Eastern time) on May 27, 2014 at a price of \$1.00 per Class A Unit, subject to certain anti-dilution adjustments including, without limitation, in the event of: (i) a rights offering completed at a price that is less than 95% of the market price of the Class A Units at the time of the rights offering; (ii) if the Brick conducts an issuer bid that is not conducted pursuant to an exemption from the issuer bid requirements of applicable securities legislation and the fair market value of the consideration offered for a Class A Unit under such issuer bid exceeds the closing price of a Class A Unit on the next trading day following the last date deposits could have been made pursuant to such issuer bid; or (iii) if the Brick issues Class A Units (or securities convertible into or exchangeable for Class A Units) pursuant to a non-public offering at a price that is less than 95% of the market price of the Class A Units at the time of such offering.

The Debentures have no financial covenants. Customary negative covenants include restrictions on the Brick Group’s ability to undertake business combinations, other than a business combination undertaken in conjunction with a conversion of the Brick Group to a corporation, make investments and loans, incur certain forms of additional debt, extend security interests in the Brick Group’s assets, enter into related party transactions, other than permitted related party transactions, engage in any business other than the businesses currently engaged in, sell capital assets, make distributions, or purchase real estate.

Asset-Based Credit Facility

The Asset-Based Credit Facility provides for maximum borrowings of up to \$130 million (reduced to \$100 million under the July 10, 2010 amendment as discussed above). The amount available to be drawn under the Asset-Based Credit Facility will vary from time to time based on the level of the Brick Group's eligible inventory and accounts receivable.

At June 30, 2010 and at December 31, 2009, the Brick Group had no borrowings under the Asset-Based Credit Facility and available borrowing capacity of \$71.0 million and \$69.2 million respectively, available to fund operations and working capital requirements. The Asset-Based Credit Facility has a term of 36 months and is secured by the Brick Group's inventory and accounts receivable.

Transaction costs incurred in 2009 related to the debentures and the warrants net of future income taxes were \$7.1 million. The effective interest rate for the Debentures is 14.68% and includes accretion expense, amortization of transaction costs, and semi annual coupon payments. The transaction costs related to the Asset-Based Credit Facility were \$6.5 million. In addition, in 2009, there was a \$3.0 million loss on extinguishment of the Senior Notes and the Credit Facilities.

The Asset-Based Credit Facility has no financial covenants. Customary negative covenants include restrictions on the Brick Group's ability to undertake business combinations, other than a business combination undertaken in conjunction with a conversion of the Brick Group to a corporation, make investments and loans, incur certain forms of additional debt or modify the terms of the existing Debenture agreement, enter into related party transactions, other than permitted related party transactions, engage in any business other than the businesses currently engaged in, provide guarantees, extend security interests, sell capital assets, make distributions, or purchase real estate.

Fairfax Standby Letter of Credit Facility

On August 24, 2009, the Brick Group entered into an agreement with Fairfax pursuant to which Fairfax issued an irrevocable letter of credit in the aggregate principal amount of \$25.0 million (the "Fairfax LC") to GE Capital, as agent on behalf of itself and the Lenders under the May 28, 2009 Asset-Based Credit Facility agreement.

The purpose of the Fairfax LC is to backstop additional letters of credit to be issued under the Asset-Based Credit Facility to certain of the Brick Group's inventory suppliers (the "Supplier LCs"); provided such inventory suppliers extend additional new credit to the Brick Group for inventory of not less than 150% of the Supplier LCs issued to such inventory suppliers. The Asset-Based Credit Facility continues to provide for maximum borrowings of up to \$130.0 million (reduced to \$100.0 million in the July 10, 2010 amendment), and will continue to vary from time to time based on the level of the Brick Group's eligible inventory and accounts receivable. In connection with Fairfax providing the Fairfax LC, the borrowing base under the Asset-Based Credit Facility was amended to provide that Supplier LCs may be margined against 100% of the available amount of the Fairfax LC plus existing availability, if any, based on the level of the Brick Group's eligible inventory and accounts receivable.

The Fairfax LC had an initial term of six months and at the option of the Brick Group \$4.0 million was extended for an additional six months at no cost to the Brick Group. The Fairfax LC bears interest at 15% per annum on amounts drawn. On the closing date for the initial term of six months, the Brick Group paid a fee of \$0.3 million to Fairfax and issued to Fairfax 5,317,100 warrants ("Fairfax LC Warrants") exercisable at \$0.82 per warrant. The fair value of the Fairfax LC Warrants of \$0.94 per warrant was determined at the date of closing of August 24, 2009, using the binomial option pricing model assuming no expected dividends, a risk-free interest rate of 2.56%, an expected stock price volatility of 52.7%, an expected life of five years, and the Class A Trust Unit closing quoted market price of \$1.50. The resulting total fair value of

the Fairfax LC Warrants initially recognized as a component of deferred issuance cost on the Brick Group's consolidated balance sheet was \$5.0 million. The strike price of \$0.82 per warrant was set on August 7, 2009, the date at which an agreement in principle for the Fairfax LC agreement was reached, and was based on the volume weighted average of the trading price of the Class A Trust Units on the TSX for the five trading days immediately prior to August 7, 2009. In addition to the \$0.3 million fee paid to Fairfax, the Brick Group incurred closing costs of \$0.3 million.

For the six month period ended June 30, 2010, the December 31, 2009 remaining balance of deferred issuance costs of \$1.65 million associated with the Fairfax LC which included unamortized cash costs of \$0.19 million and unamortized non-cash costs of \$1.46 million was charged to income. The non-cash costs related to the fair value of the Fairfax LC Warrants.

Each full Fairfax LC Warrant entitles the holder to purchase one Unit and is exercisable at the holder's option at any time, in whole or in part, prior to 5:00 p.m. (Eastern time) on August 24, 2014. The Fairfax LC warrants include customary anti-dilution provisions, consistent with the terms of the Debenture Warrants previously issued to Fairfax in connection with the public debt offering on May 28, 2009.

After giving effect to the Public Offering, the Private Placement, and the Fairfax LC, and assuming the exercise of all warrants, 179.5 million Class A Units would be outstanding on a fully diluted basis, representing a 216% increase over the 56.8 million Class A Units outstanding at June 30, 2010. Please refer to the Brick Group's final short form prospectus filed on www.sedar.com for further information on the recapitalization transaction.

