



Date: August 5, 2009

Management's Discussion and Analysis of Consolidated Financial Position and Results of Operations for the three and six month periods ended June 30, 2009.

The Brick Group Income Fund assumes the reader of this document has access to, and has read The Brick Group Income Fund's 2008 Annual Management's Discussion and Analysis (the "2008 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 13, 2009 (the "March 2009 AIF"). The 2008 Annual MD&A and the March 2009 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, 2009. 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.

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".

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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, and The Brick Mattress Store.

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.

In addition, through its corporate sales division, the Brick Group services the subdivision, condominium and high-rise builder market.

Urban Brick

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. The first Urban Brick store was opened by rebannered one of our Mattress Stores within Toronto, Ontario to the new design. This banner is also featured in galleries within 53 Brick stores across Canada. The banner is expected to expand to high density, metro areas across Canada.

As at June 30, 2009, The Brick Group operated 233 retail stores (including its 49 franchise locations) in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Prince Edward Island, Nova Scotia, New Brunswick and the Yukon Territory.

Financial Services

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

Reported and Adjusted Results

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

For simplicity, beginning with the first quarter of 2006, the Analysis of Operating and Financial Results presented in the MD&A has referred to results as reported in our annual and interim financial statements. This change in presentation was not possible prior to the first quarter of 2006 as this was the first quarter for which prior year quarterly and year-to-date comparative results included the effects of purchase accounting.

Prior MD&A's included discussions of adjusted results which are derived by excluding the impact of purchase accounting adjustments from the amounts reported under GAAP. The impact of these purchase accounting adjustments reduces non-cash related revenues and increases non-cash related expenses recorded on the income statement. This impact will diminish over future periods.

The purchase accounting adjustments are described in detail under the heading Purchase Accounting Adjustments in the 2008 Annual MD&A.

Management believes the adjusted results to be important 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 unadjusted results may be misleading. As well, a complete table of results on an adjusted basis is provided as supplementary information under the section heading "Non-GAAP Financial Measures". The adjusted results do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other issuers.

The calculation of distributable cash continues to be based on adjusted EBITDA.

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, but exclude stores where significant cannibalization has occurred.

For the 2009 second quarter and year-to-date results for same store sales growth, 9 stores have been excluded due to cannibalization. On this basis, same store sales as discussed in this MD&A reflect 94.6% in the second quarter, and 94.8% year to date, of the total sales occurring at all stores that have been open 14 full calendar months.

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 the Yukon Territory. References to corporate same store sales in Eastern Canada include corporate stores located in Ontario and Quebec.

Franchise Sales

Franchise sales figures and franchise same store sales figures as discussed in this MD&A refer to results that have not been audited. Sales at franchise stores are not included in the 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.

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2. SECOND QUARTER HIGHLIGHTS

(000's of \$ except %, and store amounts)	For the three months ended June 30				For the six months ended June 30			
	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)
Retail Segment - Sales and operating revenue	\$ 237,558	\$ 338,319	(100,761)	-29.8%	\$ 491,714	\$ 651,778	(160,064)	-24.6%
Financial Services Segment - Sales and operating revenue	18,116	14,908	3,208	21.5%	35,559	29,368	6,191	21.1%
Consolidated - Sales and operating revenue	255,674	353,227	(97,553)	-27.6%	527,273	681,146	(153,873)	-22.6%
Franchise Sales	27,872	30,693	(2,821)	-9.2%	60,112	60,836	(724)	-1.2%
Consolidated and Franchise Sales and operating revenue	\$ 283,546	\$ 383,920	(100,374)	-26.1%	\$ 587,385	\$ 741,982	(154,597)	-20.8%
Same Store Sales Growth (corporate stores)	-32.4%	2.0%			-27.0%	-0.1%		
Same Store Sales Growth (corporate and franchise stores)	-31.4%	2.0%			-26.5%	-0.2%		
Retail Segment - EBITDA ⁽¹⁾	\$ (16,487)	\$ 9,155	(25,642)	-280.1%	\$ (27,980)	\$ 14,243	(42,223)	-296.4%
Financial Services Segment - EBITDA	8,833	7,528	1,305	17.3%	17,896	14,918	2,978	20.0%
Consolidated - EBITDA ⁽¹⁾	\$ (7,654)	\$ 16,683	(24,337)	-145.9%	\$ (10,084)	\$ 29,161	(39,245)	-134.6%
EBITDA as a percentage of sales and operating revenue	-3.0%	4.7%			-1.9%	4.3%		
Retail Segment - Net loss ⁽¹⁾	\$ (155,223)	\$ (80)	(155,143)	193928.8%	\$ (193,598)	\$ (3,274)	(190,324)	5813.2%
Financial Services Segment - Net income	8,856	7,630	1,226	16.1%	17,881	15,200	2,681	17.6%
Consolidated - Net (loss) income ⁽¹⁾	\$ (146,367)	\$ 7,550	(153,917)	-2038.6%	\$ (175,717)	\$ 11,926	(187,643)	-1573.3%
EBITDA - Adjusted	\$ (7,047)	\$ 18,071	(25,118)	-139.0%	\$ (8,688)	\$ 32,113	(40,801)	-127.1%
Adjusted EBITDA as a percentage of sales and operating revenue	-2.8%	5.1%			-1.6%	4.7%		
Cash (used) provided by operating activities before changes in non-cash working capital items	(13,479)	16,218	(29,697)		(16,057)	26,268	(42,325)	
Distributable cash per unit for the three months ended June 30	\$ (0.21)	\$ 0.26	(0.47)	-180.8%				
Payout Ratio for the three months ended June 30	0.0%	117.1%						
Distributable cash per unit for the six months ended June 30					\$ 0.35	\$ 1.38	(1.03)	-74.7%
Payout Ratio for the twelve months ended June 30					156.9%	86.7%		
Stores at period end	233	211			233	211		

(1) 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. For the 2008 second quarter, previously recorded amortization of pre-opening costs of \$661 and SG&A of \$124 have been reclassified from net income to the opening deficit on the 2008 consolidated balance sheet. On a year-to-date basis, previously recorded amortization of pre-opening costs of \$1,322 and SG&A of \$154 have been reclassified from net income to the opening deficit on the 2008 consolidated balance sheet.

Overview

Fairfax Letter of Credit Facility

On August 6, 2009, the Brick Group entered into an agreement in principal with Fairfax pursuant to which Fairfax has agreed to issue an irrevocable letter of credit in the aggregate principal amount of C\$25 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 will be to backstop additional letters of credit to be issued under the GE Credit Agreement to certain of the Brick Group's inventory suppliers (the "Supplier LCs"); provided such inventory suppliers agree to extend additional new credit to the Brick Group for inventory of not less than 150% of the Supplier LCs to be issued to such inventory suppliers. The GE Credit Agreement will continue to provide for maximum borrowings of up to \$130 million, and will continue to vary from time to time based on the level of the Brick Group's inventory and accounts receivable. In connection with Fairfax providing the Fairfax LC, the Brick Group has requested that the borrowing base under the GE Credit Agreement be 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 inventory and accounts receivable. The transaction is subject to an amendment to the GE Credit Agreement. Discussions with GE are proceeding according to the Brick Group's expectations and with the goal of concluding the amendment shortly.

The Fairfax LC has an initial term of six months (the "Initial Term") subject to extension at the option of the Brick Group for up to an additional 6 months (the "Extension Term"). Amounts drawn under the Fairfax LC bears interest at 15% per annum. On the closing date for the initial term of six months, the Brick Group will pay a fee of \$300,000 to Fairfax and issue to Fairfax 5,317,100 warrants. In the event the Fairfax LC is extended, the Brick Group will pay an extension fee of \$1,250,000.

Each full warrant will entitle the holder to purchase one Unit. Warrants will be exercisable at the holder's option at any time, in whole or in part, for five years from the date of issue at a price per unit to be determined pursuant to the rules of the Toronto Stock Exchange. The warrants will include customary anti-dilution provisions, consistent with the terms of the warrants previously issued to Fairfax in connection with the public debt offering on May 28, 2009.

The transaction has been unanimously approved by the independent trustees of the Brick Group, free from interest in the transaction and unrelated to the parties involved. Closing is subject to the execution of definitive documents, including an amendment to the GE Credit Agreement, to reflect the LC Transaction, and to obtain all necessary regulatory, corporate and credit approvals, including those of the lenders under the GE Facility.

Recapitalization Transaction

On May 28, 2009, the Brick Group completed a recapitalization transaction designed to enhance the Brick Group's liquidity and operating flexibility. The transaction included:

- 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 "Warrants");
- a new \$130 million asset-based credit facility (the "Asset-Based Credit Facility") with initial availability of \$66.5 million;
- 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.

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 Warrants, will 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 Warrants, Fairfax may be in a position to materially impact control of the Brick Group. Further, Fairfax and Comrie acting together, or Fairfax acting alone, may be in a position to either pass or block votes of holders of Debentures, Warrants and Class A Units.

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. Each 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 customary anti-dilution adjustments

The Asset-Based Credit Facility provides for maximum borrowings of up to \$130 million of which approximately \$69.3 million was margined and available at June 30, 2009, with approximately \$43.3 million drawn and approximately \$26.0 million undrawn. The Asset-Based Credit Facility will have a term of 36 months and is secured by the Brick Group’s inventory and accounts receivable. 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’s inventory and accounts receivable.

In conjunction with the recapitalization transaction, the Brick Group obtained from the TSX an exemption from the requirement to seek disinterested unitholder approval for the Public Offering and the Private Placement pursuant to Section 604(e) of the TSX Company Manual on the basis of the Brick Group’s financial hardship. Reliance on this exemption resulted in a TSX de-listing review to confirm that the Brick continues to meet TSX continued listing requirements. The TSX de-listing review is currently ongoing and is a routine procedure when using this exemption. The Brick Group expects it will continue to comply with applicable TSX listing requirements.

After giving effect to the Public Offering and the Private Placement and assuming the exercise of all Warrants, 174.2 million Class A Units would be outstanding on a fully diluted basis, representing a 221% increase over the current 54.2 million Class A Units outstanding. Please refer to the Brick Group’s final short form prospectus filed on www.sedar.com for further information on the recapitalization transaction. The recapitalization transaction is further discussed in this MD&A under the heading Financing Resources.

Second Quarter Operating Results

For the second quarter ended June 30, 2009, the Brick Group's operating results continued to be impacted by the on-going recession. Compared to the same quarter of 2008, consolidated sales and operating revenue of \$255.7 million was lower by \$97.6 million or 27.6%, and consolidated EBITDA decreased by \$24.3 million to negative \$7.7 million.

Second quarter sales and operating revenue increased by 21.5% in the financial services segment to \$18.1 million, and decreased by 29.8% in the retail segment to \$237.6 million, compared to the same quarter in 2008. In the retail segment, second quarter same store sales growth was negative 32.4%. In the month of July, our monthly year-over-year trend for written sales improved from levels experienced throughout the second quarter.

Second quarter EBITDA increased by 17.3% in the financial services segment to \$8.8 million, and decreased by \$25.6 million in the retail segment to negative \$16.5 million, compared to the same quarter in 2008.

In the retail segment, the EBITDA loss was driven by weak second quarter sales. In addition to the negative impact of continuing weakness in the Canadian retail sector, limitations to credit terms imposed by some vendors during the quarter negatively impacted inventory levels and our ability to deliver goods and complete sales. While the May, 2009 recapitalization transaction improved the Brick Group's liquidity position and eliminated all financial covenants, management's belief that it will continue to provide adequate liquidity is based on the assumption that current payment terms with the Brick Group's suppliers will not change materially and adversely to the Brick Group. Readers are referred to the March 2009 AIF, and the final short form prospectus dated May 21, 2009, for further discussion of risks related to suppliers and vendors.

