

Date: May 8, 2007

Management's Discussion and Analysis of Consolidated Financial Position and Results of Operations for the three month period ended March 31, 2007.

The Brick Group Income Fund assumes the reader of this document has access to, and has read The Brick Group Income Fund's 2006 Annual Management's Discussion and Analysis (the "2006 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 19, 2007 (the "March 2007 AIF"). The 2006 Annual MD&A and the March 2007 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 months ended March 31, 2007. 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.

Our Vision

To provide long-term balanced growth of distributable cash to our unit holders

Core Strategy

To drive long-term profitable growth through our furniture, mattress, electronics, and appliance business throughout Canada

Competitive Points of Leverage

Leadership in our price value position

Superior buying power

Retail store/Internet sales base

Distribution centre infrastructure

Commercial and franchise sales group

Financial services

Cost-effective supply chain

Keys to Success

Continue to build loyalty/advocacy with existing/potential customers

Optimize strong relationships with current/future suppliers

Foster an environment that respects valued employees and recognizes excellence

Bottom Line

To be Canada’s Brand of choice in furniture/mattresses/electronics/appliances

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. As at March 31, 2007, The Brick Group operated 200 retail stores (including its 26 franchise locations) in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Prince Edward Island, Nova Scotia and the Yukon Territory.

Financial Services

The Brick Group 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 is the first quarter for which prior year quarterly and year-to-date comparative results include 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 Canadian 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 our 2006 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 Canadian 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 excludes stores where significant cannibalization has occurred. On this basis, year to date same store sales as discussed in this MD&A reflect 91.6% 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 same store sales in Western Canada include corporate stores situated in Manitoba, Saskatchewan, Alberta, British Columbia, and the Yukon Territory. References to same store sales in Eastern Canada include corporate stores located in Ontario and Quebec. References to both Western Canada and Eastern Canada same store sales include United Furniture same store sales which, in prior MD&A's, were presented separately.

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.

2. HIGHLIGHTS

(000's of \$ except %, and store amounts)	For the three months ended March 31			
	2007	2006	\$ Increase (Decrease)	% Increase (Decrease)
Retail Segment - Sales and operating revenue	\$ 315,922	\$ 289,530	\$ 26,392	9.1%
Financial Services Segment - Sales and operating revenue	11,518	8,201	3,317	40.4%
Consolidated - Sales and operating revenue	327,440	297,731	29,709	10.0%
Franchise Sales	25,952	19,076	6,876	36.0%
Consolidated and Franchise Sales and operating revenue	353,392	316,807	36,585	11.5%
<i>Same Store Sales (corporate stores)</i>	6.6%	12.2%		
<i>Same Store Sales (corporate and franchise stores)</i>	6.7%	12.4%		
Retail Segment - EBITDA	4,542	4,702	(160)	-3.4%
Financial Services Segment - EBITDA	6,225	5,010	1,215	24.3%
Consolidated - EBITDA	10,767	9,712	1,055	10.9%
Retail Segment - Net loss	(4,108)	(3,117)	(991)	31.8%
Financial Services Segment - Net income	6,840	5,331	1,509	28.3%
Consolidated - Net income	2,732	2,214	518	23.4%
<i>EBITDA - Adjusted</i>	13,166	12,690	476	3.7%
<i>Payout Ratio for the three month period ended March 31</i>	163.7%	162.1%		
<i>Payout Ratio for the twelve month period ended March 31</i>	96.8%	93.6%		
Stores at period end	200	193		

Management is pleased with 2007 first quarter sales and profitability. We were especially pleased with our first quarter growth in sales and same store sales in light of the strong growth in the same quarter of 2006 which was driven by clearance sales related to the rebanner initiative. With respect to EBITDA, not only did we exceed management's expectations, we also exceeded a record first quarter in 2006 which reflected a \$4.4 million increase from the first quarter of 2005.

Distributable Cash and Payout Ratio

Through the end of March 2007, and for the 32nd consecutive month since becoming an income fund, we have continued to meet all of our distribution commitments.

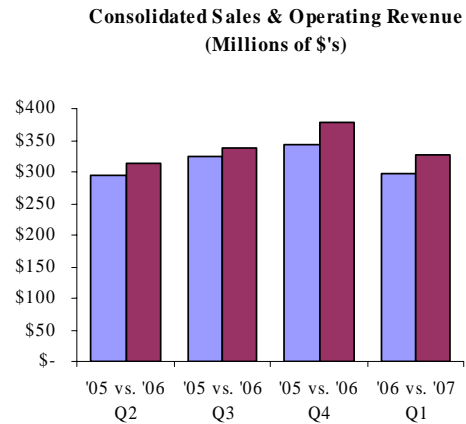
Our distributable cash payout ratio for the twelve month period ended March 31, 2007 was 96.8%.

Under our alternative view of distributable cash, the payout ratio for the twelve month period ended March 31, 2007 was 93.6%.

Sales and Operating Revenue

In the first quarter, consolidated sales and operating revenue, as reported in the unaudited interim consolidated financial statements of The Brick Group Income Fund for the three months ended March 31, 2007, increased by \$29.7 million to \$327.4 million. This represents a 10.0% increase.

Consolidated and franchise sales and operating revenue was \$353.4 million, including \$26.0 million of franchise sales, compared to \$316.8 million, including \$19.1 million of franchise sales, in the same quarter last year. This represents an 11.5% increase.



Same Store Sales

For the quarter, same store sales growth for corporate stores was 6.6% compared to 12.2% in 2006. Same store sales growth for corporate stores together with franchise stores was 6.7% compared to 12.4% in 2006. First quarter sales in 2006 benefited significantly from rebannered related clearance sales.

Franchise Sales

Compared to the same quarter a year ago, sales at franchise stores increased by 36.0% to \$26.0 million. We began and ended the quarter with 26 franchise stores while in 2006, we began the quarter with 20 and ended with 21.