In February 2010 the Brick Group exercised its option to extend the Fairfax LC for an additional six-month term. The amount of the Fairfax LC was reduced from \$25.0 million to \$4.0 million in line with the fund's reduced need to provide credit enhancements to its inventory suppliers. The Brick Group received full reimbursement from a supplier of the Brick Group for costs of \$0.2 million incurred in conjunction with the extension of the Fairfax LC. The Fairfax LC expires on August 24, 2010.

Credit Facilities and Long-term Debt Prior to the Recapitalization Transaction

Prior to the recapitalization transaction, the Brick Group's credit facilities included the Operating Credit Facility, the Acquisition Credit Facility, and the Commercial Letter of Credit Facility (the "Credit Facilities"), and its long-term debt was comprised of the senior secured notes (the "Senior Notes").

In response to the sudden and dramatic changes in the economic and financial outlook that arose in the latter half of 2008, we reduced our monthly distribution from \$0.10 per unit to \$0.05 per unit for all trust units on November 19, 2008. Subsequently, as a result of continued deterioration in economic conditions and the uncertain outlook for 2009, we announced on February 18, 2009 that we were suspending our monthly distribution payments for all trust units. While these actions helped to preserve liquidity and working capital, earnings results continued to decrease and this posed a risk that financial covenants would be breached.

To address this concern, we announced, on March 13, 2009, amendments to our Credit Facilities and Senior Notes. These amendments served to mitigate the risk of default with respect to financial covenants and were assessed by the Brick Group to be prudent and proactive in light of the economic downturn and its impact on the retail sector. The amendments included an increase in the maximum ratio of adjusted total debt to EBITDAR (defined as EBITDA plus rent), from 4.5 times to 5.0 times for the first three quarters of 2009, after which time the ratio will return to 4.5 times for the remainder of the term. The amendments also included other modifications that included a restriction on the amount available under the \$40 million Acquisition Credit Facility, an increase, ranging from 175 bps to 200 bps, in the pricing of the Credit Facilities, a preclusion on cash distributions until after December 31, 2009, and a restriction on cash

distribution subsequent to December 31, 2009 at any time that amounts drawn on the Operating Credit Facility exceed \$30.0 million.

As well, on March 13, 2009, in conjunction with the amendment to the Credit Facilities discussed above, the Trust Indenture providing for the issuance of the Senior Notes was amended to maintain alignment on the financial covenants and other amendments with those contained in the First Amendment. The amendment also included an increase in pricing with the coupon increased from 6.43% per annum to 8.00% per annum until December 14, 2009, and decreased thereafter to 7.25% per annum for the remainder of the term.

Through the amendments to our Credit Facilities and Senior Notes agreements, the suspension of distributions, and strategies to further reduce operating costs, and improve operating results and cash flows, management worked to manage its operations in order to have sufficient liquidity to meet all of the Brick Group's working capital, and capital expenditure needs, and to ensure compliance with its financial covenants.

Unfortunately, despite taking these proactive measures, due to the continued deterioration in economic conditions impacting the Brick Group's business, the Brick Group expected that it would breach its revised financial covenants at the end of the second quarter of 2009. A failure to meet these financial covenants would have constituted a default under the Brick Group's Credit Facilities agreement and Senior Notes agreement and could have caused the Brick Group's Credit Facilities and Senior Notes indebtedness to become immediately due and payable.

To deal with the liquidity and financial covenant risks it faced, the Brick Group proceeded to complete the recapitalization transaction.

Readers are urged to refer to the final short form prospectus dated May 21, 2009, for discussions of risks related to the recapitalization transaction.

Restriction on the Distribution of Capital from TGI and TGLI

For purposes of regulatory requirements for TGI and TGLI, capital is considered to be equivalent to their balance sheet equity. Regulatory requirements stipulate that the TGI must maintain minimum capital of at least \$3.0 million, and TGLI must maintain minimum capital of at least \$5.0 million. Further, regulators also expect that capital will not fall below the initial capital of each company at its inception, which was \$5.0 million for TGI and \$6.0 million for TGLI. Should the companies' capital fall below the initial capital amount, the regulator may impose additional reporting requirements and may subject the companies to regulatory review. TGI and TGLI had capital in excess of their regulatory minimum capital requirements, and their initial capital amounts at June 30, 2010 and December 31, 2009.

9. OUTLOOK

The Brick Group's results during the third and fourth quarters of any year typically exceed the second quarter due to seasonality. Such a historical pattern is encouraging, given the Brick's strong second quarter performance this year.

As the Brick proceeds on its current path of recovery and growth, it will benefit from its improved cost structure and the relative strength of the Canadian dollar.

The Brick Group continues to monitor the economic factors affecting the Canadian economy and consumer spending. The first six months of the year saw strong GDP growth and declining unemployment. The July 19, 2010 increase in the Bank of Canada overnight rate is anticipated to affect discretionary spending, particularly with higher-priced items. A reduction of consumer confidence due to the harmonized sales tax implementation in several provinces and ongoing economic uncertainty overseas is also projected to slow growth during the second half of the year. While these recent indicators represent contradictory trends, management remains cautiously optimistic for its 2010 outlook.

Management intends to build on the Brick's sales and earnings momentum during the second half of 2010 by continuing to focus on key priorities that consist of:

- Building the core business – Organic growth through same store sales
- Implementing our enhanced customer service model
- Gaining efficiencies through investment in information system and supply chain
- Comprehensive review of our marketing initiatives
- Continuing to focus on cost management

Additionally, based on our strong financial position, we have obtained approval from the Toronto Stock Exchange (TSX) for a normal course issuer bid (NCIB) to repurchase a number of our warrants or units making use of positive cash. This repurchase proposal will not cause us to draw on our credit facility and will be weighed carefully against economic factors before proceeding.

Store Count Continuity

The following chart illustrates the Brick Group's store count continuity from June 30, 2010 to December 31, 2010:

Store Count Continuity 2010				
	At Jun 30, 2010	Opening	Closing	At Dec 31, 2010
Corporate Stores				
Brick	111	0	1	110
Urban Brick	2	0	0	2
Brick Clearance Centres	6	0	0	6
Superstore	3	0	0	3
Mattress Store	27	0	0	27
UFW	35	0	0	35
Corporate Subtotal	184	0	1	183
Franchise Stores	52	4	0	56
Total Corporate & Franchise Stores	236	4	1	239

For the remainder of 2010, we are projecting to close 1 Brick store location in Ontario, while opening 4 new franchise locations in Canada.