Adjusted EBITDA was negative \$7.0 million for the quarter, representing a decrease of \$25.1 million when compared to the same quarter in 2008.

In the second quarter, our net loss of \$146.4 million included non-cash goodwill and brand intangible asset impairment charges of \$133.5 million. In the same quarter of 2008, net income was \$7.6 million. The Brick Group's operating results for the three and six month periods ended June 30, 2009 were below management's expectations and as a result, the Brick Group revised its forecasts for sales, operating results, and cash flows. As well, the Brick Group's market capitalization decreased significantly during the quarter as our unit price fell from a closing price of \$1.22 on March 31, 2009 to a closing price of \$0.65 on June 30, 2009. Taken together, these events triggered an interim review of the Brick's goodwill and indefinite life intangible assets to determine whether an impairment charge was required. The Brick Group performed the interim review as at June 30, 2009, and determined that the carrying value of its brand intangible assets, held in the retail segment, exceeded their fair value. Consequently, an impairment write down of \$25.0 million with respect to the Brick Group's brands (the "Brick" and "United Furniture Warehouse"), was recognized in the retail segment. As well, the implied fair value of goodwill carried at \$108.5 million in the retail reporting unit was determined to be \$NIL. Accordingly, total impairment charges of \$133.5 million, and related future income tax recoveries of \$10.1 million, were recognized in the Brick Group's consolidated statement of loss for the three month period ended June 30, 2009.

Additionally, leasehold improvements and equipment relating to certain stores within the retail segment were no longer providing an economic benefit to the Brick Group and consequently were written-off as of June 30, 2009. An impairment charge amounting to \$1.7 million related to these assets is included in amortization expense on the consolidated statement of loss for the three month period ended June 30, 2009.

The payout ratio for the twelve months ended June 30, 2009 was 156.9%, including a 50% reduction to distributions announced in November 2008, and the suspension of distributions announced in February 2009, compared to 86.7%, reflecting full monthly distributions of \$0.10 per unit, for the twelve months ended March 31, 2008. Under our alternative view of distributable cash, the payout ratio for the twelve months ended June 30, 2009 was 173.9% compared to 87.2% for the twelve months ended June 30, 2008.

Consolidated and Franchise Sales and Operating Revenue

Second quarter consolidated and franchise sales and operating revenue was \$283.5 million, including \$27.9 million of franchise sales, compared to \$383.9 million, including \$30.7 million of franchise sales, in the same quarter last year, representing a decrease of 26.1%. Same store sales growth for corporate stores together with franchise stores was negative 31.4% compared to positive 2.0% for the same quarter of 2008.

Compared to the same quarter a year ago, sales at our franchise stores decreased by 9.2% to \$27.9 million, and same store sales growth was negative 25.3%.

We began the quarter with 47 franchise stores and ended with 49, while in 2008, we began the quarter with 32 and ended with 33 franchise stores.

3. OUTLOOK

The global economic crisis continued to negatively impact Canada in the second quarter as the Canadian economy was confirmed to be in a recession at the end of the first quarter of 2009. The recession has had a detrimental effect on the Brick Group and the Canadian retail industry. The retail industry has been hit hard by the economic downturn as Canada saw its unemployment rate increase from 8.0% in April 2009 to 8.4% in May 2009 to an 11-year high of 8.6% in June 2009¹. High unemployment rates have led to reduced consumer spending and lower housing sales. This has been coupled with fundamental weaknesses in the Brick Group's purchasing, supply chain, marketing and operations methodologies which has also impacted the Brick Group's year-to-date results.

Steps Taken to Mitigate the Impact of the Recession in the Second Quarter

In the second quarter, management had taken extensive steps to mitigate the impact on the Brick Group's financial situation. In an effort to improve financial liquidity in the face of economic challenges, the Brick Group completed a recapitalization transaction. The recapitalization transaction not only increased liquidity, but also eliminated all prior financial covenants. Management continued to focus on reducing SG&A and curtailing capital investment projects where possible. These measures were important in helping the Brick Group withstand the turbulent economy and to move forward in the remainder of the year.

¹ Source: Statistics Canada

Outlook and Initiatives for the Third Quarter

In the month of July, our monthly year-over-year trend for sales improved from levels experienced throughout the second quarter. Moving forward in the second half of 2009, economic indicators are showing a gradual recovery from the recession. The stimulus package presented by the Government of Canada functioned to garner business and consumer confidence. In addition, the monetary policy implemented by the Bank of Canada has kept key interest rate at a record low of 0.25%. Low mortgage rates have positively impacted sales of existing homes and new home construction, which rose for a second straight month in June². While the real estate, business and consumer confidence indexes increased, we believe there is still downside risk from the rise in the Canadian dollar and high unemployment in the country. These uncertainties point towards a slow and prolonged recovery from the recession during the second half of the year.

Management will continue to take steps to face the challenges in the second half of the year. The Fairfax LC will further enable us to improve inventory supplier terms and improve our inventory in-stock positions in order to meet our sales targets for the balance of the year. The Brick Group is pleased to welcome Mr. Bill Gregson as the new President and CEO, and believes that his strong leadership will help revitalize the Brick Group. Together, with our new leader, we will leverage our strong entrepreneurial team to focus on a turnaround from the first half.

Key Priorities for the Brick Group

- 1) Purchasing and Supply Chain Methodologies and Alignment
- 2) Marketing and Advertising Focus
- 3) Sales Force Size and Effectiveness
- 4) Liquidity
- 5) Cost Control

Store Count Continuity

The following chart illustrates our store count projections to the end of the 2009 fiscal year:

Store Count Continuity - Year to Date Q2 2009				
	At Dec 31, 2008	Rebanned	Opening / Closing	At Jun 30, 2009
Corporate Stores				
Brick	105	0	6	111
Brick Clearance Centres	7	0	-1	6
Superstore	3	0	0	3
Mattress Store	28	0	0	28
UFW	40	0	-4	36
Corporate Subtotal	183	0	1	184
Franchise Stores	47	0	2	49
Total Corporate & Franchise Stores	230	0	3	233

² Source: Canada Mortgage and Housing Corporation

Capital Expenditures

Management will continue to execute appropriate capital investment programs for 2009, with an approximate spending of \$8.5 million, net of tenant inducements. The total includes both growth (\$5.6 million) and maintenance (\$2.9 million) capital spending. The majority of the growth capital spending was previously committed for the opening of nine new stores, seven of which have opened, with the other two stores opening in the second half of 2009. Other initiatives committed for growth capital were in the areas of relocations, renovations and IT-related improvements.

As part of our key initiative to conserve cash, capital expenditures have been decreased by approximately 73% from 2008. Our investment strategies will remain highly selective towards projects with the highest return to the Brick Group. Management will regularly review and manage its capital investment programs prudently through the year.

Summary

The Brick Group believes that the operational changes it is making will ensure that the brand remains resilient through the current economic times and will be well positioned when customer traffic patterns increase. We are looking towards the second half of the year with preparedness and an opportunistic viewpoint as the economy is expected to gradually recover. Together with a new leader, our innovative and entrepreneurial team is ready to revitalize the organization and continue building the brand.

Current Income Tax Expense and SIFT Tax

For entities remaining within normal growth limits announced by the Department of Finance (Canada) on December 15, 2006, the SIFT tax will take effect on January 1, 2011. On July 14, 2008, the Department of Finance (Canada) introduced draft legislation which contains proposed conversion rules for income funds. These draft rules are designed to permit income funds to convert into public corporations and wind up without triggering adverse tax consequences to the income fund and its unitholders. The draft legislation was subject to comments by interested parties by September 15, 2008, and will likely be revised before being enacted into law. When enacted, the proposed rules are expected to cover transactions that occur within the period after the Announcement Date (July 14, 2008), and before 2013.

The Brick Group announced on November 4, 2008, that it was actively reviewing the strategic concept of converting to a corporation from an income trust prior to the SIFT tax taking effect at the beginning of 2011. In light of the recapitalization transaction, progress on the conversion project has been temporarily delayed. The Brick Group will provide further updates as we proceed through our strategic review.

Uncertainties and Risks

The Brick Group's financial results have been negatively impacted by declining sales and operating revenues in the retail segment. These declines in sales and operating revenue reflect the effects of the deterioration in the economy which has led to reduced consumer confidence and spending in the Canadian retail sector. The resulting decline in our operating results has led some inventory suppliers to restrict credit terms as they work to address their own credit risk exposures, and this negatively impacted inventory levels and the Brick Group's ability to deliver goods and complete sales during the second quarter. Taken together, these factors have imposed significant challenges on management's ability to maintain alignment and effectiveness of our purchasing, logistics, marketing and sales functions, which

has further exacerbated the decline in sales. The Brick Group has reduced variable and fixed costs where possible.

In recent months, several of the Brick Group's suppliers have limited, or have expressed an intention to limit, the payment terms available to the Brick Group for its purchases of inventory. In the second quarter, limitations to credit terms imposed by some vendors negatively impacted inventory levels and the Brick Group's ability to deliver goods and complete sales.

The Brick Group continues to revisit its forecasts of financial results and cash flows and the current forecasts and related assumptions illustrate that management can manage the business and maintain liquidity within the terms of the Asset-Based Credit Facility. As at July 31, 2009, \$37,460 was drawn under the Asset-Based Credit Facility and \$30,871 was undrawn and available to continue to Brick Group operations and working capital requirements.

However, such forecasts are highly dependent on certain assumptions, including, without limitation, the absence of further deterioration in the Brick Group's consolidated revenues, its ability to manage costs, and its ability to maintain credit terms with the Brick Group's suppliers. Should any of these assumptions prove false, the Brick Group may not be able to generate adequate cash flow or have sufficient availability under the Asset-Based Credit Facility to Brick Group its obligations as they come due without obtaining additional sources of financing. Further, the Brick Group's business, financial condition, liquidity and results of operations may be materially adversely affected and there can be no assurance that the Brick Group would be able to continue to operate as a going concern.

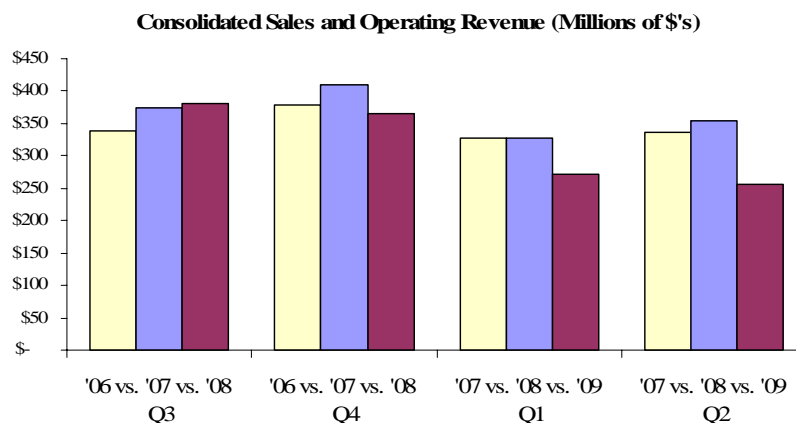
On August 6, 2009, the Brick Group entered into an agreement in principle with Fairfax Financial Holdings Limited ("Fairfax") pursuant to which Fairfax will issue an irrevocable letter of credit (the "Fairfax LC") to GE Capital in the aggregate principal amount of \$25,000. The Fairfax LC will support letters of credit that may be issued under the \$130 million Asset Based Credit Facility ("GE Facility") to the Brick Group's inventory suppliers. This letter of credit facility is discussed further in this MD&A under the Overview and Financing Resources headings.

The outcome of the various matters discussed above cannot be predicted at this time. Readers are referred to the March 2009 AIF, and the final short form prospectus dated May 21, 2009, for further discussion of risks related to suppliers, vendors and customers.