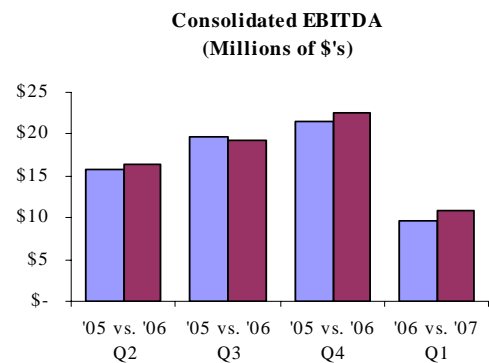
Written Premiums

The amount of warranty and insurance premiums written and received by the financial services segment in the first quarter of 2007 were \$19.0 million compared to \$15.3 million in the first quarter of 2006, reflecting an increase of 23.8%.

Consolidated EBITDA and Adjusted EBITDA

First quarter consolidated EBITDA increased 10.9% or \$1.1 million over 2006.

Adjusted EBITDA for the first quarter of 2007 was \$13.2 million, an increase of 3.7% or \$0.5 million over 2006.



Consolidated Net Income

First quarter consolidated net income of \$2.7 million was 23.4% or \$0.5 million higher than in 2006.

Operations

In the first quarter, we opened 1 Brick Mattress Store in Oshawa, Ontario and closed United Furniture stores in Kitchener, Ontario and Kamloops, British Columbia.

3. CONSOLIDATED OPERATING AND FINANCIAL RESULTS

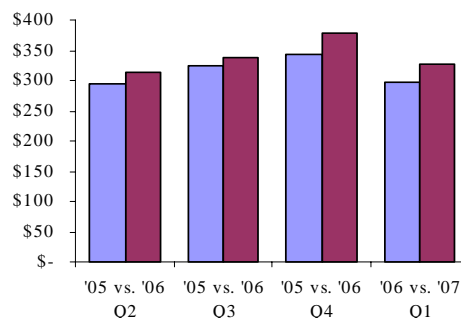
(000's of \$ except %, per unit and store amounts)	For the three months ended March 31			
	2007	2006	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 327,440	\$ 297,731	\$ 29,709	10.0%
Cost of sales	(196,475)	(179,433)	17,042	9.5%
Gross margin	130,965	118,298	12,667	10.7%
<i>Gross margin as a percentage of sales and operating revenue</i>	40.0%	39.7%		
Selling, general and administrative expenses (SG&A)	(120,597)	(109,051)	11,546	10.6%
Investment and other income	399	465	(66)	-14.2%
EBITDA	10,767	9,712	1,055	10.9%
<i>EBITDA as a percentage of sales and operating revenue</i>	3.3%	3.3%		
Interest expense on long-term and other debt	(2,049)	(1,244)	805	64.7%
Income tax recovery	616	322	294	91.3%
Amortization	(6,602)	(6,576)	26	0.4%
Net income	\$ 2,732	\$ 2,214	518	23.4%
Basic and diluted net income per unit	\$ 0.05	\$ 0.04	0.01	25.0%
Stores at period end	200	193		
<u>Adjusted results (purchase accounting adjustments removed):</u>				
Sales and operating revenue	\$ 330,027	\$ 301,295	\$ 28,732	9.5%
EBITDA	13,166	12,690	476	3.7%
<i>EBITDA as a percentage of sales and operating revenue</i>	4.0%	4.2%		
Net income	6,135	6,310	(175)	-2.8%
Payout ratio for the three months ended March 31	163.7%	162.1%		
Payout ratio for the twelve months ended March 31	96.8%	93.5%		

Consolidated Sales and Operating Revenue

Consolidated sales and operating revenue increased by \$29.7 million to \$327.4 million, a 10.0% increase when compared to the same quarter a year ago.

Retail sales increased by \$26.4 million and financial services revenue increased by \$3.3 million.

Consolidated Sales & Operating Revenue
(Millions of \$'s)

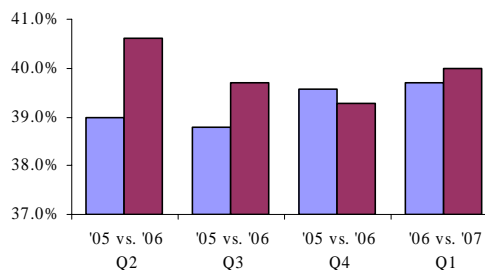


Consolidated Gross Margin

Consolidated gross margin increased by \$12.7 million or 10.7% when compared to the same quarter in 2006.

As a percentage of sales, consolidated gross margin increased to 40.0% from 39.7%.

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

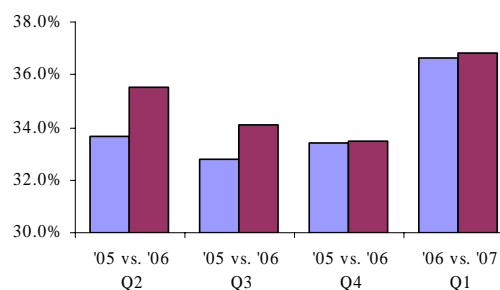


Selling, General and Administrative Expenses

SG&A was \$120.6 million compared to \$109.1 million in the same quarter last year. Compared to the same quarter last year, SG&A as a percentage of sales and operating revenue increased 0.2 ppts.

Essentially all of the Brick Group's SG&A expenses are incurred in the retail segment.

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



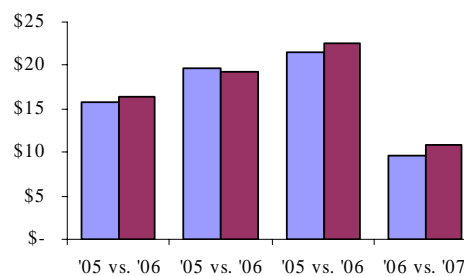
Consolidated EBITDA

Consolidated EBITDA increased to \$10.7 million from \$9.7 million in the same quarter a year ago.

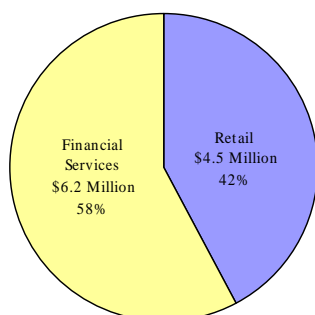
Retail segment EBITDA was \$4.5 million compared to \$4.7 million from the same quarter last year.

Financial segment EBITDA of \$6.2 million was up \$1.2 million from the same quarter last year.

