

*Interim Consolidated Financial Statements of*

**THE BRICK GROUP INCOME FUND**

*For the three and six month periods ended June 30, 2010  
(Unaudited)*

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**The Brick Group Income Fund**  
**Interim Consolidated Balance Sheets**  
(thousands of Canadian dollars)  
*(unaudited)*

	June 30, 2010	December 31, 2009
<b>ASSETS</b>		
CURRENT		
Cash and cash equivalents (Note 2)	\$ 24,102	\$ 19,548
Accounts receivable (Note 5)	63,872	71,504
Inventory (Note 6)	164,698	170,862
Deferred issuance costs	-	1,654
Prepaid expenses and deposits	10,798	6,264
	<b>263,470</b>	<b>269,832</b>
NET INVESTMENT IN LEASE RECEIVABLES	-	139
MARKETABLE SECURITIES	16,289	16,703
DEFERRED ACQUISITION COSTS	24,152	24,590
CAPITAL ASSETS	116,864	125,175
INTANGIBLE ASSETS AND DEFERRED CHARGES	60,946	63,057
FUTURE INCOME TAXES	32	36
	<b>\$ 481,753</b>	<b>\$ 499,532</b>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 137,018	\$ 161,305
Customers' deposits	59,444	62,470
Unpaid claims reserve	2,599	2,528
	<b>199,061</b>	<b>226,303</b>
PERFORMANCE SHARE UNIT PLAN (Note 11)	52	-
DEFERRED SERVICE REVENUE	55	33
DEFERRED LEASE INDUCEMENTS AND RENT LIABILITIES	48,339	47,816
DEFERRED WARRANTY PLAN REVENUE AND UNEARNED INSURANCE REVENUE	128,240	130,047
LONG-TERM DEBT	112,595	111,683
FUTURE INCOME TAXES	2,362	3,972
	<b>490,704</b>	<b>519,854</b>
GUARANTEES AND CONTINGENCIES (Note 14)		
<b>UNITHOLDERS' DEFICIT</b>		
Trust units (Note 9)	530,946	529,324
Warrants (Note 10)	7,219	7,249
Contributed Surplus (Note 11)	1,134	-
Deficit	(548,095)	(556,871)
Accumulated other comprehensive loss	(155)	(24)
	<b>(8,951)</b>	<b>(20,322)</b>
	<b>\$ 481,753</b>	<b>\$ 499,532</b>

The accompanying notes are an integral part of these interim consolidated financial statements.

**The Brick Group Income Fund**  
**Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**  
(thousands of Canadian dollars except unit and per unit amounts)  
*(unaudited)*

<b>Consolidated Statements of Income (Loss)</b>	<b>June 30, 2010 (3 months)</b>	<b>June 30, 2009 (3 months)</b>	<b>June 30, 2010 (6 months)</b>	<b>June 30, 2009 (6 months)</b>
SALES AND OPERATING REVENUE	\$ 326,274	\$ 255,674	\$ 632,522	\$ 527,273
COST OF SALES (Note 6)	190,351	151,094	363,682	312,682
GROSS MARGIN	135,923	104,580	268,840	214,591
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	119,770	112,540	238,961	225,024
	16,153	(7,960)	29,879	(10,433)
OTHER INCOME (EXPENSE)				
Investment and other income	121	306	333	349
Other interest	(142)	(750)	(458)	(1,557)
Interest on long-term debt	(3,964)	(3,066)	(7,917)	(4,491)
Amortization of deferred issuance costs	-	-	(1,654)	-
Amortization	(6,531)	(9,026)	(12,642)	(15,747)
	(10,516)	(12,536)	(22,338)	(21,446)
INCOME (LOSS) BEFORE UNDERNOTED ITEMS	5,637	(20,496)	7,541	(31,879)
Loss on extinguishment of debt (Note 8)	-	(3,046)	-	(3,046)
Goodwill and intangible asset impairment (Note 7)	-	(133,459)	-	(158,459)
INCOME (LOSS) BEFORE INCOME TAXES	5,637	(157,001)	7,541	(193,384)
INCOME TAX (EXPENSE) RECOVERY				
Current	(217)	(370)	(369)	(591)
Future	800	11,004	1,606	18,258
	583	10,634	1,237	17,667
NET INCOME (LOSS)	\$ 6,220	\$ (146,367)	\$ 8,778	\$ (175,717)
Basic net income (loss) per unit	\$ 0.11	\$ (2.70)	\$ 0.16	\$ (3.24)
Diluted net income (loss) per unit	\$ 0.05	\$ (2.70)	\$ 0.07	\$ (3.24)
Basic average number of units outstanding	56,474,326	54,171,133	55,913,107	54,171,133
Incremental units from assumed conversion of warrants and options	74,566,576	-	66,151,411	-
Diluted average number of units outstanding	131,040,902	54,171,133	122,064,518	54,171,133

**Consolidated Statements of Comprehensive Income (Loss)**

NET INCOME (LOSS)	\$ 6,220	\$ (146,367)	\$ 8,778	\$ (175,717)
Other comprehensive income (loss), net of income taxes				
Net (decrease) increase in unrealized fair value				
of available for sale securities	(191)	927	(131)	1,043
Net change in cash flow hedge	-	554	-	581
Other comprehensive (loss) income	(191)	1,481	(131)	1,624
COMPREHENSIVE INCOME (LOSS)	\$ 6,029	\$ (144,886)	\$ 8,647	\$ (174,093)

The accompanying notes are an integral part of these interim consolidated financial statements.