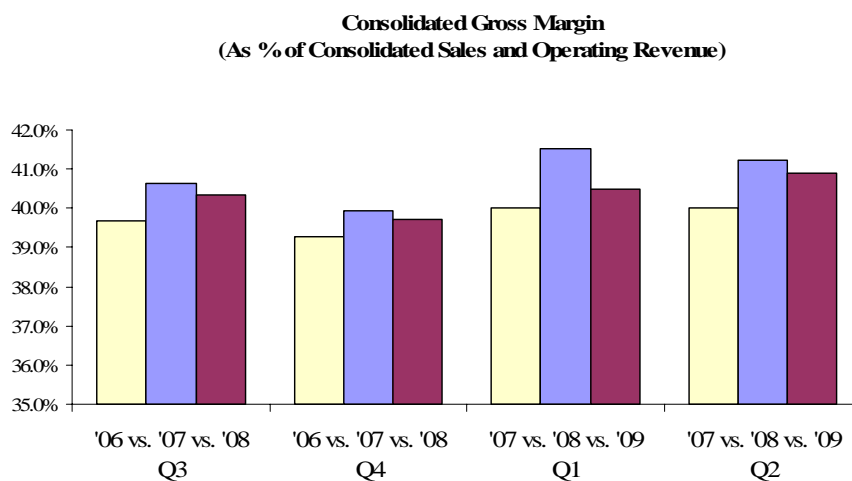
4. CONSOLIDATED OPERATING AND FINANCIAL RESULTS

(000's of \$ except %, per unit and store amounts)	For the three months ended June 30				For the six months ended June 30			
	2009	2008*	\$ Increase (Decrease)	% Increase (Decrease)	2009	2008*	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 255,674	\$ 353,227	(97,553)	-27.6%	\$ 527,273	\$ 681,146	(153,873)	-22.6%
Cost of sales	(151,094)	(207,565)	(56,471)	-27.2%	(312,682)	(399,335)	(86,653)	-21.7%
Gross margin	104,580	145,662	(41,082)	-28.2%	214,591	281,811	(67,220)	-23.9%
<i>Gross margin as a percentage of sales and operating revenue</i>	40.9%	41.2%			40.7%	41.4%		
Selling, general and administrative expenses (SG&A)	(112,540)	(129,303)	(16,763)	-13.0%	(225,024)	(253,221)	(28,197)	-11.1%
Investment and other income	306	324	(18)	-5.5%	349	571	(222)	-38.9%
EBITDA	(7,654)	16,683	(24,337)	-145.9%	(10,084)	29,161	(39,245)	-134.6%
<i>EBITDA as a percentage of sales and operating revenue</i>	-3.0%	4.7%			-1.9%	4.3%		
Interest expense on long-term and other debt	(3,816)	(2,376)	1,440	60.6%	(6,048)	(4,600)	1,448	31.5%
Amortization	(9,026)	(6,847)	2,179	31.8%	(15,747)	(12,897)	2,850	22.1%
Net (loss) income before undernoted items	(20,496)	7,460	27,956	-374.7%	(31,879)	11,664	43,543	-373.3%
Income tax recovery	10,634	90	10,544	11715.6%	17,667	262	17,405	6,643.1%
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 (loss) income	\$ (146,367)	\$ 7,550	(153,917)	2038.6%	\$ (175,717)	\$ 11,926	(187,643)	-1573.4%
Basic and diluted net (loss) income per unit	\$ (2.70)	\$ 0.14	(2.84)	-2028.6%	\$ (3.24)	\$ 0.22	(3.46)	-1572.7%
Stores at period end	233	211			233	211		
<i>Adjusted results (purchase accounting adjustments removed):</i>								
Sales and operating revenue	\$ 255,894	\$ 354,496	(98,602)	-27.8%	\$ 527,982	\$ 683,920	(155,938)	-22.8%
EBITDA	(7,047)	18,071	(25,118)	-139.0%	(8,687)	32,113	(40,800)	-127.1%
<i>EBITDA as a percentage of sales and operating revenue</i>	-2.8%	5.1%			-1.6%	4.7%		
Net income	\$ (18,917)	\$ 10,177	(29,094)	-285.9%	\$ (21,112)	\$ 17,251	(38,363)	-222.4%
Payout ratio for the three months ended June 30	0.0%	117.1%						
Payout ratio for the twelve months ended June 30	156.9%	86.7%						

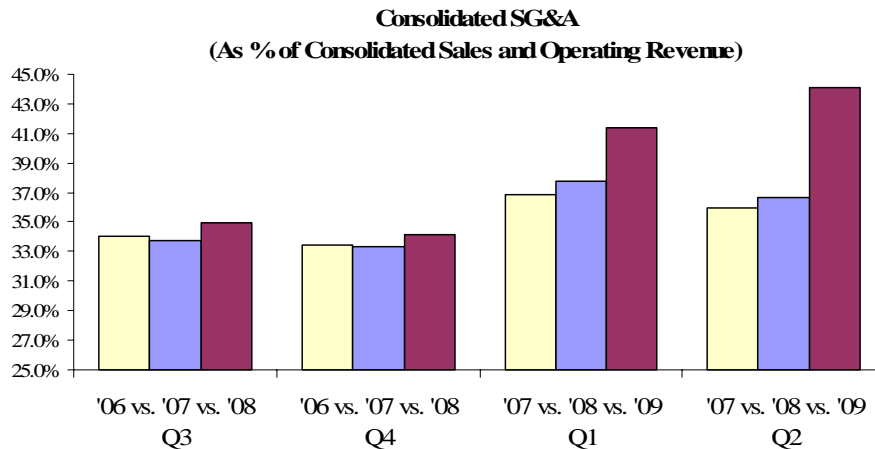
On January 1, 2009, the Brick Group adopted new accounting standards related to the capitalization of pre-opening costs. Under the new standards, store and distribution centre pre-opening costs are no longer deferred and amortized, and must be charged to income as incurred. These new standards require retroactive application and therefore, retail segment net income for 2008 has been restated. For the 2008 second quarter, previously recorded amortization of pre-opening costs of \$661 and SG&A of \$124 have been reclassified from net income to the opening deficit on the 2008 consolidated balance sheet. On a year-to-date basis, previously recorded amortization of pre-opening costs of \$1,322 and SG&A of \$154 have been reclassified from net income to the opening deficit on the 2008 consolidated balance sheet.



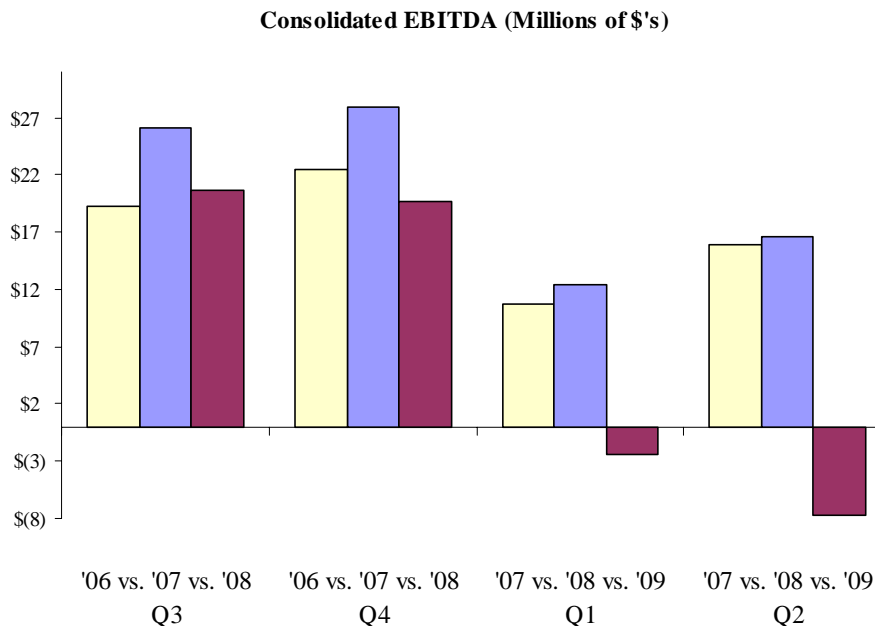
For the quarter ended June 30, 2009, consolidated sales and operating revenue of \$255.7 million was lower by \$97.6 million or 27.6% as compared to the same quarter of 2008. Sales and operating revenue decreased by \$100.8 million in the retail segment, and increased by \$3.2 million in the financial services segment. The retail segment was impacted by the weakened Canadian economy, depressed retail sector, and out-of-stock inventory positions. In the financial services segment, revenue growth was attributable primarily to our warranty business.



Consolidated gross margin for the quarter was lower by 0.3 pts compared to the same quarter of 2008. Compared to the same quarter of 2008, our margins were negatively impacted by clearance sales as we worked to reduce slow-moving inventories. Fluctuations in our consolidated gross margin are driven primarily by the retail segment.



Consolidated selling, general and administrative expenses (“SG&A”), as a percentage of sales, were 7.4 ppts higher in the second quarter of 2009 compared to the same quarter of 2008. While the combination of weak second quarter sales and higher fixed occupancy and compensation costs negatively impacted this metric, our total SG&A was \$16.8 million or 13.0% less than in the same quarter of 2008. The decrease in our second quarter SG&A was impacted by our on-going efforts to reduce semi-fixed and variable costs. Our higher fixed occupancy and compensation costs are due primarily to 14 new or rebannered Brick stores added over the past year.



Second quarter consolidated EBITDA was negative \$7.7 compared to positive EBITDA of \$16.7 million for the same quarter last year. With the decline in sales experienced in the retail segment in the second quarter, and with a higher level of fixed operating costs compared to the same quarter in 2008, EBITDA performance was negatively impacted.

Consolidated Net Income

In the second quarter, our net loss was \$146.4 million compared to net income of \$7.6 million in the same quarter of 2008. As discussed in the Overview section of this MD&A, our second quarter loss includes a non-cash impairment charge of \$133.5 million with respect to the Brick Group's goodwill and brands (the "Brick" and "United Furniture Warehouse"), a related future income tax recovery of \$10.1 million, and an additional non-cash asset impairment charge related to leasehold improvements and equipment that were no longer providing an economic benefit to the Brick Group of \$1.7 million. Normalized to exclude these items, our net loss would have been \$21.3 million. On this normalized basis, the decrease in quarter-over-quarter net income was driven primarily by the decline in sales affecting the Canadian retail sector, and an additional decline in sales attributable to restrictions to credit terms which negatively impacted inventory availability. Increased fixed SG&A expense was also a factor. Compared to the same quarter of 2008, our fixed occupancy and compensation costs are higher due to 14 new or rebannered Brick stores added over the past year.

On a year-to-date basis, our net loss was \$175.7 million compared to net income of \$11.9 for the same period in 2008. Our year-to-date results include non-cash impairment charges of \$158.5 million as the Brick Group's brands were written down by \$50.0 million and the remaining balance of goodwill of \$108.5 million was written off. Future income tax recoveries related to these non-cash impairment charges were \$14.8 million. Additionally, a non-cash asset impairment charge related to leasehold improvements and equipment that were no longer providing an economic benefit to the Brick Group of \$1.7 million was also recognized during the period. Normalized to exclude these items, our net loss would have been \$30.3 million.

5. 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.