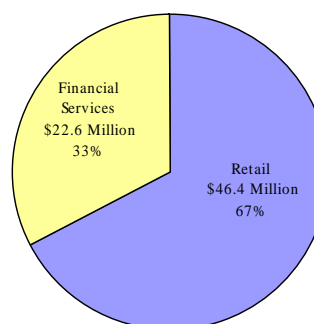
Consolidated EBITDA
(Millions of \$'s)



Consolidated EBITDA by Segment
(Three Months Ended March 31, 2007)



Consolidated EBITDA by Segment
(Twelve Months Ended March 31, 2007)



Due to seasonality, the majority of retail segment EBITDA is earned in the latter half of the year. Relative to the retail segment, financial services segment EBITDA is earned evenly throughout the year. This difference in seasonality between the segments causes the relative contribution of financial services to total EBITDA to be larger in the first half of the year.

Consolidated Net Income

Consolidated net income for the first quarter of \$2.7 million was up \$0.5 million or 23.4% when compared to the same quarter last year. The retail segment net loss of \$4.1 million was \$1.0 million greater than in the same quarter last year. The financial services segment net income of \$6.8 million was \$1.5 million higher than in the same quarter of 2006.

Consolidated net income as a percentage of sales and operating revenue at 0.8% improved by 0.1 ppts compared to the same quarter a year ago.

4. SUMMARY OF 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)	January 1 to March 31, 2007 Q1	October 1 to December 31, 2006 Q4	July 1 to September 30, 2006 Q3	April 1 to June 30, 2006 Q2
Sales and operating revenue:	\$ 327,440	\$ 379,684	\$ 337,783	\$ 313,123
EBITDA:	\$ 10,767	\$ 22,541	\$ 19,266	\$ 16,441
Net income: ⁽¹⁾	\$ 2,732	\$ 14,628	\$ 11,708	\$ 9,380
Basic and diluted net income per unit ⁽¹⁾	0.05	0.27	0.22	0.17
Distributable cash	10,003	21,834	18,587	16,749
Cash distributions declared	16,251	16,253	16,251	16,251

(000's of \$ except per unit amounts)	January 1 to March 31, 2006 Q1	October 1 to December 31, 2005 Q4	July 1 to September 30, 2005 Q3	April 1 to June 30, 2005 Q2
Sales and operating revenue:	\$ 297,731	\$ 343,547	\$ 323,356	\$ 293,269
EBITDA	\$ 9,712	\$ 21,445	\$ 19,601	\$ 15,789
Net income:	\$ 2,214	\$ 13,453	\$ 11,713	\$ 9,175
Basic and diluted net income per unit	0.04	0.25	0.22	0.17
Distributable cash	10,083	22,740	20,543	16,182
Cash distributions declared	16,251	16,253	16,251	16,251

(1) For the quarter ended June 30, 2006, reported earnings before extraordinary item were \$9,018 and basic and diluted net earnings per unit before extraordinary item were \$0.17.

The impact of seasonality on our sales typically results in our quarterly sales increasing throughout the year.

5. SEGMENTED INFORMATION – RETAIL OPERATIONS

(000's of \$)	Three months ended March 31			
	2007	2006	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 315,922	\$ 289,530	\$ 26,392	9.1%
EBITDA	4,542	4,702	(160)	-3.4%
<u>Adjusted results (purchase accounting adjustments removed):</u>				
Sales and operating revenue	\$ 315,922	\$ 289,530	\$ 26,392	9.1%
EBITDA	5,002	5,033	(31)	-0.6%

Sales and Operating Revenue

Sales and operating revenue from the retail segment increased by \$26.4 million or 9.1% compared to the same quarter a year ago, benefiting from new store openings and positive same store sales.

We began the quarter with 175 stores in this group and ended with 174 while in 2006, we began the quarter with 174 and, due to the rebranding initiative, ended with 172.

Overall corporate same store sales grew by 6.6%. Same store sales were strong across the country, with the exception of the Greater Toronto Area, where we experienced some softness.

First Quarter Same Store Sales Change Versus Prior Year		
	2007	2006
Corporate Stores		
Western Canada	9.0%	20.4%
Eastern Canada	4.2%	4.5%
Total Corporate Stores	6.6%	12.2%
Franchise Stores	7.6%	15.5%
Total Corporate Stores & Franchise Stores	6.7%	12.4%



Same store sales as discussed in this MD&A reflect 91.6% of the total sales occurring at all stores that have been open 14 full calendar months.

Our corporate same store sales figures include United Furniture same store sales which in prior MD&A's were presented separately. In our post-rebranding era, and with the United Furniture management function now fully integrated under the Brick management team, we no longer report United Furniture same store sales performance separately. 2006 same store sales figures prepared on this same basis are provided to facilitate comparability.

Franchise Sales

Sales at franchise stores increased by 36.0% to \$26.0 million.

We began and ended the quarter with 26 franchise stores while in 2006, we began the quarter with 20 and ended with 21.

Gross Margin

For the quarter ended March 31, 2007, gross margin was \$11.0 million higher than in the same quarter a year ago.

Against the backdrop of low margin sales in 2006, we realized an increase in gross margin of 0.2 ppts. The magnitude of this increase was dampened by the effect of an increase in sales mix towards appliances and electronics (A&E) which provide lower margins than furniture. Our mix of A&E, relative to the first quarter of 2006, was higher because rebannered stores did not carry A&E prior to rebannered. As well, sales orders written during our record 2006 holiday sales and delivered and recognized as revenue in the first quarter of 2007 included a greater mix of A&E compared to the prior year.

Selling, General and Administrative Expenses

For the quarter ended March 31, 2007, SG&A expenses were \$11.2 million higher than in the same quarter a year ago.

Advertising costs were lower as expected due to rebannered related savings.

Our fixed cost structure now includes the full impact of distribution centres and stores added during 2006, while only an immaterial amount of these new fixed costs impacted our 2006 first quarter results. New stores and the distribution centre build out have increased our fixed occupancy costs as expected, by approximately \$4 million in the quarter. We are benefiting from our 2006 infrastructure investments by our continued strong growth in sales, however, relative to the level of our sales in this first quarter, our SG&A was 0.2 ppts or \$0.7 million higher than in 2006.