**The Brick Group Income Fund**  
**Interim Consolidated Statements of Changes in Unitholders' Deficit**  
(thousands of Canadian dollars)  
*(unaudited)*

	June 30, 2010 (3 months)	June 30, 2009 (3 months)	June 30, 2010 (6 months)	June 30, 2009 (6 months)
<b>Trust units</b>				
Balance at beginning of period	\$ 529,538	\$ 528,213	\$ 529,324	\$ 528,213
Exercise of warrants (Note 9)	1,408	-	1,622	-
Balance at end of period	530,946	528,213	530,946	528,213
<b>Deficit</b>				
Balance at beginning of period as restated	(554,315)	(423,204)	(556,873)	(391,144)
Net income (loss)	6,220	(146,367)	8,778	(175,717)
Distributions declared	-	-	-	(2,710)
Balance at end of period	(548,095)	(569,571)	(548,095)	(569,571)
<b>Warrants</b>				
Balance at beginning of period	7,245	2,284	7,249	2,284
Warrants exercised (Note 10)	(26)	-	(30)	-
Balance at end of period	7,219	2,284	7,219	2,284
<b>Contributed surplus</b>				
Balance at beginning of period	-	-	-	-
Stock-based compensation expense (Note 11)	1,134	-	1,134	-
Balance at end of period	1,134	-	1,134	-
<b>Accumulated other comprehensive loss on available for sale securities</b>				
Balance at beginning of period	36	(1,821)	(24)	(1,937)
Unrealized (loss) gain arising during the period	(293)	1,208	(200)	1,215
Income taxes on unrealized loss (gain) arising during the period	89	(337)	70	(367)
Reclassification of realized losses (gains) to net income	18	78	(2)	279
Income taxes on reclassification of realized (losses) gains to net income	(5)	(22)	1	(84)
Balance at end of period	(155)	(894)	(155)	(894)
<b>Accumulated other comprehensive loss on cash flow hedge</b>				
Balance at beginning of period	-	(554)	-	(581)
Reclassification of loss on cash flow hedge to net income (net of income taxes of \$NIL)	-	554	-	581
Balance at end of period	-	-	-	-
<b>Total accumulated other comprehensive income (loss)</b>	<b>(155)</b>	<b>(894)</b>	<b>(155)</b>	<b>(894)</b>
<b>Total unitholders' deficit</b>	<b>\$ (8,951)</b>	<b>\$ (39,968)</b>	<b>\$ (8,951)</b>	<b>\$ (39,968)</b>

The accompanying notes are an integral part of these interim consolidated financial statements.

**The Brick Group Income Fund**  
**Interim Consolidated Statements of Cash Flow**  
(thousands of Canadian dollars)  
*(unaudited)*

	June 30, 2010 (3 months)	June 30, 2009 (3 months)	June 30, 2010 (6 months)	June 30, 2009 (6 months)
<b>OPERATING ACTIVITIES</b>				
Net income (loss)	\$ 6,220	\$ (146,367)	\$ 8,778	\$ (175,717)
Add (deduct) items not affecting cash				
Amortization	6,531	9,063	12,642	15,822
Amortization of deferred lease inducements	(648)	(565)	(1,257)	(1,053)
Amortization of deferred warranty revenue	(13,120)	(12,333)	(26,131)	(24,040)
Amortization of deferred acquisition costs	2,593	2,292	4,799	4,432
Amortization of financing fee and transaction costs	339	150	678	196
Amortization of deferred issuance costs	-	-	1,654	-
Accretion expense on debenture	119	39	231	39
Future income taxes	(799)	(11,004)	(1,605)	(18,258)
Reclassification from other comprehensive loss related to hedging activity	-	554	-	581
Amortization of preferred share premiums	6	33	11	56
Loss (gain) on disposal of capital assets	263	(42)	281	134
Stock-based compensation (Note 11)	1,134	-	1,134	-
Loss (gain) on sale of marketable securities	17	74	(1)	290
Loss on extinguishment of debt	-	2,165	-	2,165
Goodwill and intangible asset impairment (Note 7)	-	133,459	-	158,459
Income taxes related to other comprehensive income	84	-	71	-
Performance share unit plan	52	-	52	-
Change in deferred service revenue	3	2	22	-
Change in deferred rent liabilities	543	(1,406)	1,276	(4,461)
Change in lease receivables, long-term portion	27	533	139	(78)
Cash received for leasehold inducements	52	2,249	504	5,532
Cash paid for deferred acquisition costs	(2,398)	(1,507)	(4,361)	(3,775)
Cash received on warranty and insurance sales	12,010	8,261	24,324	19,080
	<b>13,028</b>	<b>(14,350)</b>	<b>23,241</b>	<b>(20,596)</b>
Changes in non-cash operating working capital items (Note 13)	1,421	(8,569)	(16,770)	(36,530)
	<b>14,449</b>	<b>(22,919)</b>	<b>6,471</b>	<b>(57,126)</b>
<b>FINANCING ACTIVITIES</b>				
Net increase in bank indebtedness	-	(39,010)	-	-
Borrowings under asset-based credit facility	2,679	93,369	59,903	93,369
Repayments under asset-based credit facility	(2,679)	(50,000)	(59,903)	(50,000)
Financing fees paid (Note 12)	-	-	(200)	(665)
Financing fees recovered (Note 12)	-	-	200	-
Distributions paid	-	-	-	(5,419)
Repayment of senior secured notes (Note 8)	-	(83,000)	-	(83,000)
Issuance of debentures and warrants, net of transaction costs (Note 8)	-	113,157	-	113,157
Proceeds from exercise of warrants (Note 9)	1,382	-	1,592	-
	<b>1,382</b>	<b>34,516</b>	<b>1,592</b>	<b>67,442</b>
<b>INVESTING ACTIVITIES</b>				
Additions to capital assets	(385)	(3,521)	(1,127)	(7,362)
Change in accounts payable and accrued liabilities related to capital assets	(154)	(2,945)	(1,210)	(5,449)
Additions to marketable securities	(457)	(540)	(776)	(2,452)
Proceeds from sale of marketable securities	659	5,246	978	5,679
Additions to intangible assets	(959)	(6,890)	(1,374)	(8,932)
Proceeds on disposal of capital assets	-	44	-	109
	<b>(1,296)</b>	<b>(8,606)</b>	<b>(3,509)</b>	<b>(18,407)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD</b>				
	<b>14,535</b>	<b>2,991</b>	<b>4,554</b>	<b>(8,091)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>9,567</b>	<b>3,337</b>	<b>19,548</b>	<b>14,419</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD (Note 2)</b>	<b>\$ 24,102</b>	<b>\$ 6,328</b>	<b>\$ 24,102</b>	<b>\$ 6,328</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>				
Interest and dividends received	\$ 201	\$ 286	\$ 384	\$ 488
Interest paid	\$ 7,360	\$ 3,131	\$ 7,744	\$ 4,955
Income taxes paid	\$ 732	\$ 406	\$ 1,655	\$ 371

The accompanying notes are an integral part of these interim consolidated financial statements.