(000's of \$ except per unit amounts)	April 1 to June 30, 2009 Q2	January 1 to March 31, 2009 Q1	October 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)	\$ 18,484	\$ 20,607
Net (loss) income ⁽²⁾				
As previously reported	\$ (146,367)	\$ (29,350)	\$ (223,648)	\$ 12,442
Adoption of new accounting standards ⁽³⁾	N/A	N/A	(478)	660
	\$ (146,367)	\$ (29,350)	\$ (224,126)	\$ 13,102
Basic and diluted net (loss) income per unit	\$ (2.70)	\$ (0.54)	\$ (4.13)	\$ 0.23
Adoption of new accounting standards ⁽³⁾	N/A	N/A	(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	\$ -	\$ 2,710	\$ 10,834	\$ 16,251

(000's of \$ except per unit amounts)	April 1 to June 30, 2008 Q2	January 1 to March 31, 2008 Q1	October 1 to December 31, 2007 Q4	July 1 to September 30, 2007 Q3
Sales and operating revenue	\$ 353,227	\$ 327,919	\$ 409,132	\$ 375,103
EBITDA	\$ 16,683	\$ 12,479	\$ 27,918	\$ 26,134
Net income ⁽¹⁾				
As previously reported	\$ 6,765	\$ 3,685	\$ 23,354	\$ 17,145
Adoption of new accounting standards ⁽³⁾	785	691	N/A	N/A
	\$ 7,551	\$ 4,376	\$ 23,354	\$ 17,145
Basic and diluted net income per unit ⁽¹⁾				
As previously reported	\$ 0.12	\$ 0.07	\$ 0.43	\$ 0.32
Adoption of new accounting standards ⁽³⁾	0.02	0.01	N/A	N/A
	\$ 0.14	\$ 0.08	\$ 0.43	\$ 0.32
Distributable cash	\$ 13,754	\$ 10,554	\$ 13,878	\$ 23,569
Distributable cash per unit	\$ 0.25	\$ 0.19	\$ 0.47	\$ 0.44
Cash distributions declared	\$ 16,251	\$ 16,251	\$ 16,252	\$ 16,251

(000's of \$ except per unit amounts)	April 1 to June 30, 2007 Q2	January 1 to March 31, 2007 Q1	October 1 to December 31, 2006 Q4	July 1 to September 30, 2006 Q3
Sales and operating revenue	\$ 335,901	\$ 327,440	\$ 379,684	\$ 337,783
EBITDA	\$ 15,859	\$ 10,767	\$ 22,541	\$ 19,266
Net (loss) income ⁽¹⁾				
	\$ (27,698)	\$ 2,732	\$ 14,628	\$ 11,708
Basic and diluted net (loss) income per unit	\$ (0.51)	\$ 0.05	\$ 0.27	\$ 0.22
Distributable cash	\$ 14,707	\$ 9,929	\$ 21,834	\$ 18,587
Distributable cash per unit	\$ 0.27	\$ 0.18	\$ 0.40	\$ 0.34
Cash distributions declared	\$ 16,251	\$ 16,251	\$ 16,253	\$ 16,251

(1) For the quarter ended June 30, 2007, the Brick Group recorded future income tax expense and an increase to its long-term future income tax liability of \$34.6 million (as restated). This charge relates to the "Tax Fairness Plan", announced on October 31, 2006 by the Department of Finance (Canada), which was enacted during the quarter. This charge for future income tax expense does not have any impact on our operating decisions, our credit facilities or financial covenants, the carrying values of our assets, our cash flows, our ability to generate cash flow, or our ability to make distributions to our unitholders. Management was required to record this charge in order to be in compliance with GAAP. For the quarter ended December 31, 2007, this amount was reduced to \$30.3 million (as restated) to reflect a reduction to the tax rate applicable in future years.

(2) Second quarter net income for 2009 includes goodwill and brand intangible asset impairment charges of \$133,459 (first quarter 2009: \$25,000; fourth quarter 2008: \$241,471).

(3) 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 has been reclassified from net income to the opening deficit on the 2008 consolidated balance sheet.

6. SEGMENTED INFORMATION – RETAIL OPERATIONS

(000's of \$)	For the three months ended June 30				Six months ended June 30			
	2009	2008	\$ Increase	% Increase	2009	2008	\$ Increase	% Increase
Sales and operating revenue	\$ 237,558	\$ 338,319	\$ (100,761)	-29.8%	\$ 491,714	\$ 651,778	\$ (160,064)	-24.6%
EBITDA	(16,487)	9,155	(25,642)	-280.1%	(27,980)	14,243	(42,223)	-296.4%
Adjusted results (purchase accounting adjustments removed):								
Sales and operating revenue	\$ 237,558	\$ 338,319	\$ (100,761)	-29.8%	\$ 491,714	\$ 651,778	\$ (160,064)	-24.6%
EBITDA	(18,882)	9,590	(28,472)	-296.9%	(32,424)	15,112	(47,536)	-314.6%

Sales and Operating Revenue

For the Quarter:

Sales and operating revenue from the retail segment of \$237.6 million decreased by \$100.8 million or 29.8% compared to the same quarter a year ago. Our same store sales growth was negative 32.4%.

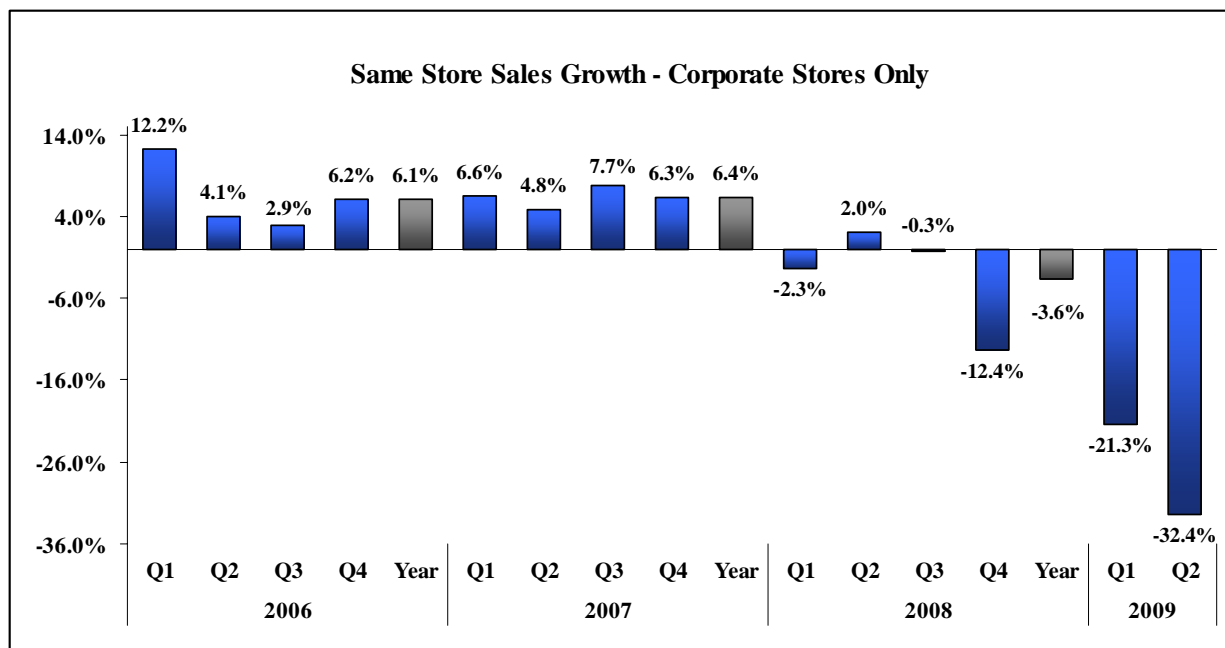
Year to Date:

Sales and operating revenue from the retail segment of \$491.7 million decreased by \$160.1 million or 24.6% compared to the same quarter a year ago. On a year-to-date basis, the decrease in sales has been driven primarily by the on-going recession and related decline in sales affecting the Canadian retail sector

Second Quarter Same Store Sales Change Versus Prior Year		
	2009	2008
Corporate Stores		
Western Canada	-34.8%	0.0%
Eastern Canada	-30.6%	3.7%
Total Corporate Stores	-32.4%	2.0%
Franchise Stores	-25.3%	2.8%
Total Corporate Stores & Franchise Stores	-31.4%	2.0%

Year to Date Same Store Sales Change Versus Prior Year		
	2009	2008
Corporate Stores		
Western Canada	-29.0%	-0.6%
Eastern Canada	-25.5%	0.3%
Total Corporate Stores	-27.0%	-0.1%
Franchise Stores	-21.6%	-1.6%
Total Corporate Stores & Franchise Stores	-26.5%	-0.2%

Year-to-date same store sales as discussed in this MD&A reflect 95.0% of the total sales occurring at all stores that have been open 14 full calendar months.



Franchise Sales

For the Quarter:

Sales at franchise stores decreased by 9.2% to \$27.9 million, and same store sales growth was negative 25.3%. We began the quarter with 47 franchise stores and ended the quarter with 49, while in 2008, we began the quarter with 32 and ended with 33 franchise stores.

Year to Date:

Sales at franchise stores decreased by 1.2% to \$60.1 million, and same store sales growth was negative 21.6%. We began the period with 47 franchise stores and ended the period with 49, while in 2008, we began and ended the period with 33 franchise stores.

Gross Margin

For the Quarter:

Gross margin for the retail segment was lower by 0.3 ppts compared to the same quarter in 2008.

Compared to the same quarter of 2008, clearance pricing related to our efforts to reduce slow-moving inventories contributed to lower margins.

Year to Date:

Gross margin for the retail segment was lower by 0.7 ppts compared to the same quarter in 2008. On a year-to-date basis, the decrease in gross margin relates primarily to clearance pricing related to our efforts to reduce slow-moving inventories.

Selling, General and Administrative Expenses

For the Quarter:

For the quarter, SG&A expenses were \$16.8 million lower than in the same quarter a year ago. SG&A as a percentage of sales increased by 9.1 ppts from 38.1% in the second quarter of 2008 to 47.2% in the second quarter of 2009.

The decrease in first quarter SG&A includes a decrease in semi-fixed and variable costs of approximately \$18.2 million, offset by an increase of approximately \$1.4 million attributable to fixed costs. Through out the second quarter, we continued to focus on reducing semi-fixed and variable costs in the areas of hourly compensation, advertising, and product handling and distribution costs. Compared to the same quarter in 2008, the increase in our fixed occupancy and compensation costs is due primarily to 14 new or rebannered Brick stores added over the past year.

Year to Date:

On a year-to-date basis, SG&A expenses were \$28.1 million lower than in the same period a year ago. SG&A as a percentage of sales increased by 6.9 ppts from 38.7% in the first half of 2008 to 45.6% in the first half of 2009.

The decrease in first quarter SG&A includes a decrease in semi-fixed and variable costs of approximately \$31.3 million, offset by an increase of approximately \$3.2 million attributable to fixed costs for new stores.

EBITDA

For the Quarter:

EBITDA in the retail segment was negative \$16.5 million compared to positive \$9.2 million in the same quarter of 2008. With the continuing decline in sales experienced in the retail segment in the second quarter, and with a higher level of fixed operating costs compared to the same quarter in 2008, EBITDA performance was negatively impacted.

Year to Date:

On a year-to-date basis, EBITDA in the retail segment was negative \$28.0 million compared to positive \$14.2 million in the same period of 2008.

Store Continuity

During the second quarter, we opened Brick stores in Orangeville, Ontario and Sherbrooke, Quebec. Due to the length of lead times, commitments to open these stores were in place prior to the sudden economic downturn in the latter half of 2008.

We closed a clearance centre in Richmond, British Columbia and closed United Furniture stores in Richmond, British Columbia and Bonnyville, Alberta.

We opened franchise stores in Lac La Biche and Bonnyville in the province of Alberta.

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

Store Count Continuity Q2 2009				
	At Mar 31, 2009	Rebanned	Opening / Closing	At Jun 30, 2009
Corporate Stores				
Brick	109	0	2	111
Brick Clearance Centres	7	0	-1	6
Superstore	3	0	0	3
Mattress Store	28	0	0	28
UFW	38	0	-2	36
Corporate Subtotal	185	0	-1	184
Franchise Stores	47	0	2	49
Total Corporate & Franchise Stores	232	0	1	233

The following chart illustrates the Brick Group's store count continuity from December 31, 2008 to June 30, 2009.