Distribution centre cost inefficiencies discussed in our 2006 Annual MD&A were not a factor this quarter.

However, we have experienced increases with delivery costs, which have been impacted by the following factors:

- Increased service levels

We increased our customer service levels with initiatives such as improved delivery times and increased evening delivery service, helping to drive our strong sales growth.

- **Third Party Carriers**

Relative to our over all sales increase, we experienced a stronger sales increase in non-urban areas where delivery costs are higher due to the use of third party carriers.

- **Inefficiencies**

During the quarter, we continued to work against the delivery cost inefficiencies noted in our 2006 third quarter MD&A and the 2006 Annual MD&A. We estimate that the range of delivery cost inefficiencies falls within \$1.0 and \$1.5 million for the quarter.

Service levels are key to our success in driving ongoing sales. Management is focusing on aligning the cost benefit line between providing for our customers' needs and managing to our cost structure. Management believes that, without a reduction to our service levels, we can ultimately realize cost savings that would mitigate the inefficiencies noted above. This remains an ongoing process.

EBITDA

EBITDA in the retail segment of \$4.5 million was \$0.2 million or 3.4% lower than in the same quarter last year.

EBITDA for the retail segment was impacted by the following:

- Total sales growth of \$26.4 million, or 9.1%, drove an increase in gross margin of \$11.0 million; and
- An increase in SG&A expenses of \$11.2 million as discussed above under the heading, "Selling, General and Administrative Expenses".

Operations

As discussed in our 2006 Annual MD&A, management continues to evaluate further rebannered of United Furniture stores, as an option where opportunities present themselves.

Store Continuity

In the first quarter, we opened 1 Brick Mattress Store in Oshawa, Ontario and closed United Furniture stores in Kitchener, Ontario and Kamloops, British Columbia.

The following chart illustrates the Brick Group's store count continuity from December 31, 2006 to March 31, 2007.

Store Count Continuity - Q1 2007

	At Dec 31, 2006	Opened / Closed	At Mar 31, 2007
Corporate Stores			
Brick	88	0	88
Brick Clearance Centre	11	0	11
Superstore	3	0	3
Mattress Store	19	1	20
UFW	54	-2	52
Corporate Subtotal	175	-1	174
Franchise Stores			
Brick Franchise	25	0	25
UFW Franchise	1	0	1
Franchise Subtotal	26	0	26
Total Corporate & Franchise Stores	201	-1	200

6. 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 upon which it earns investment income.

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 revenues 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 revenues recognized in the current period relate 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 3.5% 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.

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

Also in the first quarter of 2005, TGI commenced providing property insurance to a third party which provides coverage against theft of property.

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 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
- Good history of claims experience

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 March 31			
	2007	2006	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 11,518	\$ 8,201	\$ 3,317	40.4%
EBITDA	6,225	5,010	1,215	24.3%
<u>Adjusted results (purchase accounting adjustments removed):</u>				
Sales and operating revenue	\$ 14,105	\$ 11,765	\$ 2,340	19.9%
EBITDA	8,164	7,657	507	6.6%

Sales and Operating Revenue

Sales and operating revenue from the financial services segment increased by \$3.3 million or 40.4% compared to the same quarter a year ago.

Organic growth accounted for approximately 59% of this increase in sales and operating revenue, whereas sales of insurance to third parties provided the balance of the increase.

EBITDA

The financial services segment EBITDA was \$6.2 million in the quarter compared to \$5.0 million in the same quarter last year, an increase of 24.3%.

While overall margins remain healthy within this segment, profitability in the quarter was primarily impacted by three factors:

- Increased mix of third party client business as a percentage of total sales and operating revenue;
- Change in mix within our third party client portfolio, which negatively impacted margins from the portfolio; and
- Increased claims costs associated with our warranty portfolio.

Quarter over quarter, profitability was impacted equally by the mix of third party business and the increase in claims costs.

While third party insurance business delivers a lower gross margin percentage than that earned on Brick business (i.e., Brick credit card insurance and warranty programs), management continues to view this incremental stream of revenues and earnings as a net positive driver to our business model. As a result, we continue to actively work to grow this component of the financial services segment of the business. As noted in prior MD&A's in 2006, higher direct costs typically associated with third party insurance clients were a primary driver of the decline in financial service segment margins when viewed over the last 24 to 36 months, as third party clients were introduced to the revenue and earnings mix commencing in 2005.

With regard to increased warranty claims costs, management is continuing to identify the primary drivers of the increase in claims costs and has initiated discussions with vendors where we have identified an increase in claims costs. In some cases, costs were exacerbated by a parts availability issue, and in other cases, there were specific product and model part failure issues. Management believes it will be able to mitigate its future claims costs through these ongoing discussions with its vendors. As a result, we anticipate realizing certain offsets in claims costs in the second quarter from certain of these vendors. Management continues to work with its vendors in communicating 'out of trend' data with a view to mitigating future claims costs.

As part of the work underway, management is also undergoing a strategic pricing review of its warranty program with a specific focus on its appliance and electronics portfolio.

Management believes that together with its strategic vendor partners, it will be able to manage down its claims costs over the balance of the year.

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.

The amount of warranty and insurance premiums written and received by the financial services segment in the first quarter of 2007 were \$19.0 million compared to \$15.3 million in the first quarter of 2006, reflecting an increase of 24.2%.

For the twelve months ended March 31, 2007 our CSP was 42.9% compared to 43.1% reported for the twelve months ended December 31, 2006. As discussed in our 2006 Annual MD&A, management continually works towards optimizing the CSP rate to maximize insurance premiums written and overall profitability. The change in this metric over the past quarter represents a normal fluctuation and does not reflect any significant change in the underlying business or management initiatives.

7. FINANCIAL POSITION

(000's of \$)	As at March 31	
	2007	2006
Total assets	\$ 913,702	\$ 891,711
Total long-term liabilities	204,827	171,140

Assets

Total assets at March 31, 2007 of \$914 million were \$22 million higher than the \$892 million reported at March 31, 2006.

The largest change in assets was an increase in accounts receivable of \$19 million driven by increased accounts receivable related to commercial sales, increases in the amounts of vendor rebates receivable, increases in the amount receivable from our third party credit card underwriters as the last day of the quarter fell on a weekend, and the removal of an allowance for doubtful accounts related to the release of a limited recourse liability. The balance of the change in assets, netting to \$3 million, was comprised of increases and decreases in other asset amounts, all of which occurred in the normal course of business operations.