Capital Expenditures

Management is now projecting a maximum of \$14.4 million investment on capital expenditures in 2010. This has been lowered from \$20.0 million projection released previously due to the timing required for planning, approving and execution of projects. The majority of the 2010 investments are earmarked for maintenance projects to ensure that the Brick Group's infrastructure remains sufficient to support on-going operations.

Tax Status and Conversion to a Corporation

The tax rules that are currently in place, and are expected to be in place for the remainder of 2010, allow the Brick Group Income Fund to deduct from its taxable income amounts that are distributed to unitholders. This deduction is not available for those subsidiaries of the Brick Group that are corporations. Therefore, current income tax liabilities for the Brick Group relate entirely to the income tax for its corporate subsidiaries.

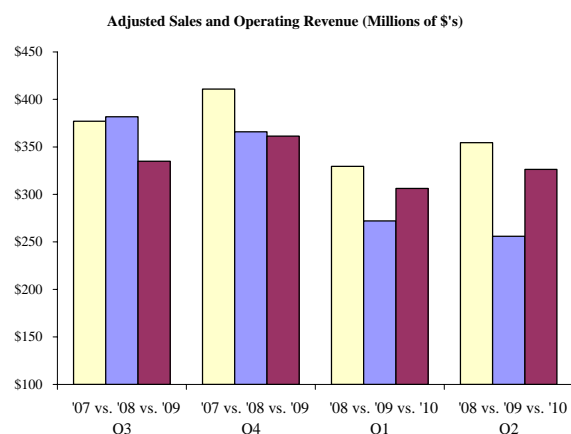
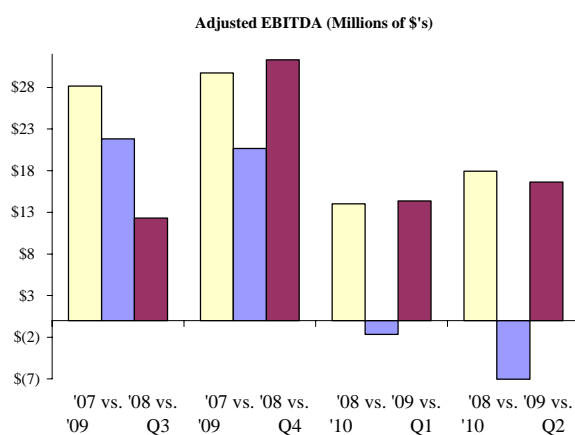
On January 1, 2011 new tax rules will take effect for income trusts and other flow through entities that meet the definition of a Specified Investment Flow-Through Entity ("SIFT"). Under these rules the income of, and distributions by, a SIFT will be subject to tax on a basis that is similar to the tax rules that apply to a Canadian corporation. Certain SIFTs will be subject to these new rules prior to January 1, 2011 but only if those entities exceed the normal growth guidelines established by the Department of Finance. The Brick Group meets the definition of a SIFT and does not expect to exceed the normal growth guidelines mentioned above; therefore, the Brick Group will be subject to these new rules effective January 1, 2011.

Tax rules enacted during 2009 allow an income trust to convert to a corporation without triggering adverse tax consequences to the income fund and its unitholders. The Brick Group expects to take advantage of these rules by converting into corporate form during the 2010 fiscal year.

10. ADJUSTED RESULTS OF OPERATIONS

The following table provides the results of operation on an adjusted basis. Readers are referred to the discussion on adjusted results under the heading Non-GAAP Financial Measures in this MD&A.

Adjusted Results: (000's of \$ except %, per unit and store amounts)	For the three months ended June 30				For the six months ended June 30			
	2010 Adjusted	2009 Adjusted	\$ Increase (Decrease)	% Increase (Decrease)	2010 Adjusted	2009 Adjusted*	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 326,298	\$ 255,894	70,404	27.5%	\$ 632,573	\$ 527,982	104,591	19.8%
Cost of sales	(190,357)	(151,149)	39,208	25.9%	(363,695)	(312,858)	50,837	16.2%
Gross margin	135,941	104,745	31,196	29.8%	268,878	215,124	53,754	25.0%
<i>Gross margin as a percentage of sales and operating revenue</i>	41.7%	40.9%			42.5%	40.7%		
Selling, general and administrative expenses	(119,417)	(112,139)	7,278	6.5%	(238,208)	(224,204)	14,004	6.2%
Investment and other income	124	347	(223)	-64.3%	335	393	(58)	-14.8%
EBITDA	16,648	(7,047)	23,695	336.2%	31,005	(8,687)	39,692	456.9%
<i>EBITDA as a percentage of sales and operating revenue</i>	5.1%	-2.8%			4.9%	-1.6%		
Interest expense on long-term and other debt	(4,106)	(3,816)	290	7.6%	(8,376)	(6,048)	2,328	38.5%
Amortization of deferred issuance costs	-	-	-	N/A	(1,654)	-	1,654	100.0%
Amortization	(5,420)	(7,581)	(2,161)	-28.5%	(10,475)	(12,828)	(2,353)	-18.3%
Net income (loss) before income tax	7,122	(18,444)	25,566	138.6%	10,500	(27,563)	38,063	138.1%
Income tax recovery	575	10,582	(10,007)	-94.6%	1,223	17,506	(16,283)	-93.0%
Loss on extinguishment of debt	-	(3,046)	(3,046)	-100.0%	-	(3,046)	(3,046)	-100.0%
Goodwill impairment	-	(8,009)	(8,009)	-100.0%	-	(8,009)	(8,009)	-100.0%
Net income (loss)	\$ 7,697	\$ (18,917)	26,614	140.7%	\$ 11,723	\$ (21,112)	32,835	155.5%
Basic net income (loss) per unit	\$ 0.14	\$ (0.35)	0.49	138.5%	\$ 0.21	\$ (0.39)	0.60	153.8%
Diluted net income (loss) per unit	\$ 0.06	\$ (0.35)	0.41	117.1%	\$ 0.10	\$ (0.39)	0.49	125.6%
Stores at period end	236	233			236	233		



11. DISTRIBUTIONS

Pursuant to the Declaration of Trust for The Brick Group Income Fund, as amended pursuant to the May 12, 2009 Management Information Circular, the determination to declare and make payable distributions from the Brick Group is at the sole discretion of the Board of Trustees of the Brick Group and, until declared payable by the Board of Trustees of the Brick Group, the Brick Group has no contractual requirement to pay cash distributions to unitholders of the Brick Group.