**The Brick Group Income Fund**  
**Notes to the Interim Consolidated Financial Statements**  
(thousands of Canadian dollars except unit and per unit amounts)  
(*unaudited*)

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**1. DESCRIPTION OF THE BUSINESS**

The Brick Group Income Fund (the “Fund”) is an unincorporated, open-ended, limited purpose trust created by the Declaration of Trust made as at May 25, 2004, as amended and restated, and governed by the laws of Alberta. The Fund is authorized to issue an unlimited number of Class A and Class B Trust Units (the “Trust Units.”) The Fund was created to invest in the retail furniture, mattress, appliance and electronics industry initially through the indirect acquisition on July 20, 2004 of the limited partnership units of The Brick Warehouse LP together with its general partner and subsidiaries (the “Brick LP”). The Fund remained inactive until the acquisition on July 20, 2004.

The business of the Fund includes the operations of The Brick Warehouse LP, United Furniture Warehouse LP, First Oceans Trading Corporation, Trans Global Warranty Corp., Trans Global Insurance Company and Trans Global Life Insurance Company whose principal business activities are retail sales of furniture, mattresses, appliances and electronics, and the marketing of warranty plans and retail credit insurance plans.

**2. BASIS OF PRESENTATION**

These unaudited interim consolidated financial statements (the “financial statements”) have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), and include the accounts of the Fund and its wholly owned subsidiaries, including The Brick Trust, The Brick Warehouse LP, United Furniture Warehouse LP, First Oceans Trading Corporation, and Trans Global Warranty Corp. and its subsidiaries: Trans Global Life Insurance Company and Trans Global Insurance Company. All inter-company transactions and balances have been appropriately eliminated. These financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements for the year ended December 31, 2009. These financial statements do not contain all disclosures required by GAAP for annual financial statements and, accordingly, the financial statements should be read in conjunction with the most recently prepared audited annual consolidated financial statements for the year ended December 31, 2009. These financial statements have been prepared assuming the Fund will continue as a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

*Cash and cash equivalents*

Included in cash and cash equivalents at June 30, 2010 are bankers acceptances of \$10,006 with maturity dates of 90 days or less.

**The Brick Group Income Fund**  
**Notes to the Interim Consolidated Financial Statements**  
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**BASIS OF PRESENTATION (continued)**

*Use of estimates*

The preparation of the financial statements, in conformity with 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. In addition to the critical accounting estimates disclosed in the Fund's 2009 annual financial statements, estimates are used when accounting for the fair value of the Fund's option plans and performance share unit plan discussed in Note 10 of these financial statements. Although management reviews its estimates on an ongoing basis, actual results may materially differ from these estimates.

**3. NEWLY ADOPTED ACCOUNTING POLICIES**

*Stock-based compensation plans*

The Fund has stock option plans, which are described in Note 10, and accounts for grants under these plans in accordance with the fair value method of accounting for stock-based compensation. Compensation expense for stock options awarded under these plans represents a non-cash expense, and is based on the option fair value measured at the grant date using the binomial valuation model. Compensation expense is recognized over the vesting period of the options granted based on the estimated number of options expected to vest, with a corresponding increase to contributed surplus. The cumulative effect on current and prior periods from a change in the estimated number of options expected to vest is recognised in the period in which the change in estimate occurs. When options are exercised, the proceeds received by the Fund together with the amount in contributed surplus associated with the exercised options are recorded as an increase to Trust Units.

The Fund has a performance share unit plan, which is described in Note 10, and accounts for grants under this plan in accordance with the fair value method of accounting for stock-based compensation. The estimated fair value of the performance share units is based on attainment of performance conditions and the closing market price of Class A Trust Units. The number of performance share units will be adjusted for changes in the expected or actual outcome of performance conditions, and for changes in the closing unit price in the period in which such changes occur during the vesting period. Compensation expense related to the performance share units is accrued over the term of the performance period based on the expected total compensation to be paid out in cash at the end of the performance period.

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

**The Brick Group Income Fund**  
**Notes to the Interim Consolidated Financial Statements**  
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**4. PENDING CHANGES TO ACCOUNTING POLICIES**

*Section 1582 – Business Combinations*

In January 2009, the Canadian Institute of Chartered Accountants (“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 Fund does not expect the new section to have any impact on its financial position or results of operations. The Fund 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 Fund does not expect the new section to have any impact on its financial position or results of operations. The Fund 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 Fund does not expect the new Section to have any impact on its financial position or results of operations. The Fund plans to adopt this new Section for its fiscal year beginning January 1, 2011.

**The Brick Group Income Fund**  
**Notes to the Interim Consolidated Financial Statements**  
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**PENDING CHANGES TO ACCOUNTING POLICIES (continued)**

*Section 1625 - Comprehensive Revaluation of Assets and Liabilities*

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

*Section 3251 – Equity*

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

*Section 3855 - Financial Instruments – Recognition and Measurement*

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

*EIC 175 - Multiple Deliverable Revenue Arrangements*

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

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

**The Brick Group Income Fund**  
**Notes to the Interim Consolidated Financial Statements**  
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**PENDING CHANGES TO ACCOUNTING POLICIES (continued)**

*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. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Fund’s reporting for the first quarter of 2011, for which the current and comparative 2010 information will be prepared under IFRS. The Fund expects the transition to IFRS to impact financial reporting, internal control over financial reporting, and disclosure controls and procedures, investor relations, human resources, certain contractual relations and other areas. The Fund is assessing the impact of the transition to IFRS in the above areas.