Long-Term Liabilities

Long-term liabilities increased \$34 million to \$205 million from \$171 million at March 31, 2006.

Our deferred warranty and insurance plan revenue increased by \$26 million as the rate at which warranty premiums are written and received continues to exceed 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.

Our long-term debt was \$9 million higher than at March 31, 2006. This increase is attributable to the refinancing of our long-term bank debt with the issuance of \$83 million of senior secured notes that occurred on March 14, 2007.

8. LIQUIDITY AND CAPITAL RESOURCES

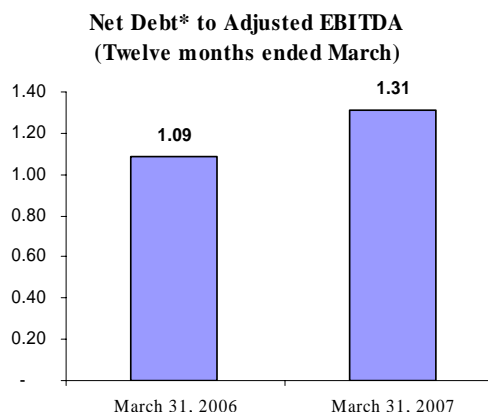
The following table provides a summarized statement of cash flows for the three month periods ended March 31, 2007 and March 31, 2006.

Source (Use) of Cash (000's of \$)	Three months ended March 31		
	2007	2006	\$ Increase (Decrease)
Operating activities			
Retail	\$ 1,696	\$ 3,276	\$ (1,580)
Financial	9,664	8,975	689
Funds Flow from operations	11,360	12,251	(891)
Change in non-cash working capital	(20,847)	(13,288)	(7,559)
	(9,487)	(1,037)	(8,450)
Financing activities			-
Distributions	(16,251)	(16,251)	-
Other	19,687	390	19,297
Investing activities	(5,069)	(10,076)	5,007
Increase (decrease) in cash	\$ (11,120)	\$ (26,974)	\$ 15,854

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

For the quarter ended March 31, 2007, funds flow from operations decreased by approximately \$0.8 million compared to the same quarter in 2006.

* Net debt includes long-term debt, the current portion of long-term debt, and bank indebtedness offset by cash and cash equivalents.



For the quarter ended March 31, 2007, changes in non-cash working capital used \$7.6 million more cash than in the same quarter of 2006. The main component of this change was a reduction in customer deposits. Customer deposits typically increase significantly in the fourth quarter related to holiday season sales and are converted to revenue as sales are delivered in the first quarter of the following year. The increase in customer deposits in the fourth quarter of 2006 was \$9 million higher than in the fourth quarter of 2005.

Working capital fluctuates seasonally, largely driven by changes in inventory and accounts payable. In addition to funds flow from operations, the Brick Group will use its \$50 million Operating Facility to fund unit holder distributions, seasonal fluctuations in working capital requirements, debt service requirements, and to fund growth capital expenditures. A separate \$50 million acquisition credit facility is available to fund acquisition requirements and may also be used to fund growth capital expenditures.

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

Financing Activities

Distributions

During the first quarter, the Brick Group paid cash distributions to unit holders of \$16.3 million (2006 - \$16.3 million).

Other

Other financing activities included the refinancing of our long-term debt which, after payments for financing fees and to extinguish our two remaining outstanding mortgages, resulted in a net cash inflow of \$2.8 million. This amount, together with an increase in bank indebtedness of \$16.9 million, accounted for all of the \$19.7 million cash inflow from other financing activities.

Investing Activities

The following table summarizes the Brick Group's investing activities for the first quarter of 2007 and 2006:

Investing Activities Source (Use) of Cash (000's of \$)	Three months ended March 31		
	2007	2006	\$ (Increase) Decrease
Capital assets additions	\$ (4,607)	\$ (8,362)	\$ 3,755
Intangible asset additions	(8)	(3,127)	3,119
Proceeds from disposal of capital assets	27	1,092	(1,065)
Marketable securities additions	(1,052)	(815)	(237)
Proceeds from sale of marketable securities	571	1,136	(565)
	\$ (5,069)	\$ (10,076)	\$ 5,007

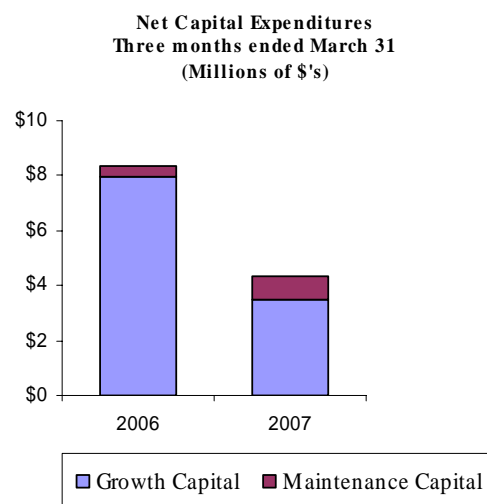
In the first quarter of 2006, investments in capital and intangible assets, and capital asset disposal proceeds were related primarily to our move into the Mississauga distribution centre.

Capital Expenditures

The Brick Group incurred maintenance capital expenditures for the three months ended March 31, 2007 of \$0.9 million compared to \$0.4 million for the same quarter in 2006.

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. Management has determined that the appropriate level for maintenance capital expenditures is between \$5.0 million and \$6.5 million annually as compared to an average of \$5.1 million for years prior to 2005. Maintenance capital expenditures may fluctuate year to year based on the rolling life cycle of building and equipment.

For 2007, management expects to spend between \$5.0 million and \$6.0 million in maintenance capital expenditures.



Growth capital expenditures for the quarter were \$3.7 million. We received tenant inducements of \$0.3 million bringing our net expenditures on growth capital to \$3.4 million for the quarter.

Management expects to spend approximately \$15.0 million in growth capital expenditures, net of tenant inducements, in 2007.