Prior to March 2009, the Brick Group's Distribution Committee held regular monthly meetings to review distributions in light of actual and forecast results. Subsequent to the suspension of distributions announced on February 18, 2009, the Distribution Committee was dissolved. No distributions have been declared or paid subsequent to February 15, 2009, and the Brick Group does not anticipate that any further distributions will be paid while it remains an income fund. The Brick Group expects to convert to a corporate form during the 2010 fiscal year.

For the six month period ended June 30, 2009, cash distributions declared and paid are detailed in the table below, in 000's of \$, except for per unit amounts:

Period	Record Date	Payment Date	Per Unit	Declared Amount	Paid Amount
Class A units					
December 2008	December 31, 2008	January 15, 2009	\$ 0.0500	\$ -	\$ 2,709
January 2009	January 30, 2009	February 15, 2009	0.0500	2,710	2,710
				\$ 2,710	\$ 5,419

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12. OUTSTANDING UNIT DATA

At August 4, 2010:

The Brick Group had 56,852,633 Class A Trust Units outstanding.

- William H. Comrie, a resident of the United States, holds a 37.93% interest in the Brick Group through 21,561,983 Class A Trust Units.
- Fairfax Financial Holdings Limited holds 14.74% of all units outstanding, or 8,380,200 Class A Trust Units.

The Brick Group had 123,635,600 Class A Trust Unit purchase warrants outstanding.

- Fairfax Financial Holdings Limited holds 41.03% or 50,317,100 of the outstanding Warrants.
- William H. Comrie, a resident of the United States, holds 14.68% or 18,000,000 of the outstanding warrants.

The recapitalization transaction will result in significant dilution to the holdings of minority unitholders if the warrants issued under the recapitalization transaction and Fairfax LC are exercised. As at June 30, 2010 and August 3, 2010, no warrants held by either Fairfax Financial Holdings Limited or by William H. Comrie have been exercised. The potential dilutive effects of the recapitalization transaction are discussed in the final short form prospectus dated May 21, 2009 which can be found on-line at www.sedar.com.

The Brick Group had 120,000 senior secured debentures, each with a face value of one thousand dollars, (“Debentures”) outstanding.

- Fairfax Financial Holdings Limited holds 37.50% or 45,000 of the outstanding Debentures.
- William H. Comrie, a resident of the United States, holds 15.00% or 18,000 of the outstanding Debentures.

Pursuant to the employment terms under which Bill Gregson was appointed President and Chief Executive Officer of the Brick Group effective July 10, 2009, the Brick Group entered into an option agreement under which it issued options to purchase 6 million units of The Brick Group Income Fund to Mr. Gregson (the “CEO Options”). Each CEO Option is exercisable to acquire one Class A Trust Unit of the Brick Group until December 1, 2013. The exercise price of the CEO Options, which was determined at the time of Mr. Gregson’s hiring, is \$1.00 per unit for 3 million of the CEO Options and for the remaining 3 million CEO Options, is equal to the ten day volume weighted average trading price of the units on the TSX ending on the day prior to the public announcement of Mr. Gregson’s appointment, being a price of \$0.68 per unit. All of the CEO Options vest and become exercisable on December 1, 2011 and expire on December 1, 2013. As the CEO Options were subject to unitholder approval, there had been no impact on the Brick Group’s financial statements prior to the second quarter ended June 30, 2010.

The CEO Options received unitholder approval at the Brick Group’s annual general meeting of unitholders held on May 6, 2010. In accordance with GAAP, the CEO Options are measured at their estimated fair value on the grant date which is deemed to be the date the CEO Options received unitholder approval, May 6, 2010. At as May 6, 2010, the CEO Options’ fair value was estimated using the binomial valuation model assuming a volatility factor of 50.9%, a risk free interest rate of 2.72%, no payment of dividends, and an expected life of 3.6 years with a resulting estimated weighted average fair value per option of \$1.69.

The CEO Options represent a non-cash compensation expense to the Brick Group to be recognized on a straight-line basis in the Brick Group's financial statements over the period from May 6, 2010 to December 1, 2011, when the CEO Options vest. Accordingly, based on the May 6, 2010 valuation of \$1.69 per CEO Option, a non-cash expense of \$1.0 million related to the CEO Options is included in selling, general and administrative expense on the Brick Group's consolidated statements of income (loss) for the three and six month periods ended June 30, 2010, and in contributed surplus on its consolidated balance sheet as at June 30, 2010. Upon exercise of the CEO Options by Mr. Gregson, Mr Gregson will be required to pay to the Brick Group the exercise price for each of the 6 million CEO Options exercised.

While the measurement date prescribed by GAAP requires fair value to be estimated as at May 6, 2010, the substance and terms of the CEO Options were determined at the time of Mr. Gregson's hiring in conjunction with and pursuant to the employment terms under which Mr. Gregson was appointed President and Chief Executive Officer of the Brick Group effective July 10, 2009. Had the fair value of the CEO Options been measured at July 10, 2009 (which is not allowed under GAAP), the estimated weighted average fair value per option would have been \$0.33. The difference in estimated fair value between the July 10, 2009 measurement and May 6, 2010 measurement is attributable to an increase in the quoted market price of the Brick Group's units. The quoted market price of the Brick Group's units on July 10, 2009 was \$0.78 and on May 6, 2010 was \$2.37.

The following stock based compensation plans were also approved at the Brick Group's annual general meeting of unitholders held on May 6, 2010.

- a) The Brick Group granted options under a unit option plan ("Unit Option Plan") to certain eligible officers and employees. Under the Unit Option Plan, each option entitles the holder to purchase one Class A Trust Unit of the Brick Group at an exercise price specified at the time of grant, and the aggregate number of options that may be granted may not exceed 2,350,000. For the three and six month periods ended June 30, 2010, 334,236 options have been granted under the Unit Option Plan. These options vest on completion of approximately three years service if performance conditions for the 2012 fiscal year are met, and expire on March 30, 2017. The fair value of these options of \$1.33 per option was determined on May 6, 2010, using the binomial option pricing model assuming no expected dividends, a risk-free interest rate of 2.96%, an expected stock price volatility of 51.86%, an expected life of seven years, and the exercise price of \$2.28. As the Unit Option Plan was subject to unitholder approval, there had been no impact on the Brick Group's financial statements prior to the second quarter ended June 30, 2010.

The Unit Option Plan represents a non-cash compensation expense to the Brick Group to be recognized on a straight-line basis in the Brick Group's financial statements over the period from May 6, 2010 to December 31, 2012 on the presumption that the 2012 performance condition will be met. Further, upon exercise of options under the Unit Option Plan by participants, each participant will be required to pay to the Brick Group \$2.28 for each option exercised under the Unit Option Plan.