Store Count Continuity - Year to Date Q2 2009				
	At Dec 31, 2008	Rebanned	Opening / Closing	At Jun 30, 2009
Corporate Stores				
Brick	105	0	6	111
Brick Clearance Centres	7	0	-1	6
Superstore	3	0	0	3
Mattress Store	28	0	0	28
UFW	40	0	-4	36
Corporate Subtotal	183	0	1	184
Franchise Stores	47	0	2	49
Total Corporate & Franchise Stores	230	0	3	233

7. SEGMENTED INFORMATION – FINANCIAL SERVICES

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

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 extending beyond the manufacturers warranty period by up to four years. With new technologies emerging, and some products being un-repairable, customers realize the value and peace of mind warranties provide when making a major purchase for their homes. Warranties are sold to customers when they are making their original purchase and take effect after the manufacturers warranty period, which is typically one year, has expired. The warranty contracts provide both repair and replacement service depending upon the problem with the product.

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 warranty claims costs have remained relatively consistent and predictable over the past number of years, driven by a number of factors, including:

- Diversity and number of products, manufacturers, and models being underwritten;
- No single product model in any one year makes up more than 3.0% of products covered by warranty; and
- Database that allows us to understand and address problem areas with any specific model or manufacturer.

Beyond these factors, maximum claims loss is limited to the replacement value of the product under warranty. Should any claims issues occur, The Brick Group is able to leverage its strong strategic relationships with its vendors to potentially mitigate claims exposure and develop satisfactory solutions to any claims issues determined to exist. Our ability to adjust warranty pricing helps to offset claims costs and maintain long-term profitability within our warranty business.

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.

These companies, TGI and TGLI, also commenced providing credit insurance to a third party in the first quarter of 2005.

Management expects to grow the insurance business by focusing primarily on credit insurance provided to holders of the Brick Card, while also developing and underwriting specialty insurance products tailored to the specific needs of third parties.

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, as noted above, 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.

TGI and TGLI retain reserves for anticipated claims. The adequacy of these reserves is supported by the opinions obtained from independent actuarial reviews.

With respect to managing risk associated with our credit insurance on the Brick Card, the Brick Group benefits from a number of factors, including:

- Geographic dispersion of accounts;
- Relatively high number of active accounts, with moderate level of balances outstanding;
- Credit risk loss generally limited to account balance;
- Specified maximums to loss payout on any one account (\$10,000);
- Coverage periods of one month; and
- A history of stable and predictable claims expense.

Beyond these factors, 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.

With regard to our third party clients, many of the same factors that apply to our Brick customer based insurance and warranty business also apply to similarly mitigate our risk exposure.

Financial Services Operating Results

(000's of \$)	Three months ended June 30				Six months ended June 30			
	2009	2008	\$ Increase	% Increase	2009	2008	\$ Increase	% Increase
Sales and operating revenue	\$ 18,116	\$ 14,908	\$ 3,208	21.5%	\$ 35,559	29,368	6,191	21.1%
EBITDA	8,833	7,528	1,305	17.3%	17,896	14,918	2,978	20.0%
Adjusted results (purchase accounting adjustments removed):								
Sales and operating revenue	\$ 18,336	\$ 16,177	\$ 2,159	13.3%	\$ 36,268	32,142	4,126	12.8%
EBITDA	11,836	8,418	3,418	40.6%	23,736	17,001	6,735	39.6%

Sales and Operating Revenue

For the Quarter:

For the quarter, sales and operating revenue from the financial services segment of \$18.1 million increased by \$3.2 million or 21.5% compared to the same quarter a year ago.

The majority of this increase is attributable to the warranty business. The stability of revenues in our financial services segment is supported by the warranty business, as warranty contract premiums are recorded as deferred revenue and recognized into income over the term of the warranty coverage period.

Year to Date:

On a year-to-date basis, sales and operating revenue from the financial services segment of \$35.6 million increased by \$6.2 million or 21.1% compared to the same period a year ago. As for the quarter, the majority of this increase is attributable to the warranty business.

EBITDA

For the Quarter:

The financial services segment EBITDA was \$8.8 million in the quarter compared to \$7.5 million in the same quarter last year, an increase of 17.3%. EBITDA as a percentage of sales and operating revenue was 48.8% compared to 50.5% for the same quarter of 2008. The decrease in EBITDA as a percentage of sales and operating revenue was impacted by the decline in retail segment sales which has caused insurance revenues from the Brick Card insurance business to decrease.

With respect to our Brick Card insurance business and any potential impact on claims rates from the current uncertainty in the economic environment, claims rates have increased inline with our expectations, but have not significantly impacted our second quarter 2009 EBITDA. Our Brick Card insurance business provides credit insurance to Brick Card holders with coverage that includes life, dismemberment, disability, critical illness, involuntary unemployment, property, and family leave of absence. Accordingly, the economic environment may potentially impact claims under certain types of coverage, but not others.

Year to Date:

On a year-to-date basis, the financial services segment EBITDA was \$17.9 million for the period compared to \$14.9 million in the same period last year, an increase of 20.0%. EBITDA as a percentage of sales and operating revenue was 50.3% compared to 50.8% for the same period of 2008.

Operations

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 2009 of \$14.0 million decreased by \$3.0 million or 17.9% as compared to the same quarter of 2008. The decrease in written premiums occurred primarily in the warranty business and is directly attributable to the decline in retail segment sales. On a year-to-date basis, consolidated warranty and insurance premiums written have decreased by \$2.5 million or 7.6%. As for the quarter, the decrease in written premiums on a year-to-date basis is due primarily to decreased written premiums in the warranty business.

For the twelve months June 30, 2009, our CSP was unchanged compared to the twelve months ended March 31, 2009. Credit approval rates for the Brick Card are discussed further in section 15, RISK FACTORS, under the heading Credit Markets and Liquidity in our 2008 Annual MD&A. Management continually works towards optimizing the CSP rate to maximize insurance premiums written and overall profitability.

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8. FINANCIAL POSITION

(000's of \$)	June 30, 2009	December 31, 2008
Total assets	\$ 472,281	\$ 700,110
Total long-term liabilities	268,653	258,051

Assets

Total assets as at June 30, 2009 of \$472.3 million were \$227.8 million lower than the \$700.1 million reported at December 31, 2008. Decreases in goodwill and intangibles of \$154.7 million, in inventory of \$52.3 million, in cash and cash equivalents of \$8.1 million, in accounts receivable of \$6.1 million, in capital assets of \$4.2 million, in marketable securities of \$2.1 million, and in deferred acquisition costs of \$0.7 million, were partially offset by an increases in prepaid expenses and net investment in lease receivables totalling \$0.4 million.

Overall funding for inventory investment was reduced this quarter to match current declining written sales trends; however, inventory investment was further limited by vendors restricting credit terms. While management continued the strategy implemented in the fourth quarter of 2008, to run promotions targeted at in-stock inventory and replenishing inventory to declining sales trends, the Brick Group was challenged to deliver written sales given the credit term restrictions imposed by some vendors. Management continues to work with suppliers to maximize inventory investment and inventory turnover rates in the distribution centres, and to reduce lead times for inventory replenishment.

Incentives offered to franchisees for early payment of accounts receivable together with lower written sales during the period contributed to the lower accounts receivable balance.

Long-Term Liabilities

Long-term liabilities increased \$10.6 million to \$268.7 million at June 30, 2009 compared to \$258.1 million at December 31, 2008.

The main components of this increase were as follows:

An increase in long term debt of \$28.9 million resulted from the recapitalization transaction. Senior Notes with a carrying value at December 31, 2008 of \$82.1 million were replaced with Debentures recorded initially at a carrying value, net of financing costs and the portion of proceeds allocated to the Warrants, of \$111.0 million.

An increase in deferred lease inducements of \$4.5 million related to current year leasehold improvements for 6 new stores opened in 2009.

Offset by:

A decrease in deferred warranty and insurance plan revenue of \$5.0 million as the rate at which warranty premiums are written and received was slightly below the rate at which these premiums are recognized as earned revenue. Warranty premiums are recognized initially as deferred revenue, and recognized as earned revenue over the life of the warranty period.

A decrease in future income taxes of \$17.8 million due to a decrease in the SIFT tax rate that will be applicable in 2011 and thereafter, and to a future income tax recovery related to goodwill and brand intangible asset impairment charges.

9. LIQUIDITY AND CAPITAL RESOURCES

The following table provides a summarized statement of cash flows for the three and six month periods ended June 30, 2009 and June 30, 2008.

Source (Use) of Cash (000's of \$)	Three months ended June 30			Six months ended June 30		
	2009	2008	\$ Increase (Decrease)	2009	2008	\$ Increase (Decrease)
Operating activities						
Retail	\$ (21,951)	\$ 5,658	(27,609)	\$ (35,248)	\$ 5,569	(40,817)
Financial	8,472	10,560	(2,088)	19,191	20,699	(1,508)
Funds flow from operations	(13,479)	16,218	(29,697)	(16,057)	26,268	(42,325)
Change in non-cash working capital	(9,440)	14,082	(23,522)	(41,069)	8,594	(49,663)
	(22,919)	30,299	(53,219)	(57,126)	34,862	(91,988)
Financing activities						
Distributions	-	(18,502)	18,502	(5,419)	(34,753)	29,334
Other (Note 1)	34,516	(8,634)	43,150	72,861	5,102	67,759
Investing activities	(8,606)	(6,005)	(2,601)	(18,407)	(10,533)	(7,874)
Increase (decrease) in cash and cash equivalents	\$ 2,991	\$ (2,842)	5,832	\$ (8,091)	\$ (5,322)	(2,769)

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

Funds Flow from Operations and Changes in Non-Cash Working Capital

For the quarter ended June 30, 2009, funds flow from operations decreased by \$29.0 million compared to the second quarter in 2008. This decrease resulted from weaker than expected second quarter retail sales together with lower margins, and a higher level of fixed costs compared to the same quarter of 2008.

Year to date, funds flow from operations decreased by \$42.3 million compared to the same period of 2008 driven by weaker retail sales.

Compared to the second quarter of 2008, we used \$23.5 million more cash due to changes in non-cash working capital balances. This increased use of cash is attributable primarily to a decrease in accounts payable and accrued liabilities during the quarter compared to an increase for the same quarter of 2008. This result was driven by limitations to payment terms imposed by some inventory vendors during the quarter.

The use of cash related to the decrease in accounts payable and accrued liabilities was off set by sources of cash from reductions to accounts receivables as we offered early payment discounts to franchisees, shortened credit terms for our commercial customers, and worked successfully with some inventory vendors to receive rebates in advance of their due dates. As well, during the quarter ended June 30, 2009, customer deposits for goods on order increased by \$7.8 million, representing a source of cash, while in the same quarter of 2008 customer deposits increased by only \$4.7 million on a significantly higher base of written sales. As limitations to payment terms imposed by some vendors during the quarter negatively impacted inventory levels and our ability to deliver goods and complete sales, customer deposits remained on-hand for a longer period of time when compared to the same quarter of 2008.

On a year-to-date basis, changes in non-cash working capital used \$41.1 million compared to generating \$8.6 million in 2008. The majority of this use of cash is caused by more restrictive vendor terms resulting in earlier payment of accounts payable. In the later half of 2008, we negotiated extended seasonal payment terms with both our domestic and offshore vendors and therefore, had less paid up inventory at December 31, 2008 compared to December 31, 2007. As payments under these seasonal terms came due in 2009, our payments related to prior year inventory purchases were higher than in the first half of 2008.