Financing Resources

At March 31, 2007, \$27.0 million was drawn under the \$50.0 million Operating Credit Facility leaving \$23.0 million available undrawn credit, and \$1.7 million was drawn under the Commercial Letter of Credit Facility leaving \$3.3 million undrawn credit. No amount was drawn on the \$50 million Acquisition Facility (collectively, the Operating Credit Facility, the Commercial Letter of Credit Facility and the Acquisition Facility will be referred to as the "Credit Facilities"). The Credit Facilities are explained in more detail in the Notes to the Financial Statements in the annual consolidated financial statements for The Brick Group Income Fund for the year ended December 31, 2006.

On March 14, 2007, the Brick Group refinanced its \$70 million Term Credit Facility on a long-term basis through the issuance, on a private placement basis, of senior secured notes with an aggregate principal amount of \$83 million (the "Senior Notes"). The proceeds were used to repay the \$70 million Term Credit Facility, the two remaining outstanding mortgages (\$9.5 million at December 31, 2006), and to fund general operations.

The \$70 million Term Credit Facility would have become payable in full on its maturity date, July 20, 2007.

The credit agreements governing the Credit Facilities and the Senior Notes respectively require The Brick Group to maintain a maximum ratio of total debt to EBITDA, a minimum fixed charge coverage ratio, and a maximum ratio of adjusted total debt to EBITDAR (defined as EBITDA plus rent). Distributable cash must remain above certain targets. As at March 31, 2007, The Brick Group was in compliance with all covenants.

Contractual Commitments

The contractual commitment estimates are substantially the same as those disclosed in the 2006 Annual MD&A.

Restriction on the Distribution of Capital from TGI and TGLI

Regulatory requirements stipulate that TGI and TGLI must maintain assets equal to their share capital and contributed surplus which totals \$11.0 million for the two companies. TGI and TGLI have cash and marketable securities in excess of the required amount at March 31, 2007.

9. 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 earnings as determined in accordance with GAAP, as indicators of performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

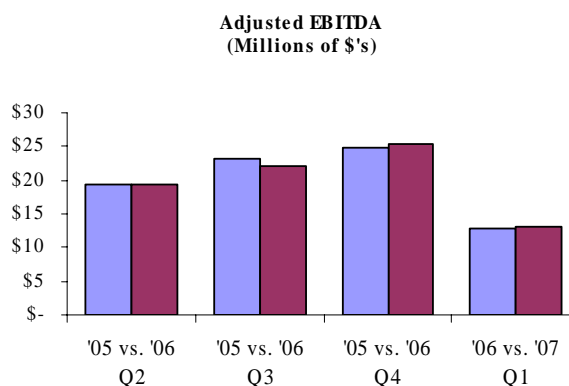
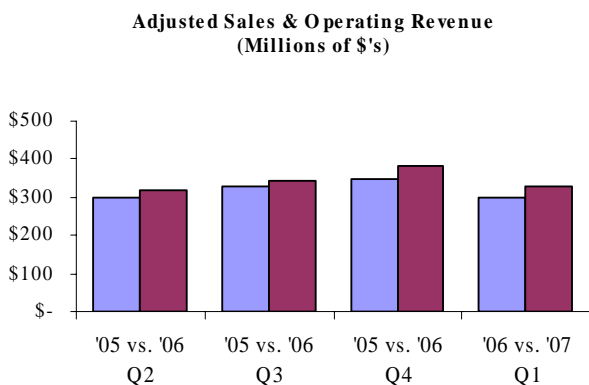
EBITDA

References to “EBITDA” or “reported EBITDA” are to earnings before interest, income taxes and amortization. References to "adjusted EBITDA" are to earnings before interest, income taxes and amortization, adjusted to remove the 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 March 31			
	2007 Adjusted	2006 Adjusted	\$ Increase (Decrease)	% Increase (Decrease)
Sales and operating revenue	\$ 330,027	\$ 301,295	\$ 28,732	9.5%
Cost of sales	(197,122)	(180,333)	16,789	9.3%
Gross margin	132,905	120,962	11,943	9.9%
<i>Gross margin as a percentage of sales and operating revenue</i>	<i>40.3%</i>	<i>40.1%</i>		
Selling, general and administrative expenses (SG&A)	(120,138)	(108,720)	11,418	10.5%
Investment and other income	399	448	(49)	-10.9%
EBITDA	13,166	12,690	476	3.7%
<i>EBITDA as a percentage of sales and operating revenue</i>	<i>4.0%</i>	<i>4.2%</i>		
Interest expense on long-term and other debt	(2,213)	(1,352)	861	63.7%
Income tax expense	(51)	(700)	(649)	-92.7%
Amortization	(4,767)	(4,328)	439	10.1%
Net income	\$ 6,135	\$ 6,310	(175)	-2.8%
Basic and diluted net income per unit	\$ 0.11	\$ 0.12	0.01	8.3%
Stores at period end	200	193		



10. 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). This EBITDA based calculation of Distributable Cash is a primary measure the Trustees must consider with respect to the distributions related to the subordinated Class B units, as set out below. The Distribution Committee of the Board of Trustees reviews and approves cash distributions on a monthly basis taking into account its reported Distributable Cash as calculated above, the Brick Group's current and prospective performance, seasonality, and other factors it considers prudent.

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.

Together with Board of Trustees, management has targeted a distributable cash payout ratio in the mid-80s on an annualized basis (based on its EBITDA based calculation of Distributable Cash) before the Brick Group would consider an increase in monthly distributions. The impact of the proposed "Tax Fairness Plan", announced on October 31, 2006, by the Government of Canada (Department of Finance), would necessarily be considered before any changes to distributions are made.

Distributions for the twelve months ended March 31, 2007 resulted in a payout ratio of 96.8% (twelve months ended March 31, 2006 – 93.5%).

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

After the subordination in respect of Class B units has ended, cash available to make such distributions will be paid monthly to the holders of Class A units and Class B units pro rata, subject to any adjustments in the exchange ratio or the termination of the subordination arrangements.

In accordance with the subordination agreements applicable to the Brick Group's Class B trust units, and based on its financial performance for 2006, the subordination provisions relating to its Class B units will remain in effect for 2007.

If the EBITDA Target has not been reached as at December 31, 2007, the Class B units may be exchanged at the option of the holder subject to a reduction in the exchange ratio.