For the three and six month periods ended June 30, 2010, compensation expense related to the Unit Option Plan of \$25,000 is included in selling, general and administrative expense on the Brick Group's consolidated statements of income (loss), and in contributed surplus on the Brick Group's consolidated balance sheet as at June 30, 2010.

- b) The Brick Group issued 440,224 performance share units ("PSUs") to certain eligible officers and employees. Each PSU awarded conditionally entitles the eligible person to the delivery of one Class A Trust Unit to be issued by the Brick Group upon attainment of the PSU vesting conditions, or the cash equivalent thereof to be based on the closing quoted market price of Class A Trust Units on December 31, 2012. The aggregate number of Class A Trust Units reserved for

issuance upon the vesting of all PSUs granted under the PSU plan may not exceed 1,000,000. These PSUs vest on completion of approximately three years service where performance conditions for the 2012 fiscal year are met. As well, the PSUs may be subject to a multiplier to the extent that specific performance-based criteria for the 2012 fiscal year are exceeded.

Prior to their vesting and redemption, the PSUs represents a non-cash compensation expense to the Brick Group to be recognized on a straight-line basis in the Brick Group's financial statements over the period from May 6, 2010 to December 31, 2012 on the presumption that the 2012 performance condition will be met. The Brick Group intends to settle these awards in cash and has therefore classified these awards as a liability in its consolidated balance sheet. Compensation expense related to the PSUs is accrued based on the expected total compensation to be paid out at the end of the performance period and is re-measured based on the closing quoted market price of the Class A Trust Units at each reporting period. As the PSU plan was subject to unitholder approval, there had been no impact on the Brick Group's financial statements prior to the second quarter ended June 30, 2010.

For the three and six month periods ended June 30, 2010 compensation expense related to the PSUs of \$52,000 is included in selling, general and administrative expenses in the Brick Group's consolidated statements of income (loss).

- c) The Brick Group has granted 60,548 deferred share units to certain non-management trustees under a deferred share unit ("DSU") plan. Under the DSU plan, each non-management trustee may elect to receive all or a percentage of his quarterly compensation in the form of notional Class A Trust Units of the Brick Group called DSUs. The Brick Group provides an additional 10 percent matching of the elected amount such that the number of DSUs issued to each trustee equals in value 110 percent of the elected amount. In addition to the elected amount, trustees also receive an annual grant of DSUs. A trustee's DSU account is credited with the number of DSUs determined by dividing the dollar amount of compensation payable in DSUs on the payment date by the market price of a Trust Unit at such time, plus dividend equivalents in the form of additional DSUs equal to the dividends or distributions declared and issued, if any, on the underlying DSUs. DSUs will only be redeemable by a Trustee following the time that the Trustee ceases to be a Trustee of the Brick Group for any reason. The aggregate number of Class A Trust Units reserved for issuance under the DSU Plan will not exceed 650,000. As the DSU Plan was subject to unitholder approval, there had been no impact on the Brick Group's financial statements prior to the second quarter ended June 30, 2010. For the three and six month periods ended June 30, 2010, an amount of \$138,000 payable in DSUs is included in selling, general and administrative expenses in the Brick Group's consolidated statements of income (loss) and in contributed surplus on the Brick Group's consolidated balance sheet as at June 30, 2010.

13. CRITICAL ASSUMPTIONS

Off-Balance Sheet Arrangements

For 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, 2009.

Related Party Transactions

(in this section, references to dollar amounts are in thousands of dollars)

Included in selling, general and administrative expenses is rent expense of \$257 and \$513 for the three and six month periods ended June 30, 2010 (Three and six month periods ended June 30, 2009: \$257 and \$513 respectively), paid to a joint venture partially owned by an officer of the Brick Group. At June 30, 2010 and December 31, 2009, no amounts were payable to or receivable from this related party.

Certain employees of the Brick Group are owners of a Brick franchise. During the three and six month periods ended June 30, 2010, the Brick Group sold inventory of \$631 and \$1,091 respectively (Three and six month periods ended June 30, 2009: \$565 and \$984 respectively) to this franchise. Included in accounts receivable at June 30, 2010 is \$268 (December 31, 2009: \$28) for inventory sold to this franchise.

During 2008, the Brick Group entered into franchise agreements for six Brick stores with a director who was serving at that time on the boards of Trans Global Insurance Company, and Trans Global Life Insurance Company. During the three and six month periods ended June 30, 2010, the Brick Group sold inventory of \$1,128 and \$2,334 respectively (Three and six month periods ended June 30, 2009: \$1,157 and \$ 2,434 respectively) to these franchises. Included in accounts receivable at June 30, 2010 is \$468 (December 31, 2009: \$852) for inventory sold to these franchises. This director resigned from the boards of Trans Global Insurance Company, and Trans Global Life Insurance Company effective May 5, 2009.

The above transactions are in the normal course of operations, and are measured based on commercial rates established and agreed to by the related parties.

Included in accounts receivable at June 30, 2010 is \$47 (December 31, 2009: \$145) for loans made to employees. These loans relate primarily to employee relocation.

In conjunction with the May 28, 2009 recapitalization transaction, the Brick Group issued Debentures and warrants to William H. Comrie (“Comrie”), a resident of the United States, who at June 30, 2010 held a 38.87% (December 31, 2009: 39.02%) interest in the Brick Group through 21,561,983 Class A Trust Units, and to Fairfax Financial Holdings Limited (“Fairfax”), which at June 30, 2010 held 15.11% (December 31, 2009: 15.16%) of all units outstanding, or 8,380,200 Class A Trust Units. Comrie purchased \$18,000 of Debentures and Fairfax purchased \$45,000 of Debentures. Accrued interest payable for the three month period ended June 30, 2010 related to the Debentures held by Comrie and Fairfax was \$526 and \$1,315, respectively. Accrued interest payable for the six month period ended June 30, 2010 related to the Debentures held by Comrie and Fairfax was \$1,051 and \$2,627, respectively (Accrued interest payable for the three and six month periods ended June 30, 2009 related to Debenture held by Comrie and Fairfax was \$174 and \$434 respectively). Further, as a result of the recapitalization transaction, Comrie and Fairfax hold 18,000,000 and 45,000,000 warrants, respectively.