Historically, our working capital has been subject to seasonal fluctuations, largely driven by changes in inventory, accounts payable and customer deposits. For the quarter ended June 30, 2009, the Brick Group was negatively affected by the weakened Canadian economy and specifically, the depressed retail sector, as some suppliers continued to tighten their credit terms. In February 2009 the Brick Group suspended distributions to unitholders in order to preserve cash for operations. In the second quarter, the Brick Group continued the early payment discounts offered to its franchisees in the first quarter, and limited inventory purchases to optimize inventory turn over and working capital management. Also during the second quarter, management continued to maintain stringent controls over variable SG&A, including a freeze on hiring and compensation increases, to manage expenses in line with current sales trends. In addition to funds flow from operations, the Brick Group will use its Asset-Based Credit Facility with GE Capital to fund business needs including working capital requirements and debt service requirements. At June 30, 2009, the Brick Group's current liabilities exceeded its current assets by \$15.1 million. The GE Capital Asset-Based Credit Facility has up to \$130 million worth of credit available subject to specific margining requirements based on the Brick Group's accounts receivable and inventory. At June 30, 2009, approximately \$69.3 million was margined and available with approximately \$43.3 million drawn and approximately \$26.0 million undrawn and available to fund this working capital deficiency.

On May 28, 2009 the Brick Group completed a recapitalization transaction which included replacing its Credit Facilities with the Asset-Based Credit Facility. The recapitalization transaction is discussed in the Overview and Financing Resources sections of this MD&A.

Financing Activities

Distributions

During the second quarter, the Brick Group did not declare or pay distributions to unitholders leaving the total cash distributions paid for the six months ended June 30, 2009 to \$5.4 million (three and six months ended June 30, 2008: \$18.5 million and \$34.8 million respectively).

Due to the termination of the subordination arrangements relating to the Class B Trust Units which occurred in March 2008, and beginning with the month of April 2008, cash available to make distributions became payable on a monthly basis to the holders of Class A Trust Units and holders of Class B Trust Units pro rata. Prior to April, cash distributions to the holders of Class B Trust Unit were paid quarterly. Consequently, for the three and six month periods ended June 30, 2008, cash distributions paid were \$2.2 million higher than the amount of distributions declared during those periods.

Beginning with the month of November 2008, monthly distributions were reduced from \$0.10 per unit to \$0.05 per unit. 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.

Other

For the second quarter, other sources of cash for financing activities relate to the recapitalization transaction, including the Debentures and Warrants issued, and the GE Capital Asset-Based Credit Facility, less the repayment of Senior Notes and bank indebtedness. The recapitalization transaction is discussed further in the Overview and Financing Resources sections of this MD&A.

For the same quarter of 2008, other sources of cash for financing activities relate to a decrease in bank indebtedness of \$8.4 million, offset by financing fees of \$0.2 million that were incurred to renew the Credit Facilities agreement.

On a year-to-date basis, other sources of cash from financing activities relate to the recapitalization transaction, including the Debentures and Warrants issued, and the GE Capital Asset-Based Credit Facility, less the repayment of the Senior Notes and the repayment of the bank indebtedness.

On a year-to-date basis in 2008, other sources of cash from financing activities relate to an increase in bank indebtedness of \$5.3 million, offset by \$0.2 million in fees paid to renew the Credit Facilities agreement.

Investing Activities

The following table summarizes the Brick Group's investing activities for the three and six month periods ended June 30, 2009 and June 30, 2008.

Investing Activities Source (Use) of Cash (000's of \$)	Three months ended June 30			Six months ended June 30		
	2009	2008	\$ (Increase) Decrease	2009	2008	\$ (Increase) Decrease
Capital assets additions	\$ (4,083)	\$ (6,868)	2,785	\$ (9,386)	\$ (11,001)	1,615
Intangible asset additions	(6,328)	-	(6,328)	(6,908)	-	(6,908)
Changes in payables related to capital assets	(2,945)	753	(3,698)	(5,449)	202	(5,651)
Proceeds from disposal of capital assets	44	81	(37)	109	107	2
Marketable securities additions	(540)	(702)	162	(2,452)	(1,267)	(1,185)
Proceeds from sale of marketable securities	5,246	731	4,515	5,679	1,426	4,253
	\$ (8,606)	\$ (6,005)	(2,601)	\$ (18,407)	\$ (10,533)	(7,874)

Capital asset additions in the second quarter of 2009, related primarily to new stores, were \$2.8 million higher than in the same quarter of 2008. Due to the length of lead times, commitments to open these stores were in place prior to the sudden economic downturn in the third quarter of 2008. Intangible asset additions of \$6.3 million relate to transaction fees paid to secure the GE Capital Asset-Based Credit Facility that is part of the recapitalization transaction. The recapitalization transaction is discussed further in the Overview and Financing Resources sections of this MD&A.

Capital Expenditures

The Brick Group incurred maintenance capital expenditures for the three and six months ended June 30, 2009 of \$0.1 million and \$0.2 million respectively (three and six month periods ending June 30, 2008: \$1.6 million and \$2.7 million respectively).

Maintenance capital expenditures include those required to maintain and upgrade existing facilities, major roof replacements, information systems, 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.

For the three and six month periods ended June 30, 2009, growth capital expenditures were approximately \$4.0 million and \$9.3 million respectively, mainly for new Brick stores. We received tenant inducements of \$2.2 million and \$5.5 million, bringing our net expenditures for growth capital to \$1.8 million and \$3.8 million, respectively. For the same periods in 2008, growth capital expenditures were \$5.3 million and \$8.3 million and we received tenant inducements of \$0.4 million and \$0.6 million respectively, making our net expenditure on growth capital \$4.9 million and \$7.7 million, respectively.

For the remainder of 2009, management expects to invest approximately \$1.8 million in growth capital expenditures, net of tenant inducements.

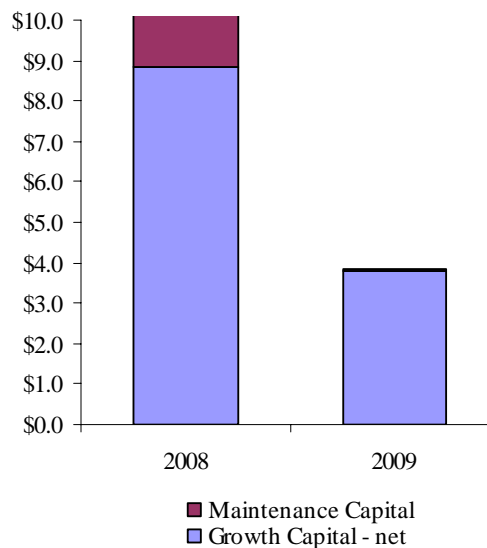
Financing Resources

Fairfax Letter of Credit Facility

On August 6, 2009, the Brick Group entered into an agreement in principal with Fairfax pursuant to which Fairfax has agreed to issue an irrevocable letter of credit in the aggregate principal amount of C\$25 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 will be to backstop additional letters of credit to be issued under the GE Credit Agreement to certain of the Brick Group's inventory suppliers (the "Supplier LCs"); provided such inventory suppliers agree to extend additional new credit to the Brick Group for inventory of not less than 150% of the Supplier LCs to be issued to such inventory suppliers. The GE Credit Agreement will continue to provide for maximum borrowings of up to \$130 million, and will continue to vary from time to time based on the level of the Brick Group's inventory and accounts receivable. In connection with Fairfax providing the Fairfax LC, the Brick Group has requested that the borrowing base under the GE Credit Agreement be 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 inventory and accounts receivable. The transaction is subject to an amendment to the GE Credit

**Net Capital Expenditures
Six Months ended June 30
(Millions of \$'s)**



Agreement. Discussions with GE are proceeding according to the Brick Group's expectations and with the goal of concluding the amendment shortly.

The Fairfax LC has an initial term of six months (the "Initial Term") subject to extension at the option of the Brick Group for up to an additional 6 months (the "Extension Term"). Amounts drawn under the Fairfax LC bears interest at 15% per annum. On the closing date for the initial term of six months, the Brick Group will pay a fee of \$300,000 to Fairfax and issue to Fairfax 5,317,100 warrants. In the event the Fairfax LC is extended, the Brick Group will pay an extension fee of \$1,250,000.

Each full warrant will entitle the holder to purchase one Unit. Warrants will be exercisable at the holder's option at any time, in whole or in part, for five years from the date of issue at a price per unit to be determined pursuant to the rules of the Toronto Stock Exchange. The warrants will include customary anti-dilution provisions, consistent with the terms of the warrants previously issued to Fairfax in connection with the public debt offering on May 28, 2009.

The transaction has been unanimously approved by the independent trustees of the Brick Group, free from interest in the transaction and unrelated to the parties involved. Closing is subject to the execution of definitive documents, including an amendment to the GE Credit Agreement, to reflect the LC Transaction, and to obtain all necessary regulatory, corporate and credit approvals, including those of the lenders under the GE Facility.

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 "Warrants");
- a new \$130 million asset-based credit facility (the "Asset-Based Credit Facility") with initial availability of \$66.5 million;
- 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.

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 Warrants, will 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 Warrants, Fairfax may be in a position to materially impact control of the Brick Group. Further, Fairfax and Comrie acting together, or Fairfax acting alone, may be in a position to either pass or block votes of holders of Debentures, Warrants and Class A Units.

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 662/3% 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 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 Asset-Based Credit Facility provides for maximum borrowings of up to \$130 million of which approximately \$69.3 million was margined and available at June 30, 2009, with approximately \$43.3 million drawn and approximately \$26.0 million undrawn. The Asset-Based Credit Facility has a term of 36 months and is secured by the Brick Group's inventory and accounts receivable. 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's inventory and accounts receivable.

In conjunction with the recapitalization transaction, the Brick Group obtained from the TSX an exemption from the requirement to seek disinterested unitholder approval for the Public Offering and the Private Placement pursuant to Section 604(e) of the TSX Company Manual on the basis of the Brick Group's financial hardship. Reliance on this exemption resulted in a TSX de-listing review to confirm that the Brick continues to meet TSX continued listing requirements. The TSX de-listing review is currently ongoing and is a routine procedure when using this exemption. The Brick Group expects it will continue to comply with applicable TSX listing requirements.

After giving effect to the Public Offering and the Private Placement and assuming the exercise of all Warrants, 174.2 million Class A Units would be outstanding on a fully diluted basis, representing a 221% increase over the current 54.2 million Class A Units outstanding. Please refer to the Brick Group's final short form prospectus filed on www.sedar.com for further information on the recapitalization transaction.

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, our earnings results continued to decrease and this posed a risk that our 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 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 6.431% per annum to 8.000% per annum until December 14, 2009, and decreased thereafter to 7.250% 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 constitute 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 facing the Brick Group, we 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. More information on the recapitalization transaction is provided in the Overview and Outlook sections of this MD&A.

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 amount at the companies' 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, 2009 and December 31, 2008.

10. NON-GAAP FINANCIAL MEASURES

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

In July 2007 the Canadian Institute of Chartered Accountants ("CICA") published an interpretative release titled "Standardized Distributable Cash in Income Trusts and Other Flow-through Entities".

The objective of the guidance is to standardize the reporting of distributable cash within the income trust industry. The CICA guidance defines standardized distributable cash as cash provided by operating activities less the purchase of property, plant and equipment and any cash that cannot be distributed as a result of not meeting certain debt covenants. Income trusts may show distributable cash adjustments that are not included in the calculation of standardized distributable cash if they feel those adjustments are pertinent to investors' understanding of their business.

Management believes that the discussions related to distributable cash in this MD&A are appropriate, and clearly explain issues related to the Brick Group's distributable cash. Accordingly, management has not adopted the guidance in the CICA's interpretive release.

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.