Readers of this MD&A are encouraged to refer to the March 2007 AIF which provides further information on the Distribution Policy of the Brick Group and the subordination provisions of the Class B units.

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Distributable Cash

The Brick Group Income Fund

Reconciliation of Cash Flow from Operating Activities to Distributable Cash

(000's of \$ except per unit amounts)	Notes	Three months ended March 31		Twelve months ended March 31	
		2007	2006	2007	2006
Cash flow from operating activities	1	(9,487)	(1,037)	72,104	109,584
Changes in non-cash operating working capital items	1, 2	20,847	13,288	12,803	(15,526)
Items not affecting cash	3	(186)	(2,001)	(4,400)	(11,324)
Cash items	4	(8,442)	(8,036)	(42,421)	(46,179)
Income before extraordinary item		2,732	2,214	38,086	36,555
Interest		2,049	1,244	6,529	5,075
Income taxes		(616)	(322)	(3,164)	(1,212)
Amortization		6,602	6,576	27,564	26,129
Reported EBITDA		10,767	9,712	69,015	66,547
Elimination of Purchase Accounting Impact	5	2,399	2,978	10,999	13,263
Adjusted EBITDA		13,166	12,690	80,014	79,810
Debt service obligation	6	(2,288)	(1,515)	(7,324)	(5,891)
Maintenance capital expenditures	7	(892)	(361)	(5,035)	(1,775)
Corporate income taxes - current	8	(57)	(788)	(501)	(2,652)
Cash available for distribution		9,929	10,026	67,154	69,492
Cash available for distribution per unit		0.18	0.19	1.24	1.28
Cash distributions declared		16,251	16,251	65,006	65,006
Cash distributions declared per unit		0.30	0.30	1.20	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 March 31		163.7%	162.1%	96.8%	93.5%

- Cash flow from operating activities and changes in non-cash working capital items are as per the Brick Group's consolidated financial statements.
- 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 unit holders. 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.
- 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.
- Cash items includes cash received for leasehold inducements and from warranty and insurance sales and cash paid for deferred acquisition costs.
- As discussed in our 2005 Annual 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.
- 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.
- 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.
- 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.

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, through this alternative view, we are providing our unitholders a parallel view of our distributable cash that management believes is better aligned with the cash flows generated by the underlying business. As discussed above, our reported EBITDA based calculation of Distributable Cash is a primary measure the Trustees must consider with respect to the distributions related to the subordinated Class B units, as set out below. 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 Trustees of the Brick Group consider such distribution to be prudent and in the best interests of The Brick Group Income Fund. After the subordination in respect of the Class B units has ended, while the Brick Group's current EBITDA based calculation of Distributable Cash is still a factor the Trustees of the Brick Group must consider when determining the amount of cash distributions paid, it will no longer be a primary measure. As such, the Trustees of the Brick Group will consider adopting this alternative view of distributable cash as our reported distributable cash measure in the future, at the time the subordination in respect of the Class B units has ended. Readers of this MD&A are encouraged to refer to the March 2007 AIF which provides further information on the subordination provisions of the Class B units.

The impact of applying this alternative view results in a first quarter payout ratio of 180.4% compared to our reported first quarter payout ratio of 163.7%. For the twelve months ended March 31, 2007, the payout ratio under this alternative view was 93.6%, as compared to our reported payout ratio of 96.8% for the same period.

Alternative View (000's of \$)	Three months ended March 31		Twelve months ended March 31	
	2007	2006	2007	2006
Cash flow from operating activities	\$ (9,487)	\$ (1,037)	\$ 72,104	\$ 109,584
Changes in non-cash working capital	20,847	13,288	12,803	(15,526)
Funds flow from operations	11,360	12,251	84,907	94,058
Cash received for leasehold inducements	(249)	(8)	(4,942)	(10,440)
Increase in claims exposure	(971)	(909)	(4,707)	(5,402)
Scheduled principal repayments	(239)	(271)	(795)	(816)
Maintenance capital expenditures	(892)	(361)	(5,035)	(1,775)
Distributable Cash	9,009	10,702	69,428	75,625
Distributions	(16,253)	(16,251)	(65,006)	(65,006)
Excess (Shortfall)	(7,244)	(5,549)	4,422	10,619
Payout ratio	180.4%	151.9%	93.6%	86.0%

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 unit holders.

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

Distributions remained unchanged in the first quarter of 2007. For the quarter ended March 31, 2007, the Brick Group met all distribution targets of \$0.10 per unit per month for Class A and Class B units. Total cash distributions were \$16.3 million for the quarter as detailed in the table below:

Period	Record Date	Payment Date	Per Unit	Amount
Class A units				
January 2007	January 31, 2007	February 15, 2007	\$ 0.1000	\$ 4,292
February 2007	February 28, 2007	March 15, 2007	0.1000	4,292
March 2007	March 30, 2007	April 16, 2007	0.1000	4,292
				12,876
Class B units				
January 1 - March 31, 2007	March 30, 2007	April 16, 2007	0.3000	3,375
				3,375
				\$ 16,251

Distributions are declared monthly to the Class A unitholders of record on the last business day of each month, and quarterly to the Class B unitholders of record on the last business day of each fiscal quarter.

11. OUTSTANDING UNIT DATA

At March 31, 2007 and May 8, 2007, the Brick Group had 42,924,016 Class A and 11,247,117 Class B units outstanding. William H. Comrie, a resident of the United States, holds a 39.80% interest in the Brick Group through 10,314,866 Class A trust units (19.04%) and 11,247,117 Class B units (20.76%). Fairfax Financial Holdings Limited, holds 10.96% of the Class A Units, or 5,938,800 Class A Units.

12. OUTLOOK

Our outlook has not changed from our 2006 Annual Report. We continue to focus on driving the benefits of our prior year key strategic initiatives, rebannered and the distribution centre infrastructure build out. Our commitment in 2007 is to drive down costs and increase EBITDA.

We will limit, to the extent possible, any new material infrastructure changes to our business model.

Strategic Levers

We continue to have many levers to drive down costs and increase EBITDA. Within the retail segment, these include:

- o Building the Core...Organic growth through same store sales
- o Capital Development ...New builds, relocations and renovations, and select rebannered
- o Franchise Expansion ...New Franchise locations
- o Corporate Growth Sales...Expansion into hospitality and health care markets.