**5. ACCOUNTS RECEIVABLE**

The Brick LP has entered into agreements with specific vendors that require the vendor to pay a rebate provided a certain specified cumulative level of purchases is achieved over a certain period of time. The Brick LP recognizes the rebate amounts based on anticipated purchase volumes and historical results. For the three and six month periods ended June 30, 2010, accrued vendor rebates of \$758 and \$1,605 respectively have been recognized in income for which full requirements for entitlement have not yet been met (Three and six month periods ended June 30 2009: \$458 and \$1,305 respectively).

**6. INVENTORY**

The amount of inventory recognized as an expense during the three and six month periods ended June 30, 2010 was \$181,951 and \$348,621 respectively (three and six month periods ended June 30, 2009: \$144,928 and \$300,953 respectively). This amount is presented within cost of sales on the interim consolidated statements of income (loss). The entire carrying amount of inventory is subject to a first charge security interest in favour of the Fund’s Asset-Based Credit Facility lender, a subordinated security interest in favour of its Fairfax LC lender, and a subordinated security interest in favour of its Debenture holders.

**The Brick Group Income Fund**  
**Notes to the Interim Consolidated Financial Statements**  
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**7. GOODWILL AND INTANGIBLE ASSET IMPAIRMENT**

Goodwill and intangible assets with indefinite lives are recorded at cost and are not amortized. Management reviews these assets for impairment in the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that the asset may be impaired. At June 30, 2009, the Fund performed an interim review of its goodwill and indefinite life intangible assets to determine whether an impairment charge was necessary, and found that the carrying values of its goodwill and brand intangible assets exceeded their fair values. Accordingly, an impairment write down of \$108,459 with respect to the Fund's goodwill and \$25,000 with respect to the Fund's brands (the "Brick" and "United Furniture Warehouse"), and a related future income tax recovery of \$10,080, have been recognized in the Fund's consolidated statement of income (loss) for the three month period ended June 30, 2009.

For the six month period ended June 30, 2009, total impairment charges of \$158,459, including the goodwill impairment charge of \$108,459 and a \$50,000 impairment charge related to the Fund's brands, and related future income tax recoveries of \$14,770 were recognized in the Fund's consolidated statements of income (loss).

**8. LOSS ON EXTINGUISHMENT OF DEBT**

On May 28, 2009, the Fund's senior secured notes ("Senior Notes") were refinanced on a long-term basis through a \$120 million financing comprised of the sale of 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") (Note 10). The Fund closed the financing for gross proceeds of \$120,000. The Fund allocated the gross proceeds between the Debentures and Warrants. The transaction costs of \$6,843 related to the financing were allocated pro rata to the Debentures and Warrants based on the allocation of gross proceeds.

The proceeds of the financing were used to repay the Senior Notes with an aggregate principal amount of \$83,000 plus accrued interest of \$1,361 and an associated early settlement fee of \$830, and also to partially repay the Fund's Operating Credit Facility. The early settlement fee was included in loss on extinguishment of debt on the consolidated statements of loss for the three and six month periods ended June 30, 2009.

In conjunction with the repayment of the Senior Notes, unamortized transaction costs and deferred retail financing fees of \$1,455 and \$710 respectively, were written off and were included in loss on extinguishment of debt on the consolidated statements of loss for the three and six month periods ended June 30, 2009.

**The Brick Group Income Fund**  
**Notes to the Interim Consolidated Financial Statements**  
(thousands of Canadian dollars except unit and per unit amounts)  
*(unaudited)*

**9. TRUST UNITS**

The Declaration of Trust provides that an unlimited number of units may be issued.

<i>Issued</i>	<b>June 30, 2010</b>		December 31, 2009
	<b>Number of Units</b>	<b>Amount</b>	Amount
<b>Class A Trust Units</b>			
Balance at December 31, 2009	55,261,333	\$ 529,324	\$ 528,213
Exercise of warrants	1,591,300	1,622	1,111
<b>Balance at end of period</b>	<b>56,852,633</b>	<b>\$ 530,946</b>	<b>\$ 529,324</b>

During three months ended June 30, 2010, the Fund issued 1,381,300 Class A Trust Units upon the exercise of Debenture Warrants for total cash consideration of \$1,382. In addition, an amount of \$26, being a prorata portion of the value previously attributed to the Debenture Warrants (Note 9), was transferred to Class A Trust Units.

During six months ended June 30, 2010, the Fund issued 1,591,300 Class A Trust Units upon the exercise of Debenture Warrants for total cash consideration of \$1,592. In addition an amount of \$30, being a prorata portion of the value previously attributed to the Debenture Warrants (Note 9), was transferred to Class A Trust Units.

**10. WARRANTS**

Warrants are recognized in these consolidated financial statements as a separate component of equity. The following warrants were outstanding for the six month period ended June 30, 2010:

	<b>Number of Warrants</b>	<b>Amount</b>	<b>Weighted Average Exercise Price</b>
Debenture Warrants expiring May 27, 2014			
Balance at December 31, 2009	118,909,800	\$ 2,263	\$ 1.00
Exercised	(1,591,300)	(30)	1.00
	117,318,500	2,233	1.00
Fairfax LC Warrants expiring August 24, 2014			
Balance at December 31, 2009	5,317,100	4,986	0.82
<b>Balance at end of period</b>	<b>122,635,600</b>	<b>\$ 7,219</b>	<b>\$ 0.99</b>

**The Brick Group Income Fund**  
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**11. STOCK-BASED COMPENSATION PLANS**

The following describes the Fund's stock-based compensation plans:

**CEO's Stock Option Agreement**

In July 2009, 6,000,000 options to purchase Class A Trust Units of the Fund were awarded under a stock option agreement, subject to unitholder and TSX approval, pursuant to an employment agreement with the Fund's President and Chief Executive Officer (the "CEO Options"). As the CEO Options were subject to unitholder approval, there had been no impact on the Fund's financial statements prior to the three month period ended June 30, 2010. The CEO Options, provided in exchange for future services, becomes fully vested and exercisable on December 1, 2011 and expire on December 1, 2013. Under the agreement, 3,000,000 options to purchase Class A Trust Units of the Fund at an exercise price of \$1.00, and 3,000,000 options to purchase Class A Trust Units of the Fund at an exercise price of \$0.68 were granted. The weighted average grant-date fair value of the CEO Options of \$1.69 was estimated on May 6, 2010 using the binomial valuation model assuming a volatility factor of 50.9%, a risk free interest rate of 2.72%, no payment of dividends, and an expected life of 3.6 years. For the three and six month periods ended June 30, 2010, stock option compensation of \$971 is included in selling, general and administrative expense on the consolidated statements of income (loss), and in contributed surplus on the consolidated balance sheet as at June 30, 2010.

**Unit Option Plan**

The Fund has granted options under a unit option plan ("Unit Option Plan") for certain eligible officers and employees. Under the Unit Option Plan, options to purchase Class A Trust Units of the Fund may be granted to participants. The aggregate number of units reserved for issuance upon the exercise of all options granted under the plan will not exceed 2,350,000 units. These options vest on completion of approximately three years service where performance conditions for the 2012 fiscal year are met. These options have a maximum term of seven years. The fair value of these options of \$1.33 per option was estimated on May 6, 2010, using the binomial option pricing model assuming no expected dividends, a risk-free interest rate of 2.96%, an expected stock price volatility of 51.86% for an expected life of seven years, and the exercise price of \$2.28. For the three and six month periods ended June 30, 2010, unit option compensation of \$25 is included in selling, general and administrative expense on the consolidated statements of income (loss), and in contributed surplus on the consolidated balance sheet as at June 30, 2010.

For the three month and six month period ended June 30, 2010, potentially dilutive Trust Units relating to unit options outstanding at June 30, 2010 of 334,236 were not included in the computation of diluted earning per unit because their effect would have been anti-dilutive.

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**STOCK-BASED COMPENSATION PLANS (continued)**

Stock-based options granted and outstanding during the period ended June 30, 2010 was as follows:

	Number of Options	Weighted Average Exercise Price	Range of Exercise Prices	Weighted Average Contractual Life
CEO's Stock Option Agreement				
Balance at December 31, 2009	-	-	-	-
Granted May 6, 2010	6,000,000	\$ 0.84	\$0.68 to \$1.00	3.60
	6,000,000	0.84	-	3.60
Unit Option Plan				
Balance at December 31, 2009	-	-	-	-
Granted May 6, 2010	334,236	2.28	\$2.28	7.00
	334,236	2.28	-	7.00
Balance at end of period	6,334,236	\$ 0.92	-	3.76

None of the options outstanding at June 30, 2010 were exercisable.

**Deferred Share Unit Plan**

The Fund has granted 60,548 deferred share units to certain non-management trustees under a deferred share unit ("DSU") plan. Under the DSU plan, each non-management trustee may elect to receive all or a percentage of his quarterly compensation in the form of notional Class A Trust Units of the Fund called DSUs. The Fund provides an additional 10 percent matching of the elected amount such that the number of DSUs issued to each trustee equals in value 110 percent of the elected amount. In addition to the elected amount, trustees also receive an annual grant of DSUs. A trustee's DSU account is credited with the number of DSUs determined by dividing the dollar amount of compensation payable in DSUs on the payment date by the market price of a Trust Unit at such time, plus dividend equivalents in the form of additional DSUs equal to the dividends or distributions declared and issued, if any, on the underlying DSUs. DSUs will only be redeemable by a Trustee following the time that the Trustee ceases to be a Trustee of the Fund for any reason. The aggregate number of Class A Trust Units reserved for issuance under the DSU Plan will not exceed 650,000. For the three and six month periods ended June 30, 2010, an amount of \$138 payable in DSUs is included in selling, general and administrative expenses in the Fund's consolidated statements of income (loss) and in contributed surplus on the consolidated balance sheet as at June 30, 2010.

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**STOCK-BASED COMPENSATION PLANS (continued)**

**Performance Share Unit Plan**

The Fund has issued 440,224 performance share units (“PSUs”) to certain eligible officers and employees. Each PSU awarded conditionally entitles the eligible person to the delivery of one Class A Trust Unit of the Fund upon attainment of the PSU vesting conditions, or the cash equivalent thereof, at the Fund’s sole discretion. The Fund intends to settle these awards in cash and has therefore classified these awards as a long-term liability in the consolidated balance sheet. These PSUs plus dividend equivalents in the form of additional PSUs equal to the dividends or distributions declared and issued, if any, on the underlying units will vest on completion of approximately three years service where performance conditions for the 2012 fiscal year are met. As well, the PSUs may be subject to a multiplier to the extent that specific performance-based criteria for the 2012 fiscal year are exceeded. The aggregate number of units reserved for issuance upon the vesting of all PSUs granted under the PSU plan will not exceed 1,000,000 Class A Trust Units. Compensation expense related to the PSUs is accrued over the term of the performance period based on the expected total compensation to be paid out at the end of the performance period. For the three and six month periods ended June 30, 2010 an amount of \$52 is included in selling, general and administrative expenses in the Fund’s consolidated statements of income (loss).

**12. 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, 2010 (Three and six month periods ended June 30, 2009: \$257 and \$513 respectively), paid to a joint venture partially owned by an officer of the Fund. At June 30, 2010 and December 31, 2009, no amounts were payable to or receivable from this related party.