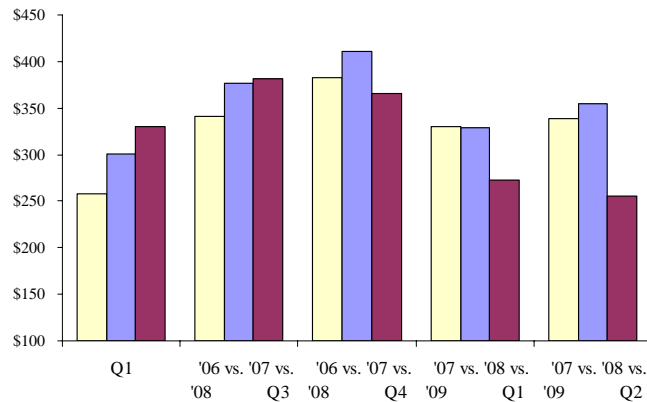
Management of the Brick Group believes that adjusted EBITDA is a useful financial measure as it represents a starting point in the determination of cash available for distribution to unitholders.

Adjusted Results of Operations

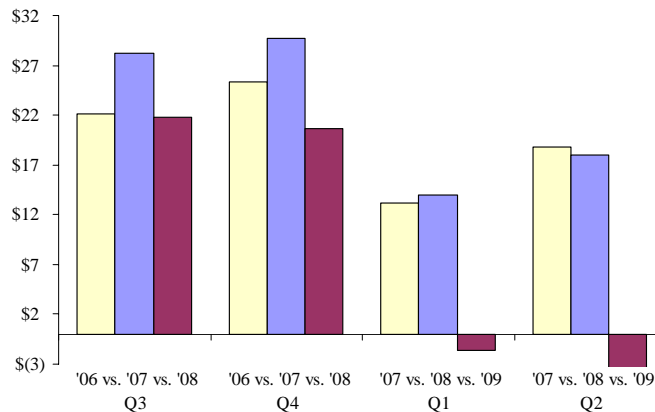
Adjusted Results: (000's of \$ except %, per unit and store amounts)	For the three months ended June 30				For the six months ended June 30			
	2009 Adjusted	2008 Adjusted*	\$ Increase (Decrease)	% Increase (Decrease)	2009 Adjusted	2008 Adjusted*	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 255,894	\$ 354,496	(98,602)	-27.8%	\$ 527,982	\$ 683,920	(155,938)	-22.8%
Cost of sales	(151,149)	(207,881)	(56,732)	-27.3%	(312,858)	(400,027)	(87,169)	-21.8%
Gross margin	104,745	146,615	(41,870)	-28.6%	215,124	283,893	(68,769)	-24.2%
<i>Gross margin as a percentage of sales and operating revenue</i>	40.9%	41.4%			40.7%	41.5%		
Selling, general and administrative expenses (SG&A)	(112,139)	(128,867)	(16,728)	-13.0%	(224,204)	(252,351)	(28,147)	-11.2%
Investment and other income	347	323	24	7.4%	393	571	(178)	-31.2%
EBITDA	(7,047)	18,071	(25,118)	-139.0%	(8,687)	32,113	(40,800)	-127.1%
<i>EBITDA as a percentage of sales and operating revenue</i>	-2.8%	5.1%			-1.6%	4.7%		
Interest expense on long-term and other debt	(3,816)	(2,434)	1,382	56.8%	(6,048)	(4,692)	1,356	28.9%
Amortization	(7,581)	(5,256)	2,325	44.2%	(12,828)	(9,661)	3,167	32.8%
Net (loss) income before undernoted items	(18,444)	10,381	28,825	-277.7%	(27,563)	17,760	45,323	-255.2%
Income tax recovery (expense)	10,582	(204)	(10,786)	-5287.3%	17,506	(509)	(18,015)	3539.3%
Loss on extinguishment of debt	(3,046)	-			(3,046)	-		
Goodwill impairment	(8,009)	-			(8,009)	-		
Net (loss) income	\$ (18,917)	\$ 10,177	(29,094)	-285.9%	\$ (21,112)	\$ 17,251	(38,363)	-222.4%
Basic and diluted net (loss) income per unit	\$ (0.35)	\$ 0.19	(0.54)	-284.2%	\$ (0.39)	\$ 0.32	(0.71)	-221.9%
Stores at period end	233	211			233	211		

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. For the 2008 second quarter, previously recorded amortization of pre-opening costs of \$661 and SG&A of \$124 have been reclassified from net income to the opening deficit on the 2008 consolidated balance sheet. On a year-to-date basis, previously recorded amortization of pre-opening costs of \$1,322 and SG&A of \$154 have been reclassified from net income to the opening deficit on the 2008 consolidated balance sheet.

Adjusted Sales and Operating Revenue (Millions of \$'s)



Adjusted EBITDA (Millions of \$'s)



11. DISTRIBUTABLE CASH AND DISTRIBUTABLE CASH PER UNIT

Distributable cash is used by income funds as a measure of the cash generated and available for distribution to unitholders. The Brick Group's current measure of reported distributable cash represents adjusted EBITDA, adjusted for debt service obligations, maintenance capital expenditures, and income and capital taxes. As this calculation is not prescribed by GAAP, different income funds calculate this measure using alternative methods.

Pursuant to the Declaration of Trust for The Brick Group Income Fund and various partnership agreements, the Brick Group is required to distribute its distributable cash as calculated pursuant to its EBITDA based calculation of distributable cash (less reasonable reserves determined by the Trustees of the Brick Group to be prudent and in the best interests of The Brick Group Income Fund). The Distribution Committee of the Board of Trustees reviews and approves cash distributions on a monthly basis taking into account its reported distributable cash measure calculated as discussed above, the Brick Group's current and prospective performance, seasonality, and other factors it considers prudent.

As an income trust, the Brick Group's goal is to provide a long-term and stable base of distributable cash growth while paying a regular monthly cash distribution to its unitholders. The amount of the cash distributions paid are based on actual historical and estimated future performance of the Brick Group and are only partially dependent on the distributable cash calculation of a single period. Consequently, cash distributions for a period will not necessarily equal the amount of distributable cash calculated for that same period. For example, the seasonal nature of the retail business will cause distributions to exceed distributable cash during slower periods of the year. In periods where cash distributions exceed distributable cash, the excess of cash distributions over distributable cash are funded from the Brick Group's cash reserves built up in prior periods or from its operating credit facilities. Compared to our net income, our distributions have been higher. Management does not view distributions in excess of net income as an economic return of capital because they include significant amounts of cash flows from our warranty business, which are recorded as deferred revenue and recognized into income in future periods.

On October 31, 2006, the Department of Finance (Canada) announced its intention to tax certain income of, and distributions paid by, income trusts and other existing flow through entities that meet the definition of a Specified Investment Flow-Through Entity or "SIFT". On June 22, 2007, Bill C-52, which significantly modifies the income tax rules applicable to the taxation of SIFTs, was enacted (the "SIFT tax"). The impact of the SIFT tax would necessarily be considered before any changes to distributions are made. The impact of the new tax on our distributable cash will be mitigated to the extent that management is successful in growing the business, and the amount of distributable cash generated by it, during the period until the new tax takes effect. For entities remaining within normal growth limits announced by the Department of Finance (Canada) on December 15, 2006, the SIFT tax will take effect on January 1, 2011.

Distributions for the twelve months ended June 30, 2009 resulted in a payout ratio of 156.9% (twelve months ended June 30, 2008: 86.7%).

Readers of this MD&A are encouraged to refer to the March 2009 AIF which provides further information on the Distribution Policy of the Brick Group.

Distributable Cash

Reconciliation of Cash Flow from Operating Activities to Distributable Cash

(000's of \$ except per unit amounts)		Three months ended June 30		Twelve months ended June 30	
		2009	2008*	2009	2008*
Notes					
Cash flow from operating activities	1	\$ (22,919)	\$ 29,639	\$ 23,583	\$ 78,767
Changes in non-cash operating working capital items	1, 2	9,440	(14,082)	5,206	11,217
Items not affecting cash	3	(125,010)	1,452	(371,473)	7,125
Cash items	4	(9,003)	(9,459)	(46,840)	(46,156)
Net (loss) income		(147,492)	7,550	(389,524)	50,953
Interest		3,816	2,376	10,800	9,004
Income tax recovery		(10,634)	(90)	(27,338)	(2,904)
Amortization		9,026	6,847	31,953	27,485
Loss on extinguishment of debt		3,046	-	-	-
Goodwill and intangible asset impairment		133,459	-	399,930	-
Reported EBITDA		(8,779)	16,683	25,821	84,538
Elimination of Purchase Accounting Impact	5	1,732	1,388	7,990	6,787
Adjusted EBITDA		(7,047)	18,071	33,811	91,325
Debt service obligation	6	(3,816)	(2,376)	(10,801)	(8,780)
Maintenance capital expenditures	7	(48)	(1,565)	(3,528)	(6,600)
Corporate income taxes - current	8	(370)	(252)	(487)	(932)
Cash available for distribution		\$ (11,281)	\$ 13,878	\$ 18,995	\$ 75,013
Cash available for distribution per unit		\$ (0.21)	\$ 0.26	\$ 0.35	\$ 1.38
Cash distributions declared		\$ -	\$ 16,251	\$ 29,796	\$ 65,006
Cash distributions declared per unit		\$ -	\$ 0.30	\$ 0.55	\$ 1.20
Weighted average units outstanding during the period		54,171,133	54,171,133	54,171,133	54,171,133
Payout ratio for the periods ended June 30		0.0%	117.1%	156.9%	86.7%

1 Cash flow from operating activities and changes in non-cash working capital items are as per the Brick Group's consolidated financial statements.

2 The Brick Group's objective is to maintain a stable monthly distribution to its unitholders. The amount of the monthly distributions are based on actual historical and estimated future performance of The Brick Group. Consequently, periodic fluctuations in non-cash working capital are not considered a use or source of funds available for distribution to unitholders. Changes in non-cash working capital include changes in accounts receivable, inventory, prepaid expenses and deposits, accounts payable and accrued liabilities, corporate income taxes payable, customers' deposits, deferred service revenue, and unpaid claims reserve.

3 Items not affecting cash includes amortization of the following items: capital assets, intangible assets, deferred lease inducements, deferred warranty revenue, deferred acquisition costs and preferred share premiums. Also included in this amount are future income taxes and the gain or loss on the sale of capital assets and marketable securities.

4 Cash items includes cash received for leasehold inducements and from warranty and insurance sales and cash paid for deferred acquisition costs.

5 As discussed in this MD&A, purchase accounting adjustments relate to the July 20, 2004 indirect acquisition of the Brick LP by The Brick Group Income Fund. These purchase accounting adjustments have no impact on the cash position or cash flow generated by the Brick Group and therefore, have no impact on the ability of the Brick Group to distribute cash to unitholders of the Brick Group. Consequently, purchase accounting adjustments are excluded from cash available for distribution.

6 Payments for scheduled debt service obligations, which include payments of interest and principal, represent a first claim on the cash flows of the Brick Group and as such reduce the amount of cash available to residual interest holders. Non-scheduled repayments of principal made in contemplation of a refinancing, and advances of funds under a borrowing agreement, are not considered components of distributable cash.

7 Maintenance capital expenditures include those required to maintain and upgrade existing facilities, major roof replacements, information systems, existing distribution infrastructure and equipment. In general, maintenance capital expenditures are undertaken to maintain existing levels of EBITDA.

8 Corporate income taxes represent a priority claim on the cash flows of the Brick Group and as such reduce the amount of cash available to residual interest holders.

* 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. For the 2008 second quarter, previously recorded amortization of pre-opening costs of \$661 and SG&A of \$124 has been reclassified from net income to the opening deficit on the 2008 consolidated balance sheet. On a year-to-date basis, previously recorded amortization of pre-opening costs of \$1,322 and SG&A of \$154 has been reclassified from net income to the opening deficit on the 2008 consolidated balance sheet.

