



## **Message from the President and Chief Executive Officer**

We are in the midst of a significant recession, and as we had expected, our financial results for the first quarter of 2009 marked a disappointing start to the year. With the recession in Canada currently anticipated to be worse than initially predicted, and the recovery gradual and prolonged, we have taken action to ensure we have the financial foundation in place to weather the remainder of the current storm. Our recent announcement of our pending recapitalization transaction, achieved during market conditions when it's difficult for companies to refinance, speaks to the strength of our underlying business. The completion of the recapitalization will enable the Brick Group to deal with liquidity and financial covenant issues.

Financial results for the quarter were down considerably compared to the same period last year, with consolidated sales and operating revenue lower by 17.2% to \$271.6 million. An increase in unemployment rates has led to reduced consumer spending and lower housing sales, directly impacting our retail sales volumes.

While our core business has taken the full impact of the downturn, there are some positive aspects to our operations that demonstrate our strengths. Our financial services segment continues to be profitable, with revenue reaching \$17.4 million during the first quarter, reflecting a 20.6% increase from last year, largely owing to the warranty business. We expect to continue to benefit from the relative stability of this profitable business segment. Also, we are encouraged by the performance of our franchise stores, which will provide a modest growth platform for 2009, whose sales increased by 7.0% to \$32.2 million during the quarter.

Management has taken action to manage the parts of our business over which we have control. Our focus for the year remains on driving profitable sales, maximizing gross margin, and reducing SG&A expenses. We have had some early success from our ongoing efforts to reduce semi-fixed and variable costs in the areas of hourly compensation, advertising, and product handling and distribution costs proved to be fruitful. SG&A was reduced by \$11.4 million, or 9.2%, from the first quarter last year.

Inventory is being strategically managed to lower levels, by running clearance sales promotions targeted at in-stock inventory and replenishing inventory. This strategy allowed the Brick Group to deliver written sales in the first quarter, while limiting overall funding for inventory investment.

Consolidated gross margin for the quarter was lower by one percent compared to the same quarter of 2008. Margins on furniture were lower, partially resulting from increased clearance activity, and our sales mix also included a higher percentage of the lower-margin electronics category.

Management is preparing for continued adversity in the remainder of 2009 and is taking appropriate measures to reduce the pressure on liquidity and pricing caused by volatile financial markets. While we don't expect any significant recovery in 2009, we do believe that the Brick will be positioned to demonstrate its relative strengths as consumer confidence returns.

The Brick Group is managed by an experienced and committed management team. In the company's 37 year history, we have managed through recessions before, and we fully expect to continue building our business for the long term. On behalf of the Brick team, I wish to thank you for your continued support.

Sincerely,

*"Kim Yost"*

Kim Yost  
President and CEO