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

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

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

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**RELATED PARTY TRANSACTIONS (continued)**

Included in accounts receivable at June 30, 2010 is \$57 (December 31, 2009: \$145) for loans made to employees. These loans relate primarily to employee relocation.

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

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

**13. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS**

	June 30, 2010 (3 months)	June 30, 2009 (3 months)	June 30, 2010 (6 months)	June 30, 2009 (6 months)
Cash provided (used in) by				
Accounts receivable	\$ (192)	\$ (8,715)	\$ 7,632	\$ 6,085
Inventory	(7,299)	3,733	6,164	52,301
Prepaid expenses and deposits	(3,210)	132	(4,534)	(254)
Accounts payable and accrued liabilities	5,862	(14,002)	(24,287)	(100,324)
Customers' deposits	6,351	7,760	(3,026)	(1,711)
Unpaid claims reserve	(245)	(422)	71	(785)
	<u>1,267</u>	<u>(11,514)</u>	<u>(17,980)</u>	<u>(44,688)</u>
Accounts payable and accrued liabilities related to distributions	-	-	-	2,709
Accounts payable and accrued liabilities related to capital assets	154	2,945	1,210	5,449
	<u>\$ 1,421</u>	<u>\$ (8,569)</u>	<u>\$ (16,770)</u>	<u>\$ (36,530)</u>

**The Brick Group Income Fund**  
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**14. GUARANTEES AND CONTINGENCIES**

The Fairfax LC, initially issued in the amount of \$25,000, matured on February 24, 2010 and was extended, at the Fund's option, for a further six month term at a reduced amount of \$4,000. At June 30, 2010, the Fund had \$4,000 (December 31, 2009: \$17,184) in outstanding standby letters of credit under the Fairfax LC issued to inventory suppliers of the Fund, and \$52 (December 31, 2009: \$10,802) under the Asset-Based Credit Facility issued to service providers of the Fund. No funds have been advanced on these standby letters of credit.

The Fund has assigned a real estate lease agreement to an unrelated third party. The lease assignment exposes the Fund to the risk of default by the unrelated third party on the lease payments payable over the remaining term of the lease. The related lease agreement expires in August 2015 after which the Fund will have no further contingent obligation. The maximum exposure in respect of future lease payments contingently payable over the remaining term of the related lease at June 30, 2010 is \$453.

**15. SEGMENTED INFORMATION**

The Fund's reportable segments are strategic business units that offer different products and services. The Fund has two operating segments: Retail and Financial Services.

The Fund operates retail stores concentrating on the sales of furniture, mattresses, appliances and electronics. Retail customers are offered credit through the Brick Card which is funded and billed by unrelated external service providers.

The Financial Services segment is primarily engaged in providing extended warranty services on products sold to customers of The Brick and credit insurance on balances that arise from customers' use of their Brick Card. Accordingly, the Financial Services segment is economically dependant on the retail segment as the majority of its revenues are derived from sales to customers of the retail segment. Credit balances are insured against the cardholder's loss of life, property or source of income, thereby providing protection to many customers who do not carry other similar insurance policies. The Financial Services segment also offers property and credit insurance products to third parties.

The reportable segments reflect the basis on which management measures performance and makes decisions regarding the allocation of resources.

The accounting policies of the segments are the same as those described in the annual audited consolidated financial statements for the year ended December 31, 2009.

All material inter-company transactions and balances, including inter-company revenues of \$2,764 and \$5,542 for the three and six month periods ended June 30, 2010 (Three and six month periods ended June 30, 2009: \$2,258 and \$5,006, respectively ), have been appropriately eliminated.

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**SEGMENTED INFORMATION (continued)**

	June 30, 2010 (3 months)			
	Retail	Financial Services	Intersegment Eliminations	Consolidated
External sales and operating revenue	\$ 305,229	\$ 21,045	\$ -	\$ 326,274
Intersegment revenues	2,231	533	(2,764)	-
Total sales and operating revenue	307,460	21,578	(2,764)	326,274
Cost of sales	181,951	12,829	(4,429)	190,351
Gross margin	125,509	8,749	1,665	135,923
Selling, general and administrative expenses	120,032	524	(786)	119,770
Investment and other income	43	1,172	(1,094)	121
Intersegment license fee income (expense) (1)	5,454	(5,454)	-	-
EBITDA*	10,974	3,943	1,357	16,274
Interest expense	5,180	20	(1,094)	4,106
Amortization of capital assets	4,538	1	-	4,539
Amortization of intangible assets and deferred charges	1,992	-	-	1,992
Income (loss) before income taxes	(736)	3,922	2,451	5,637
Income tax recovery (expense)	771	(188)	-	583
Net income (loss) (2)	35	3,734	2,451	6,220
Total intersegment eliminations impacting net (loss) income	(3,681)	6,132	(2,451)	-
Net (loss) income - consolidated	\$ (3,646)	\$ 9,866	\$ -	\$ 6,220
EBITDA*	\$ 10,974	\$ 3,943	\$ 1,357	\$ 16,274
Total intersegment eliminations impacting EBITDA	(4,775)	6,132	(1,357)	-
Consolidated EBITDA*	\$ 6,199	\$ 10,075	\$ -	\$ 16,274
<b>OTHER INFORMATION</b>				
Interest income	\$ 68	\$ 21	\$ -	\$ 89
Total assets	\$ 436,990	\$ 44,763	\$ -	\$ 481,753
Capital expenditures	\$ 385	\$ -	\$ -	\$ 385
Amortization of deferred warranty revenue	\$ -	\$ 13,120	\$ -	\$ 13,120
Amortization of deferred acquisition costs	\$ -	\$ 2,593	\$ -	\$ 2,593

(1) Intersegment license fees of \$5,454 are charged by the Retail segment to Financial Services segment for the right to offer warranty and insurance products to customers of the Retail segment. These license fees are in the normal course of business and are recorded at the exchange amounts established by the license fee agreements, which reflect market rates.