An Alternative View of Distributable Cash

As discussed above, as the distributable cash calculation is not prescribed by GAAP, different income funds calculate this measure using alternative methods.

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

Management has not changed its calculation of reported distributable cash and associated payout ratio. However, since our 2005 Annual MD&A, through this alternative view, we have provided our unitholders a parallel view of our distributable cash that management believes is better aligned with the cash flows generated by the underlying business. As discussed above, our reported EBITDA based calculation of distributable cash is a primary measure the Board of Trustees must consider with respect to the declaration of distributions. However, the Brick Group is entitled to distribute an amount greater than the Brick Group's current reported distributable cash, utilizing the cash flows generated by our financial services segment as discussed above, if the Board of Trustees of the Brick Group considers such distribution to be prudent and in the best interests of The Brick Group Income Fund.

In conjunction with the termination of the subordination of the Class B Trust Units on March 18, 2008, the Brick Group considered adopting this alternative view of distributable cash as our sole reported distributable cash measure. However, for the sake of consistency and comparability with prior periods, the Brick Group has chosen in 2009 to continue to provide the alternative measure of distributable cash, in addition to its EBITDA based reported distributable cash measure.

For the twelve months ended June 30, 2009, the payout ratio under this alternative view was 173.9%, as compared to our reported payout ratio of 156.9% for the same period.

Alternative View (000's of \$)	Three months ended June 30		Twelve months ended June 30	
	2009	2008	2009	2008
Cash flow from operating activities	\$ (22,919)	\$ 29,639	\$ 23,583	\$ 78,767
Changes in non-cash working capital	9,440	(14,082)	5,206	11,217
Funds flow from operations	(13,479)	15,557	28,789	89,984
Cash received for leasehold inducements	(2,249)	(434)	(9,249)	(6,462)
Increase in claims exposure	1,377	(109)	1,118	(2,299)
Scheduled principal repayments	-	-	-	-
Maintenance capital expenditures	(48)	(1,565)	(3,528)	(6,649)
Distributable Cash	(14,399)	13,449	17,130	74,574
Distributions	-	(16,251)	(29,796)	(65,005)
(Shortfall) excess	\$ (14,399)	\$ (2,802)	\$ (12,666)	\$ 9,569
Payout ratio	0.0%	120.8%	173.9%	87.2%

Changes in Non-Cash Working Capital

The Brick Group's goal is to pay a stable monthly cash distribution to its unitholders. The amount of the monthly cash distributions are based on actual historical and estimated future performance of The Brick Group. Consequently, periodic fluctuations in non-cash working capital are not considered a use or source of funds available for distribution to unitholders.

Funds Flow from Operations

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

Cash Received for Leasehold Inducements

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

Increase in Claims Exposure

The Brick Group's financial services segment sells warranties, as well as certain insurance products, where the customer is provided with warranty or insurance protection for an extended period of time. Cash collected from these sales is included in Funds Flow from operations. Claims and other expenses that will be incurred in the future related to these sales result in a future liability or claims exposure for the Brick Group.

The alternate view calculation deducts an amount from Funds Flow from operations to address the increase in claims exposure (i.e. future warranty and certain insurance claims) of the warranty and insurance portfolios (i.e. unexpired warranty and insurance contracts). In general, any change in claims exposure is driven by two main factors, including a change in the size of the portfolios as well as changes in estimated future claims rates. In determining the total claims exposure associated with these portfolios, management looks at each type of warranty and insurance product offered and the associated historical claims rates as an indicator of future claims rates. These estimates for future claims rates are applied to the portfolios.

Principal Payments

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

Maintenance Capital Expenditures

This amount is the same as that which is currently deducted in the reported calculation of distributable cash.

Distributions for the Period

For the six months 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 31, 2009	February 15, 2009	0.0500	2,710	2,710
				\$ 2,710	\$ 5,419

12. OUTSTANDING UNIT DATA

At June 30, 2009 and August 5, 2009:

The Brick Group had 54,171,133 Class A Trust Units outstanding.

- William H. Comrie, a resident of the United States, holds a 39.80% interest in the Brick Group through 21,561,983 Class A Trust Units.
- Fairfax Financial Holdings Limited holds 15.47% of all units outstanding, or 8,380,200 Class A Trust Units.

The Brick Group had 120,000,000 Class A Trust Unit purchase warrants (“Warrants”) outstanding.

- Fairfax Financial Holdings Limited holds 37.50% or 45,000,000 of the outstanding Warrants.
- William H. Comrie, a resident of the United States, holds 15.00% 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 are exercised. As at June 30, 2009 and August 5, 2009, no Warrants 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 online at www.sedar.com.

The Brick Group had 120,000 senior secured debentures (“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.

13. CRITICAL ASSUMPTIONS

Off-Balance Sheet Arrangements

For information on off-balance sheet arrangements, see notes 20 and 21 of the audited consolidated financial statements of The Brick Group Income Fund for the year ended December 31, 2008.

Related Party Transactions

Included in selling, general and administrative expenses is rent expense of \$257 and \$513 for the three and six month periods ended June 30, 2009 respectively (three and six month periods ended June 30, 2008: \$249 and \$461 respectively), paid to a joint venture partially owned by an officer of the Brick Group.

In May 2008, certain employees of the Brick Group became owners of a Brick franchise. During the three and six month periods ended June 30, 2009, the Brick Group sold inventory of \$565 and \$984 respectively (three and six month periods ended June 30, 2008: \$462) to this franchise.

During 2008, the Brick Group entered into franchise agreements for six Brick stores with a director serving on the boards of Trans Global Insurance Company, and Trans Global Life Insurance Company. During the three and six month periods ended June 30, 2009, the Brick Group sold inventory of \$1,157 and \$2,434 respectively (three and six month periods ended June 30, 2008: \$NIL) 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, 2009 is \$182 (December 31, 2008: \$400) for loans made to employees. These loans relate to employee relocation.

In conjunction with the May 28, 2009 recapitalization transaction, the Brick Group issued Debentures and Warrant to William H. Comrie (“Comrie”), a resident of the United States, who holds a 39.80% interest in the Brick Group through 21,561,983 Class A Trust Units, and to Fairfax Financial Holdings Limited (“Fairfax”), which holds 15.47% 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. Interest on long-term debt for the three months ended June 30, 2009 related to the Debentures and payable to Comrie and Fairfax was \$0.2 million and \$0.4 million respectively. Further, as a result of the recapitalization transaction, Comrie and Fairfax hold 18,000,000 and 45,000,000 Warrants respectively.

Subsequent to June 30, 2009, the Brick Group entered into an agreement in principle with Fairfax for a \$25,000 letter of credit facility. In conjunction with this transaction, the Brick Group will pay a fee of \$300,000 to Fairfax and issue to Fairfax 5,317,100 warrants. This letter of credit facility is further discussed in this MD&A under the Overview and Financing Resources headings.

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 2008 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, 2009 and December 31, 2008.

Accounting Standards Adopted in the Current Year

Commencing January 1, 2009, the Brick Group adopted the following new Canadian Institute of Chartered Accountants (“CICA”) accounting standard:

Section 3064 – Goodwill and Intangible Assets

In February 2008, the CICA issued new Handbook Section 3064, Goodwill and Intangible Assets, replacing Handbook Section 3062, Goodwill and Other Intangible Assets. This new standard was adopted by the Brick Group for its fiscal year starting on January 1, 2009. Standards concerning goodwill are unchanged from the standards included in the previous Handbook Section 3062. The new section provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. Accordingly, no amortization in respect of pre-opening costs will be recorded during the year ending December 31, 2009, or thereafter. The change in policy has been applied retroactively. As a result, the Brick Group has charged certain amounts to deficit as at January 1, 2008, as if the pre-opening costs had not been deferred. These adjustments as at January 1, 2008 resulted in a decrease in intangible assets and deferred charges of \$5,732, a decrease in prepaid expenses and deposits of \$354, and an increase in opening deficit as at January 1, 2008 of \$6,086. In addition, the Brick Group

has restated its 2008 results of operations in order to reflect this change in policy. For the three month period ended June 30, 2008, these adjustments resulted in a decrease in amortization expense of \$661, a decrease in selling, general and administrative expenses of \$124, and a corresponding increase in the net income of \$785. The impact on basic and diluted net income per unit was an increase of \$0.01 per unit. There was no impact to the consolidated statement of cash flow. For the six month period ended June 30, 2008, these adjustments resulted in a decrease in amortization expense of \$1,322, a decrease in selling, general and administrative expenses of \$154, and a corresponding increase in the net income of \$1,476. The impact on basic and diluted net income per unit was an increase of \$0.03 per unit. There was no impact to the consolidated statement of cash flow. These pre-opening costs related mainly to the expansion of the Brick Group's operations into Quebec in 2004, and to the expansion of its distribution centre infrastructure in 2006.

Section 3500 – Earnings per Unit

The Warrants issued in conjunction with the recapitalization transaction are potentially dilutive derivative equity instruments. Accordingly, the Brick Group must now consider the potentially dilutive effect of the Warrants on its earnings per unit. The Brick Group has adopted the treasury stock method to compute the dilutive effect of the Warrants on earnings per unit. Under this method, the dilutive effect is calculated assuming that the Brick Group would use proceeds received upon the exercise of warrants to purchase Class A units at the average market price during the period. No such calculation is made where a loss is incurred because the effect would be anti-dilutive. In this latter case, the diluted loss per unit is considered to be equal to the basic loss per unit. Basic earnings per unit are calculated using the weighted-average number of Trust units outstanding during the period.

EIC – 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which applies to interim and annual financial statements for periods ending on or after January 20, 2009. EIC-173 requires that entities take into account their own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 during the second quarter had no impact on the Brick Group's results of operations, financial position or disclosures.

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.

International Financial Reporting Standards

In March 2007, the CICA announced that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) effective January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure.

During the year ended December 31, 2008, the Brick Group commenced its IFRS implementation project to assess the potential impacts of the transition to IFRS and developed a detailed project plan to ensure compliance with the new standards. The Brick Group has completed the initial phase of the implementation project including a detailed diagnostic analysis which includes 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 include, development of opening balances in the consolidated balance sheet, measurement of capital assets, asset impairment measurements, and leases. The initial phase of the analysis resulted in the prioritization of areas to be evaluated in the next phase of the project plan, component evaluation. This phase, 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 will continue to assess the impact of the adoption of IFRS on our results of operations, financial position and financial statement disclosures.

As well, the Brick Group continues to assess the impact of the conversion on internal controls over financial reporting and disclosure controls and procedures, investor relations, human resources, contractual relations, and other areas that could potentially be impacted.

14. RISK FACTORS

The Brick Group's risk factors are substantially the same as those disclosed in the 2008 Annual MD&A, the March 2009 AIF, and the final short form prospectus dated May 21, 2009. These documents can be found on-line at www.sedar.com.

15. CONTROLS AND PROCEDURES

There were no changes in the Brick Group's disclosure controls and procedures, or internal controls over financial reporting, that occurred during the three and six month periods ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect the Brick Group's internal controls over financial reporting.

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. In particular, this MD&A contains forward-looking statements pertaining to distributable cash and distributions per unit. The actual results could differ materially from those anticipated in these forward-looking statements.

Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Brick Group to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to, fluctuations in interest rates and currency values, changes in economic and political conditions, legislative and regulatory developments, legal developments, the level of competition in the Brick Group's markets, the occurrence of weather related and other natural catastrophes, the ability to attract and retain key personnel, the ability to complete and integrate acquisitions, changes in tax laws, and those risks and uncertainties detailed in the section entitled "Risk Factors". The preceding list is not an exhaustive list of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Brick Group undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.