Within our financial services segment, these include:

- o Organic Growth...Brick Card credit insurance penetration, warranty attachment rates
- o Third party Client Development...New Third Party business

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Store Count Continuity

The following chart illustrates our 2007 store count projections:

Store Count Continuity - Beginning of Period Q2 to End of Period Q4			
	At Mar 31, 2007	Opening / Closing	At Dec 31, 2007
Corporate Stores			
Brick	88	2	90
Brick Clearance Centres	11	0	11
Superstore	3	0	3
Mattress Store	20	11	31
UFW	52	-1	51
Corporate Subtotal	174	12	186
Franchise Stores			
Brick Franchise	25	7	32
UFW Franchise	1	0	1
Franchise Subtotal	26	7	33
Total Corporate & Franchise Stores	200	19	219

Limited Rebranding in 2007

As noted previously, management has been very pleased with results on the rebranding initiative. Management continues to evaluate further rebranding of United Furniture stores, as an option where opportunities present themselves. For 2007, management has identified a limited number of additional United Furniture locations that will be converted to Brick stores.

Capital Expenditures

There has been no change to management's previous guidance on capital expenditures.

In 2007, management expects to spend between \$5.0 million and \$6.0 million in maintenance capital expenditures and approximately \$15.0 million in growth capital expenditures, net of tenant inducements.

Franchise Locations

We had 26 franchised locations at the end of December 31, 2006. Management continues its commitment to grow this segment of the business, which requires no direct capital investment from the Brick Group. Management plans to open 6 new franchises in 2007.

Financial Services Segment

The financial services segment continues to be a growing part of our business and provides stable cash flows through sales of credit insurance and product warranties.

Beyond this organic growth, management will continue to focus on growing our financial services segment through the addition of third party clients to the portfolio of accounts. However, management does not anticipate the same level of growth that was experienced in 2006, driven by the partial year impact of new third party business in 2005.

We believe that our geographic and economic diversifications will allow us to remain competitive in the short and long term Canadian economy.

Management remains focused on our mission to drive sales, grow profitability, and ultimately maintain sustainable and stable levels of distributions.

13. CRITICAL ASSUMPTIONS

Off-Balance Sheet Arrangements

For information on off-balance sheet arrangements, see notes 17 and 18 of the audited consolidated financial statements of The Brick Group Income Fund for the year ended December 31, 2006.

Related Party Transactions

Included in SG&A expenses is rent expense of \$0.2 million for the three month period ended March 31, 2007, paid to a joint venture partially owned by an officer of the Brick Group (Three months ended March 31, 2006: \$0.2 million). These transactions are in the normal course of operations and are measured based on commercial rates established and agreed to by the related parties.

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 2006 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 enters into U.S. dollar forward exchange contracts. These contracts are used to minimize a portion of the risk associated with future purchases of foreign currency denominated goods and services with an emphasis on those purchases that are expected to be completed the following month. These derivative contracts, not accounted for as hedges, are marked to market, and any changes in the market value are recorded in income or expense when the changes occur. The fair values of these instruments are recorded in accounts payable and accrued liabilities when fair value represents an unrealized loss or, accounts receivable when fair value represents an unrealized gain.

The Brick Group did not have any U.S. dollar forward exchange contracts outstanding at March 31, 2007. (March 31, 2006 – U.S. dollar forward exchange contracts with a notional maturity amount of \$2.3 million CAD were outstanding with a weighted average term to maturity of 6 days and an unrealized gain of \$0.1 million CAD).

Changes in and Adoption of Accounting Policies

The accounting policies are the same as those disclosed in note 2 of the audited consolidated financial statements of The Brick Group Income Fund for the year ended December 31, 2006, except as noted below.

Commencing January 1, 2007, the Brick Group adopted the following new CICA accounting standards:

Section 3855 - Financial Instruments - Recognition and Measurement

Section 3865 – Hedges

Section 1530 - Comprehensive Income

Section 3251 – Equity

Section 3861 – Financial Instruments - Disclosure and Presentation

The main requirements of these new standards, related accounting policies adopted by the Brick Group and the resulting financial statement impact are discussed in note 3 of the unaudited interim consolidated financial statements of The Brick Group Income Fund for the three months ended March 31, 2007. As required, prior periods have not been restated as a result of implementing these new accounting standards.

14. RISK FACTORS

The Brick Group's risk factors are substantially the same as those disclosed in the 2006 Annual MD&A and March 2007 AIF, other than as follows.

On March 23, 2007, Bill H.R.1672 was introduced in the U.S. House of Representatives and on March 28, 2007, a companion bill (with essentially the same provisions), S. 1006, was introduced in the U.S. Senate, to amend the Internal Revenue Code of 1986. These bills propose to deny "qualified dividend" income treatment to certain foreign dividends, potentially including distributions from many Canadian income trusts. Qualifying dividends are currently subject to 15% U.S. federal income tax. Dividends that do not constitute qualifying dividends are subject to U.S. federal income tax at rates up to 35%. The proposed bills, if enacted into law as presently drafted, potentially would adversely affect the U.S. taxation of distributions to U.S. investors from many income trusts, possibly including the Fund. These bills are still in very preliminary stage of the legislative process and there is no certainty that either bill will be passed into law in its current form, if at all. If either bill is enacted into law in its current or similar form, there may be a disincentive for U.S. taxable investors to purchase or hold units in Canadian income trusts. As a result, the proposed bills may increase the likelihood of Unitholders that are resident in the United States disposing of their Units and may limit the demand for Brick Group units among U.S. investors, any of which factors could negatively affect the market value of the Units.

Pursuant to The Brick Group's Declaration of Trust, Non-resident Unitholders are prohibited from beneficially owning more than 49.9% of the Units. Mr. Comrie, who is a resident of the United States, currently holds a 39.8% interest in The Brick Group. Management will continue to monitor the proposed bills as they move (if at all) through the U.S. legislative process, in order to assess the impact on The Brick Group.

15. CONTROLS AND PROCEDURES

There were no changes in the Brick Group's internal controls over financial reporting that occurred during the quarter ended March 31, 2007 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.