(2) Intersegment eliminations affecting net income do not offset as commissions paid in the Retail segment on the sale of warranty products are capitalized as deferred acquisition costs in the Financial Services segment, and charged to earnings over the term of the warranty contract period.

\* References to "EBITDA" are to earnings before interest, income taxes, amortization and non-cash asset impairment charges. EBITDA is not an earnings measure recognized by GAAP, and does not have a standardized meaning prescribed by GAAP, and therefore, may not be comparable to similar measures presented by other issuers. Users of these consolidated financial statements are cautioned that EBITDA should not be construed as an alternative to net income as determined in accordance with GAAP as an indicator of performance, or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows.

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**SEGMENTED INFORMATION (continued)**

	June 30, 2009 (3 months)			
	Retail	Financial Services	Intersegment Eliminations	Consolidated
External sales and operating revenue	\$ 237,558	\$ 18,116	\$ -	\$ 255,674
Intersegment revenues	1,596	662	(2,258)	-
Total sales and operating revenue	239,154	18,778	(2,258)	255,674
Cost of sales	144,928	11,745	(5,579)	151,094
Gross margin	94,226	7,033	3,321	104,580
Selling, general and administrative expenses	108,289	592	3,659	112,540
Investment and other income	2,609	1,222	(3,525)	306
Intersegment license fee income (expense) (1)	4,988	(4,988)	-	-
EBITDA*	(6,466)	2,675	(3,863)	(7,654)
Interest expense	4,880	2,461	(3,525)	3,816
Amortization of capital assets	7,129	-	-	7,129
Amortization of intangible assets and deferred charges	1,897	-	-	1,897
(Loss) income before undernoted items	(20,372)	214	(338)	(20,496)
Loss on extinguishment of debt (Note 7)	3,046	-	-	3,046
Intangible asset impairment (Note 6)	133,459	-	-	133,459
Income (loss) before income taxes	(156,877)	214	(338)	(157,001)
Income tax (expense) recovery	10,581	53	-	10,634
Net (loss) income (2)	(146,296)	267	(338)	(146,367)
Total intersegment eliminations impacting net (loss) income	(8,927)	8,589	338	-
Net (loss) income - consolidated	\$ (155,223)	\$ 8,856	\$ -	\$ (146,367)
EBITDA*	\$ (6,466)	\$ 2,675	\$ (3,863)	\$ (7,654)
Total intersegment eliminations impacting EBITDA	(10,021)	6,158	3,863	-
Consolidated EBITDA*	\$ (16,487)	\$ 8,833	\$ -	\$ (7,654)

**OTHER INFORMATION**

Interest income	\$ 147	\$ 6	\$ -	\$ 153
Total assets	\$ 424,532	\$ 47,749	\$ -	\$ 472,281
Capital expenditures	\$ 3,521	\$ -	\$ -	\$ 3,521
Amortization of deferred warranty revenue	\$ -	\$ 12,333	\$ -	\$ 12,333
Amortization of deferred acquisition costs	\$ -	\$ 2,292	\$ -	\$ 2,292

(1) Intersegment license fees of \$4,988 are charged by the Retail segment to Financial Services segment for the right to offer warranty and insurance products to customers of the Retail segment. These license fees are in the normal course of business and are recorded at the exchange amounts established by the license fee agreements, which reflect market rates.

(2) Intersegment eliminations affecting net income do not offset as commissions paid in the Retail segment on the sale of warranty products are capitalized as deferred acquisition costs in the Financial Services segment, and charged to earnings over the term of the warranty contract period.

\* References to "EBITDA" are to earnings before interest, income taxes, amortization and non-cash asset impairment charges. EBITDA is not an earnings measures recognized by GAAP, and does not have a standardized meaning prescribed by GAAP, and therefore, may not be comparable to similar measures presented by other issuers. Users of these consolidated financial statements are cautioned that EBITDA should not be construed as an alternative to net income as determined in accordance with GAAP as an indicator of performance, or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows.

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**SEGMENTED INFORMATION (continued)**

	June 30, 2010 (6 months)			
	Retail	Financial Services	Intersegment Eliminations	Consolidated
External sales and operating revenue	\$ 591,799	\$ 40,723	\$ -	\$ 632,522
Intersegment revenues	4,535	1,007	(5,542)	-
Total sales and operating revenue	596,334	41,730	(5,542)	632,522
Cost of sales	348,621	25,045	(9,984)	363,682
Gross margin	247,713	16,685	4,442	268,840
Selling, general and administrative expenses	235,062	1,260	2,639	238,961
Investment and other income	110	2,399	(2,176)	333
Intersegment license fee income (expense) (1)	10,824	(10,824)	-	-
EBITDA*	23,585	7,000	(373)	30,212
Interest expense	10,507	44	(2,176)	8,375
Amortization of deferred issuance costs	1,654	-	-	1,654
Amortization of capital assets	9,211	1	-	9,212
Amortization of intangible assets and deferred charges	3,430	-	-	3,430
Income before income taxes	(1,217)	6,955	1,803	7,541
Income tax recovery (expense)	1,551	(314)	-	1,237
Net income (2)	334	6,641	1,803	8,778
Total intersegment eliminations impacting net income	(11,112)	12,915	(1,803)	-
Net (loss) income - consolidated	\$ (10,778)	\$ 19,556	\$ -	\$ 8,778
EBITDA*	\$ 23,585	\$ 7,000	\$ (373)	\$ 30,212
Total intersegment eliminations impacting EBITDA	(13,288)	12,915	373	-
Consolidated EBITDA*	\$ 10,297	\$ 19,915	\$ -	\$ 30,212

OTHER INFORMATION

Interest income	\$ 132	\$ 23	\$ -	\$ 155
Total assets	\$ 436,990	\$ 44,763	\$ -	\$ 481,753
Capital expenditures	\$ 1,127	\$ -	\$ -	\$ 1,127
Amortization of deferred warranty revenue	\$ -	\$ 26,131	\$ -	\$ 26,131
Amortization of deferred acquisition costs	\$ -	\$ 4,799	\$ -	\$ 4,799

(1) Intersegment license fees of \$10,824 are charged by the Retail segment to Financial Services segment for the right to offer warranty and offer warranty and insurance products to customers of the Retail segment. These license fees are in the normal course of business and are recorded at the exchange amounts established by the license fee agreements, which reflect market rates.