The Fairfax letter of credit facility (the “Fairfax LC”), initially issued in the amount of \$25,000, matured on February 24, 2010 and was extended, at the Brick Group’s option, for a further six month term at a reduced amount of \$4,000. The Brick Group paid fees of \$200 to Fairfax in conjunction with the extension of the Fairfax LC. These fees were fully recovered from an inventory supplier of the Brick Group.

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.

The critical accounting estimates are substantially the same as those disclosed in the Brick Group's 2009 Annual MD&A.

Materiality

In preparing this MD&A and the information contained herein, management considers the likelihood that a reasonable investor would be influenced to buy or not buy, or to sell or hold units of the Brick Group if such information were omitted or misstated. This concept of materiality is consistent with the notion of materiality applied to financial statements and contained in the Canadian Institute of Chartered Accountants Handbook.

Financial 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 may enter into U.S. dollar forward exchange contracts to minimize a portion of the risk associated with future purchases of U.S. dollar denominated goods and services with an emphasis on those purchases that are expected to be completed the following month. These derivative contracts, not accounted for as hedges, are marked to market and any change in the market value is recorded in income or expense when the change occurs. The fair values of these instruments are recorded in accounts payable and accrued liabilities or accounts receivable. There were no foreign exchange contracts outstanding at June 30, 2010 or at December 31, 2009.

Changes to Accounting Policy

Stock-based compensation plans

The Brick Group has stock option plans and accounts for grants under these plans in accordance with the fair value method of accounting for stock-based compensation. Compensation expense for stock options awarded under these plans represents a non-cash expense, and is based on the option fair value measured at the grant date using the binomial valuation model. Compensation expense is recognized over the vesting period of the options granted, with a corresponding increase to contributed surplus. When options are exercised, the proceeds received by the Brick Group together with the amount in contributed surplus associated with the exercised options are recorded as an increase to Trust Units. The effect of forfeited options is recorded in income as forfeitures occur.

The Brick Group has a performance share unit plan and accounts for grants under this plan in accordance with the fair value method of accounting for stock-based compensation. The estimated fair value of the performance share units is based on attainment of performance conditions and the closing market price of Trust Units. The number of performance share units will be adjusted for changes in the expected or actual outcome of performance conditions, and for changes in the closing unit price in the period in which these changes occur during the vesting period. Compensation expense related to the performance share units is

accrued over the term of the performance period based on the expected total compensation to be paid out in cash at the end of the performance period.

The Brick Group has a deferred share unit (“DSU”) plan. Under the DSU plan, each non-management trustee may elect to receive all or a percentage of his quarterly compensation in the form of notional Class A Trust Units of the Brick Group Fund called DSUs. The Brick Group provides an additional 10 percent matching of the elected amount such that the number of DSUs issued to each trustee equals in value 110 percent of the elected amount. In addition to the elected amount, trustees also receive an annual grant of DSUs. A trustee’s DSU account is credited with the number of DSUs determined by dividing the dollar amount of compensation payable in DSUs on the payment date by the market price of a Class A Trust Unit at such time. Compensation expense is recognised as service is provided with the corresponding increase to contributed surplus.

Pending Changes to Accounting Policy

Section 1582 – Business Combinations

In January 2009, the CICA issued new Handbook Section 1582, Business Combinations, replacing the existing Handbook Section 1581, Business Combinations. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3, “Business Combinations” (January 2008). The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. If an entity applies this Section before January 1, 2011, it shall disclose that fact and apply Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, at the same time. The Brick Group does not expect the new Section to have any impact on its financial position or results of operations. The Brick Group plans to adopt this new Section for its fiscal year beginning January 1, 2011.

Section 1601 – Consolidated Financial Statements,

In January 2009, the CICA issued new Handbook Section 1601, Consolidated Financial Statements. This Section, together with new Handbook Section 1602, Non-controlling interests, replaces existing Section 1600, Consolidated Financial Statements, and establishes standards for the preparation of consolidated financial statements. The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582, Business Combinations, and Section 1602, Non-Controlling Interests. The Brick Group does not expect the new Section to have any impact on its financial position or results of operations. The Brick Group plans to adopt this new Section for its fiscal year beginning January 1, 2011.

Section 1602 – Non-controlling interests

In January 2009, the CICA issued new Handbook Section 1602, Non-Controlling Interests. This new Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, “Consolidated and Separate Financial Statements” (January 2008). This Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582, Business Combinations, and Section 1601, Consolidated Financial Statements. The Brick Group does not expect the new Section to have any impact on its financial position or results of operations. The Brick Group plans to adopt this new Section for its fiscal year beginning January 1, 2011.

Section 1625 - Comprehensive Revaluation of Assets and Liabilities

CICA Handbook Section 1625, Comprehensive Revaluation of Assets and Liabilities, was amended to be consistent with Handbook Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-controlling Interests, which were issued in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The Brick Group does not expect the new Section to have any impact on its financial position or results of operations. The Brick Group plans to adopt this new Section for its fiscal year beginning January 1, 2011.

Section 3251 – Equity

In August 2009, the CICA issued amendments to CICA Handbook Section 3251, Equity, as a result of issuing Section 1602, Non-controlling Interests. The amendments require non-controlling interests to be recognized as a separate component of equity. The amendments apply only to entities that have adopted Section 1602. The Brick Group does not expect the new Section to have any impact on its financial position or results of operations. The Brick Group plans to adopt this new Section for its fiscal year beginning January 1, 2011.

Section 3855 - Financial Instruments – Recognition and Measurement

In June 2009, CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement was amended to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes and the application of the effective interest method after a debt instrument has been impaired. These amendments apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Brick Group does not expect the amended Section to have any impact on its financial position or results of operations. The Brick Group plans to adopt the amended Section for its fiscal year beginning January 1, 2011.

EIC 175 - Multiple Deliverable Revenue Arrangements

In December 2009, the Emerging Issue Committee (“EIC”) issued EIC 175 – Multiple Deliverable Revenue Arrangements, which may be applied prospectively and should be applied to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011. Early adoption is permitted.

EIC 175 requires a vendor to allocate arrangement consideration at the inception of an arrangement to all deliverables using the relative selling price method. It also provides guidance on the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. Given the requirement to use the relative selling price method of allocating arrangement consideration, it prohibits the use of the residual method. The Brick Group is assessing the potential impact of this EIC.

International Financial Reporting Standards

The Accounting Standards Board (“AcSB”) confirmed in February 2008 that International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) will replace Canadian GAAP for publicly accountable enterprises for periods beginning on or after January 1, 2011. Accordingly, the Brick Group must adopt IFRS for the year ending December 31, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are certain significant differences in recognition, measurement and disclosure.

The Brick Group’s IFRS Implementation Project

The Brick Group’s is managing its IFRS implementation project in three phases; Phase 1 – scoping and planning, Phase 2 – evaluation of financial statement components and operational analysis, and Phase 3 – implementation.

The Brick Group completed Phase 1 during fiscal 2008. In Phase 1, management developed a detailed project plan that included a detailed diagnostic analysis and a high-level impact assessment to identify key areas that may be impacted by the adoption of IFRS. Areas identified which may have the most significant impact on the Brick Group included, the development of opening balances in the consolidated balance sheet, measurement of capital assets, asset impairment measurements, and leases.

Phase 2, which is currently in progress, includes the analysis of accounting policy alternatives available under IFRS as well as the determination of changes required to existing information systems and business processes. In this phase, the Brick Group is continuing to assess the impact of the adoption of IFRS on our results of operations, financial position and financial statement disclosures. Significant progress has been made under Phase 2 which is described further in the “Project Update” section below.

Much of the Phase 2 work includes the development of accounting position papers, along with supporting schedules and calculations that document management’s analysis and support its conclusions for each accounting policy impacted. The accounting position papers form the basis for management’s recommendations regarding IFRS accounting policy decisions. Where choices exist between alternative IFRS accounting policies and elections, management’s analysis and policy choice conclusions are communicated to the Brick Group’s audit committee. The majority of management’s conclusions regarding accounting policy choices have been communicated to the Brick Group’s audit committee. Each quarter, the status and progress of the IFRS implementation project is reviewed with the audit committee in order to address and resolve any issues.

Phase 3, implementation, which will continue to January 1, 2011 and beyond, is the execution phase which will focus on enabling continued IFRS reporting and facilitating knowledge transfer. Phase 3 involves the following key elements: preparation of full IFRS interim and annual consolidated financial statements for the transition period ending December 31, 2010 for comparative disclosure; preparation of interim and annual IFRS consolidated financial statements for the year ending December 31, 2011; continued IFRS compliance by developing new accounting policies, accounting manuals, guidelines, processes for reporting to management and unit holders; development of detailed training and knowledge transfer to appropriate staff; and development of revised processes for disclosure controls and procedures and internal controls over financial reporting including updating key controls as required and perform testing and address any internal or disclosure control deficiencies.

Project Update

During fiscal 2009, the Brick Group continued to work through Phase 2 of its IFRS implementation project. The Brick Group engaged an additional resource to advance the IFRS implementation project, and believes that the IFRS implementation project is substantially on schedule for the Brick Group to meet its reporting requirements under IFRS in 2011.

To June 30, 2010, significant work has been done on the analysis of accounting policy alternatives available under IFRS. During the period from March 31, 2010 to June 30, 2010, the majority of the IFRS accounting position papers were provided to the Brick Group's auditors and are currently under their review. Work scheduled for the third quarter includes completion of auditor review of IFRS accounting position papers and commencement of audit procedures on the related supporting schedules and calculations that document management's analysis and support its conclusions for each accounting policy impacted. The determination of changes required to existing information systems and business processes is ongoing, and we are working with our information systems and business process groups to ensure appropriate changes are made to accommodate the conversion to IFRS. Systems changes implemented to date include modifications to the general ledger system which facilitate separate tracking of IFRS adjustments related to the 2010 fiscal year. This modification will facilitate presentation of IFRS based comparative financial statement figures in the 2011 fiscal year. In the months prior to the IFRS change over date of January 1, 2011, the Brick Group continues to address the impact of the conversion on internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P"), investor relations, information technology, human resources, contractual relations, and other areas that could potentially be impacted. The Brick Group does not currently have any financial covenants that could be impacted by the adoption of IFRS. The IFRS conversion team has engaged in the process of communicating the potential changes required by IFRS to the relevant personnel in the organization. Management has prepared preliminary quantitative assessments, which are based on the Phase 2 work performed to date and include preliminary policy choice decisions and elections of certain exemptions available for first-time adoption of IFRS, of the impact IFRS will have on its opening consolidated balance sheet as at January 1, 2010 and its results of operations.

Preliminary Policy Choice Recommendations and Significant Expected Accounting Differences

The following are management's preliminary significant IFRS policy recommendations and significant expected accounting differences, based on our analysis of the current IFRS standards. Although we have identified key accounting policy differences, quantification of the impact of these differences is in process. Therefore, we cannot at this time determine the full impact of these differences to the consolidated financial statements.

Elections on Initial Adoption of IFRS

IFRS 1: *First-time Adoption of International Financial Reporting Standards* provides for certain optional exemptions from retrospective application and certain mandatory exceptions to retrospective application for first time IFRS adopters. The elections below are the IFRS 1 elections management expects to make in conjunction with the Brick Group's conversion to IFRS. References below to "Transition Date" are references to January 1, 2010.

IFRS 1 Exemption Options

- Business Combinations

IFRS 3: *Business Combinations* may be applied retrospectively or prospectively. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Brick Group will not elect retrospective application of IFRS 3 to business combinations that occurred prior to the Transition Date and, therefore, the business combination that occurred in conjunction with the Brick Group's 2004 initial public offering will not be restated.

- Fair Value as Deemed Cost

To determine the carrying value of an item of plant, property and equipment ("PP&E") at the Transition Date, IFRS 1 provides a choice between measuring the item of PP&E at its fair value at the Transition Date and using that amount as the item's deemed cost, or using the historical cost recorded under Canadian GAAP and recalculating depreciation as if IFRS had always been followed. For our real estate assets, we have elected to use fair value as the deemed cost at the Transition Date.

IFRS 1 Mandatory Exceptions to Retrospective Application of Certain IFRS

- Hedge Accounting

Hedge accounting can only be applied prospectively from the Transition Date to transactions that satisfy IFRS hedge accounting criteria at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of the Transition Date will be reflected in our IFRS financial statements. The Brick Group does not have any hedging relationships outstanding at the Transition Date.

- Estimates

In developing the opening balances for the Brick Group's IFRS consolidated balance sheet at the Transition Date, IFRS specifies that hindsight may not be used to create or revise estimates. Therefore, estimates we previously made under Canadian GAAP cannot be revised in conjunction with the adoption of IFRS, except where necessary to reflect a difference in an accounting policy between Canadian GAAP and IFRS.