(2) Intersegment eliminations affecting net income do not offset as commissions paid in the Retail segment on the sale of warranty products are capitalized as deferred acquisition costs in the Financial Services segment, and charged to earnings over the term of the warranty contract period.

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**SEGMENTED INFORMATION (continued)**

	June 30, 2009 (6 months)			
	Retail	Financial Services	Intersegment Eliminations	Consolidated
External sales and operating revenue	\$ 491,714	\$ 35,559	\$ -	\$ 527,273
Intersegment revenues	3,656	1,350	(5,006)	-
Total sales and operating revenue	495,370	36,909	(5,006)	527,273
Cost of sales	300,953	22,118	(10,389)	312,682
Gross margin	194,417	14,791	5,383	214,591
Selling, general and administrative expenses	217,702	1,096	6,226	225,024
Investment and other income	5,044	2,316	(7,011)	349
Intersegment license fee income (expense) (1)	10,256	(10,256)	-	-
EBITDA*	(7,985)	5,755	(7,854)	(10,084)
Interest expense	8,175	4,884	(7,011)	6,048
Amortization of capital assets	12,025	1	-	12,026
Amortization of intangible assets and deferred charges	3,721	-	-	3,721
(Loss) income before undernoted items	(31,906)	870	(843)	(31,879)
Loss on extinguishment of debt (Note 7)	3,046	-	-	3,046
Intangible asset impairment (Note 6)	158,459	-	-	158,459
(Loss) income before income taxes	(193,411)	870	(843)	(193,384)
Income tax recovery (expense)	17,631	36	-	17,667
Net (loss) income (2)	(175,780)	906	(843)	(175,717)
Total intersegment eliminations impacting net (loss) income	(17,818)	16,975	843	-
Net (loss) income - consolidated	\$ (193,598)	\$ 17,881	\$ -	\$ (175,717)
EBITDA*	\$ (7,985)	\$ 5,755	\$ (7,854)	\$ (10,084)
Total intersegment eliminations impacting EBITDA	(19,995)	12,141	7,854	-
Consolidated EBITDA*	\$ (27,980)	\$ 17,896	\$ -	\$ (10,084)

**OTHER INFORMATION**

Interest income	\$ 268	\$ 24	\$ -	\$ 292
Total assets	\$ 424,532	\$ 47,749	\$ -	\$ 472,281
Capital expenditures	\$ 7,361	\$ 1	\$ -	\$ 7,362
Amortization of deferred warranty revenue	\$ -	\$ 24,040	\$ -	\$ 24,040
Amortization of deferred acquisition costs	\$ -	\$ 4,432	\$ -	\$ 4,432

- (1) Intersegment license fees of \$10,256 are charged by the Retail segment to Financial Services segment for the right to offer warranty and offer warranty and insurance products to customers of the Retail segment. These license fees are in the normal course of business and are recorded at the exchange amounts established by the license fee agreements, which reflect market rates.
- (2) Intersegment eliminations affecting net income do not offset as commissions paid in the Retail segment on the sale of warranty products are capitalized as deferred acquisition costs in the Financial Services segment, and charged to earnings over the term of the warranty contract period.

\* References to "EBITDA" are to earnings before interest, income taxes, amortization and non-cash asset impairment charges. EBITDA is not an earnings measure recognized by GAAP, and does not have a standardized meaning prescribed by GAAP, and therefore, may not be comparable to similar measures presented by other issuers. Users of these consolidated financial statements are cautioned that EBITDA should not be construed as an alternative to net income as determined in accordance with GAAP as an indicator of performance, or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. operating, investing and financing activities as a measure of liquidity and cash flows.

**The Brick Group Income Fund**  
**Notes to the Interim Consolidated Financial Statements**  
(thousands of Canadian dollars except unit and per unit amounts)  
(*unaudited*)

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**16. SEASONAL NATURE OF THE BUSINESS**

The Fund's results for any quarter are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in sales levels. The Fund's subsidiaries historically experience a higher level of sales during the third and fourth quarters, while the first and second quarters experience lower sales levels due to seasonal shopping patterns. Occupancy-related expenses, certain general and administrative expenses, depreciation and amortization, and interest expense remain relatively steady throughout the year.

**17. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with the current period's presentation.

The comparative amounts on the interim consolidated statements of cash flow reflect a retrospective correction to present separately the change in the long-term portion of deferred rent liabilities which had previously been included in changes in non-cash working capital items. The amount previously included in changes in non-cash working capital items is \$1,406 and \$ 4,461, respectively for the three and six month periods ended June 30, 2009. This correction did not have any effect on net income (loss), unitholders' equity, cash flows, or externally imposed financial covenants to which the Fund was subject to for the three and six month periods ended June 30, 2009.

**18. SUBSEQUENT EVENT**

On July 10, 2010, the Fund completed an amendment to its existing Asset-Based Credit Facility ("Amendment"). After giving effect to the Amendment, the interest on the Asset-Based Credit Facility is the Canadian prime rate plus the applicable margin which has been reduced from 3% to a range of between 0.75% and 1.25% based on the average borrowings in the prior quarter, the total credit commitment is reduced from \$130,000 to \$100,000, standby fees are reduced from 0.750% to 0.375%, and the annual administrative fee is reduced from \$100 to \$75. The Asset-Based Credit Facility maturity date remains at May 28, 2012.

On July 22, 2010, the remaining outstanding Fairfax LC in the amount of \$4,000 was terminated.