Significant Changes in Accounting Policies upon Conversion to IFRS and Qualitative Discussion of Potential Impacts

To June 30, 2010, management has worked to assess the impact of IFRS on the Brick Group's consolidated balance sheet at the Transition Date, and on its results of operations subsequent to the Transition Date, based on preliminary policy choice decisions and IFRS 1 elections. The following discussion describes the potential impact on earnings and equity, as well as the measurement and classification of assets and liabilities at the Transition Date.

We have not yet completed the preparation of the opening consolidated balance sheet at the Transition Date and determined the impact such changes to accounting policy will have on the Brick Group's results. As such, the following qualitative descriptions are intended to be reflective of the potential impact, as indicated by the analysis completed to date, from changes we plan to make upon our adoption of IFRS.

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- *IAS 17: Leases.* Under Canadian GAAP, classification of a lease as either a capital lease or an operating lease incorporates assessment of quantitative thresholds often referred to as “bright line test”. As well, Canadian GAAP lists fewer indicators to be considered when determining whether substantially all of the risks and rewards incidental to ownership of a leased asset have passed from the lessor to the lessee.

Capital leases as they are known under Canadian GAAP are referred to as finance leases under IFRS.

Under IFRS, there are no “bright line tests” to follow when considering whether a lease is a finance lease or an operating lease. Instead, lease classification under IFRS is more subjective than under Canadian GAAP, and IFRS establishes additional indicators to be considered in determining whether substantially all risks and rewards incidental to ownership of a leased asset have passed from the lessor to the lessee.

Management has concluded that under IFRS certain operating leases will be reclassified as finance leases. The leases affected include certain real estate property leases and certain delivery fleet vehicle leases.

At the Transition Date, for those operating leases reclassified as finance leases, the Brick Group will recognize the leased asset as plant, property and equipment (“PP&E”) and will also recognize a liability for the future lease payments. These amounts will be determined as if the lease has been accounted for and classified as a finance lease under IFRS since its inception. The cumulative difference between the operating lease expenses recognized under Canadian GAAP prior to the Transition Date, and the depreciation and interest expense that would have been recognized had these leases been accounted for under IFRS from their inception to the Transition Date, will be recorded as part of the opening deficit at the Date of Transition.

Subsequent to the Date of Transition, operating lease expense, presented within selling, general and administrative expenses on the Brick Group’s consolidated income statement, will be lower. Depreciation expense and interest expense will be higher. The net impact on the Brick Group’s results of operations has yet to be determined. This reclassification will not affect the Brick Group’s cash flows.

- *IAS 36: Impairment of Assets*

Under Canadian GAAP, impairment losses recognized in prior periods cannot be reversed, even if the impairment indicators prompting the impairment loss do not exist any longer.

Under IFRS, when the circumstances prompting impairment charges in prior periods have changed in such a way that the recoverable amount of an asset exceeds its carrying value at a measurement date, the impairment loss previously recognized may be reversed. Impairment losses previously recorded for the Brick Group’s brand intangible assets and certain store assets are being considered for reversal, however, the recoverable amounts for these assets are still to be determined. Any reversal of past impairment charges is limited to the amount of the impairment charge previously recognized. Reversal of impairment charges related to goodwill is not allowed under IFRS or Canadian GAAP.

- IAS 16: *Property, Plant and Equipment* (“PP&E”)

IAS 16 allows for a choice between carrying capital assets at historical cost less accumulated amortization and impairments (the “cost model”), or at fair value (the “revaluation model”). Under the revaluation model, an asset whose fair value can be measured reliably is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. The cost model is very similar to the Brick Group’s accounting policy under Canadian GAAP. The Brick Group’s preliminary policy choice is to follow the cost model for its PP&E. Management believes this model will provide appropriate and useful information about the financial position and performance of the Brick Group to users of its consolidated financial statements.

- IAS 40: *Investment Property*

Under Canadian GAAP, this classification of asset does not exist. Under IFRS, certain of the Brick Group’s buildings generating rental income will be reclassified from capital assets to investment property. Investment property includes land and buildings held primarily to earn rental income or for capital appreciation or both, rather than for use in the production or supply of goods or for sale in the ordinary course of business.

As well, IAS 40 allows for a choice between carrying the Brick Group’s investment property at historical cost less accumulated depreciation and impairments (the “cost model”) or at fair value (the “fair value model”). Under the fair value model, the fair value of investment property must reflect market conditions at the end of the reporting period, and any gain or loss arising from a change in the fair value of investment property must be recognized in profit or loss for the period in which it arises. Under the fair value model, investment properties are not amortized. The cost model is very similar to the Brick Group’s accounting policy under Canadian GAAP for capital assets. The Brick Group’s preliminary policy choice is to follow the cost model for its investment property. Management believes this model will provide appropriate and useful information about the financial position and performance of the Brick Group to users of its consolidated financial statements. As discussed above under Elections on Initial Adoption of IFRS, for our real estate assets including those that may be classified as investment property, we have elected to use fair value as the deemed cost at the Transition Date.

The Brick Group continues to monitor and address the impact of potential new differences between Canadian GAAP and IFRS, since the IASB is expected to continue to issue new accounting standards during the remaining period to the conversion date of January 1, 2011. As a result, the final impact of IFRS on the Brick Group’s consolidated financial statements can only be measured once all of the IFRS applicable at the conversion date of January 1, 2011 are known.

14. RISK FACTORS

The Brick Group’s risk factors are substantially the same as those disclosed in the 2009 Annual MD&A and the March 2010 AIF. These documents can be found on-line at www.sedar.com or at www.thebrickgroup.ca.

15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Brick Group maintains disclosure controls and procedures (“DC&P”) that are designed to provide reasonable assurance that material information relating to the Brick Group is made known to management and disclosed as appropriate in a timely manner. Management has designed ICFR to provide reasonable assurance that the Brick Group’s financial reporting is reliable and that the consolidated annual and interim financial statements are prepared in accordance with GAAP. The control framework used to design ICFR is the COSO framework published by The Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Controls over Financial Reporting

The Brick Group is currently undertaking measures to address the material weakness in the operation of ICFR previously disclosed in the 2009 Annual MD&A. Other than improvements to ICFR arising as a result of these measures, there have been no changes in the Brick Group’s internal controls over financial reporting during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, its ICFR.

Limitations of Controls and Procedures

Management of the Brick Group, including the President and Chief Executive Officer and Chief Financial Officer, believes that any DC&P or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. As a result of inherent limitations of any control system, ICFR may not prevent or detect all control issues, including material financial reporting errors or misstatements.

16. 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 rebanner 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. 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.